



## **Introduction**

The Australian Payments Clearing Association (APCA) is conducting preliminary engagement with members and other stakeholders to inform options for the future of the ATM Access Code, including whether the Code is updated, repealed or remains unchanged.

The review is undertaken in the context of:

- The mandated use of EMV at ATMs by Visa and Mastercard from 1 January 2016 with associated chip liability programs for non-compliance. The APCA Issuers and Acquirers Community has approved a similar mandate from 1 January 2017.
- A number of developments in payments services including the eftpos Hub and other innovations that have seen the rise of contactless, on-line payments and a reduction in the use of ATMs.

It is important to gain a clear understanding of what industry stakeholders need in relation to ATM access in the future and how best the payments system can support this.

Information gathered as part of this engagement will be used to develop recommendations for the future of ATM Access regulation.

Given that some elements of access arrangements are governed by the RBA's Access Regime, engagement with the RBA may also be necessary once a clearer view of the industry's desired direction has been established. The RBA has indicated that it is open to considering changes to ATM access arrangements in light of developments since the Access Code and Access Regime were introduced.

## **The ATM Access Framework**

In this document we refer to the Access Code and the Access Regime jointly as the access framework.

### **The ATM Access Regime**

The ATM Access Regime is administered by the RBA to cap access charges that incumbents may charge to new direct connections to the ATM system and prohibits charges for establishing a direct clearing/settlement service.

### **The ATM Access Code**

The Access Code was established by APCA and is administered through ATM Access Australia Limited.

## **Why the ATM Access Regime and Access Code were established**

Prior to 2009, there was debate on whether competitive forces were sufficiently effective to support new entrants. New service providers wishing to access the ATM system in Australia were said to have found it challenging due to the bilateral nature of connections, and a lack of transparency about the connection charges and time frames for establishing connections.

As a result, in 2009, reforms to the ATM system were introduced consisting of three elements:

1. An Access Code to facilitate access to the ATM system (including setting time frames for establishing new connections)
2. Facilitation of direct charging for the use of ATMs
3. Capping of connection fees and the removal of the bilateral interchange fees paid between ATM Issuers and ATM Acquirers in respect of ATM transactions (subject to certain exceptions)

**Question 1:**

Do you use the ATM Access Code?

**Question 2:**

If you do not use the Code, how have you gained access?

## **Changes since the introduction of the ATM Access Regime and Access Code**

A number of changes have occurred since the introduction of the ATM Access Regime and Access Code. These include:

### **a. Alternative Providers**

New hub networks are viewed by some participants as providing more effective access to new entrants than the direct connection arrangements provided by the ATM Access Code.

For example, the eftpos Hub provides a centralised industry solution for ATM processing which is open to all new entrants seeking access to the ATM network. However, this does not cover connections to those not utilising this network. Any new participant that connects to the eftpos Hub for ATMs receives a technical connection through to those other participants that are using the eftpos Hub for ATMs. This new participant still has to organise clearing and settlement arrangements with those eftpos Hub members, as well as with those participants not connected to the eftpos Hub for ATMs.

Agreeing a connection timeframe to those not utilising the eftpos Hub would also be a matter of consideration if the Code was made obsolete.

Visa and Mastercard also offer connections through their products. This requires that connectors are issuers or acquirers and is mostly useful for international transactions. Card scheme network arrangements are predicated on the ability for new entrants to join these schemes. In contrast, the eftpos Hub does not require eftpos membership for ATM connections.

A number of organisations also provide commercial switching and general management services for ATM connections.

Despite these new arrangements, the current access framework may still assist where a new entrant in the ATM system wishes to use bilateral connections rather than join one of the alternative networks or schemes.

**Question 3:**

Do new providers offer adequate alternate arrangements to those provided by the current Code?

**b. Changes in technology**

Recent developments have included the introduction of industry and scheme requirements to upgrade terminals and links to be fully EMV capable, and the introduction of liability shifts for counterfeit card fraud (from 31 December 2016 for domestic issued cards and otherwise effective as prescribed by scheme mandate). This will render parts of the Access Code (which provides only for a standard non-EMV direct connection) obsolete.

**Question 4:**

Should the Code be updated to reflect the introduction of industry and scheme requirements to upgrade terminals and links to be fully EMV capable?

**c. Costs**

The ATM access framework enables non-EMV links at a capped cost to new entrants. Caps were established by the RBA following a survey of connection costs in 2009. With indexing, this cap now stands at \$76,700.

We understand that the costs of establishing an EMV link are likely to be substantially more.

**Question 5:**

Should connection fee caps be reviewed?

**Question 6:**

What factors should be considered when identifying the costs of providing links?

## Potential options for the future of the ATM Access Code

The options we are seeking comment on are based on three possible outcomes we identify. The options presented below are not necessarily the only options and we welcome feedback on any other matters that need consideration.

### a. No change

Under this option, there would be no need to take any action. This means that those wishing to make new connections but who would prefer not to use alternative hub connections may still be covered by Access Regime, which caps connection fees.

However, the Access Code itself may be ineffective due to parts of it becoming obsolete as a result of the phasing out of non-EMV enabled ATMs.

### b. Modifications to the existing access framework

The Access Code could be amended so that it reflects changes to technology and a review undertaken of the cap on fees set by the ATM Access Regime. The latter would require a separate RBA consultation and a decision by the Payments System Board that any change was in the public interest. This option would ensure new connectors who do not want to use alternative hub connections can still have access to the bilateral networks assured.

One possible consideration under this option is, if most parties decide to move to the eftpos Hub but some want to keep existing bilateral connections, should the latter be required to establish an eftpos Hub (or other network) connection so that a new entrant can efficiently connect.

### c. Repeal of the ATM Access Code

This option entails the removal of regulation, but would only be viable if it could be achieved without increasing barriers to entry in the ATM system. Repeal of the Access Code would be likely to render the connection cost cap in the RBA Access Regime inoperable in its current form.

This option may impact new connectors who wish to seek access on a bilateral level and are not able or are unwilling to connect via a hub provider, or the hub provider does not provide enough connections.

#### **Question 7:**

Which of the three options do you support and why?

#### **Question 8:**

Are there any other matters that need to be considered?

## Invitation to comment

APCA is seeking responses to the questions in this paper by **24 October 2016**. Responses should be sent to Damien Butler ([dbutler@apca.com.au](mailto:dbutler@apca.com.au)). All responses will be kept confidential. APCA is available to meet with interested stakeholders to discuss the questions in this paper.

### Contacts

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## Summary of Questions

### Questions

1. Do you use the ATM Access Code?
2. If you do not use the Code, how have you gained access?
3. Do new providers offer adequate alternate arrangements to those provided by the current Code?
4. Should the Code be updated to reflect the introduction of industry and scheme requirements to upgrade terminals and links to be fully EMV capable?
5. Should connection fee caps be reviewed?
6. What factors should be considered when identifying the costs of providing links?
7. Which of the following three options do you support?
  - a. No change
  - b. Modify
  - c. Repeal
8. Are there any other matters that need to be considered?