

9 July 2021

Head of Payments Policy Department  
Reserve Bank of Australia  
GPO Box 3947  
Sydney NSW 2001

By email: [pysubmissions@rba.gov.au](mailto:pysubmissions@rba.gov.au)

Dear Mr Richards

## Review of Retail Payments Regulation

ANZ thanks the Reserve Bank of Australia (**RBA**) for providing an opportunity to comment on its *Review of Retail Payments Regulation Consultation Paper* dated May 2021 (**Consultation Paper**).

We have appreciated the consultative approach adopted by the RBA as it has conducted its review of retail payments regulation in Australia.

We believe the draft recommendations in the Consultation Paper are well considered and formed. To help the RBA finalise these recommendations, we would offer the following short thoughts:

- **Dual Network Debit Cards (DNDC)** – We support the expectation that major issuers issue DNDC.

However, rather than imposing this expectation on the major banks exclusively, we recommend using a threshold of market share as a criterion for the expectation applying.

For example, the RBA could expect that all issuers with >10% market share should issue DNDCs.

This will have the same effect in the immediate term as the recommendation in the Consultation Paper, but allow a level playing field to apply with any market changes.

- **Debit Interchange Cap** – We note the proposal concerning the cents-based debit interchange cap and appreciate the RBA's motivation for proposing this.

We would observe, however, that one potential consequence of reducing this could be to reduce funding for innovation in card capability. The RBA may like to factor this into the finalisation of its recommendations.

- **Fee Reporting** – We support increased transparency of fees for issuers and acquirers, provided that commercially sensitive information is not made publicly available.

We would seek clarity on the type of information required as early as possible, as it will take issuers and acquirers time to prepare and validate the data each year. Additionally, we would submit that this transparency requirement should apply across the board, regardless of the size/market share of the issuer or acquirer.



There is an equal argument for parties of all size to have transparency in how they determine pricing.

- **Least cost routing (LCR)** – We acknowledge the continued importance of LCR and support the ability for merchants to access the lowest cost option.

We would observe, however, that higher cost options sometime offer a higher level of features, such as better capability, consumer benefits and protection. Using cost as the only criteria for decision means consumers and merchants alike may miss out on additional protections and capabilities offered by the international card schemes. This is particularly true in the card-not-present environment.

We acknowledge the importance of choice for merchants and consumers in both the in-person and online environments. This choice exists today online, with options for payment and acceptance of Visa, Mastercard, Amex, Paypal, BPAY, Afterpay and others. These options are transparent and available for merchants to offer and consumers to utilise as they choose. We see utility in eftpos providing functionality that enables consumer choice online, as it has in person, rather than suggesting merchants route transactions through a preferred method without full transparency to the consumer.

- **Buy-Now-Pay-Later (BNPL)** – With least cost in mind, we note that the current BNPL no-surcharge settings can penalise smaller merchants in industries where customers demand the ability to fund with the BNPL and the merchant is unable to recover cost.

We would support future consideration of a policy case to balance this risk with the need for innovation and competition.

Please let us know if you would like to meet with us to discuss any matter in this letter. My contact details are [jackie.kallman@anz.com](mailto:jackie.kallman@anz.com).

Yours sincerely

A handwritten signature in black ink, appearing to read 'Jackie Kallman', written in a cursive style.

**Jackie Kallman**  
**Head of Payments Industry and Engagement**