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31 May 2005

Dr John Veale
Head of Payments Policy Department
Reserve Bank of Australia
GPO Box 3947
SYDNEY NSW 2001

Dear Dr Veale

Re: Reform of the EFTPOS and Visa Debit systems in Australia

ANZ is providing this letter in response to the Reserve Bank of Australia's (RBA) request for comment on three draft Standards (Standards 3 – 5) for the EFTPOS and Visa Debit payment systems.

ANZ has been an active participant and supporter of the current EFTPOS reforms and broadly supports the RBA's draft Standards, but would also like to draw the RBA's attention to several areas of concern.

***RBA Draft Standard No. 3
The setting of Interchange Fees in the EFTPOS Payment System***

ANZ, as indicated to the RBA on prior occasions, supports the reform of interchange fees in the EFTPOS payment system, and more specifically, a move to a 'zero' interchange fee within the EFTPOS system.

We note that the RBA's draft Standard No. 3, rather than setting the interchange fee at zero, provides for interchange fees to be set through a series of bilateral negotiations between issuers and acquirers on the condition that the fee does not exceed the benchmark published by the RBA.

Although Standard No. 3 allows for zero interchange fees to be set between participants, ANZ questions the need for bilateral negotiation and suggests that the RBA examine the merits of the published benchmark becoming the set interchange amount.

By effectively setting the interchange fee the RBA would not only increase transparency in the system, but would also avoid disparate arrangements that may result from differences in bargaining power between issuers and acquirers. This arrangement would then be consistent with the current arrangements for credit card interchange fees and increase certainty in the payments system.

ANZ is also concerned that the definition of 'eligible costs' in the draft standard appears open to interpretation, particularly as to "costs directly related to processing and switching EFTPOS transactions." This definition requires more clarification from the RBA and should form part of the final Standard.

RBA Draft Standard No. 4

The Setting of Interchange Fees in the Visa Debit Payment System

ANZ does not see any impediment in moving from an interchange regime based on an ad-valorem fee to a benchmark expressed as a number of cents per transaction.

ANZ has no comment on the likely reduction in interchange fees that this will bring.

RBA Draft Standard No. 5

The 'honour all cards' rules in the Visa Debit and Visa credit card systems and the 'no surcharge' rule in the Visa Debit system

If the 'honour all cards' rule is to be abolished, ANZ believes that the onus needs to be on the merchant to identify and make the decision to accept or reject the card prior to commencing the transaction. This will necessitate issuing banks visually changing the appearance of Visa Debit cards as well as training merchants to identify the different types of cards.

The issue for ANZ will be the identification of Visa Debit cards at the terminal. If acquirers are required to configure terminals to highlight a card as 'Visa Debit' prior to processing the transaction, we will be faced with a significant technical change to our terminal configuration. In this scenario, we may also be required to configure terminals on an individual basis, depending on the merchants' choice to either honour or reject specific products.

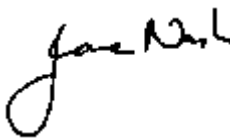
Given that these Standards will only be determined once the current legal action against the RBA has concluded, ANZ requests that if implemented, a reasonable transition period be allowed for compliance that extends beyond the 1 July 2006 date specified in the draft Standard.

ANZ also questions what impact Standard 5 will have on Visa Debit cards issued by international banks, as this standard would seem to be a domestic policy and not binding on international cards.

Overall the ANZ supports the RBA's draft Standards 3, 4 and 5, and appreciated the opportunity to draw the RBA's attention to these areas of concern.

If you would like to discuss this submission or would like further information, please contact Jane Nash, Head – Government and Regulatory Affairs on (03) 9273 6323.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Jane Nash', with a stylized, cursive script.

Jane Nash