



ATM Industry Steering Group

Direct Charging

27 June 2003

Mr Peter Smith
Chief Executive Officer
Australian Payments Clearing Association
Level 24
25 Bligh Street
Sydney NSW 2000

Dear Mr Smith

Project Management of ATM Direct Charge Implementation

I am writing on behalf of the ATM Industry Steering Group (AISG), a working group of ATM services industry participants convened by the Reserve Bank of Australia (RBA) to facilitate the process of reforming ATM interchange fee arrangements. A list of institutions represented on AISG is attached.

The AISG has recently published a document entitled "Discussion Paper: Direct Charging for 'Foreign' Automatic Teller Machine (ATM) Transactions in Australia (Discussion Paper)", a copy of which is available on the RBA web site at:

http://www.rba.gov.au/PaymentsSystem/PaymentsPolicy/ATMInterchangeFeeReform/direct_charging_for_foreign_atm_transactions_in_australia.pdf

That document was prepared to facilitate stakeholder and industry discussion around a proposal for revision of ATM interchange fee arrangements. It was also compiled in response to the study prepared by the RBA and the Australian Competition and Consumer Commission (ACCC) entitled "Debit and Credit Card Schemes in Australia: A Study of Interchange Fees and Access" dated October 2000 (Joint Study). A copy of this study is also available on the RBA web site at:

http://www.rba.gov.au/PublicationAndResearch/OccasionalPapersAndOtherReports/Interchange_Fees_Study.pdf

AISG has invested considerable time over the past couple of years developing a proposal for an alternate foreign ATM pricing model, including researching consumer views and formulating the likely implementation scope. It is presently considering stakeholder submissions prior to finalising a reform proposal. The proposal will subsequently be submitted to ACCC for authorisation under the Trade Practices Act 1974 (TPA).

AISG considers that this initiative is well suited to APCA's charter given the ramifications for payments clearing and settlement systems. Moreover, APCA's participatory approach and competitive neutrality are critical to ensuring a smooth implementation. To that end, we would like to engage APCA's project management expertise to centrally manage and oversee the implementation of the proposed reform once authorised by ACCC.

A draft set of business requirements is also attached for your information.

The key responsibilities of the role are envisaged to include:

- ◆ General project management and progress reporting.
- ◆ Establishing an agreed Project Implementation Plan and Schedule.
- ◆ Co-ordination of industry testing with regard to sending and receiving transaction messages containing direct charge values and verifying downstream settlement capability, as per the recent changes to the APCA AS2805 message formats.
- ◆ Ensuring the contractual amendment of bilateral interchange fees to zero does not impact key project milestones.
- ◆ Reviewing member implementation plans, ATM screen and receipt content for compliance.
- ◆ Review settlement procedures and reporting.
- ◆ Issue resolution and escalation.
- ◆ Amendment of requirements as necessitated by the authorisation process.
- ◆ Minimisation of impacts relating to competing industry projects (ie Triple DES upgrade to ATM and EFTPoS).
- ◆ Determine impacts on APCA's CECS Rules and Procedures of the proposed direct charging arrangements.

The present target for implementation is September 2004. It is anticipated that the work would commence when the application for authorisation is delivered.

If APCA believes that this initiative is appropriate for their attention and involvement we would be pleased to discuss the details of the role, including cost estimates and potential cost apportionment options, in further detail.

Yours sincerely

Gavin Napier
Chairman, AISG

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ATM Industry Steering Group

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Bank of Queensland
Cashcard Australia Limited
Commonwealth Bank of Australia
Credit Union Services Corporation (CUSCAL)
Illawarra Mutual Building society Ltd
National Australia Bank
St George Bank
Suncorp Metway Ltd
Westpac Banking Corporation
Legal Advisors – Mallesons Stephen Jaques