# Review of Payments System Reforms

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# Overview

1. Scope of the review
2. What issues are being addressed?
3. Developments since the reforms?
4. Progress on the studies
5. Where to from here?

# Scope

- Credit cards
- EFTPOS
- Scheme debit
- American Express/Diners Club
- BPAY
- ATMs

# The Issues

Source: The Australian

# What are the Issues?

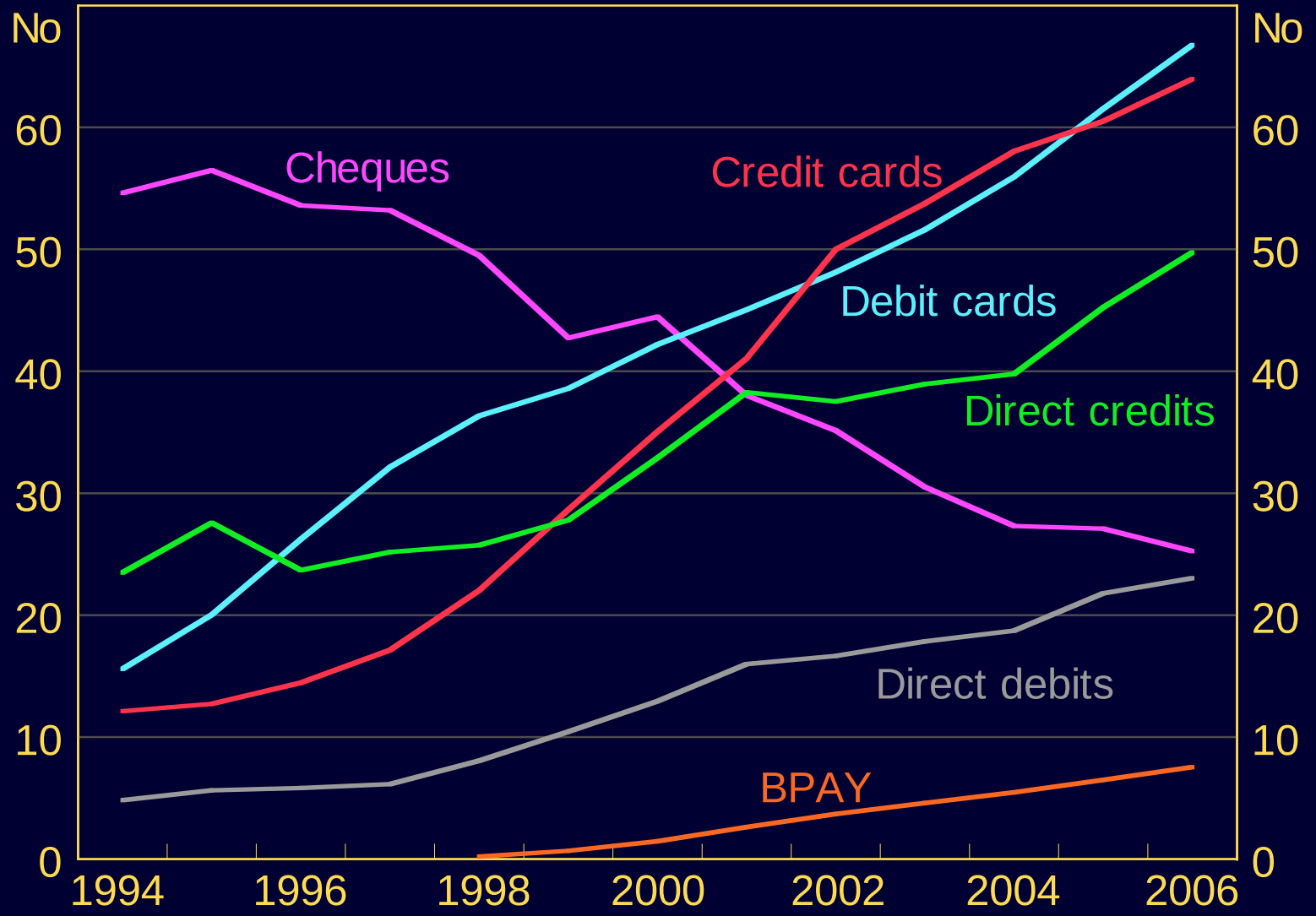
- Effects of the reforms?
- Alternatives to regulation?
- Changes to current regulations?

# Developments

- In the market?
- Overseas?
- Analysis?

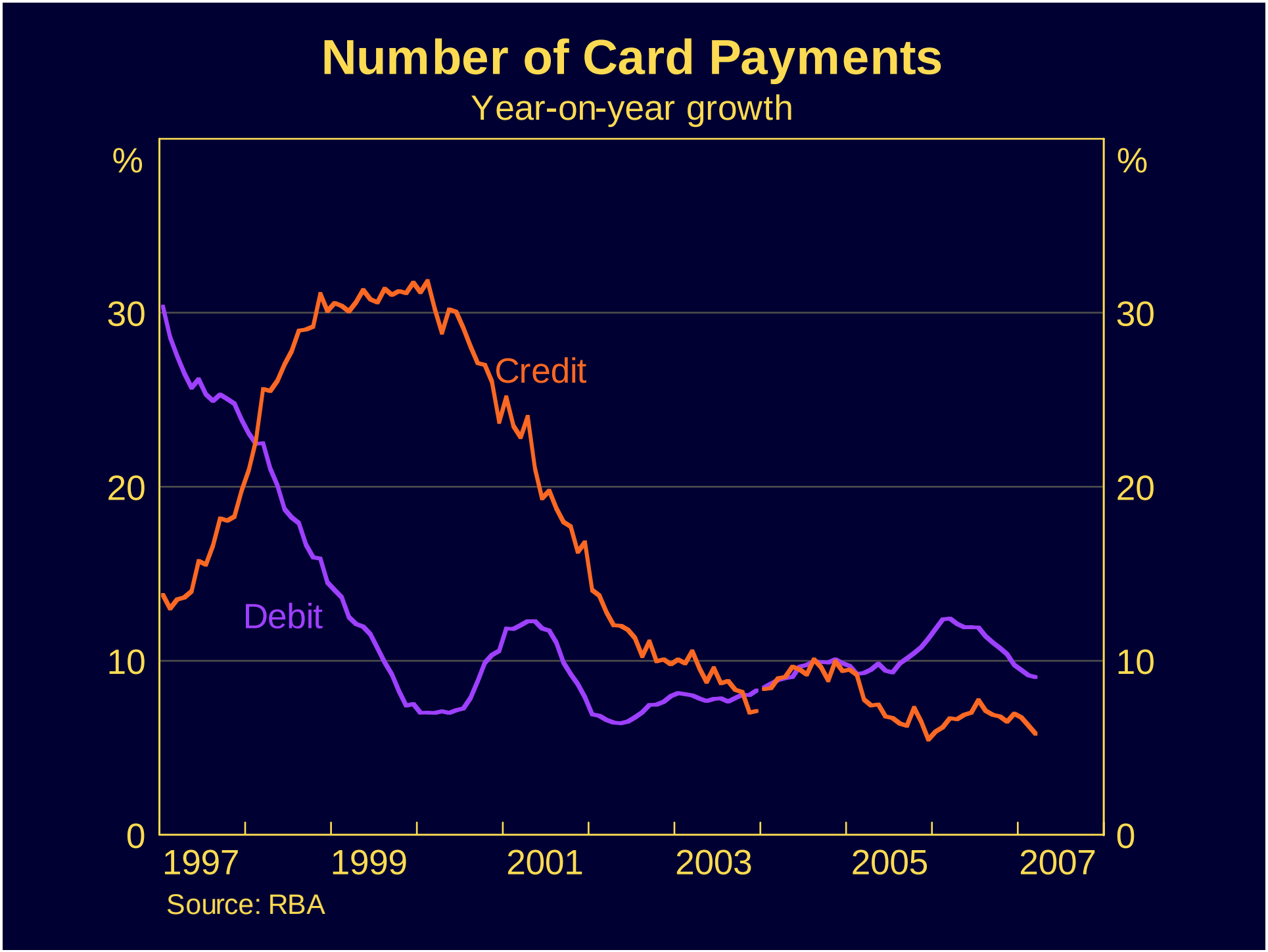
# Non-cash Payments per Capita*

Per year



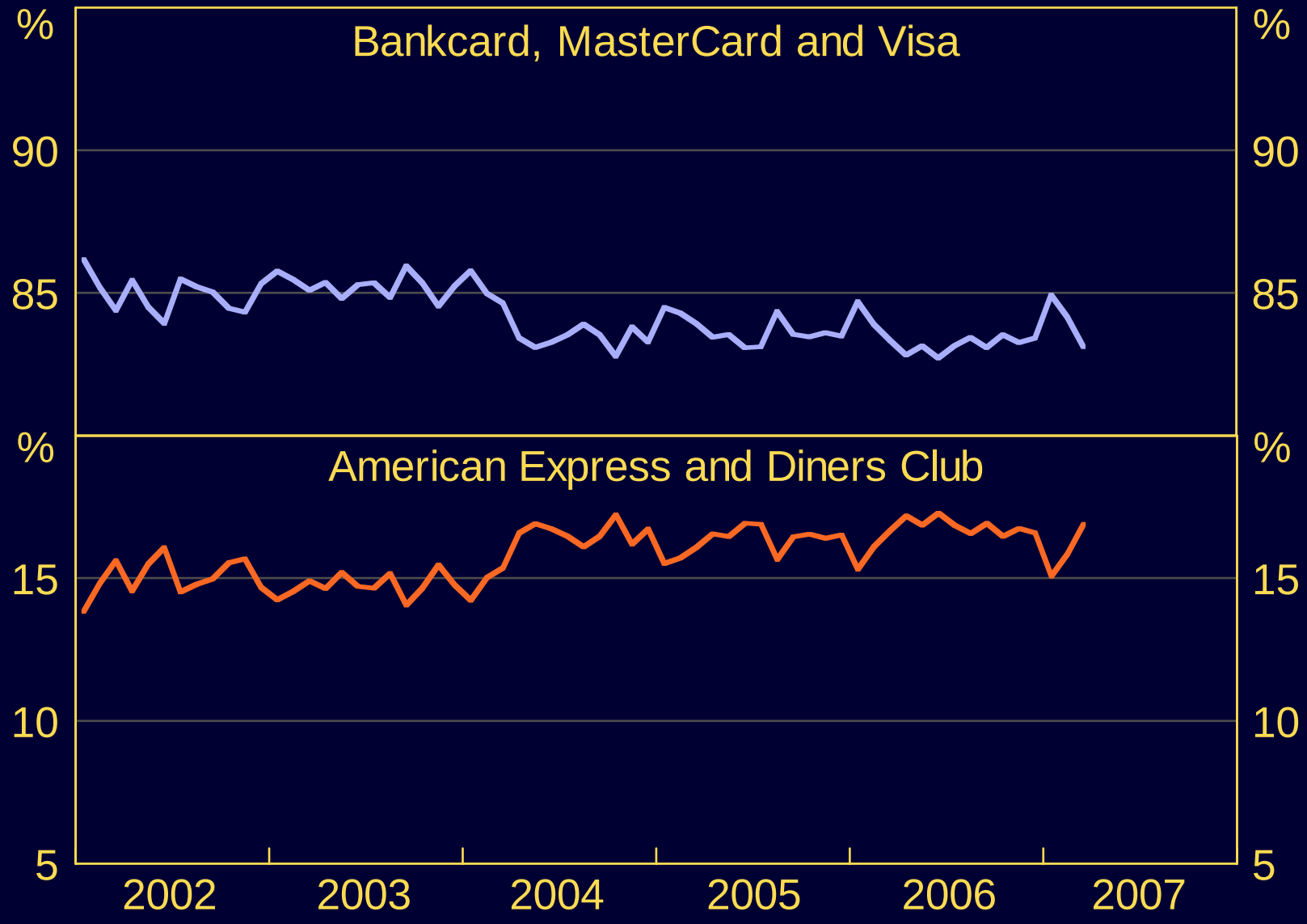

*Debit and credit card data prior to 2002 have been adjusted for a break in the series due to an expansion in the coverage of the Retail Payments Statistics in 2002.

Sources: ABS; APCA; BPAY; RBA


Number of Card Payments
Year-on-year growth
%
%
30
30
20
20
10
10
0
0
Credit
Debit
1997
1999
2001
2003
2005
2007
Source: RBA

# Market Shares of Card Schemes

By value of purchases




Source: RBA

# Merchants Surcharging Credit Cards*

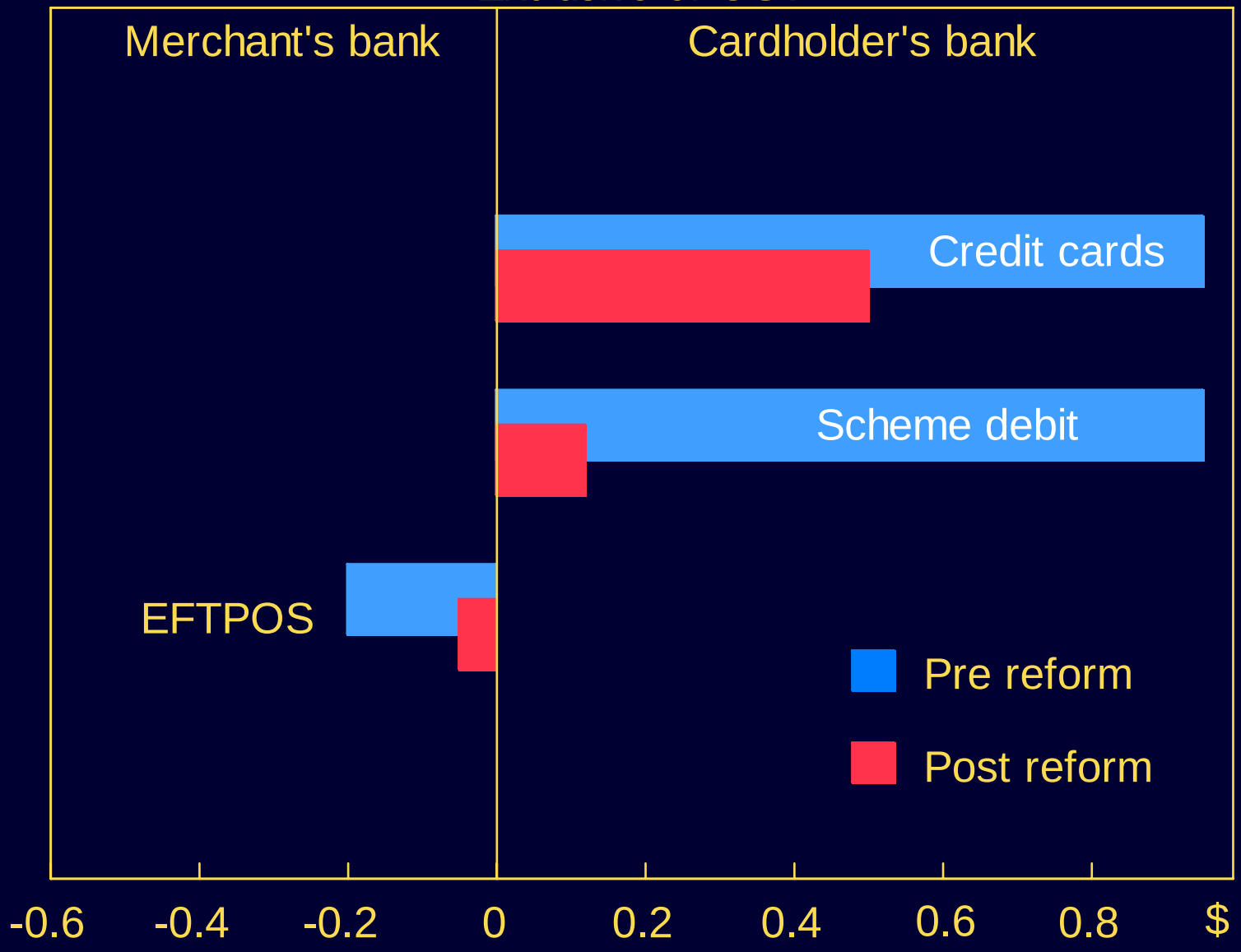
Per cent of surveyed merchants

* Very large merchants are those with turnover greater than $340 million, large merchants $20 million to $340 million, small merchants $5 million to $20 million and very small merchants $1 million to $5 million.

Source: East & Partners Pty Ltd

# Interchange Fees on a $100 Payment

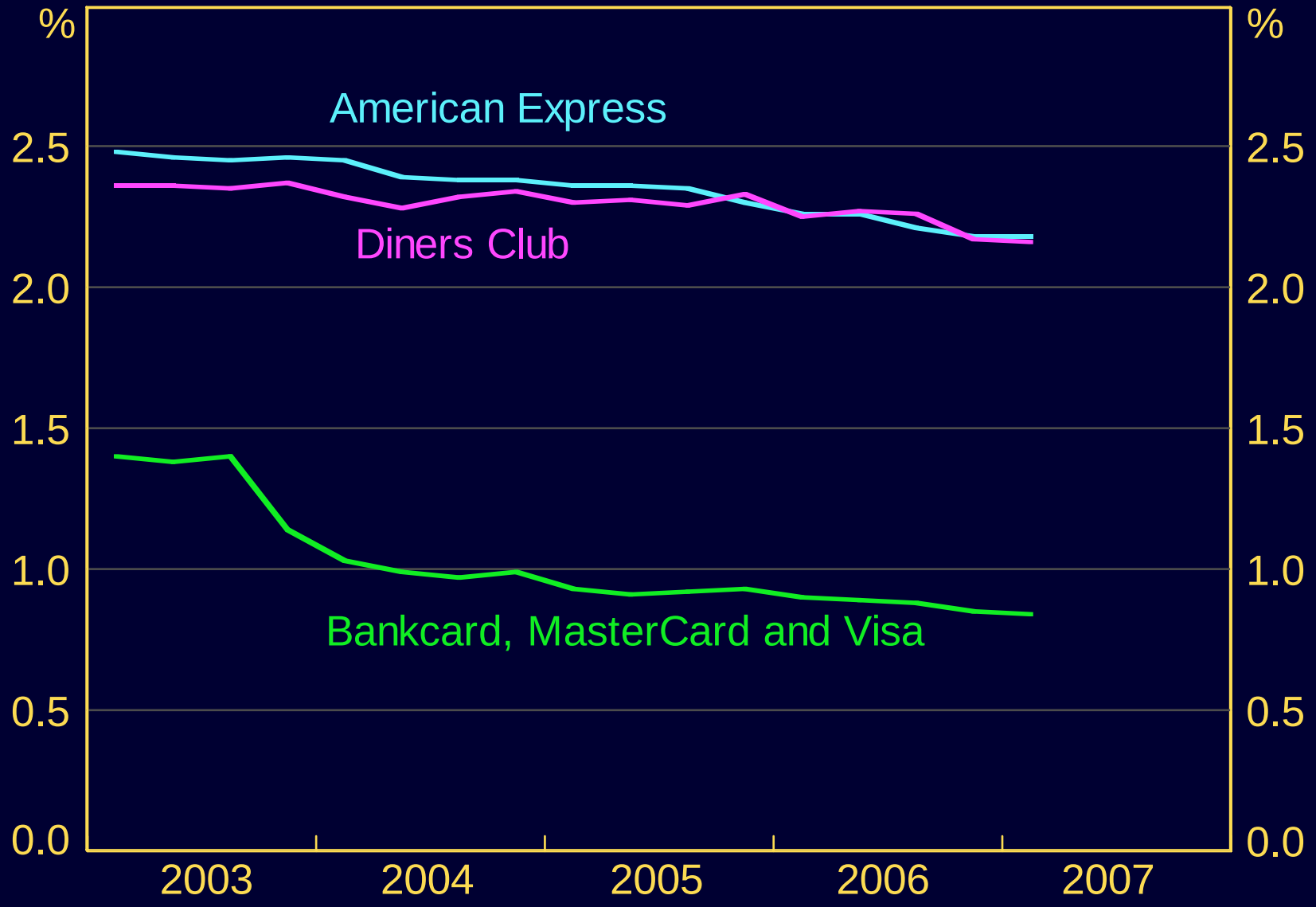
Exclusive of GST




Source: RBA

# Merchant Service Fees

Per cent of transaction values acquired




Source: RBA

# Credit Card Rewards Programs

## Four major banks

| | Average spending required for $100 voucher | Benefit to cardholder as a proportion of spending (bp) |
|---|---|---|
| 2003 | 12 400 | 81 |
| 2004 | 14 400 | 69 |
| 2005 | 15 100 | 66 |
| 2006 | 16 000 | 63 |
| 2007 | 16 200 | 62 |

Sources: Banks websites, ANZ Telstra Rewards Visa Card, Commonwealth Bank MasterCard Awards card, National Australia Bank Visa Gold card, Westpac Altitude MasterCard.

# The Studies

- Use of payment instruments
  - Cash still important
  - Industry specific patterns
- Costs of payment instruments

# Where To Now?

- Submissions 31 August
- Conference 29 November
- Draft conclusions April 2008
- Standards/Access Regimes end 2008