



30 January 2020

Head of Payments Policy Department
Reserve Bank of Australia (RBA)
GPO Box 3947
SYDNEY NSW 2001

By email: pysubmissions@rba.gov.au

Dear Sir / Madam,

RBA Issues Paper: *Review of Retail Payments Regulation*

HSBC Bank Australia Limited (HSBC)

HSBC welcomes the opportunity to make a submission to the RBA's Consultation Paper – *Review of Retail Payments Regulation: Issues Paper*.

We have undertaken a review of the Issues Paper and write to provide our feedback. Please note that we have not addressed every consultation question and submit our feedback in regard to specific areas of interest to HSBC.

Question 3: Are there barriers to innovation and/or competition that may affect the costs of or provision of electronic payments and should be addressed in this review?

HSBC notes that the card schemes have each implemented their own Token framework (used for mobile payments e.g. Apple Pay, Google Pay as well as for stored token credentials e.g. Netflix). Whilst there are similarities in the approach between each of these, there are also differences in the implementation which increases the development effort and cost to enable the service.

Question 5: Have recent and prospective developments in technology changed the case for promoting the continued issuance of dual-network debit cards? What policy actions might be needed to promote competition and efficiency in an environment where single-network cards were more prominent? Alternatively, would it be desirable to mandate (or incentivise through interchange caps) that all debit cards issued enable at least two unaffiliated/competing networks?

HSBC's view is that as new technology arises, dual-network cards (over single network cards) have the potential to increase the effort for an issuer to support the new technology, which can result in increased costs and resource heavy structures to maintain for the smaller issuers. By way of example, if an issuer supports tokenisation on an international scheme card, the addition of supporting tokenisation via another scheme is a considerable additional effort for the issuer. HSBC believes that alignment between the international and domestic schemes from the onset will support the speed to implement.

HSBC Bank Australia Limited

ABN 48 006 434 162 AFSL 232595
Level 36 Tower 1, International Towers Sydney,
100 Barangaroo Avenue, Sydney NSW Australia 2000
Tel: (02) 9006 5888 Fax: (02) 9006 5570
www.hsbc.com.au

Question 9: What are the implications of the growing importance of mobile devices and digital platforms for the retail payments system in Australia? Are there issues that arise for the Bank's regulatory regime for card payments or that are relevant to competition, efficiency and risk?

Mobile devices & Digital platforms: HSBC's view is that the extensive contactless terminal infrastructure in Australia has provided a strong foundation for customers to start using their mobile devices for face to face payments. We continue to see month-on-month growth in transaction volumes and customer adoption of using their mobile device. Our view is that this shift in conjunction with other initiatives such as the NSW driving license being available via a mobile phone, continues to remove the need for customers to hold a physical wallet and creates a high dependency on the mobile device. Whilst this scenario results in a positive customer experience, the risk remains of total dependency on the mobile device that can create a fresh set of issues for a customer (for example if the device is lost or runs out of battery power).

QR codes: HSBC's view is that although there is not a clear use case for QR codes at present in the Australian market, we believe proactive consideration of the standards would be a sensible approach (noting these may need to be updated as innovation occurs).

Other Feedback Page 26 – disclosing the use of least-cost routing (LCR) to customers.

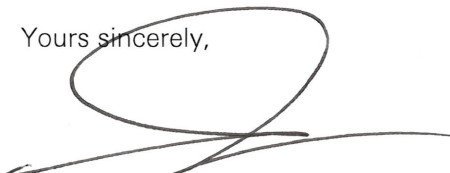
HSBC notes that considering the international and domestic schemes have different rules, we recommend clear communications to all involved parties, including the customer, about how the transaction is being processed. In our view this may result in increased customer choice.

Other Feedback Page 18 – if incentives offered by the international schemes to issuers were to lead to the issuance of single-network international scheme cards, LCR would no longer be feasible on these cards

As referenced on Page 9 of the Issues Paper, HSBC notes that there are other markets (for example in the United Kingdom) that do not have dual scheme debit cards and regulation is in place to promote competition.

We thank the RBA for considering our feedback and should you have any questions, please do not hesitate to contact our Regulatory Affairs team via phone (02) 9006 5648 or email regulatoryaffairs.au@hsbc.com.au.

Yours sincerely,



Sandra Powell
Senior Regulatory Affairs Manager
HSBC Bank Australia Limited