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Sent via email to: richardsa@rba.gov.au

Dear Tony

Re: ACCC Observations on the Mobile Payments Industry

Thank you for your invitation for the Australian Competition and Consumer Commission to provide some observations on the mobile payment industry as part of the RBA's assessment of issues following the release of the *Dual-Network Cards and Mobile Wallet Technology Consultation Paper* (the Paper).

As the ACCC noted in its initial submission to the Harper Review, technology, particularly digital technology, is playing a large part in structural shifts within the Australian economy.¹ Competition, innovation and economic growth are closely linked to access to and adoption of new technologies.

The ACCC notes stakeholder concerns outlined in the Paper, regarding scheme rules or policies that prevent or hinder card issuers from provisioning a competitor network for mobile payments. The ACCC considers that serious anti-competitive harm could result should card rules prevent or hinder the issue of cards that could be used on multiple payment networks, especially if that conduct is extended to restrict the access of competitor payment networks to mobile wallets.

Similarly, restrictions may also be imposed in relation to access to mobile wallets. This relatively new development is associated with rapid change and innovation, with new products and services being announced regularly. As the RBA notes in the Paper, mobile wallet technology is in its infancy but its critical infrastructure, being phones and contactless payment terminals, is already widespread. Financial institutions, card schemes and third-party mobile wallet providers are all competing for a share of this emerging market.

Competition between mobile wallets is limited by two main barriers to switching: device compatibility and participating issuers. A consumer's ability to access different mobile wallets is limited by the software and hardware on their mobile device. For example, Apple Pay is available only on iPhones and Android Pay is only available on devices running the Android operating system. Therefore, in many cases, for consumers to switch between non-issuer mobile wallets (i.e., from Apple Pay to Android Pay) would also require them to switch mobile device. A consumer's ability to switch between different mobile wallets will also depend on whether they have a payment card that can be provisioned onto the mobile wallet.

¹ ACCC, [Reinvigorating Australia's Competition Policy: ACCC Submission to the Competition Policy Review](#), 5.

The competition issues in relation to digital wallets are illustrated in the ACCC's draft decision to deny collective bargaining authorisation to a group of Australian banks in the Apple Pay matter². The ACCC's final decision in this matter is expected to be made in March 2017.

The ACCC's Compliance and Enforcement Policy explains what issues the ACCC prioritises. Priority will be given to issues that occur in concentrated markets, involve new or emerging issues or that will cause significant detriment to consumers or small business. Conduct that restricts or hinders access to new technologies in the mobile payment industry is likely to be of concern to the ACCC. We will thus monitor developments in these emerging markets and investigate specific matters as appropriate.

Please do not hesitate to contact me (Marcus.Bezzi@acc.gov.au; or (02) 9230 9130) or Rob Ghali (rob.ghali@acc.gov.au; or (02) 9230 9144) if you would like to discuss these issues in more detail.

Yours sincerely



Marcus Bezzi
Executive General Manager
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² ACCC media release, [ACCC proposes to deny authorisation for banks to collectively bargain with and boycott Apple on Apple Pay](#), 29 November 2016.