

**RESERVE BANK OF AUSTRALIA**

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Payments System Issues

Multi-Function Cards and Related Issues

At its meeting on 21 February, the Payments System Board considered issues related to multi-function cards. These are cards carrying an international scheme's Bank Identification Number (BIN) that can also be used to initiate EFTPOS and ATM transactions. The Board's discussions included data reporting requirements imposed by international card schemes on some transactions through the EFTPOS system, and brand fees imposed by one scheme on those transactions.

The Board is concerned about scheme rules that require commercially sensitive data on one payment system to be provided to the operator of an alternative system. It is also concerned about the potential for competition to be distorted by fees levied by one payment system on a competitor's transactions. The Board notes that these issues are closely linked with the widespread and long-standing practice of issuing multi-function cards in Australia. The Board is strongly in favour of the ongoing issuance of multi-function cards because they allow stronger competition between payment systems at the point of sale and are convenient for cardholders.

The Board is aware that there are ongoing industry negotiations on the terms under which multi-function cards are issued, including data requirements and brand fees. It believes that a negotiated outcome that is acceptable to all sides, and is in the general public interest, is the preferred course. In particular, the Board encourages industry parties with an interest in multi-function cards to seek agreement on the issue of the provision of confidential data to competitor systems and on the imposition of fees by one payment system on another system's transactions, while providing for the ongoing issuance of multi-function cards. If a satisfactory solution cannot be reached in a timely fashion, the Board will consider consulting on a suitable regulatory solution.

The Board will review progress at its meeting in May 2011.

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