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16 June, 2016

Mr James Kelly
Principal Adviser
Financial System Division
The Treasury
Langton Crescent
PARKES ACT 2600
Via email: creditcards@treasury.gov.au

Dear Mr Kelly,

Re: Response to the Government's Public Consultation on Credit Cards

MasterCard welcomes the opportunity to respond to the Government's public consultation on credit cards following the 2015 Senate Inquiry into credit card interest rates.

It is important to note that while MasterCard does not issue credit cards, provide credit or set interest rates, we recognise the important role we play in the global cards market as a facilitator of processing services - including authorisation, clearing and settlement. We also deliver related products and services making payments easier and more efficient by creating a wide range of solutions and services. Our network is designed to ensure safety and security for the global payments system.

MasterCard's objective is to grow the use of electronic payments – an objective that strongly aligns with Government policy, given the positive impact electronification of payments has on economic growth, productivity and its role in reducing the shadow economy.

While several of the recommendations outlined in the Consultation Paper do not fall within the direct scope of MasterCard's operations, we welcome the chance to be a part of the conversation and offer our insights given our position as an industry leader and an Australian payments system participant since 1984.

One important aspect of credit cards that requires attention from policymakers is the continued regulation of interchange. Interchange provides tremendous value to Australian businesses and consumers and as we have pointed out in our submission to the Senate Inquiry (which we attach), there is a strong and well documented link between the regulation of interchange and increased costs to consumers through higher credit card interest rates and higher annual card fees.

The Reserve Bank of Australia (RBA) recently announced a package of new regulation on the payments system, which increased regulation of interchange. MasterCard believes this decision on interchange was a missed opportunity to restore balance in Australia's payment system and reduce consumer harm.

The Customer-Owned Banking Association (COBA) - whose members issue 19 of 20 low-rate credit cards in Australia – also warned the Senate Inquiry that “cutting average interchange fees will reduce the capacity of smaller card issuers to continue to offer low-rate cards. Card issuers will be forced to absorb the reduction in income or recover it from card holders in the form of higher rates or higher fees.”¹

Given the importance of the role that credit cards play in an economy and the introduction of new laws governing surcharging in Australia, we urge the Government to play a vital role in monitoring the effects of the RBA interchange regulation on consumer costs, including fees and interest rates.

MasterCard remains committed to working with the Government to improve electronic payments in Australia in ways that best serve the public interest and facilitate productivity and growth.

Yours sincerely,



Eddie Grobler
President, Australasian Division
MasterCard

¹ COBA submission to Senate Economics Committee Inquiry: Matters relating to Credit Card Interest Rates, 14 August, 2015, p. 10