Banktech.07

Review of Payments System Reforms

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Update on the Review

- Issues paper released 29 May 07
- Submissions due 31 August 07
- Conference 29 November 07
Update on the Studies

- Cost study
- Use study
The Issues

- Effects of the reforms?
- Case for ongoing regulation? Alternatives?
- Changes to current regulations?
The Reforms

- Interchange standards
Interchange Fees on a $100 Payment

Exclusive of GST

<table>
<thead>
<tr>
<th>EFTPOS</th>
<th>Merchant's bank</th>
<th>Cardholder's bank</th>
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<tbody>
<tr>
<td></td>
<td></td>
<td>Pre reform</td>
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Credit cards

Scheme debit

Pre reform

Post reform

$
The Reforms

- Removal of restrictions
  - No-surcharge rule
  - Honour-all-cards rule
- Liberalisation of access
Effects of the Reforms

- On product innovation
- On competition
Product Innovation

- Does interchange regulation reduce innovation?
  - Funds for investment not available?
  - Uncertainty?
- Or is there no impact?
Removal of Restrictions

- No-surcharge rule
  - Price signals
  - Merchant choices
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 and Partners Pty Ltd
Removal of Restrictions

- Honour-all-cards rule
  - Scheme debit interchange fees