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Payments System Regulations – Australia and Abroad

Presented by

**John Veale
Head of Payments Policy
Reserve Bank of Australia**

(text of the paper may be collected after the presentation)

Payments System Regulation – Australia and Abroad

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Head of Payments Policy
Reserve Bank of Australia**

OUTLINE

- From risk to efficiency and competition
- UK and Canada
- Australia – legislation and application

From risk to efficiency

- Payments confined to the backroom
- Exposures
 - banks to customers
 - central banks to commercial banks
- Responses
 - re-engineering of high-value systems
 - formal powers to central banks

Features of payment systems

- No unilateral competition
- Need to co-operate
- What does this mean for competition?

Developments in the UK

- Bank of England informal oversight
- Settlement Finality Directive
- Cruickshank Report
- New powers to Office of Fair Trading

Developments in Canada

- Bank of Canada powers under *Payment Clearing and Settlement Act 1996* for systemic risk
- Minister for Finance authority to designate payment system where broader public interest arises

Australia

- Background
- Legislation
- Credit cards

Background

- Pre-Wallis
 - RBA
 - ACCC
- Wallis
 - not “best practice”
 - self regulation unlikely to fix

Wallis Recommendation

“A clear and transparent framework is required for the resolution of these issues with greater emphasis on the efficiency of the payments system. This would be facilitated by the creation within the RBA of a separate and stronger structure charged with this function.”

The Bank's Powers

Reserve Bank Act 1959

Payment Systems (Regulation) Act 1998

Payments Systems and Netting Act 1998

Cheques Act 1986

The Bank's Mandate

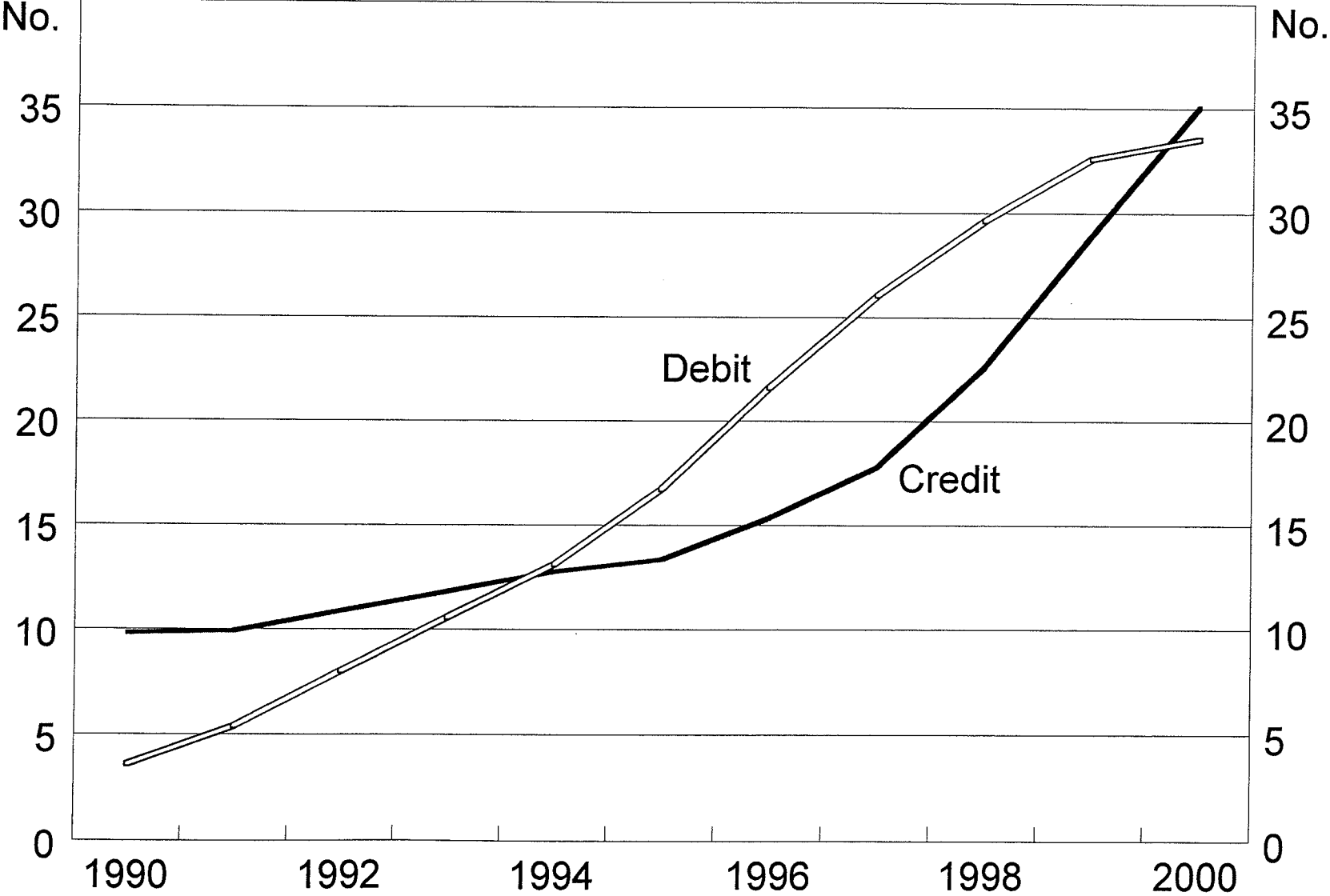
- controlling risk in the financial system
- promoting the efficiency of the payments system
- promoting competition in the market for payment services, consistent with the overall stability of the financial system

Payment Systems (Regulation) Act 1998

- designate
- access
- standards
- arbitrate
- information

Number of Card Payments per capita

Per year



Cardholder costs (A\$)

	Credit card payment	Debit card payment
Transaction fee	-	0.0 or 0.60
Interest free period	-0.42	-
Loyalty points	-0.30 to -0.62	-
Total	-0.72 to -1.04	0.0 or 0.60

Debit and Credit Card Schemes in Australia

Credit card:

- interchange fees not adequately explained
- access restrictions unjustified
- no surcharge rule questioned

ACCC Role

- Per se violation of Section 45 TPA
- Authorisation unlikely
- Recommended Bank's intervention

Consultation Document

- Standard – credit card interchange fees
- Access regime – scheme membership
- Standard – no-surcharge

Re-regulation?

- Schemes need regulations
- Who determines them?
- What tests should they meet?

