



8 July 2013

Head of Payments Policy Department
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eNett International (Singapore) Pte. Ltd.
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Dear Sir/Madam:

Review of card access regime

eNett International (Singapore) Pte. Ltd. is a global provider of dedicated payment solutions for the travel industry. Our unique specialisation in travel, combined with expertise in payments means we can provide more relevant payment solutions to travel agencies and suppliers. Our eNett VANS offering utilises MasterCard scheme cards internationally.

eNett is pleased to have the opportunity to provide its feedback on the Consultation Documentation published by the Reserve Bank of Australia in May 2013 with regard to its review of the card system access regimes.

Access regime should not be considered in isolation from ADI requirement

eNett submits that the variation or revocation of the access regimes introduced by the RBA in respect of MasterCard and Visa credit card systems and the Visa debit system cannot be considered in isolation. Account must also be taken of the extension of the definition of "banking business" by regulation 4 of the Banking Regulations to the activities of credit card acquiring and credit card issuing in respect of Visa and MasterCard cards. This is because it was by combination of both these steps that the objective of seeking to ensure greater access to membership of the card schemes was sought to be achieved. In eNett's view there are compelling grounds to believe that this objective has not been met. In particular, only two SCCIs have gained access to the schemes in almost 10 years since the introduction of the access regimes.

eNett submits that a principal reason for this apparent failure to meet desired objectives is the decision taken that ADI status (even as an SCCI) was a necessary requirement in order for a person to be a card issuer or acquirer. Although the imposition of an ADI status as the scheme participation criterion was less stringent than the scheme's own criteria at the time, it is this criterion which currently has created a higher barrier to entry than is necessary to ensure either the security and integrity of the card schemes (which should in any event, eNett submits, be a matter for those schemes themselves) or the financial system generally.

Risks will have adequate mitigation without APRA supervision

If it is acceptable to the card schemes for cards to be issued and/or acquired by non-ADIs that are financially sound (which we understand currently to be the case), eNett submits that any risk to the settlement system from card issuing and acquiring does not warrant the level of prudential supervision which exists by virtue of ADI status having been prescribed for those activities.

Prospective participants in the card schemes, whether as acquirers or issuers, are necessarily discouraged from entry because of the requirements which attach to becoming, and being supervised as, an ADI. Those requirements are, in eNett's view more onerous than is justified by the relevant activities, in particular if prospective participants are already subject to a level of prudential supervision overseas. The risks to the financial system will necessarily be small

if prospective participants intend only to engage in limited business activities in Australia and focus, for example, on a niche market segment.

Consumer protection concerns relating to card issuing activities have, in eNett's view, been substantially addressed by the national credit reforms that commenced in 2010.

Option 2 should be implemented

eNett recommends that the RBA seek to implement option 2, revoking the access regime (in concert with removal of the Banking Regulations which were introduced at substantially the same time) and allowing the schemes themselves to determine eligibility for access. The schemes enforce rigorous requirements for scheme membership, relating to matters such as operating requirements; governance; safeguarding of funds; legal and regulatory compliance (including adhering to requirements relating to anti-money laundering and counter-terrorist financing); and security and collateral for settlements and scheme obligations, which ensure the stability and financial security of scheme transactions.

In eNett's submission, reliance on the requirements imposed by the schemes, which are specifically tailored to the needs and risks of participation in a scheme and the activities undertaken as a scheme member, should be the sole requirement for scheme participation. Those requirements appropriately balance a desire by the scheme and its members for the broadest possible level of scheme participation, while excluding those who are not equipped, experienced or adequately funded or collateralised to participate or who pose an unacceptable level or risk to the scheme. Moreover, as the card scheme effectively assumes responsibility for transactions arising through its scheme, risk to the financial system is limited.

National interest

As an international business operating in foreign jurisdictions, it is very difficult for a business such as ours to meet differing and often contradictory regulatory requirements associated with scheme participation. As the rules of each scheme apply on an international basis (albeit with some local exceptions or variations), such an approach would make Australia a significantly more attractive jurisdiction for operating a payments business such as ours, and accordingly will encourage ongoing investment in Australia as a base for international operations. Such an approach is also more consistent with the position in other jurisdictions which promote themselves as financial services hubs, none of which impose the high level of obligations as a prerequisite to becoming an issuer or acquirer of scheme cards that applies in Australia.

We appreciate the opportunity to provide our views with regard to this consultation and look forward to reviewing the resulting views of the RBA of its approach to the access regimes as a result of this consultation process.

Kind regards



Anthony Hynes
Managing Director & CEO
eNett International (Singapore) Pte. Ltd.