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20 February 2014

Jason McNamara
Executive Director
Office of Best Practice Regulation
Department of the Prime Minister and Cabinet
1 National Circuit
Barton ACT 2600

Dear Mr McNamara

**DETAILS-STAGE REGULATION IMPACT STATEMENT - VARIATION TO THE
MASTERCARD AND VISA ACCESS REGIMES – FOR ASSESSMENT**

I am writing in relation to the attached final details-stage Regulation Impact Statement (RIS) prepared by the Reserve Bank of Australia for the proposal, *Variation to the MasterCard and Visa Access Regimes*. The regulatory burden to business, community organisations and/or individuals has been quantified and offsets have been identified and quantified using the Business Cost Calculator. These have been agreed with your office.

I am satisfied that the final details-stage RIS addresses the concerns raised in your letter of 12 February 2014. Specific changes made in the RIS are detailed in the Attachment.

Accordingly, I am satisfied that the final details-stage RIS now meets the Government's best practice regulation requirements.

I note that, in accordance with the best practice requirements, an options-stage RIS was prepared, provided to the OBPR before being considered by the decision-maker, and published following the announcement of the decision.

I submit the RIS to the Office of Best Practice Regulation for formal assessment.

Yours sincerely

Tony Richards
Head of Payments Policy

ATTACHMENT

The following outlines changes to the Details-stage RIS to take into account the points raised by the OBPR.

Problem

In relation to point 1, we have revised Section 2 of the RIS to clarify the scale and scope of the problem. Specifically, we have incorporated:

- greater detail about the current and future size of the market (including participants and cardholders)
- greater detail about the number of businesses in the market, including the potential for new entry
- a discussion (extracted from the later discussion on cost and benefits of each option) of the regulatory burden imposed by the current arrangements, including estimates of costs associated with meeting prudential supervision requirements
- a discussion of why access to the MasterCard and Visa schemes is an issue for prospective participants, including an example of entities facing access issues.

To address the second point about accessibility and readability, a box on the key concepts in credit card transactions has been included in Section 2.

Options

We have expanded our discussion of potential costs and benefits in Section 5 in line with point 3. In particular, we have included more detail in our discussion of the potential risks for participants under Option 2 and Option 3 – including an assessment of the likelihood, distribution and consequences of these risks – and extended our discussion of the potential benefits of Option 3.

Impact Analysis

In relation to point 4, OBPR staff agreed to our cost estimates on 14 February 2014. These estimates have been incorporated into the RIS.

In relation to point 5, it is our assessment that disclosing most of the non-attributed regulatory costs cited in the RIS would likely disclose the identities of the parties providing the relevant estimates. While it is appropriate for this information to be provided to the Payments System Board, its commercially sensitive nature means that it should not be circulated more widely. However, we are content to publish our estimate of the aggregate additional cost likely to be incurred by a participant under the status quo relative to the case where there is no SCCI regime. This estimate has been incorporated into Section 2 and Section 5.

Conclusion

The conclusion has been reviewed for consistency after addressing the OBPR's comments in line with point 6. No substantive change to the conclusion was necessary.

Implementation and Review

Consistent with point 7, this section has been amended to clarify the likely legislative processes, transitional periods and liaison with industry should the recommended option be taken.