



Australian
Retailers
Association



Australian Merchant
Payments Forum

Head of Payments Policy Department
Reserve Bank of Australia
GPO Box 3947

Sydney NSW 2001

pysubmissions@rba.gov.au

To whom it may concern,

Third party mobile wallet application submission for retailers

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Introduction

Preserving consumer and merchant choice

The Australian Retailers Association (**ARA**) is the retail industry's peak representative body representing Australia's \$310 billion sector, which employs more than 1.2 million people. The ARA works to ensure retail success by informing, protecting, advocating, educating and saving money for its 5,000 independent and national retail members, which represent in excess of 50,000 shop fronts throughout Australia.

Dual Network Cards enable consumer account selection and access to differentiated payment products such as cash out at Point of Sale, as well as routing choice for merchants. Maintaining consumer and merchant choice across all payment channels and environments is critical as we move to new form factors such as Mobile.

The ARA runs the **Australian Merchant Payments Forum (AMPF)** on behalf of Australia's retail merchants to advocate competitive, innovative and consumer friendly payment options for the retail sector.

Contactless transactions on Dual Network Cards currently take this choice away from consumers and merchants because Point of Sale (POS) terminals only read the first contactless application on the chip, and automatically route the transaction according to this priority, which may be at a higher cost. This is effectively a technology lockout that removes choice for consumers and merchants and makes it more difficult to manage the costs associated with different payment products and networks.

Lockout is also a risk for Mobile. Mobile payments will significantly impact the ability of merchants to choose the payment network that best suits their needs. In a mobile world, only one scheme application will be observable to the consumer or merchant/acquirer for any given transaction, eliminating any existing network choice that they may have.



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Without open competition in consumer payments and a viable domestic payment network freely able to compete on a level playing field with its contactless and mobile products, interchange rates, merchant fees and consumer costs may rise.

In addition to contactless, current examples where technology lockout may occur include tokenisation (Mobile, In-App, Online), closed loop payments (Transit) and Primary Account Reference (PAR) values.

Consumer research also indicates that consumers expect to see eftpos as an available choice in mobile payments which does not currently occur.

The ARA is aware since the rollout of the contact solution there is no ability for a consumer at the point of sale to determine how that transaction will be routed.

Currently if a dual network card is presented and used as a contactless transaction the system will route via the scheme rails, and does not allow the customer the choice of routing of the transaction.

An ARA member has forwarded to the RBA information showing that the extra costs involved was in excess of a \$400,000 increase in charges compared to pre-contactless introduction. The ARA and our members are concerned that as we move toward Third Party Mobile Wallets the choice of routing will be taken away increasing cost to merchants. The example we refer to is by no means the largest merchant that the ARA has spoken to regarding the increase in cost, the ARA is of the view that these costs will be even more substantial to other merchant members.

How can choice be maintained on mobile?

The ARA believes that unless Dual Network Card provisioning is made simple to understand, unbiased and easy for the consumer to execute, the only networks represented within consumer wallets will be the more expensive networks.

Our preference is for the provisioning of eftpos tokens to occur at the same time as the provisioning of any other payment network token. In addition, either separate card art bearing the eftpos brand should be displayed within the mobile wallet, or card art with equivalence of eftpos branding alongside other payment network branding.

International experience

Creating rules or regulation promote choice and avoid technology lock out is not unprecedented and already exists in Canada, Denmark, the European Union and France. An additional relevant jurisdiction is Malaysia, where the regulator is actively ensuring choice of the lowest cost debit network. Also, regulators in the USA have recently taken action against technology lockout activity that confuses consumers at the point of sale.



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Contractual constraints and undertakings

One international payment system has a rule that prohibits Issuers from generating a token from a competitive payment network on cards having a BIN allocated by that international payment system, and, we understand, contractual restraints that either prohibit or impose additional costs to Issuers if they elect to tokenise a competing payment network on those cards. These provisions apply even if another payment system is currently available on physical cards currently issued under those BINs in a market.

These payment network rules and contract obligations prevent or delay Issuer implementation of competing payment networks within Mobile Wallet and deliberately remove the existing choice available to consumers today, as well as add significant costs of the provisioning of payment services to consumers and merchants.

Visa and MasterCard have also announced a co-operation agreement to allow each other's tokens to be provisioned and shared for online, in-app and in-store payments. This recent agreement indicates that there is little commercial justification for a prohibition on tokens from competing domestic networks.

The ARA does not believe the current undertakings are effective, as they are not public documents and the entities providing these undertakings are not publicly accountable for compliance. Having no regulation or ineffective undertakings will have a far greater impact on the long term competitive environment for retail payments in Australia.

Any extension to the current undertakings before regulations come into effect should cover the following:

- no prohibition/restriction/fettering of issuers provisioning all payment networks available on a card within a mobile wallet,
- co-residency of available payment functionality on cards in mobile wallets and devices,
- parity of representation of card images for all available networks (including brand) in mobile wallets, and
- consumer control of default settings and choice of payment network within the mobile wallet.

The ARA does not consider that the compliance costs would exponentially increase from compliance with the undertakings if standards were introduced.

Kind regards,

Russell Zimmerman
Executive Director
Australian Retailers Association

Heath Michael
Director of Policy, Government & Corporate Relations
Australian Retailers Association