

## Blanch, Belinda

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**From:** Derek Armstrong  
**Sent:** Thursday, 30 October 2014 11:13 AM  
**To:** Plumridge, Natalie  
**Cc:** Paulette Mendoza; Colin Sultana  
**Subject:** RE: Cuscal application for re-authorisation (A91450-A91452) - submissions [SEC=UNCLASSIFIED]

**Follow Up Flag:** Follow up  
**Flag Status:** Completed

Hi Natalie

Apologies for being unable to fully respond to your question yesterday – I was in the process of rushing to yet another meeting!

I have discussed, with the rediATM Scheme manager, the issue of “refusal to give a discount to a foreign cardholder in relation to the supply of ATM transaction services at a rediATM”.

That was a concept contained in Cuscal's “Submission in support of application for authorisation of rediATM Network direct charging and ATM deployment arrangements” prepared by Blake Dawson (27 July 2009) see paras 8.1 – 8.3 which have been extracted and copied below for ease of reference.

I am instructed to confirm that authorisation is **not** required or requested in regard to any ‘refusal to give a discount to a foreign cardholder’.

There is a cap on the amount that can be charged to cardholders of non-members of the rediATM Scheme but, in accordance with the current ACCC Authorisation, members retain a discretion to set the direct charge on foreign cardholders (ie subject to the cap).

Cuscal, on behalf of the Scheme, merely wishes to extend the terms of the current Authorisation and does not wish to introduce a restriction on discounting being provided to foreign cardholders.

Consequently, Cuscal is happy to omit the 3<sup>rd</sup> bullet point of paragraph 3(a) in its Application ie to omit “refuse to give a discount to a foreign cardholder in relation to the supply of ATM transaction services at a rediATM”.

Please let me know if you require anything further.

Regards  
Derek

Cuscal's “Submission in support of application for authorisation of rediATM Network direct charging and ATM deployment arrangements” prepared by Blake Dawson (27 July 2009)  
**EXTRACT ONLY**

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## 8. 'FUTURE WITH' AND 'FUTURE WITHOUT' ANALYSIS

### 8.1 Future with and future without the No Direct Charge Arrangements

#### Future with

If the No Direct Charge Arrangements are made and given effect to:

- the rediATM Network will offer a mechanism by which financial institutions, including many small financial institutions who are Members, may acquire scale and geographic coverage to compete with those financial institutions with a large ATM footprint; and
- Member Acquirers will not charge Member Issuers' cardholders Direct Charges, and will instead be paid an interchange fee by the Member Issuer.

The likely outcomes of the No Direct Charge Arrangements in terms of competition, efficiency and public benefit are addressed below.

#### Future without (counterfactual)

In light of the uncertainty about whether the No Direct Charge Arrangements raise concerns under the TPA, absent the immunity afforded by authorisation, the Applicants will not make or give effect to the No Direct Charge Arrangements, and, in particular, NAB will not become a participant in the rediATM Network.

Without the No Direct Charge Arrangements, there is potential for Member Acquirers to impose Direct Charges on Member Issuers' cardholders. These Direct Charges would be additional to the interchange fee payable by the Member Issuer to the Member Acquirer (which may in turn be charged as a foreign fee by the Member Issuer to its cardholder, in order to recover the interchange fee payable to the Member Acquirer).

In effect, this could result in the double charging of a Member Issuer's cardholder who acquired ATM transaction services at the rediATM of another Member.

This is likely to:

- create confusion among Member Issuers' cardholders;
- provoke disputes among Members; and
- increase fees payable by Member Issuers' cardholders for ATM transaction services at rediATMs.

The absence of the No Direct Charge Arrangements is also likely to lead to:

- lower use of Member Acquirers' ATMs by Member Issuers' cardholders;
- Member Issuers' cardholders moving to institutions with larger ATM networks, such as the Commonwealth Bank, ANZ, Westpac and Cashcard, for access to a Direct Charge-free network of ATMs;
- Member Issuers having difficulty attracting new retail banking customers because they are unable to provide sufficient access to a Direct Charge-free network of ATMs;
- decreased choice and convenience for Member Issuers' cardholders;
- Member Issuers seeking to join larger ATM subnetworks such as Cashcard or seeking agreements with other financial institutions with larger ATM networks such as the Commonwealth Bank, ANZ or Westpac; and
- decreased ability of the rediATM Network to attract new members because of the lack of certainty in the charging model in the network.

Each of the above concerns will be exacerbated by the fact that NAB will not be a participant in the rediATM Network. As discussed above, should the Members lose cardholders and Members begin to leave the rediATM Network, this is likely to have a spiral effect, undermining the competitiveness of the rediATM Network, resulting in further Members leaving and a continued downward decline.

In light of the above, and without NAB, the economic viability of Members and the rediATM Network would be put at risk, and the competitive pressure which the rediATM Network places on those financial institutions with large ATM footprints in Retail ATM Markets, the Wholesale ATM Market and the Retail Banking Market would be significantly lessened.

## **8.2 Future with and future without the Maximum Foreign Direct Charge**

#### Future with

If the Maximum Foreign Direct Charge Arrangements are made and given effect to, Member Acquirers will not impose on any Foreign Cardholder a Direct Charge greater than the determined Maximum Direct Charge. Member Acquirers will retain discretion to set the actual Direct Charge imposed on Foreign Cardholders, provided it does not exceed the maximum.

The likely outcomes of the Maximum Direct Charge Arrangements in terms of competition, efficiency and public benefit are addressed below.

#### Future without (counterfactual)

In light of the uncertainty about whether the Maximum Foreign Direct Charge Arrangements raise concerns under the TPA, absent the immunity afforded by authorisation, the Applicants will not make or give effect to the Maximum Foreign Direct Charge Arrangements and, in particular, NAB will not become a participant in the rediATM Network.

Without the Maximum Foreign Direct Charge Arrangements there is potential for Member Acquirers to impose on Foreign Cardholders Direct Charges which are greater than the Maximum Foreign Direct Charge. This would potentially increase the fees payable by Foreign Cardholders and also increase the variability/range of possible Direct Charges within the rediATM Network.

Higher fees would make it less likely that those cardholders would use rediATMs over other ATMs and, given that all rediATMs in the rediATM Network share common branding, such an increase in fees and increase in the variability of Direct Charges with the network is likely to have a negative effect on all Member Acquirers and the rediATM network as a whole.

This is likely to create concerns about the operation of the rediATM Network similar to those outlined above with respect to the No Direct Charge Arrangements. Each of those concerns will be exacerbated by the fact that NAB will not be a participant in the rediATM Network.

In light of the above, and without NAB, the economic viability of Member Issuers and the rediATM Network would be put at risk, and the competitive pressure which the rediATM Network places on those financial institutions with large ATM footprints in Retail ATM Markets, the Wholesale ATM Market and the Retail Banking Market would be significantly lessened.

### **8.3 Future with and future without the Refusal of Discount to Foreign Cardholder Arrangements**

This conduct is necessarily a consequence of the conduct described at paragraphs 8.1 and 8.2 above. Accordingly, the Applicants submit that no further factual/counterfactual analysis is required with respect to this conduct.

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