



Real-time payments needed to spur competition

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The head of the specialist merchant acquirer Tyro Payments, Jost Stollmann, fronted the Senate Economics Committee's public hearing on banking competition in Sydney, on Friday, to remind policy-makers that competition is not just about removing mortgage exit fees and making bank account numbers portable.

Stollmann said that despite a decade of payment system reform, kicked off by the Reserve Bank's review of the Eftpos interchange regime, there were still plenty of opportunities to make the payment system infrastructure more efficient, and to remove some of the advantages enjoyed by the big banks.

Stollmann targeted the outmoded batch-processing system used to settle payments; the expensive collateral requirements of card scheme operators, and the use of cross-subsidies by big banks to keep specialists out of the market.

Tyro is a specialist APRA-licensed banking institution that supplies Eftpos terminals and provides acquiring services.

Stollmann said that after eight years in the market, and an investment of more than \$30 million in the business, Tyro had a 0.55 per cent share of the merchant acquiring market – not enough to provide a decent return to the company's investors.

He said the fact that Tyro is the only specialist Australian Prudential Regulation Authority regulated ADI to enter the market since the RBA started making its payment system reforms was evidence of the lack of real change

He was critical of the fact that card scheme operators require new acquirers to put up collateral, even though they are APRA-supervised ADIs.

The card schemes also require significant excess capital from acquirers that provide their services to what they consider to be higher risk merchant acquiring markets.

He also attacked the major banks for not offering new acquirers the same settlement time they do each other.

He said the migration of the out-dated bilateral point-to-point network architecture to an internet-based network, the Community of Internet Network (COIN), will simplify the physical connection to all participants.

But until that migration is completed "the Eftpos access regime is not commercially viable for the new entrant."

His harshest criticism was reserved for the Bulk Electronic Clearing System (BECS), which allows Tyro to issue instructions regarding the transactions banks to pay the merchants the next day for the credit and debit card transactions that have been acquired during the trading day.

Stollmann said: "It is still only an overnight batch process. The future lies in intra-day settlements or real-time settlements.

"The industry should move to real-time settlement. The majors can offset their flows.

We can't do that; we have to pre-fund settlements.

"That makes for unnecessary counter-party risk. The Australian government can make a difference in this area. It can open up competition."

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