

RBA RELEASES ISSUES PAPER ON CARD PAYMENTS REGULATION

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Legal Briefings

The Reserve Bank of Australia has released its issues paper reviewing the card payments regulation.

The issues paper details past reforms, key trends and outlines possible reforms to card payments. The RBA calls on the public to provide submissions on its proposed reforms by 24 April 2015.

The RBA's review of card payments regulation follows the Financial System Inquiry's recommendation to consider card payments regulation, particularly in relation to interchange fees and surcharging.

TRENDS

The report tracks major changes to Australia's banking system as well as key trends. As expected, the RBA's issues paper confirms once again that cards and other electronic payments are replacing paper based methods such as cash and cheques. It notes that there has been an explosion of debit card transactions in the card not present environment. Some other key trends are:

1. Value per card transaction is increasing.
2. Surcharging is increasing.
3. Volume of card transactions is increasing.

Interestingly, debit cards are the lowest cost method of payment and cheques are the highest with cash becoming more expensive as its use decreases.

NEW PAYMENTS

The RBA also notes that the introduction of 'near field communication technology' (NFC) and digital currencies is changing the payments landscape. Particularly NFC chips in mobile phones, mobile wallets and the technology behind digital currency are changing the way payments are made. Although the RBA reminds us that use of digital currencies in Australia is extremely limited.

ISSUES

The paper reiterates that the payment systems should be "financially safe, efficient and competitive and that they should not contribute to increased risk to the financial system". The key areas of focus of reform are interchange fees and surcharges and regulation should be a last resort implemented only where industry is unable to do so. Whilst Australia has long had caps on interchange fees, these may still be inefficiently high.

Issues for consultation are:

1. Publish thresholds for which payment system providers will be subject to interchange or related regulation based in transaction value or market share.
2. Reduce ambiguity associated with prepaid cards by imposing the same restrictions as debit cards.
3. Amend honour all cards schemes so merchants can refuse to accept cards with high costs.
4. Broaden interchange fee caps to prevent circumvention of the caps through other 'fees' such as excessive booking fees.
5. Lower interchange caps through hard caps and applying caps as the lesser of a fixed amount or percentage of transaction value.

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