Dr Tony Richards
Head of Policy Payments Department
Reserve Bank of Australia
GPO Box 3947
SYDNEY NSW 2001

Dual-Network Cards and Mobile Wallet Technology Consultation Paper, December 2016

Dear Dr Richards,

Bendigo and Adelaide Bank welcomes the opportunity to respond to the Reserve Bank of Australia's (RBA) *Dual-Network Cards and Mobile Wallet Technology Consultation Paper* (the consultation paper). Bendigo and Adelaide Bank (the Bank) agrees that the topic is in need of further industry discussion and review.

2013 Agreement on Dual-Network Debit

We remain supportive of the principles relating to Dual-Network Debit cards agreed in 2013 by the RBA and eftpos Australia, Visa and Mastercard. However, we would note that in practice these principles were only able to be implemented for 'contact EMV' transactions. The change of priority of the multiple contactless EMV applications on a Dual-Network Debit card has never found a technically feasible solution. In contrast for a mobile wallet, an end-user can easily select their preferred payment method (and therefore payment network) either between issuer mobile payment wallets where supported, or within a third-party mobile wallet solution.

While acknowledging the RBA's clear preference in 2013 to allow merchant choice in network routing decisions for Dual-Network Debit cards, Bendigo and Adelaide Bank believes any choice should ultimately be left to 'cardholder' consumers. As mentioned above, mobile wallet solutions make it easy for consumers to switch preferred payment options. If merchants routing is implemented in the future in a way to supersede this customer choice, it would add a further element that would likely be poorly understood by a large number of consumers.

Views of Customers

Our findings based on customer feedback is that a majority of cardholder customers do not understand in detail the difference between the eftpos or Visa/Mastercard network option on their Dual-Network Debit cards. Cardholders have some level of understanding of the different fee structures that do apply to the 'CHQ/SAV' and 'CR' button that exist in some legacy transaction

account products. Although it should be noted that we, along with the market, have moved away from differentiated pricing in response to consumer demand for simpler fee structures.

The majority of our merchant customers within our predominantly small-to-medium enterprise market segment do have an adequate understanding of Visa/Mastercard vs eftpos transactions specifically in relation to fee structures. As the changes to interchange that will come into effect later in 2017 will essentially remove any pricing differential between Scheme Debit and eftpos Debit we anticipate consideration of this difference will fall in priority.

Challenges with the Implementation of Dual-Network Debit for Mobile Wallets

Bendigo and Adelaide Bank is aware that Visa and Mastercard each have different rules in relation to the ability to tokenize a card primary account number (PAN) into a competing network. Scheme based PAN Tokenization is a pre-requisite to all third party mobile wallet solutions currently available. At a high level, only one of the international schemes will allow a PAN to be used in both their own tokenization solution as well as what would be a competing eftpos Australia tokenization solution. The other international scheme would require the issuance of an alternate eftpos Proprietary funding-PAN (PAN relating back to the original account) for use with the eftpos Australia token solution. I.e. The International Debit Scheme PAN could not be used in mobile wallets in the same manner as it is with a physical plastic card without significant technical work on the part of issuers on card issuing/hosting systems. As such we believe implementation of Dual-Network Debit on mobile wallets will be easier for the former scenario than for the latter.

Another challenge exists in the area of User Experience. While the current point-of-sale payment flow for an EMV-contact or magstripe read of a Dual-Network Debit card requires the selection of 'CHQ, SAV, CR' or the newer EMV Application selection of 'Eftpos-SAV, Mastercard Debit etc.', the flow for a mobile wallet based transaction on most wallets has rightly been maximised for speed. For example, wake or unlock the phone, tap the phone and the transaction is completed. For a mobile wallet, the User Interface will need to consider a range of behaviour. For example:

- Does the account selection mirror the existing button selection?
- Does it occur per transaction or are preferences saved?
- Should dual-branded cards end up being represented twice in a mobile wallet for each brand?

We have mixed and limited customer feedback on their preference for how this User Experience would be best understood. Much more customer consultation and preferably real-world testing is required to understand what types of customers prefer which method for selecting a network on their Dual-Network Debit card. As such in the area of User Experience we would not be in support of the RBA introducing a standard that did not give both issuers and ultimately consumers flexibility in how Network selection was achieved.

'Combo-card' Credit Cards

Combo-card holders have elected for this option for the convenience of carrying just one card that can access the primary credit card account and a transaction account. When completing a transaction, combo-card holders predominantly do not make a network selection, but an account selection that is much easier to relate to. When migrating to the mobile wallet world, we anticipate this migration to be relatively straightforward. Customers can load their credit card and the scheme or eftpos debit card they most likely already have issued as standard on their transaction account. They can then carry a single device and switch between the accounts they wish to use to pay using the interface of the mobile wallet.

We would appreciate the opportunity to discuss the points we have raised further with you as part of your consultation.

Yours faithfully,

Michael O'Shea
Head of Customer Led Innovation

Arun Devidas
Head of Issuing and Acquiring