



Media Release
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Banks facing imminent decision regarding proposed EFTPOS interchange fee increase

CONSUMERS could suffer from increased EFTPOS charges, unless Australia's big banks reject a looming deadline to raise fees.

Proposed new 'interchange fees' come into effect from 1 October 2011, with banks given the option to adopt or reject them.

Quietly announced by EFTPOS Payments Australia Limited (ePAL) on 8 March 2011, all EFTPOS transactions except Coles' and Woolworths' would be impacted.

Under the new regime, the EFTPOS interchange fee shifts from favouring consumers and Australia's 389,000 small businesses, to favouring banks.

Currently the card issuing banks contribute five cents every time a customer makes an EFTPOS transaction, but under the new pricing model they will charge five cents per standard transaction⁽¹⁾. There are two billion EFTPOS transactions p.a.

ePAL interchange fee increase by EFTPOS transaction type	Announced new interchange fee ⁽¹⁾	Resulting interchange fee increase
Transactions \$15 or more	5 cents	+10 cents
Low-value transactions (<\$15), charity, Medicare Easyclaim	0 cents	+5 cents
Cash out, combined purchase/cash out	-15 cents	+5 cents

"Australia's major banks have the opportunity to say enough is enough and to 'break up' with their competitors by rejecting these new charges," Tyro Payments CEO Jost Stollmann said today.

"Small business and acquirers have invested significantly in deploying 700,000 EFTPOS terminals across Australia, for the convenience of customers, but it will be the banks who stand to make a lot of money from these changes."

Most Australians do not realise the impact of such changes as, if the banks pass on those costs, they will firstly hit the small shop owner. But ultimately the customer will have to pay as small business will have to find ways of recovering these costs.

"Consumers and small businesses could be worse off and banks will be better off."

(1) Interchange fees are payments made between the retailer's bank or financial institution (known as the acquirer) and the EFTPOS cardholder's bank or financial institution (known as the issuer). Today, the issuer pays a regulated fee of 4 to 5 cents to the acquirer contributing to the investment into the EFTPOS infrastructure including EFTPOS terminals. The new fee proposal reverses the fee flow, so that the issuer charges 5 cents to the retailer's bank. This bank may or may not pass on the cost increase to the retailer. The retailer may or may not pass on the increase to the consumer.

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Across the globe, banks are under pressure to lower the interchange fees they charge on debit cards, which give consumers convenient and inexpensive access to their money. In Canada and New Zealand, the debit card interchange fee is ZERO.

According to ePAL's website "EFTPOS stands for safety, convenience and a fairer payment system. It enables consumers to access their own money with ease, and provides merchants with the cheapest way to accept payments."

If this is so, why has ePAL, which represents the banks and big retailers and processes two billion EFTPOS transactions per year, announced fee increases? In January 2011, they introduced a new \$40 million EFTPOS scheme fee. From October 2011, they wish to raise the EFTPOS interchange fee.

Woolworths and Coles will continue to be paid 5 cents contribution every time an EFTPOS transaction is made.

A strong EFTPOS system requires investment by acquirers and merchants. It does not need banks to stop paying and start charging by levying a fee on EFTPOS access. This is an unjust and untimely burden on Australian acquirers, merchants and consumers.

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About Tyro Payments Limited

Tyro is Australia's EFTPOS innovation institution and is the first new entrant into the EFTPOS business in over 14 years. Tyro holds an authority under the Banking Act to carry on a banking business as a Specialist Credit Card Institution (SCCI) and operates under the supervision of the Australian Prudential Regulation Authority (APRA). Under this authority Tyro provides credit, debit, EFTPOS, gift and loyalty card acquiring and Medicare claiming and rebating services, but may not take money on deposit.

Tyro's transparent payment solutions are uniquely merchant focused, enabling reduced fees, greater productivity, better cost management and a superior payment experience for consumers.

Tyro is a wholly Australian-owned company with no external venture capital. The company has been fully funded by the Executives, Directors, independent and strategic investors.