

# Issuers and Acquirers Forum Approval Criteria Approved Card Payment Systems Operator Members and Affiliates

## 1. Background

The Issuers and Acquirers Community Framework (**IAC**) is established by the Australian Payments Network (AusPayNet) Board under Article 10.1 of the AusPayNet Constitution (**Constitution**) with effect from 1 July 2015 as a framework for:

- the development of industry policy to promote efficiency, security and integrity of Australian Card Payment Systems; and
- the effective coordination of rules, regulations, standards, operational policies and procedures for Card Payments

by Issuers, Acquirers and other participants in those Card Payment Systems.

The Issuers and Acquirers Forum (**IAF**) is established by the regulations for the Issuers and Acquirers Community (**Regulations**) as the governing body of the IAC.

Regulation 4.1 sets out the criteria for membership of the IAC. In summary, the persons eligible for IAC membership include: any Issuer or Acquirer participant in either an open-loop or closed-loop card payment system which is determined to be an Approved Card Payment System (**IA Participant**); an operator or the administrator of an Approved Card Payment System (**Operator Member**); the RBA; or any other body corporate engaged in business activity reasonably material to the Australian Card Payments industry which meets the IAF's approval criteria for affiliate membership (**Affiliate**).

Under Regulation 9.1, the IAF has the power to determine the approval criteria (**Approval Criteria**) which will be used to assess:

- (i) whether a Card Payment System should be an Approved Card Payment System;
- (ii) the eligibility of an Applicant to become an Operator Member; and
- (iii) the eligibility of an Applicant to become an Affiliate.

The IAF may determine the Approval Criteria in its absolute discretion, having regard to the object of the IAC to promote the efficiency, security and integrity of Australian Card Payments Systems.

This document constitutes the Approval Criteria determined by the IAF pursuant to, and for the purposes of, Part 9 of the Regulations.

## 2 Definitions

Words and expressions defined in the Constitution or the Regulations have the same meaning when used in this document unless expressly defined otherwise. Terms used in this document bear the following meanings:

**Affiliate** means a Constitutional Corporation which:

- (a) is engaged in the business of providing goods and services to, or other significant participation in, the Australian Card Payments industry; and
- (b) is determined by the IAF to satisfy the Approval Criteria for Affiliates.

**Applicant** means an applicant for membership as a Framework Participant in the IAC pursuant to PART 4 of the Regulations.

**Approved Card Payment System** means a Card Payment System which is:

- (a) is, or is eligible to be, a Recognised APS; and
- (b) is determined by the IAF to satisfy the Approval Criteria for Approved Card Payment Systems.

**Australian Payment System or APS** means a “*funds transfer system that facilitates the circulation of money, and includes any instruments and procedures that relate to the system*”. This definition is taken from the Payment Systems (Regulation) Act 1998 (section 7).

**Card Payment** means an electronic funds transfer or cash withdrawal initiated by a Cardholder using a Card in Australia, under the rules of an Approved Card Payment System or any other Card-based Transactions approved from time to time for the purposes of this definition by the IAF, and irrespective of the infrastructure or network used to process the transfer or withdrawal, and includes as the context requires, ATM Transactions, point of sale Transactions, a card-not-present payment and reversals or refunds of any such Transaction.

**Card Payment System or CPS** means, the set of functions, procedures, arrangements, rules and devices that enable a Cardholder to effect a Card Payment with a third party other than the Card Issuer. For the avoidance of doubt, a Card Payment System may be a three-party scheme or a four-party scheme.

**Cardholder** means a customer of an Issuer who is issued a Card and PIN or other authentication method or process.

**Framework Participant** means a Constitutional Corporation:

- (a) which is deemed to be a Framework Participant pursuant to Regulation 4.4; or
- (b) whose Membership Application has been accepted pursuant to Regulation 4.3(f); and,

in each case whose membership has not been terminated pursuant to Regulation 6.5.

**IA Participant** means a Framework Participant which is either:

- (a) an Issuer; or
- (b) an Acquirer; or

a body corporate which represents one or more Issuers or Acquirers and, in such capacity, settles directly in accordance with Regulation **Error! Reference source not found.** for the value of the payment obligations arising from the Interchange Activities of those Acquirers or Issuers.

**Operator Member** means a Constitutional Corporation which:

- (a) has been admitted, or which is eligible for admission, to membership of the Company pursuant to Article 2.11 of the Constitution;
- (b) is the operator or administrator of an Approved Card Payment System; and
- (c) is determined by the IAF to meet the Approval Criteria for Operator Members.

**Recognised Australian Payment System** or **Recognised APS** means an Australian Payment System that has been recognised by the AusPayNet Board whether or not such APS is operated by, or under the auspices of AusPayNet or the operator or administrator of such an APS is a member of AusPayNet.

**Transaction** means any Card Payment or other transaction initiated by a Cardholder which allows for the accessing of available funds held in an account, or a credit facility linked to an account, or account information.

### 3 Approval Criteria for Approved Card Payment System

#### 3.1 General Criteria

In determining whether a Card Payment System will be recognised as an Approved Card Payment System, the IAF will have regard to any or all of the following:

- (a) whether it has been, or is eligible to be, recognised as a Recognised APS;
- (b) the relative significance of the particular Card Payment System to the Australian card payments industry generally of at least 5%<sup>1</sup> or such other threshold as the IAF may determine from time to time;
- (c) whether the number and value of the card payment transactions that the Card Payment System governs or processes is expected to increase in the future;
- (d) whether membership of the Card Payment System includes at least 5 IA Participants (or such other minimum as the IAF may determine from time to time);
- (e) whether reliable, measurable data for the Card Payment System can be sourced by AusPayNet e.g. if the data for the Card Payment System is collected by RBA.

Applicants will also need to fulfil all of the other eligibility requirements set out in the Regulation 4.1.

#### 3.2 Initial list of Approved Card Payment Systems

The following will be Approved Card Payment Systems, all of which are currently Recognised APSs, as at the commencement of the IAC, without the requirement for a formal recognition by the IAF in accordance with the above criteria and process:

- (a) MasterCard;
- (b) Visa;
- (c) EFTPOS System;
- (d) ATM System;
- (e) American Express; and
- (f) Diners Club.

<sup>1</sup> Based on relative Payment System Market Shares

### **3.3 Variation of Criteria and Withdrawal of approval**

The IAF may vary the Approval Criteria for Approved Card Payment Systems set out in section 3.1.

The IAF may also determine that an Approved Card Payment System no longer meets the Approval Criteria.

## **4 Approval Criteria for Operator Members**

### **4.1 General Criteria**

A rebuttable presumption of eligibility for membership as an Operator Member applies to an Applicant that:

- (a) has been admitted, or is eligible for admission, as an Operator Member of AusPayNet under Article 2.11 of the Constitution; and
- (b) is the operator or administrator of an Approved Card Payment System.

### **4.2 Admission as a member of AusPayNet**

If an Applicant is not already admitted as an Operator Member of AusPayNet, the Applicant must simultaneously apply to be admitted as an Operator Member of AusPayNet with its application for admission as an IAC Operator Member.

### **4.3 Additional Criteria**

No additional criterion for Operator Membership of the IAC has been determined by the IAF.

Applicants will also need to fulfil all of the other eligibility requirements set out in Regulation 4.1.

## **5 Approval Criteria for Affiliates**

### **5.1 General Criteria**

The purpose of the Affiliate membership is to allow participation in the IAC by relevant industry stakeholders that do not directly participate in the card payments industry as IA Participants or as Operator Members, but who participate indirectly by (as defined in the IAC Regulations) “providing goods or services to , or, other significant participation in, the Australian Card Payments industry”.

## **Providing Goods and Services to Card Participants**

In determining whether an Applicant who participates indirectly in the card payments industry by providing goods and services is eligible to be admitted as an Affiliate, the IAF will have regard to the following:

- (a) the nature of the Applicant's participation in the card payments industry;
- (b) the significance and reach of the Applicant's participation in the card payments industry in terms of the type of goods, services or support provided (refer to Relevant industry stakeholder section 5.2 below) and whether it provides such goods, services or support to at least five (5) card payment industry participants (or such other minimum as the IAF may determine from time to time), in particular participants which are, or would be eligible to be, IA Participants or Operator Members in the IAC;
- (c) the level of engagement the Applicant has with other card payments industry participants (in particular with those corporations which are, or would be eligible to be, IA Participants and Operator Members in the IAC);
- (d) whether the Applicant's participation in the card payments industry in its relevant capacity (or a related capacity) is expected to increase in the future;
- (e) the present and/or potential impact of the activities of the Applicant on the Australian card payments industry; and
- (f) the Applicant's development of new goods, services or technologies which may be relevant to the card payment industry in the future.

## **Other Significant Participation in the Industry**

In determining whether an applicant who has other significant participation in the industry is eligible to be admitted as an Affiliate, the IAF will have regard to the following:

- (a) the nature of the applicant's participation in the card payments industry;
- (b) the significance and reach of the applicant's participation in the card payments industry including, as appropriate, in terms of volume of card transactions the applicant is processing or initiating (refer to Relevant industry stakeholders section below);
- (c) the profile of the payments business within their organisation and appetite to deploy new goods, services or technologies which may be relevant to the card payment industry in the future;
- (d) their willingness and capability to contribute to solving card industry problems.

## **5.2 Relevant industry stakeholders**

The type of card payment industry stakeholders that may be eligible to become an Affiliate member in the IAC, subject to fulfilling the eligibility requirements in the Regulations and the Approval Criteria and this document, include, but are not limited to, bodies corporate which are engaged in the business of:

- (a) Providing card payment transaction processing services, technology and switch services;
- (b) ATM, point of sale and hardware security module manufacturers;
- (c) ATM or point of sale deployment;
- (d) Providing communications services; and
- (e) Testing and evaluation of ATM terminals, point of sale devices and hardware security modules.

### **5.3 Variation of Criteria**

The IAF may vary the criteria for Affiliates set out in section 5.1 and the description of types of potential affiliates.

## **6 Applications for Membership**

The application process for IAC membership is set out in Regulation 4.3. The Secretary of the IAC is responsible for administration of the application process. The IAF is responsible for determining applications in accordance with the Regulations.

An Applicant may challenge a decision regarding its membership application in accordance with Regulation 4.3(e).

## **7 Variation and revocation of approval**

In accordance with Regulation 9.2, the IAF may vary any of the Approval Criteria provided that a variation which would affect the right of any existing IAC member is first approved by the IAF Chair (who otherwise has no voting rights at meetings of the IAF: Regulation 7.8(a)) and the CEO of AusPayNet and subject to a 30-day notice period.

Subject to compliance with procedural requirements, the IAF may withdraw approval given in respect of an Approved Card Payment System: Regulation 9.3(b).

An Operator Member or IA Participant whose eligibility for membership of the IAC is affected by the withdrawal of approval will be notified in writing: Regulation 9.3(c).