



AUSTRALIAN BANKERS'
ASSOCIATION INC.

Steven Münchenberg
Chief Executive Officer

AUSTRALIAN BANKERS' ASSOCIATION INC.
Level 3, 56 Pitt Street, Sydney NSW 2000
p. +61 (0)2 8298 0401 f. +61 (0)2 8298 0402

www.bankers.asn.au

17 January 2014

Head of Payments Policy Department
Reserve Bank of Australia
GPO Box 3947
SYDNEY NSW 2001
pysubmissions@rba.gov.au

Dear Head of Payments Policy Department,

Proposed Variation to the MasterCard and Visa Access Regimes: Consultation Document

The Australian Bankers' Association (ABA) welcomes the opportunity to comment on the Reserve Bank of Australia's (RBA) consultative document, *Proposed Variation to the MasterCard and Visa Access Regimes*.

The ABA notes the breadth of feedback that the RBA received in response to its recent consultation document, *Review of Card System Access Regimes* and the RBA's "*preliminary view... that Option 2... would best promote the public interest and balance the interest of current and prospective future participants*".

As stated in its previous response, of the three options presented in the consultation document, the ABA and its members feel that Option 1, maintaining the status quo, is the most appropriate response to meet the consultation paper's stated objectives of:

1. Balancing competition in the payments system without materially causing or contributing to increased risk in the financial system;
2. Ensuring there is a level playing field for participants; and
3. Supporting the public interest.

The ABA's reasons for supporting Option 1 were set out in its previous response and are summarised below.

In order to maintain the integrity of the card payments network, and confidence in the system, the ABA believes that the current standards should not be relaxed. Additionally, the current access regimes have sufficient flexibility to allow new participants to enter the market, under a variety of arrangements. For example, existing participants have significantly reduced the barriers to entry by their support of BIN sponsorship.

Regulatory Inconsistency

Varying or revoking the access regimes, in order to enable participation by institutions that are non-ADIs, risks creating two significantly different regulatory landscapes. This could lead to system instability and competitive disadvantages which would result in ADIs competing with institutions that are subject to less rigorous (and costly) regulatory requirements.

Innovation in the Payments System

The ABA does not agree with the assertion that innovation is being inhibited by the current standards and the absence of new entrants. While not necessarily leading innovation globally, the Australian market is a fast adopter. For example, the local market is 100% EMV compliant and has the highest penetration of contactless capability in the world.

The ABA would like to reiterate its view that any review of the access regimes or discussion about policy settings should ensure that the payments system continues to achieve a balance between security, convenience and confidence, while maintaining domestic competition. Additionally, any changes should look to ensure that all participants offering the same products or services are similarly regulated and that more heavily regulated participants are not placed at a competitive disadvantage.

As the current access regimes provide sufficient flexibility for new entrants while providing an effective framework for the management of systemic risk within the financial system, the ABA recommends maintaining the current arrangements.

Yours sincerely,



Steven Münchenberg