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## RESERVE BANK OF AUSTRALIA

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13 July 2009

Mr Craig Kennedy  
Managing Director  
Cuscal Limited  
GPO Box 4720  
Sydney NSW 2001

Dear Mr Kennedy

### **PROPOSED NAB MEMBERSHIP OF THE REDIATM NETWORK**

Cuscal has sought guidance from the Reserve Bank on whether National Australia Bank's (NAB's) proposed membership of Cuscal's RediATM network would be consistent with the spirit of the *Access Regime for the ATM System*, which came into effect on 3 March 2009.

While the *Access Regime* in general prevents the payment of interchange fees in the ATM system, it provides two exceptions. These are intended to promote competition by allowing financial institutions to offer their customers fee free access to a wider network of ATMs than they could provide in their own right. The payment of a common interchange fee between members of a sub-network is one of these exceptions, in acknowledgement of sub-networks' role in promoting competition.

While discussion of sub-network membership has generally focussed on smaller institutions, reflecting the existing make-up of these networks, the Payments System Board does not believe that, in principle, a major bank joining a sub-network raises any particular concerns, provided that it joins on the same terms as other members. In this particular case, the expansion of the RediATM network would increase the capacity of many small financial institutions to compete with the banks offering the largest networks. The Board is also satisfied that, unlike bilateral interchange fees, the exchange of interchange fees by a major bank within a sub-network does not give rise to access concerns, provided that those fees are common to all members and criteria for membership of the sub-network are fair, objective and transparent.

In line with the Board's broader objective of improving access to the ATM system, the Board expects that the integration of NAB into the RediATM network will occur in a way that simplifies the connection process for current or prospective Direct Connectors to the ATM system. The Board would appreciate written confirmation

from RediATM that such an outcome will be included in the longer-term integration plans for the NAB and RediATM ATM networks.

In summary, the Board is satisfied that the NAB joining the RediATM network is consistent with the spirit of the *Access Regime* and will benefit not only the customers of NAB and RediATM members, but also promote competition between card issuers.

Yours faithfully

A handwritten signature in cursive script, appearing to read 'M Edey', written in dark ink.

Malcolm Edey  
Assistant Governor (Financial System)

cc: Geoff Bebbington, National Australia Bank