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Banking News

RBA looks at EFTPOS upgrade

(31 March 2009 – Australia) The RBA has suggested that Australia's current EFTPOS system could be the next system to get an upgrade, whether done willingly by industry participants or regulated by the RBA.

RBA Governor Glenn Stevens, in a speech on the payments system in Australia, said that Australia is beginning to lag behind other countries in the structure of EFTPOS and ATM networks.

In describing the position Australia is in, Stevens said that the EFTPOS system was designed originally to simply transfer money from consumer accounts to merchant accounts.

While there has been demand to use the system to send payments into consumers' accounts in real time, for uses such as in emergencies like natural disasters, Steven said the EFTPOS system at present can only accommodate these sorts of payments in a limited way.

Stevens continued that a requirement by the Reserve Bank that all participants in the industry be able to accept instructions conforming to a common message standard would facilitate access by new entrants, and thus competition.

If the Reserve Bank chose to require use of an international standard, that could also facilitate more competition from overseas providers of payment related services.

A mandate from the Reserve Bank that EFTPOS message formats must be able to support credit transactions might likewise lay the foundation for innovation in the EFTPOS system based on these transactions more quickly than the industry might be able to achieve by itself, Stevens added.

Despite the potential for regulatory change, the RBA is, at least for now, content to confine itself to encouraging industry solutions to payments issues.

Stevens concluded that, however, if need be, it will use regulatory powers more forcefully. In judging which approach is preferred, the RBA will respond to the industry's behaviour, just as they respond to RBA's.

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