



merchant advocacy & guidance network

Submission to MBIE Issues Paper: Regulating to Reduce Merchant Service Fees

About magnet

Merchant Advocacy & Guidance Network (Magnet) is a member-led industry association supporting businesses in the payments part of what they do.¹

I founded Magnet in 2020 to represent, advocate for and educate New Zealand merchants.

I have ten years' experience in the payments industry. I spent several years at the *Reserve Bank of Australia* in the payments policy and regulation unit, which supports the *Payments System Board*. I then worked at *Australian Payments Network*, the payments industry body.

Rebecca Fairbrother
Magnet President

1. Do you have any feedback on our proposed approach to this project?

Broadly, there are three problems with the approach:

1. The timeframe is far too short.

¹ <https://magnet.org.nz/>

2. MBIE is proposing regulations, but that should be the responsibility of the future regulator, not MBIE.
3. The scope of the approach is too narrow. The consultation should encompass the entire retail payments system, not just cards.

Timeframe

In Australia, the *Payments System Board* (PSB) of the *Reserve Bank of Australia* (RBA) was established as the regulator on 1 July 1998. This was a recommendation made by the *Wallis Financial System Inquiry 1996* in its final report, published in March 1997.²

The RBA released its credit card reforms in August 2002. These came into force in 2003.³

In the UK, the *Payment System Regulator* (PSR) was established on 1 April 2015. The *Cruickshank Report: Review of Banking Services in the UK*, published in March 2000, was the first in a series of government reviews and consultations that led to the PSR.⁴

The PSR was designated the 'competent authority' to enforce the European *Interchange Fee Regulation* in the UK, which took effect on a staggered basis over 2015 and 2016.⁵ The European Commission published proposed regulations in July 2013.

The Issues Paper states that MBIE will consider "...consistency with relevant international standards and practices..." Yet, Dr Clark is due to report to Cabinet with a proposed policy direction in April 2021; that is not in line with international timeframes.⁶

There are a number of reviews underway overseas. MBIE and the Government should wait until these are completed before winding up consultation. See the Appendices for details.

Regulator should determine regulations

MBIE should not be responsible for determining regulations for the debit card and credit card payment systems. While the options put forth in the Issues Paper have merit, MBIE is not best-placed to determine specific regulations itself. Instead, MBIE should be involved with establishing a regulator and setting its mandate.

Effective payments system regulation requires, *inter alia*, specialised expertise and unique powers, including competition powers specific to payments. Accordingly, the responsibility for developing the overall regulatory approach, and determining specific regulations should be bestowed on the future payments regulator.

Indeed, MBIE notes in paragraph 109 that elsewhere the regulator "...is usually a dedicated payments regulator, either associated with the Reserve Bank in that jurisdiction or an independent entity like a payments body."

Scope

Limiting regulation powers only to the debit and credit card systems is unwise.

² <https://treasury.gov.au/publication/p1996-fsi-fr>

³ <https://www.rba.gov.au/media-releases/2002/mr-02-15.html>

⁴ https://webarchive.nationalarchives.gov.uk/20050301221631/http://www.hm-treasury.gov.uk/documents/financial_services/banking/bankreview/fin_bank_reviewfinal.cfm

⁵ <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32015R0751&from=EN>

⁶ <https://www.mbie.govt.nz/dmsdocument/12578-review-of-merchant-service-fees-in-new-zealand-release-of-issues-paper-proactiverelase-pdf>

All payment systems are interconnected: the same participants are involved and payment methods are, to varying degrees, substitutes. If only one area is subject to regulation without due consideration for the whole system, unintended consequences are inevitable and will be difficult to unwind.

Furthermore, with rapid changes in technology there will be new ways to pay in future. Although New Zealand lags myriad jurisdictions in open banking and fast retail payments, they will eventuate to support new payment methods. As such, the payments system regulatory framework must be future-proof.

The New Zealand Government must take advantage of the huge opportunity that presents itself. New Zealand has virtually a blank regulatory slate meaning we can design a regulatory framework using a first-principles approach. And we can learn from the extensive experience of overseas regulators, such as the RBA and the UK PSR

Appendices

The appendices set out the experiences, scope, timeframe and regulatory approach in Australia and the UK.

Appendix A: Establishing the regulator

Appendix B: Initial reforms

Appendix C: Reviews of reforms

Appendix D: Reviews by government bodies

2. Have we described the retail payments system accurately? Is there any additional information that you would like to provide?

Whole retail payments system

As discussed in response to question 1, the retail payments system is much broader than debit cards and credit cards. The whole system should be subject to review. Ways to promote innovation and competition must be explicitly considered.

Example: fast retail payments system

New Zealand does not have a fast retail payments system. Yet, more than 50 countries already have such a system, for instance, Australia, Brazil, China, Mexico, Nigeria, Singapore, South Africa, Sweden, Thailand, the UK and the US.⁷

In Australia the *Reserve Bank* (RBA) has a wide mandate for regulating payments. Only under threat of regulation by the RBA did industry build a fast payment system.⁸

Bundled credit and debit contactless

Merchants cannot unbundle contactless debit and credit card acceptance, meaning if they want to accept one they must accept the other.

⁷ *Fast retail payment systems*, Bank for International Settlements Quarterly Review, March 2020 https://www.bis.org/publ/qtrpdf/r_qt2003x.htm

⁸ 2014 speech by RBA Governor, Glenn Stevens <https://www.rba.gov.au/speeches/2014/sp-gov-231014.html>

Interchange fees for contactless debit transactions are more expensive than 'contact' (i.e. insert or swipe) debit.⁹ However, contactless credit transactions are either the same price or cheaper than contact credit.^{10,11}

Therefore, merchants on 'interchange plus' fee arrangements must weigh up the extra cost of accepting contactless debit with savings from accepting contactless credit. To make the optimal choice, a merchant must be capable of grasping the concepts, make a number of assumptions and forecasts, and finally perform a series of calculations.

Interchange fee changes

In August 2020, Visa and Mastercard made changes to their interchange fees. Visa reduced fees on contactless consumer credit cards, and debit cards from 0.30% to 0.20%, including commercial cards.

Mastercard reduced its debit contactless rate from 0.40% to 0.20%. It also introduced separate categories for card-present and card-not-present transactions, and for tokenised and non-tokenised transactions.

Debit contactless rates

In August 2020, the major banks began providing a cheaper blended merchant fee rate for debit contactless, reflecting the changes to interchange fees. This rate is 0.70% for most banks. Previously, merchants on a blended fee arrangement would pay the same rate to accept debit contactless and credit card transactions.¹²

Bilateral negotiation of interchange fees

In 2009 multilateral interchange fees were ostensibly replaced with bilaterally negotiated fees between issuers and acquirers, owing to actions by the *Commerce Commission*. In practice, however, interchange fees are effectively multilateral because all issuers set their interchange fees at the maximum rates set by Visa and Mastercard.

This illustrates how unintended consequences can arise when appropriate powers are not in place to remedy market failures in the payments system. Because competition issues in payment systems are unique (e.g. incumbent participants of a payment system can prevent new participants joining) special competition powers to resolve them are needed.

Overseas, primary responsibility for competition in payment systems tends to lie with the payments system regulator, although the competition regulator also has a role to play. For instance the *Australian Competition and Consumer Commission* and the RBA;¹³ and the *Competition and Markets Authority* and the PSR in the UK.¹⁴

⁹ Contact transactions are routed through *Eftpos*, New Zealand's domestic debit network. Contactless transactions are routed through the Mastercard network or Visa network.

¹⁰ Mastercard interchange is 0.50% for all contactless consumer credit card transactions valued at \$80 or less. <https://www.mastercard.co.nz/en-nz/about-mastercard/what-we-do/interchange.html>

¹¹ Visa interchange for contactless consumer credit transactions is 20 basis points cheaper for standard cards and 60 basis points cheaper for premium cards than it is for respective contact transactions, up to any value. <https://www.visa.co.nz/about-visa/interchange.html>

¹² One major bank was already providing a separate rate for debit. It reduced that rate from 0.95% to 0.70% in August 2020.

¹³ <https://www.rba.gov.au/payments-and-infrastructure/payments-system-regulation/mou/accc-and-the-rba/>

¹⁴ <https://www.psr.org.uk/publications/policy-statements/competition-act-1998-ca98-guidance/>

The Commerce Commission cannot address anything other than breaches of the *Commerce Act 1996*, which only covers general competition. As such, it noted in its 2013 report, *Evaluation of the 2009 interchange and credit card settlements*, that “...alternative regulatory intervention may be required” and suggested responsibility could be conferred upon the *Reserve Bank of New Zealand (RBNZ)*.¹⁵

3. Please provide information on your understanding of the levels of merchant service fees in New Zealand, any trends in relation to those fees, and how they compare to merchant service fees in overseas jurisdictions.

Merchant fees are substantially higher in New Zealand than Australia and the UK, which both regulate interchange fees. This can largely be attributed to significantly higher interchange fees.¹⁶

In 2019, Retail NZ reported the average credit card merchant fee rate in New Zealand to be twice that in Australia and more than three times the rate in the UK.¹⁷ For debit contactless rates here were two times those in Australia and six times the rates in the UK.¹⁸

Magnet members which accept card payments (typically small merchants) tend to pay higher rates than the averages reported by Retail NZ.

4. What is your view on charges incurred by cardholders for the use of payment methods?

It is important for merchants to have the right to surcharge customers.¹⁹ However, in practice many merchants, especially smaller businesses, do not.

Merchants that do surcharge tend to apply one rate for all credit card transactions, irrespective of the type of card used.

Magnet members which accept card payments either do not surcharge or apply a surcharge that is less than the merchant fees they pay. Members are typically small merchants.

¹⁵ Paragraphs 10 and 11 https://comcom.govt.nz/__data/assets/pdf_file/0028/94771/Research-report-Evaluation-of-the-2009-interchange-and-credit-card-settlements-19-December-2013.pdf

¹⁶ **New Zealand**

Mastercard <https://www.mastercard.co.nz/en-nz/about-mastercard/what-we-do/interchange.html>

Visa <https://www.visa.co.nz/about-visa/interchange.html>

Australia

Mastercard <https://www.mastercard.com.au/en-au/about-mastercard/what-we-do/interchange.html>

Visa <https://www.visa.com.au/about-visa/interchange.html>

UK

Mastercard <https://www.mastercard.co.uk/en-gb/vision/terms-of-use/Interchange.html>

Visa <https://www.visa.co.uk/dam/VCOM/regional/ve/unitedkingdom/PDF/fees-and-interchange/2020-may/uk-may-2020.pdf>

¹⁷ Credit rates: 1.60%, 0.80% and 0.50% for New Zealand, Australia and the UK, respectively.

<https://retail.kiwi/wp-content/uploads/2020/09/RetailNZ-PaymentsReport2019.pdf>

¹⁸ Debit contactless rates: 1.20%, 0.60% and 0.20% for New Zealand, Australia and the UK, respectively. (However, rates in New Zealand are now around 0.70%)

¹⁹ Mastercard and Visa removed the ‘no surcharge’ rule from their rulebooks as part of settlements with the Commerce Commission in 2009.

5. What impacts do you believe rewards and inducements have on the retail payments system?

MBIE has accurately characterised the effects of rewards and inducements in both the current issues paper and the 2016 issues paper.

6. What is your view on charges incurred by merchants for the use (acceptance) of payment methods?

Merchant fees are excessive and unfair in New Zealand.

See response to question 3.

7. Please provide your views on barriers to merchants steering consumers to lower cost payment methods and the extent that steering occurs?

A number of Magnet members do not accept contactless, thereby steering customers to paying with Eftpos debit rather than scheme debit.

Other than this, steering is not widely practiced among Magnet members. It is unclear whether acquirers effectively inform merchants that they have the right to steer.

8. Please provide your views on the barriers to merchants surcharging and the extent that surcharging occurs?

The main barrier is customer resistance to paying surcharges.

Some Magnet members report not being able to surcharge contactless transactions.

9. What is your view of the wealth transfer by merchants passing on merchant service fees in the price of goods and services to all their consumers?

MBIE has accurately characterised the effects of rewards and inducements in both the current issues paper and the 2016 issues paper.

10. What barriers do small businesses face to obtaining competitive merchant service fees?

UK Market review into the supply of card-acquiring service

The PSR is conducting a *Market review into the supply of card-acquiring services* in the UK. In its interim report, published in September 2020, the PSR found that while "...merchants could make savings by shopping around and either switching or negotiating with their current provider... many small and medium ones don't."²⁰ The interim report proposes several remedies, including:

- "Requiring all contracts for card-acquiring services to have an end date, providing a prompt for merchants to shop around

²⁰ <https://www.psr.org.uk/publications/market-reviews/mr18-1-7-market-review-into-the-supply-of-card-acquiring-services-interim-report/>

- Requiring changes to POS terminal contracts to limit their length, ending contracts that auto-renew for successive fixed terms and making it easier to exit POS terminal contracts without incurring exit fees.
- Making it easier for merchants to research and compare prices and options available to them.”

Feedback on the interim report closed on 9 February 2021; the PSR will publish a final report in 2021.

Negotiation

A number of Magnet members report not realising that they have the right to negotiate their merchant rates. When first starting their business, one member thought all businesses across New Zealand were charged the same merchant fee rate, because of the lack of transparency.

Even if they are aware and seek to renegotiate, rate reductions can be insignificant. For example, one Magnet member was initially offered a new rate of 2.05% down from 2.10%. Upon engaging a merchant services broker, the merchant secured a rate of 1.78%.

Poor ‘meaningful’ transparency

Information provided by acquirers to merchants is confusing and often incomplete.

There are many elements to consider when trying to choose the best arrangements. For instance, whether to choose blended or ‘interchange plus’ arrangements, to accept contactless or not, predicted mix of cards (e.g. debit vs credit; premium vs standard; commercial vs consumer) and the relative shares of Mastercard and Visa transactions. Acquirers do not necessarily communicate this information effectively to merchants so they can make informed decisions.

More information does not equate to ‘meaningful’ transparency. For example, some acquirers provide interchange plus merchant statements setting out the breakdown of fees by interchange category.²¹ This is a lot of information that is confusing and ‘meaningless’ to merchants, especially small businesses. Moreover, interchange categories on these statements do not always marry up with the interchange fees published by Visa and Mastercard.

One bank acquirer reported that merchants value simplicity with merchant fees. Blended merchant fees are the most simple, but they can be a veil to overcharging. For example, an online acquirer / gateway service provider has a single fee structure for all transactions, but it is very expensive.

Switching providers

Some bank acquirers do not offer standalone merchant services, rather merchants must also have a banking relationship with the acquiring bank. Merchants are unlikely to switch providers if it means moving their entire banking arrangements. What is more, this could have the effect of reducing competition in the acquiring market leading to higher merchant fee prices.

²¹ In 2009, in settlements with the Commerce Commission, acquirers committed to offering ‘unbundled’ (i.e. interchange plus) arrangements to merchants.

Terminology across acquirers, third-party terminal providers and networks is often inconsistent. This adds another layer of complexity making it more difficult for merchants to easily compare offerings by different providers.

11. What information or assistance would assist small businesses to obtain better deals?

See response to question 10.

12. What cost differences are there for providing merchant services to small businesses compared with larger businesses?

Magnet represents merchants, not providers. Accordingly, Magnet is not privy to the costs service providers face in providing merchant services.

13. How much competitive discipline does EFTPOS provide on scheme debit card merchant service fees and are there any barriers to domestic EFTPOS providing more competitive discipline on merchant service fees?

Eftpos places a degree of competitive pressure on Mastercard and Visa debit cards, because it does not cost merchants anything. However, use of Eftpos has been declining for some time with increasing uptake of contactless.

Mastercard and Visa have continued to innovate but Eftpos has not kept pace. One factor is that zero fees mean little money to invest in the system. Another factor is that Eftpos is not a 'scheme' but simply a network of bilateral links between banks.²²

Australia had a similar set up until 2009, when *eftpos Payments Australia Limited* (ePAL) was established as a scheme to govern the eftpos Australia system. ePAL introduced scheme fees in 2011 and has used those funds to invest in the system.²³

In Australia, least-cost routing of debit transactions puts competitive pressure on merchant fees.²⁴ It allows merchants to choose the cheapest network (i.e. eftpos Australia, or Mastercard/Visa) for contactless payments. Least-cost routing requires both networks to have access to the RFID technology in the card.

Eftpos debit transactions in New Zealand access the chip technology when a card is inserted into a terminal. However, Eftpos does not have access to the RFID technology that enables contactless transactions.

14. What impact is product innovation having on merchant service fees?

Contactless debit is more expensive than contact debit, but the reverse is true for credit transactions. This suggests other factors are at play than innovation that are affecting merchant fees.

²² The RBA considers a scheme to be "...a single, commercially focused decision-making body for a payment system." <https://www.rba.gov.au/publications/consultations/201106-strategic-review-innovation/issues/pdf/201106-strategic-review-innovation-issues.pdf>

²³ e.g. contactless technology for cards and terminal network, mobile payments, a token service provider, and a centralised settlement service. <https://www.eftposaustralia.com.au/wp-content/uploads/2017/07/Transformation-update-media-release-June-2017-final.pdf>

²⁴ <https://www.rba.gov.au/payments-and-infrastructure/debit-cards/least-cost-routing.html>

In August 2020, Mastercard reduced interchange fees for tokenised online and recurring payments.

15. Is open banking likely to provide sufficient competitive discipline on scheme debit and credit fees?

In future, open banking payment initiation services, in conjunction with fast payment systems, will likely provide substitutes for debit cards. However, it will be quite some time before that emerges.

In the UK, the *Competition and Markets Authority* ordered the nine largest UK banks to “...adopt and maintain common API standards through which they will share data with other providers and with third party service providers...” in the final report of its *Retail banking market investigation*, published in February 2016.²⁵ This took two years.

Open banking launched in the UK in January 2018. Three years on, fewer than 3 million people use it, which is less than 5 per cent of the UK population.²⁶

16. Do you agree that there is a gap in regulatory governance of the retail payments system relating to promoting competition and outcomes that are in the long term benefit of end-users?

Yes. See response to question 1.

17. Please feel free to provide information on any other issues of concern with the performance of the retail payments system.

See response to question 2.

18. Do you agree with the objectives for the retail payments system in New Zealand?

Broadly yes. They reflect the objectives held by the regulators in Australia and the UK.

19. Please provide feedback on the aspects of the proposal for interchange regulation, including any changes that would improve the impact of it, with supporting evidence of any benefits or costs.

As discussed in response to question 1, consultation on regulatory options should be conducted by the future regulator.

20. Please provide feedback on which body or bodies would be best placed to act as the regulator for interchange fee regulation.

A separate consultation should be dedicated to establishing a regulator.

See appendices for the approaches taken in Australia and the UK.

²⁵ <https://assets.publishing.service.gov.uk/media/57ac9667e5274a0f6c00007a/retail-banking-market-investigation-full-final-report.pdf>

²⁶ <https://www.openbanking.org.uk/about-us/latest-news/real-demand-for-open-banking-as-user-numbers-grow-to-more-than-two-million/>

21. Please provide your views on the impacts of the above classes of options, with supporting evidence of the benefits and costs.

As discussed in response to question 1, consultation on regulatory options should be conducted by the future regulator.

22. Please provide your views on any other feasible options that should be considered, with supporting evidence of the benefits and costs of these options.

As discussed in response to question 1, consultation on regulatory options should be conducted by the future regulator.



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Appendices

Appendix A: Establishing the regulator

Australia

Wallis Financial System Inquiry (1996)

Inquiry announced by Treasurer¹
30 May 1996

Discussion Paper published²
1 November 1996

Final Report published³
1 March 1997

Chapter 9 of the Final Report⁴

“A new subsidiary board, the Payments System Board (PSB), should be established within the Reserve Bank of Australia (RBA) to promote the efficiency of the payments system.”

Government Response to Wallis report

Implementation of Financial System Reforms⁵
Treasury
17 March 1998

Legislation

Financial Sector Reform (Amendments and Transitional Provisions) Act 1998 (FSR Act)⁶

Schedule 14 of the FSR Act⁷ amends the *Reserve Bank Act 1959*⁸ to establish the *Payments System Board* (PSB). The PSB was established on 1 July 1998.

¹ <https://treasury.gov.au/review/financial-system-inquiry>

² <https://treasury.gov.au/publication/p1996-fsi-dp>

³ <https://treasury.gov.au/publication/p1996-fsi-fr>

⁴ <https://treasury.gov.au/sites/default/files/2019-03/13-fsi-fr-chapt09.pdf>

⁵ <https://ministers.treasury.gov.au/ministers/peter-costello-1996/media-releases/financial-system-reforms-implementation>

⁶ <https://www.legislation.gov.au/Series/C2004A00314>

⁷ Schedule 14 of FSR Act http://www5.austlii.edu.au/au/legis/cth/consol_act/fsratpa1998624/sch14_schedule.html

⁸ Reserve Bank Act 1959 <https://www.legislation.gov.au/Series/C1959A00004>

Legislative process

Bills Digest No. 194 1997-98⁹

8 May 1998

Introduced: 26 March 1998

Commenced: 1 July 1998

Payment Systems (Regulation) Act 1998 (PSRA)¹⁰

The PSRA gives the RBA powers to 'designate' payment systems, and powers to regulate designated payment systems. Regulatory powers include imposing access regimes and making standards.

Legislative process

Bills Digest No. 181, 1997-98¹¹

22 April 1998

Introduced: 26 March 1998

Commenced: 1 July 1998

United Kingdom

Cruickshank Review of Banking Services in the UK

The UK Government commissioned Review¹²

November 1998

Final Report published¹³

20 March 2000

The Report recommended that "The Government should bring forward legislation to establish a payments systems commission (PayCom), charged with supervision of a payments system licensing regime. It should be independent of the competition authorities, other regulatory commissions, and of the industry."

⁹ https://www.aph.gov.au/Parliamentary_Business/Bills_Legislation/bd/BD9798/98Bd194

¹⁰ <https://www.legislation.gov.au/Series/C2004A00318>

¹¹ https://www.aph.gov.au/Parliamentary_Business/Bills_Legislation/bd/BD9798/98BD181

¹² https://webarchive.nationalarchives.gov.uk/20050301200433/http://www.hm-treasury.gov.uk/documents/financial_services/banking/bankreview/fin_bank_review.cfm

¹³ https://webarchive.nationalarchives.gov.uk/20050301221631/http://www.hm-treasury.gov.uk/documents/financial_services/banking/bankreview/fin_bank_reviewfinal.cfm

Subsequent Reviews and legislation

Concrete steps towards establishing a payments regulator began in 2012.

Setting the strategy for UK payments¹⁴

HM Treasury
July 2012

Proposed options for changes to the regulatory regime.

Opening up UK Payments¹⁵

HM Treasury
March 2013

Proposed to proceed with regulating payments and establish a “...new competition-focused, utility-style regulator for retail payment systems.”

Financial Services (Banking Reform) Act 2013^{16,17}

Royal Assent 18 December 2013

Established the *Payment System Regulator* (PSR) and set its statutory powers and objectives.

Payment Systems Regulation: Call for Inputs¹⁸

Financial Conduct Authority (FCA)
March 2014

FCA seeks “...input that will assist the PSR to understand the current concerns of the UK payments industry, develop its regulatory approach and design, and identify early priorities for action.”

PSR became operational on 1 April 2015.¹⁹

Setting the policy approach

A new regulatory framework for payment systems in the UK

Consultation announced²⁰

24 November 2014

Supporting Paper 5: Interchange fees²¹

24 November 2014

Supporting Paper 6: Regulatory tools²²

24 November 2014

¹⁴ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/81567/setting_strategy_uk_payments190712.pdf

¹⁵ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/221903/consult_opening_up_uk_payments.pdf

¹⁶ https://www.legislation.gov.uk/ukpga/2013/33/pdfs/ukpga_20130033_en.pdf

¹⁷ Explanatory note <https://www.legislation.gov.uk/ukpga/2013/33/notes>

¹⁸ <https://www.fca.org.uk/publication/other/psr-call-for-inputs.pdf>

¹⁹ <https://www.psr.org.uk/about-us/background-to-the-psr/>

²⁰ <https://www.psr.org.uk/psr-cp-141-new-regulatory-framework-payment-systems-uk>

²¹ <https://www.psr.org.uk/publications/general/psr-cp-14-1-supporting-paper-5-interchange-fees/>

²² <https://www.psr.org.uk/publications/general/psr-cp-14-1-supporting-paper-6-regulatory-tools/>

Final PSR Policy statement²³

25 March 2015

Policy Work Programme²⁴

25 March 2015

Competition concurrency guidance

Consultation announced²⁵

26 January 2015

Competition Act 1998 (CA98) Guidance²⁶

Enforcement of the Competition Act 1998: A Guide to the PSR's powers and procedures

13 August 2015

²³ <https://www.psr.org.uk/psr-ps-151-new-regulatory-framework-payment-systems-uk>

²⁴ <https://www.psr.org.uk/publications/annual-plans-reports/policy-work-programme/>

²⁵ <https://www.psr.org.uk/publications/consultations/psr-cp-15-1-psr-competition-concurrency-guidance/>

²⁶ <https://www.psr.org.uk/publications/policy-statements/competition-act-1998-ca98-guidance/>

Appendix B: Initial reforms

Australia

Study of Interchange Fees and Access

Joint Study with *Australian Competition and Consumer Commission*, recommended by the Wallis Report.

Study announced²⁷
16 September 1999

Study published²⁸
10 October 2000

Credit card reforms

Designation of Credit Card Schemes in Australia²⁹
12 April 2001

Consultation announced³⁰
14 December 2001

Consultation document³¹
14 December 2001

Commissioned report³²
14 December 2001

Final reforms announced³³
“The Reserve Bank's standard on interchange fees will come into force on 1 July 2003”
27 August 2002

Final reforms report³⁴
27 August 2002

Access regime imposed on credit card schemes³⁵
23 February 2004

Debit card reforms

Designation of Visa Debit³⁶
23 February 2004

Designation of EFTPOS debit card system (now eftpos Australia)³⁷
9 September 2004

²⁷ <https://www.rba.gov.au/media-releases/1999/mr-99-accc.html>

²⁸ <https://www.rba.gov.au/media-releases/2000/jmr-rba-accc.html>

²⁹ <https://www.rba.gov.au/media-releases/2001/mr-01-09.html>

³⁰ <https://www.rba.gov.au/media-releases/2001/mr-01-25.html>

³¹ <https://www.rba.gov.au/payments-and-infrastructure/credit-cards/ia-consult-doc/>

³² <https://www.rba.gov.au/payments-and-infrastructure/credit-cards/ii-commissioned-report/>

³³ <https://www.rba.gov.au/media-releases/2002/mr-02-15.html>

³⁴ <https://www.rba.gov.au/payments-and-infrastructure/credit-cards/final-reforms/>

³⁵ <https://www.rba.gov.au/media-releases/2004/mr-04-02.html>

³⁶ <https://www.rba.gov.au/media-releases/2004/mr-04-01.html>

³⁷ <https://www.rba.gov.au/media-releases/2004/mr-04-08.html>

Consultation and draft standards for EFTPOS and Visa Debit³⁸
24 February 2005

Consultation and draft access regime for Visa Debit³⁹
20 July 2005

Consultation and draft access regime for EFTPOS⁴⁰
20 December 2005

Package of reforms to EFTPOS and scheme debit announced⁴¹
27 April 2006

Current regulations

List of regulations⁴²

UK

Interchange fee regulation

HM Treasury consultation

“...proposed steps to meet the UK’s obligation to put in place an adequate and efficient regulatory regime to supervise compliance with the European ‘Interchange Fee Regulation’ (IFR).”

Consultation announced⁴³
27 July 2015

Consultation response⁴⁴
8 October 2015

*The Payment Card Interchange Fee Regulations 2015*⁴⁵

Application of the Interchange Fee Regulation in the UK

PSR

Consultation announced⁴⁶
2 December 2015

Phase 1 – Policy Statement⁴⁷
24 March 2016

³⁸ <https://www.rba.gov.au/media-releases/2005/mr-05-02.html>

³⁹ <https://www.rba.gov.au/media-releases/2005/mr-05-08.html>

⁴⁰ <https://www.rba.gov.au/media-releases/2005/mr-05-16.html>

⁴¹ <https://www.rba.gov.au/media-releases/2006/mr-06-02.html>

⁴² <https://www.rba.gov.au/payments-and-infrastructure/payments-system-regulation/regulations.html>

⁴³ <https://www.gov.uk/government/consultations/interchange-fee-regulation/interchange-fee-regulation-a-consultation>

⁴⁴ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/466783/Interchange_fee_regulation_response.pdf

⁴⁵ https://www.legislation.gov.uk/uksi/2015/1911/pdfs/uksi_20151911_en.pdf

⁴⁶ <https://www.psr.org.uk/news-updates/latest-news/publications/the-application-of-the-interchange-fee-regulation-in-the-uk/>

⁴⁷ <https://www.psr.org.uk/publications/policy-statements/policy-statement-16-1-the-application-of-the-interchange-fee-regulation-in-the-uk-phase-1/>

Phase 1 – Final Guidance⁴⁸
24 March 2016

Phase 2 – Draft Guidance⁴⁹
19 May 2016

Phase 2 – Policy Statement⁵⁰
6 October 2016

Consolidated Guidance⁵¹
6 October 2016

⁴⁸ <https://www.psr.org.uk/news-updates/latest-news/publications/application-of-the-ifr-phase-1-final-guidance/>

⁴⁹ <https://www.psr.org.uk/publications/consultations/cp-16-3-the-application-of-the-ifr-phase-2-draft-guidance/>

⁵⁰ <https://www.psr.org.uk/publications/policy-statements/policy-statement-16-3-the-application-of-the-interchange-fee-regulation-in-the-uk-phase-2/>

⁵¹ <https://www.psr.org.uk/publications/policy-statements/application-of-the-ifr-final-guidance/>

Appendix C: Further reviews

Australia

2007/08 Review of Card Payment Systems Reforms

Issues Paper⁵²

29 May 2007

Preliminary conclusions⁵³

21 April 2008

Final conclusions⁵⁴

26 September 2008

Strategic Review of Innovation in the Payments System

Announced⁵⁵

28 May 2010

Initial consultation⁵⁶

22 July 2010

Issues Paper⁵⁷

30 June 2011

Summary of consultation⁵⁸

February 2012

Final conclusions⁵⁹

7 June 2012

2015/15 Review of Card Payments Regulation

Issues Paper⁶⁰

4 March 2015

Submissions to Issues Paper⁶¹

(due by 24 April 2015)

Consultation Paper with draft standards⁶²

3 December 2015

Submissions to Consultation Paper⁶³

(due by 3 February 2016)

⁵² <https://www.rba.gov.au/media-releases/2007/mr-07-09.html>

⁵³ <https://www.rba.gov.au/media-releases/2008/mr-08-05.html>

⁵⁴ <https://www.rba.gov.au/media-releases/2008/mr-08-16.html>

⁵⁵ <https://www.rba.gov.au/media-releases/2010/mr-10-10.html>

⁵⁶ <https://www.rba.gov.au/media-releases/2010/mr-10-14.html>

⁵⁷ <https://www.rba.gov.au/publications/consultations/201106-strategic-review-innovation/issues/>

⁵⁸ <https://www.rba.gov.au/payments-and-infrastructure/payments-system-regulation/past-regulatory-reviews/strategic-review-of-innovation-in-the-payments-system/summary-consultation/>

⁵⁹ <https://www.rba.gov.au/media-releases/2012/mr-12-14.html>

⁶⁰ <https://www.rba.gov.au/media-releases/2015/mr-15-04.html>

⁶¹ <https://www.rba.gov.au/payments-and-infrastructure/submissions/review-of-card-payments-regulation/>

⁶² <https://www.rba.gov.au/media-releases/2015/mr-15-24.html>

⁶³ <https://www.rba.gov.au/payments-and-infrastructure/submissions/standards-for-card-payments-systems/>

Conclusions⁶⁴
26 May 2016

Review of Retail Payments Regulation

Issues Paper⁶⁵
29 November 2019

Submissions⁶⁶
(due by 31 January 2020)

Review ongoing

NPP functionality and access consultation

(with ACCC)

Announcement and call for responses⁶⁷
29 October 2018

Submissions⁶⁸
(due by 30 November 2018)

Conclusions Paper and recommendations⁶⁹
13 June 2019

Future review
By July 2021

Least cost routing

About least cost routing⁷⁰

RBA consultation⁷¹
December 2016

PSB Meeting media release⁷²
18 May 2018

⁶⁴ <https://www.rba.gov.au/media-releases/2016/mr-16-15.html>

⁶⁵ <https://www.rba.gov.au/payments-and-infrastructure/review-of-retail-payments-regulation/pdf/review-of-retail-payments-regulation-issues-paper-nov-2019.pdf>

⁶⁶ <https://www.rba.gov.au/payments-and-infrastructure/submissions/review-of-retail-payments-regulation/index.html>

⁶⁷ <https://www.rba.gov.au/payments-and-infrastructure/new-payments-platform/functionality-and-access-consultation.html>

⁶⁸ <https://www.rba.gov.au/payments-and-infrastructure/new-payments-platform/submissions/>

⁶⁹ <https://www.rba.gov.au/payments-and-infrastructure/new-payments-platform/functionality-and-access-report.html>

⁷⁰ <https://www.rba.gov.au/payments-and-infrastructure/debit-cards/least-cost-routing.html>

⁷¹ <https://www.rba.gov.au/publications/consultations/2016/12-dual-network-cards-and-mobile-wallet-technology/>

⁷² <https://www.rba.gov.au/media-releases/2018/mr-18-12.html>

UK

Card acquiring services market review⁷³
Ongoing

PSR Powers and Procedures Revised Guidance⁷⁴
16 June 2020

Interchange Fee Regulation Revised Guidance⁷⁵
16 June 2020

PSR Strategy⁷⁶

Theme 1: Innovation and future payment methods⁷⁷

Theme 2: Competition⁷⁸

⁷³ <https://www.psr.org.uk/psr-focus/market-reviews/card-acquiring-services-market-review>

⁷⁴ <https://www.psr.org.uk/publications/general/powers-and-procedures-guidance-june-2020/>

⁷⁵ <https://www.psr.org.uk/publications/general/guidance-on-the-psr-s-approach-as-a-competent-authority-for-the-eu-interchange-fee-regulation-june-2020/>

⁷⁶ <https://www.psr.org.uk/our-work/psr-strategy/>

⁷⁷ <https://www.psr.org.uk/our-work/psr-strategy/innovation-and-future-payment-methods/>

⁷⁸ <https://www.psr.org.uk/our-work/psr-strategy/competition/>

Appendix D: Reviews by government bodies

Australia

Murray Financial System Inquiry (2014)

Announced⁷⁹
20 November 2013

Interim report⁸⁰
14 July 2014

Final report⁸¹
7 December 2014

Fact sheet⁸²
7 December 2014

Competition in the Australian Financial System Review

Productivity Commission

Consultation paper⁸³
6 July 2017

Draft Report⁸⁴
7 February 2018

Final Report⁸⁵
Recommendations: ban interchange fees and regulate for least-cost routing
3 August 2018

Review of Payments Regulatory Architecture

Independent, commissioned by Australian Government

Announced⁸⁶
October 2020

Due to report to Australian Government
April 2021

“This review would look at the roles of industry self-regulation, regulators and the Government and consider the balance between promoting competition, innovation, efficiency, safety, resilience and stability of the system.”

⁷⁹ <https://treasury.gov.au/review/financial-system-inquiry-murray>

⁸⁰ <https://treasury.gov.au/consultation/c2014-fsi-interim-report>

⁸¹ <https://treasury.gov.au/publication/c2014-fsi-final-report>

⁸² https://treasury.gov.au/sites/default/files/2019-03/p2014-FSI-Final-Report_Fact_Sheet_Competition.pdf

⁸³ <https://www.pc.gov.au/inquiries/completed/financial-system/consultation>

⁸⁴ <https://www.pc.gov.au/inquiries/completed/financial-system/draft>

⁸⁵ <https://www.pc.gov.au/inquiries/completed/financial-system/report>

⁸⁶ <https://treasury.gov.au/review/review-australian-payments-system>

UK

Payments Landscape Review

HM Treasury

Announced⁸⁷

20 June 2019

Call for Evidence⁸⁸

28 July 2020

Submissions due

20 October 2020

Submissions published

HM Treasury yet to respond

⁸⁷ <https://www.gov.uk/government/speeches/mansion-house-dinner-speech-2019-philip-hammond>

⁸⁸ <https://www.gov.uk/government/consultations/payments-landscape-review-call-for-evidence#:~:text=It%20sets%20out%20the%20government's,maintains%20its%20status%20as%20a>