

Retail Payment System Act 2022

Draft IPS Guidance Submission



05 Participants required to ensure compliance with the IPS

5A) Are you aware of any issuer setting or bilaterally agreeing an interchange fee which is below the maximum rates since 31 March 2021? If so, please provide details of the arrangement.

As a monoline acquirer, we are not aware of any issuer setting or bilaterally agreeing an interchange fee below the maximum rates since 31 March 2021.

5B) Have we accurately described how interchange fees are set, assigned and charged in practice? If not, please provide an explanation.

The process described correctly illustrates how interchange fees are assigned and charged under a Switch to Acquirer model, however this is not the only available transaction flow (e.g. Switch to Issuer; Switch to Scheme)

5C (i) Do you agree with our analysis of scenario one? Why? Why Not? Yes No

Yes we agree with the analysis of scenario one

5C (ii) Do you agree with our analysis of scenario two? Why? Why Not? Yes No

As a monoline acquirer we would not have any visibility of scenario two, however we agree with the analysis.

5C(iii) Are there any additional high-level scenarios you see benefit in us considering at this stage? If so, please provide a description of those scenarios.

No

06 Total interchange fee caps under IPS

6A (i) Do you agree with our interpretation of the interchange fees which are considered to be the 1 April 2021 fees? Why? Why not? Yes No

Yes we agree with the interpretation of the interchange fees

6A (ii) Do you agree with our proposed approach for determining those 1 April 2021 fees for each issuer? Why? Not? Yes No

Yes we agree with the proposed approach

6A (iii) What information could issuers (or other participants, such as the schemes) reasonably provide us to verify the applicable 1 April 2021 fees for each issuer?

- Bilateral rebate agreements between issuers and merchants
- Strategic agreements between card schemes and merchants
- Incentive agreements between card schemes, merchants, issuers, and other related parties

6B (i) What other forms of monetary or non-monetary compensation should be included in our consideration of net compensation, if any?

The forms of compensation described would occur in a scheme to issuer scenario therefore are out of scope for Till, however we support the principle of monitoring monetary and non-monetary compensation flows for the purpose of administering the IPS. We don't believe there are any other considerations.

6B(ii) How is the value of non-monetary compensation

(a) determined between the provider and the recipient; b) accounted for in the recipient's accounts?

As above

As above

6C (i) Do you consider that compensation has to be linked to a specific transaction in order to be reasonably attributed to it? If so, why?

We do not consider that compensation has to be linked to a specific transaction in order to be reasonably attributed to it, as compensation could be attributed to a group of transactions rather than a specific transaction (i.e., in the case of compensation for reaching a transaction volume target).

6C (ii) What principles or other matters do you consider to be relevant for the purposes of attributing compensation to specific transactions?

N/A

6D (i) What do you consider the effect of the IPS to be?

Fundamentally, the effect of the IPS will be to lower the cost to the acquirer to process Visa and Mastercard transactions. Unless the acquirer takes action to pass these cost savings on to merchants, the only effect would be a transfer of revenue from the issuer to the acquirer.

6D (ii) Do you consider any other principles to be relevant to determining the purpose of compensation?

As a monoline acquirer, this is not relevant to Till Payments.

6D (iii) What information could parties reasonably provide to enable us to assess the purpose of compensation?

As a monoline acquirer, Till is unable to comment on the purpose of an agreement that we are not party to (i.e. between a card scheme and a card issuer).

6E (i) What mechanisms do issuers have in place, and how do those mechanisms operate, to:

a) Ensure that a cardholder understands and agrees that a CCPP is to be used wholly for purposes other than personal, domestic or household purposes;

N/A – relates to issuers only

b) Determine whether a cardholder is using a CCPP for a prohibited purpose (ie, for a personal, domestic or household purpose);

N/A – relates to issuers only

c) Remedy the use of a CCPP for a prohibited purpose? For example, by blocking the use of that credit product; and

N/A – relates to issuers only

d) Ensure that a CCPP is being charged directly to the account of the business?

N/A – relates to issuers only

6E(ii) How can we best get assurance from participants that credit products are correctly being categorised and treated as CCPPs?

N/A – relates to issuers only

6F) Should ATM transactions be subject to the fee caps under the IPS?

We believe that the fee caps under the IPS should be applicable to all aspects of the industry, including ATMs, as they form a part of the payments network.

6G (i) What mechanisms do participants currently have in place, and how do those mechanisms work, to:

a) Identify whether an erroneous interchange fee has been charged; and

To avoid manual loading errors, we import Scheme interchange tables directly from their respective websites into our billing system. Additionally, we have an audit system in place to identify any instances where an erroneous interchange fee has been charged.

b) Address a situation where an erroneous interchange fee has been charged?

If an erroneous interchange fee had been charged, we would commence a remediation process. This would include the calculation of any difference between the interchange fee charged and the correct interchange fee. We would then work directly with the impacted merchant(s) to resolve the issue.

6G(ii) How are parties made good after an erroneous interchange fee has been detected? In particular, how are merchants made good where the effect of any erroneous interchange fee has flowed directly through to them via the interchange plus pricing model?

As above, in the event that an erroneous interchange fee had been charged, we would commence a remediation process. This would include the calculation of any difference between the interchange fee charged and the correct interchange. We would then work directly with impacted merchant(s) to resolve.

07 Information required to assess compliance

7A(i) We are interested in your views on the scope of the information we consider is required to assess compliance with the obligations under the IPS, including:

N/A to Till Payments

7A(ii) Do you agree that the information we have identified is the right information to enable us to assess compliance with the obligations under the IPS? Why? Why Not? Yes No

The information identified, if gathered correctly, should enable the Commerce Commission to assess compliance with the obligations under the IPS.

7A(iii) What alternative information, if any, can provide us with assurance that the IPS is being complied with?

N/A

Additional Comments

Please provide any additional comments which are not covered by the questions set out above.

N/A
