

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

REVIEW OF THE FOUR MAJOR BANKS AND OTHER FINANCIAL INSTITUTIONS

Hume Bank

HUM04QW: Acquiring Merchant Facilities.

Answer: *(a) Please provide details for debit transactions through your Acquiring merchant facilities for calendar year 2019 and calendar year 2020 (to date) including:*

- (i) The total number?*
- (ii) In dollar terms?*
- (iii) Total fees received by the bank?*

As Hume Bank is not an acquiring merchant, our answer to (i)-(iii) is 0.

(b) Please provide details for debit transactions through your Acquiring merchant facilities for financial year 2018/2019 and financial year 2019/2020 (to date):

- (i) The total number?*
- (ii) In dollar terms?*
- (iii) Total fees received by the bank?*

As Hume Bank is not an acquiring merchant, our answer to (i)-(iii) is 0.

(c) Please outline the schemes that provide debit card payments services currently contracted by the bank, including:

- (i) The name of the card payments service provider.*

Hume Bank utilises the Visa and Eftpos schemes to provide card payments services.

- (ii) The length of their current contract.*

Hume Bank does not have a contract with either Visa or Eftpos. Rather, the schemes provide issuance certificates every three years which enable the bank to continue to participate in the schemes. Generally, issuance certificates are provided if the bank meets certain conditions e.g. compliance with scheme rules and payment of scheme fees.

- (iii) How far through the contract the bank currently is.*

Issuance certificates were issued by both schemes to Hume Bank in December 2019 and remain valid until 31 December 2023.

- (iv) How much of the contract remains.*

As noted above, the issuance certificates remain valid until 31 December 2023, so there is approximately two and a half years remaining.

- (v) Whether the contract involves the provision of card payments with debit, credit or other products.*

As noted above, Hume Bank does not have a contract with Visa or Eftpos. However, the bank enables debit card payments through the Eftpos scheme and debit and credit card payments through the Visa scheme.

(vi) *Whether the contract applies incentive payment arrangements based on volume of processes transactions or other performance criteria per payment type or as an aggregated volume.*

Australian Settlements Limited (ASL) sponsors Hume Bank into the Visa and Eftpos schemes. ASL has entered into an incentive program with Visa Worldwide which passes through to Hume Bank, providing:

- a quarterly payment based on the total transaction \$ volume processed through Visa;
- a commission per transaction. The rate varies between 0.2% for domestic transactions and 2.85% for international transactions;
- a card conversion incentive income of \$4.50 per Eftpos card converted to Visa card.

In relation to Eftpos, Hume receives interchange revenue for each transaction processed through Eftpos. The rate varies depending on the merchant, but on average it is \$0.05 per transaction.

(vii) *Details of the 'profit' or 'premium' charged to the business between the cost of the transaction fees charged to the acquiring bank by various schemes, and the transaction fees charged to small and medium business customers by the acquiring bank, including interchange, scheme fees, acquirer margin and terminal rental.*

As Hume Bank is not an acquiring merchant, we consider this question is not applicable to us.