



MEDIA RELEASE

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PAYMENTS SYSTEM REFORM

At its meeting on 21 August, the Payments System Board considered whether the conditions have been met for the removal of interchange regulation. The Board was not yet satisfied that such conditions have been met.

As background, in its conclusions to the [Review of the Payments System Reforms](#), released in September 2008, the Board had indicated that it would be prepared to step back from interchange regulation if industry participants took sufficient steps to reduce the risk that interchange fees would rise in the absence of regulation. The Board identified two ways in which this could occur. First, the industry could strengthen competition through a number of measures, including enhancement of the EFTPOS system to allow it to compete more effectively with the international card schemes and the development of an alternative system for online payments. Second, the schemes could provide the Board with voluntary undertakings that credit card interchange fees would not rise above their current levels. The Board indicated at that time that if sufficient progress was not made by August 2009, interchange regulation would be retained, with the Board proposing that the benchmark for credit card interchange fees be reduced to 0.3 per cent.

The Board has now concluded that, although progress has been made in both these areas, it is not yet sufficient to warrant a decision to step back from interchange regulation. While the Board noted the establishment of EFTPOS Payments Australia and the renewed commitment to develop an online payments system (the MAMBO project), it does not believe that these initiatives have yet reached the point where they will exert significant competitive pressure on interchange fees, though such a position may well be reached over time. The Board also concluded that the set of undertakings offered by the schemes did not meet its requirements.

In these circumstances, the Board is of the view that it would not be in the public interest to remove interchange regulation at this time. However, given the progress that has been made to date, the Board has decided to defer consideration of any further reduction in interchange fees. These matters will remain under review, and the Board is prepared to re-open consideration of the regulations in light of industry developments.

In the meantime, the Board considers that the difference in regulatory treatment of the scheme debit and EFTPOS systems may be detrimental to competition. It therefore intends to consult on the possibility of changing the interchange regulation on the EFTPOS system to be consistent with that currently applying with respect to scheme debit. Details on this proposal and the consultation process will be contained in a subsequent media release.

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