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15 March 2002

Dr. John Veale
Head of Payments Policy
Reserve Bank of Australia
GPO Box 3947
SYDNEY NSW 2001



Dear Dr. Veale

Response to Consultation Document 'Reform of Credit Card Schemes in Australia'

We understand the Reserve Bank of Australia's (RBA) objective of creating an environment for effective competition within the credit card sector and take this opportunity to comment briefly on the aforementioned Consultation Document that was released on 14 December 2001.

As the largest independent investment bank based in Australia, we submit that the RBA would promote competition in the payments sector and influence with clarity the responses of industry participants by specifying administrative procedures that allow organisations to establish the regulator's view of conditions applicable to proposed operating structures, transactions or ventures and also their acceptability. We suggest that more vibrant market conditions, wherein participants are best able to enter the market or to adjust their positions once established, would be encouraged by the clear description of such a process.

It is our submission that, when finalised, the standards proposed in the Consultation Document may increase the perceived uncertainty for current and prospective participants within the Australian credit card market unless the RBA offer an avenue for participants to put detailed commercial plans and structures through a regulatory review process prior to their implementation. By making such a process available the Reserve Bank would create an improved commercial environment wherein regulatory certainty was not an unacceptable barrier to investment in credit card related businesses.

Currently, other Australian regulators offer either statutory or informal processes that serve the same important function and can act as a positive factor towards enabling investment in new or established ventures. For example, without limiting the ongoing powers of the organisation to review its position, the ACCC offers such a process in the form of 'authorisations' thereby enabling applicants to be guided as to acceptability of proposed commercial arrangements.

Assuming that the market responds to the RBA's competition enhancing initiatives, we submit that the goal of the efficient attraction and employment of capital into the credit card sector will be furthered if the Reserve Bank states the processes by which commercial organisations may request the evaluation and confirmation (or otherwise) of proposed structures or commercial transactions involving participants in the credit card industry.

We request the opportunity to discuss this proposal to develop a streamlined, transparent and cost-effective process with the RBA subsequent to the closing date for consultation.

Sincerely,

A handwritten signature in black ink, appearing to read 'Rahn Wood', is positioned above the typed name.

Rahn Wood
Head, Internet Division
Macquarie Bank Limited

cc: David Standen, Division Director
Investment Banking Group