

6 July 2012

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By Email to: [pysubmissions@rba.gov.au](mailto:pysubmissions@rba.gov.au)

Dear Dr Richards,

## **Payments System Issues: A Variation to the Surcharging Standards**

I refer to the above mentioned variation, and the accompanying Regulation Impact Statement released on 12 June 2012. The Impact Statement includes a draft Guidance Note in relation to clarifying "Reasonable Costs of Card Acceptance" and the opportunity has been provided for comments thereon. The Commonwealth Bank of Australia (the Bank) appreciates this opportunity.

The Bank is broadly comfortable with the contents of the draft Guidance Note. The costs identified, in addition to merchant service fees, are comprehensive and provide a useful basis from which a merchant should be able to determine relevant, reasonable costs. We do, however, suggest that additional clarification is provided to make it clear that a merchant's fraud costs are not eligible for inclusion in relevant costs used to justify a surcharge. If a merchant were able to include such costs, and effectively pass such costs to cardholders, there would be no incentive for a merchant to invest in fraud mitigation. Such a perverse outcome would surely be unintended.

We also take this opportunity to note that the variation to the Standard effectively passes the burden of compliance and monitoring to acquirers, via the Scheme rule process. While we acknowledge that Scheme implementation plans are yet to be shared, we remain concerned, as previously flagged, that this process will prove onerous, potentially inconclusive, and liable to create disputes between a merchant, the acquirer and the card Scheme. Should this prove to be the case, as we expect, we would urge the Reserve Bank to step in and promptly address such a failure.

Thank you again for the opportunity to comment on this variation. Should you wish to further discuss these matters, would you please contact the writer directly.

Yours sincerely

*[Signed]*

Stuart Woodward  
General Manager  
Representation