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VIA EMAIL : Daniel.McAuliffe@treasury.gov.au

Manager
Banking and Capital Markets Regulation Unit
Financial System and Services Division
The Treasury
Langton Crescent
PARKES ACT 2600



Dear Daniel

Submission to the exposure draft Banking Amendment (Credit Card) Regulation 2014

Tyro Payments Limited is a Specialist Credit Card Institution authorised by the Australian Prudential Regulation Authority.

Tyro is Australia's independent provider of acquiring services for credit, scheme debit and EFTPOS cards for small-to-medium businesses and electronic Medicare processing services for patient paid and bulk-bill claims.

Tyro is the only new entrant into the payment space competing with the incumbent banks as a technology innovator and a sole-acquirer. Tyro does not issue cards and does not take money on deposit.

Tyro was founded in 2003 and has been acquiring transactions for 8 years.

Tyro's participation in the Australian payment system became possible through the engaged support of the Reserve Bank of Australia (RBA) enforcing an access regime on the global card systems, the domestic debit card system (EFTPOS) and the clearing and settlement streams BECS and CECS.

Tyro can only continue to compete as a sole-acquirer, if it continues to have full and direct access to all these areas. That is different for pure credit card issuer participants.

The loss of the status as regulated entity (SCCI) will make Tyro's access precarious. The grand fathering of the BECS access is not sufficient.

The reality is that even with the significant support of the Reserve Bank of Australia and the Australian Prudential Regulation Authority (APRA) over the years, Tyro continued and continues to suffer from access problems that it expects to worsen with the proposed legislative amendment.

1. Since 2004, Tyro has requested the major retail banks to provide eftpos access. Despite an eftpos access regime, Tyro has not achieved interconnects with all four banks.
2. While Tyro was assured of continued membership in BECS, it has been excluded from participation in the New Payments Platform (NPP), Australia's new infrastructure for low-value payments.

As a Specialist Credit Card Institution (SCCI) and thus ADI, Tyro would possibly not have been excluded. And if so, Tyro would have expected that as an SCCI, it would have been able to appeal successfully to the regulator.

Tyro Payments Ltd
abn 49 103 575 042

125 york street
sydney nsw 2000
p+61 2 8907 1700
f+61 2 8907 1777
h+1 300 966 639
www.tyro.com



Tyro Payments is concerned about the withdrawal of the SCCI licence, not because of the access into the global credit card systems, but rather because of the access into the domestic debit card system and the domestic clearing and settlement systems, current and future, dominated by the major retail banks.

In our view, striking the right balance between stability and competition requires an engaged regulator to open up access of the payment system to new technology players, while maintaining supervision and a level playing field.

An efficient and frictionless payment system – an essential prerequisite for a safe, healthy and growing economy – requires the regulator and the prudential supervisor to eliminate the credit risk between the participants.

The regulatory approach to new entrants and new business models should reflect the degree of risk exposure for the banking system and the consumer. Such a graduated approach would establish light, but early oversight of emerging and fast growing new systems like stored-value, loyalty or cryptographic currency payment solutions.

Instead of a graduated regime, we will now have either the full weight of an ADI regulation or none. New entrants into the payment system will have to deal with the precarity of an access controlled by their major competitors. Hardly encouraging.

When Tyro Payments started in 2003, three extremely talented and naïve engineers felt they could take on the banking establishment. The Reserve Bank of Australia had invited new entrants with a new banking licence.

Tyro was the only new entrant that came. A testimony to how little attractive and welcoming the Australian financial industry was and is perceived by potential new participants.

All participants in a payment system, regulators, schemes, bank and non-bank participants, merchants and cardholders share an interest in preserving the reliability, confidence in and integrity of the overall system.

Technological advancements and increasing numbers and types of bank and non-bank participants have increased the complexity and vulnerability of the payment landscape.

However, given that payments are an essential vein of the modern economy and society, there needs to be an even more elaborate regulatory risk framework to mitigate the increased risks arising from the growing number and diversity of new global and local entities, their interdependence, their systemic risk and the impact a failure would have on public confidence in the core payment systems.

The regulator has the obligation, skills and credibility to understand the risks and intervene in increasingly complex and interdependent payment systems and to ensure that system wide exposures are appropriately identified and managed.

Yours Sincerely

A handwritten signature in blue ink, appearing to read 'Jost Stollmann', is written over a light blue horizontal line.

Jost Stollmann
CEO