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RESERVE BANK OF AUSTRALIA

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12 November 2003

Mr Tim Grimwade
General Manager
Adjudication Branch
ACCC
Level 7
470 Northbourne Ave
DICKSON ACT 2602

Dear Tim

APPLICATIONS FOR AUTHORISATION NOS A30224 AND A30225 IN RELATION TO EFTPOS INTERCHANGE FEES

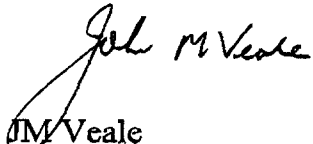
As you know, the Reserve Bank has a longstanding interest in reform of interchange fees in Australia's EFTPOS system and has supported the application by industry participants to move to zero interchange fees. The Bank provided submissions to the Commission on the application and has since participated in the pre-decision conference.

The Bank remains of the view that a move to zero interchange fees for the EFTPOS system in Australia provides the potential for benefits to debit cardholders and to society as a whole through a more efficient set of price signals in the Australian payments system. The Bank also agrees with the Commission that the public interest will be best served by improved access to the EFTPOS system. This would promote competition in debit card issuing and acquiring and thus the pass through of the benefits of zero interchange fees to society.

To this end, the Bank strongly supports efforts by APCA to establish an access regime that will facilitate effective access to the EFTPOS network by new issuers and acquirers. The Bank is nevertheless watching progress closely and, were it to falter, would seriously consider, in the interests of promoting efficiency and competition in

the Australian payments system, designating the EFTPOS system under Section 11 of the *Payments System (Regulation) Act* with a view to imposing an Access Regime under Section 12 of the Act. Before taking such a step, the Bank would consult with interested parties to seek relevant information and views.

Yours sincerely

A handwritten signature in dark ink, appearing to read 'John M. Veale'. The signature is fluid and cursive, with a large loop at the beginning.

JM Veale
Acting Assistant Governor (Financial System)