Review of Payments System Reforms

Michele Bullock
Head of Payments Policy
Reserve Bank of Australia
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
RBA threatens card, ATM fee cuts

RBA moves to scrap fees on bank cards

Mastercard warning on card fee cut

Reserve eyes soaring fees on fantastic plastic

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

- Cheques
- Credit cards
- Debit cards
- Direct credits
- Direct debits
- BPAY

*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

% %

Debit
Credit

Source: RBA
Market Shares of Card Schemes
By value of purchases

Bankcard, MasterCard and Visa

American Express and Diners Club

Source: RBA
Mercants 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

<table>
<thead>
<tr>
<th>Merchant's bank</th>
<th>Cardholder's bank</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EFTPOS</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Credit cards</strong></td>
<td><strong>Scheme debit</strong></td>
</tr>
</tbody>
</table>

Source: RBA
## Credit Card Rewards Programs

### Four major banks

<table>
<thead>
<tr>
<th>Year</th>
<th>Average spending required for $100 voucher</th>
<th>Benefit to cardholder as a proportion of spending (bp)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>12 400</td>
<td>81</td>
</tr>
<tr>
<td>2004</td>
<td>14 400</td>
<td>69</td>
</tr>
<tr>
<td>2005</td>
<td>15 100</td>
<td>66</td>
</tr>
<tr>
<td>2006</td>
<td>16 000</td>
<td>63</td>
</tr>
<tr>
<td>2007</td>
<td>16 200</td>
<td>62</td>
</tr>
</tbody>
</table>

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