

## Eftpos aspirants diverge on interchange fee reform

Two entities that are seeking to push into the bank-dominated Eftpos debit card processing sector have revealed divergent views about the appropriate reform of the interchange fee regime that applies in the sector.

Pulse, a switch that entered the automatic teller machine sector four years ago and began to push into Eftpos processing one year ago wants to maintain interchange fees, with the fee paid in the same direction as at present, from the card issuer's bank to the merchant's bank.

Chief executive Neville Miles wrote in a submission to the Reserve Bank of Australia over Eftpos reform that "many of the costs incurred by acquirers twenty years ago (such as terminal hardware and line rentals) have been significantly reduced" in the 20 years since Eftpos first arrived in Australia, but argued that this means it was "timely to review the quantum of, but not eliminate, Eftpos interchange fees.

"We consider it largely inappropriate to compare the costs and pricing of credit cards with those of Eftpos. In order to promote competition and efficiency in card payment transaction acquiring, Pulse considers it imperative to maintain a commercially sustainable level of Eftpos interchange fees, flowing from card issuers to acquirers."

Pulse is part owned by Bank of Western Australia and also by Sydney businessman Brian Sherman.

Meanwhile MoneySwitch - a more recent start-up, which is still to negotiate access to the debit and credit card system with any provider - told the RBA that a zero Eftpos interchange fee would encourage consumer use of Eftpos.

Paul Wood, chief executive of MoneySwitch, wrote that "a negative interchange fee" (which is advocated by Westpac and St George) was not necessary to provide a competitive debit card acquiring offering.

"MoneySwitch believes that any interchange fee will be effectively passed on to the merchants; whether these interchange fees are zero, positive or negative.

MoneySwitch believes that a zero interchange fee will lower the cost to cardholders using debit cards and will make the use of debit cards relatively more attractive compared with credit cards."

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MoneySwitch also restated its preference that the Reserve Bank tackle more than just interchange, and develop “a complementary, industry wide access regime. The access regime must impose determinable conditions relating to setup costs, timescales and sharing of ongoing communications, maintenance and support costs. If the interchange fee is determined without defined industry access conditions, then the lack of access conditions will exclude new entrants, and the desired competition and efficiency will not be achieved.”

Pulse and MoneySwitch, and about a dozen other banks and interested parties, provided written submissions to the Reserve Bank of Australia last week in relation to Eftpos regulation. The RBA last month “designated” Eftpos as the preliminary step to developing regulations for this segment of the payment card sector.

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