



Eftpos interchange reversal stalls

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The reversal of interchange fees on Eftpos payments will be a drawn-out affair, with two major banks implementing the new charges five months late.

ANZ will introduce the new fee structure from March 2012. National Australia Bank is also likely to implement the revised fees around the same date.

Most banks – though possibly not all – are set to bring in the new fee structure from October 1 this year.

Under the old model for Eftpos interchange, the fees were paid by the consumer's bank (the issuing bank) to the merchant's bank (the acquiring bank). Under the new model, the direction of payments will be reversed.

The existing model is built on a series of bilateral agreements originally negotiated in the 1980s. The new model will adopt a multilateral agreement, at least in theory, and resemble the wholesale interbank fees that exist in the MasterCard and Visa card payment schemes that also have parallels in BPay.

Adoption of the new fee structure is voluntary.

Banks that planned to opt in were supposed to advise Eftpos Australia Payments Limited (EPAL) by mid-August of this choice. EPAL, in turn, was supposed to advise all members of the scheme of who had opted in by the beginning of September. The latter deadline, and perhaps both, appear to have not been met.

EPAL – which is fending off legal action by Aldi Stores in relation to the new fee arrangements – referred inquiries this week to an external public relations company and has not responded to questions.

Of the 12 banks in EPAL (including the three payment processors that serve credit unions and building societies) several declined to confirm whether or not they had opted in on the grounds EPAL was dealing with these questions. Others declined to comment on the grounds the decision was confidential.

This stance of confidentiality is not likely to last long given the expedited hearing of the Aldi Stores case in the Federal Court in Sydney next week.

ANZ and NAB are believed to need more time to notify merchants and card-holders of the revised terms, and may also need time to reprogram systems to implement the new fee structure.

There is also talk that Bankwest may elect to stick with its existing fee arrangements, if this is practical, under its bilateral agreements, though Bankwest says it is still considering its position. Commonwealth Bank, which owns Bankwest, is expected to opt in.

Coles and Woolworths, which self-acquire card payments at their stores and operate their own switches, will continue to present payments to banks under existing contracts, and thus continue to receive interchange fees from banks.

Tyro Payments is also hoping to stick with the status quo. Tyro is a specialist business that acquires merchant payments and has no other banking operations.

Whether Tyro will be able to earn interchange fees from issuers, as it does now, rather than pay them to issuers under the new regime, is contested. It will depend on the terms of its existing bilateral contracts.

EPAL has adopted a three-tier fee structure for interchange.

The structure, devised by EPAL, calls for an interchange fee of five cents (paid from acquirer to issuer) to be paid on transactions of A\$15 or more. At present, the regulated fee is between four and five cents, and paid in the opposite direction.

For transactions of less than \$15 the proposed fee is zero, which represents an effective increase of between four and five cents.

A zero fee is also proposed for some health payments and for all charity payments.

Where a retailer provides "cash out", alongside a sale, EPAL proposes to maintain the "negative" fee flow, though reducing this to 15 cents from 20 cents.

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