



AUSTRALIAN PAYMENTS CLEARING ASSOCIATION

11 April 2003

The General Manager
Adjudication Branch
Australian Competition & Consumer Commission
PO Box 1199
Dickson ACT 2602

FILE No:
DOC:
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Dear Sir

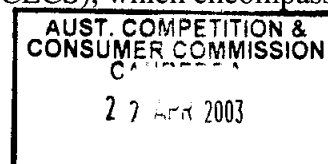
**APPLICATIONS FOR AUTHORISATION NOS A30224 AND A30225
DEALING WITH EFTPOS INTERCHANGE FEES**

APCA does not intend making a submission in respect of the above applications. However we would like to comment on the Reserve Bank's submission dated 21 March 2003. Our purpose is to ensure no misunderstandings flow from parts of that submission.

In supporting the applicants' suggestion that APCA address issues relating to access to the EFTPOS network, the Reserve Bank notes that 'there is no clear need for the continued use of bilateral agreements, which appear to be a barrier to new entrants and which do not exist in other payment systems'.

The distinction between EFTPOS and other payment systems is being drawn too sharply, certainly as it applies to APCA's payment clearing systems. The prior need for bilateral engagements of one kind or another do exist in other payment systems.

In APCA's paper clearing system and bulk electronic clearing system, applicants for direct clearing membership must engage bilaterally with direct clearing members to construct electronic links in order to operate within each system. As a condition of membership all members of APCA's high value clearing system must engage with the Reserve Bank and with SWIFT to develop appropriate links. In principle therefore, though of course not in detail, there is no difference between these systems and APCA's consumer electronic clearing system (CECS), which encompasses EFTPOS.



More generally, APCA does not currently purport to control entry to the underlying activity to which APCA's clearing rules apply. APCA is a voluntary association that provides clearing rules for those institutions that have completed the necessary commercial steps (including forging links with other participants) to participate in the payments activity concerned.

At another point in the Reserve Bank's submission, it is noted that 'APCA will also need to ensure that its membership criteria for CECS are as broad as possible (encompassing for example processors and switches which are integral to the EFTPOS network).' In case this is interpreted as reflecting on the current position, which may not be intended, it is worthwhile observing that CECS is as it stands an open and inclusive system.

Processors and switches are included within CECS's deliberative framework. Up until its recent admission as a participating member of CECS, Cashcard Australia Limited participated on the CECS Advisory Council, on other CECS committees and working groups, and supplied the chairman of the Technical Security Working Group, which is an important component of decision-making within CECS. First Data International also participates on the CECS Advisory Council, and on a number of committees and working groups. The Advisory Council is involved in all matters that come before the CECS Management Committee and is integral to the deliberative processes within CECS.

Yours sincerely



Peter Smith
CHIEF EXECUTIVE OFFICER