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Dr Tony Richards
Head of Payments Policy Department
Reserve Bank of Australia
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By Email to: pysubmissions@rba.gov.au

Dear Dr Richards,

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

I refer to the above-referenced Consultation Paper (released on 7 December 2016). The Commonwealth Bank (the Bank) appreciates the opportunity to comment on this paper.

The Consultation Paper poses a number of questions which are explored below.

1. What are the views of end-users (cardholders and merchants) regarding dual-network cards, including their use in mobile payments? Are there particular benefits that arise for end-users from having multiple payment networks available on a mobile device? What risks and costs might arise?

Our customers have shown strong support for dual network cards over many years and we believe that this support will be replicated if dual network functionality is available for use in a mobile environment. Benefits that arise in a dual network scenario include enhanced functionality (through linkages to additional accounts), cash out at point of sale, the potential ability to withdraw funds from ATMs as well as the more fundamental virtues of choice and convenience.

Risks, we believe, will be low as customers already know, and appreciate, the dual network approach in the “plastic” environment. Additional costs for issuers or wallet providers would relate to the incremental cost of loading multiple virtual cards in the mobile app.

2. Are there any impediments or restrictions imposed (or planned or foreshadowed) by card schemes on the mobile wallet provisioning of competing networks on dual-network cards? If so, how significant are these and can they be justified on commercial or other grounds?

This question is best addressed to respective card schemes.

3. What are the likely effects – on competition and efficiency in the payments system, as well as more broadly – of the action of any scheme to prevent or discourage the mobile wallet provisioning of a competing network on a dual-network card? Are there benefits for end-users that arise from rules or policies that constrain the provisioning of an additional network on a device?

We believe that competition and efficiency in the payments system will be encouraged through the ability to replicate the dual network functionality that customers already enjoy, into a mobile environment. The agreement brokered by the Reserve Bank in 2013 to facilitate dual network functionality on plastic is a useful precedent, we believe, for deployment in a mobile payments environment. Enabling choice will promote the take-up of mobile payments and continue to deliver convenience, efficiency and competition.

4. Do cardholders, issuers or others have views as to the feasibility of different possible ways of provisioning dual-network cards?

Dual network functionality can potentially be provisioned in a number of ways. At present, we have no strong preference as to how this is best achieved.

5. Under the existing voluntary undertakings to the Bank in place since August 2013 (see page 4), schemes have committed to some voluntary principles regarding dual-network cards. Have these principles been an effective response to the competitive issues that arose earlier? Have there been any issues in practice with the operation of these principles? Would an extension of these principles be an appropriate response to the current issues?

As noted above, we believe that the voluntary undertakings provided to the Reserve Bank in 2013 provide a useful precedent to be further deployed under a mobile payments environment. As far as we are aware, the existing (2013) principles have not created insurmountable issues. An extension of these principles would be an appropriate response to the current issues.

6. Are there any foreign precedents that are relevant for the consideration of these issues in Australia?

Relevant foreign precedents have been identified in the Reserve Bank's Consultation Paper.

7. Are the issues raised relevant only to dual-network debit cards or are they also relevant to so-called 'combo cards' with credit functionality from one scheme and debit functionality from another?

We believe that the issues identified in the Reserve Bank's Consultation Paper apply to "combo (credit) cards" as much as to dual network debit cards.

8. Are there any prospective developments in payment card technology that may be relevant for the Bank as it considers these issues?

We are unaware significant prospective developments for the Reserve Bank to consider in relation to the matter of dual network functionality in a mobile payments environment.

However, it is worth noting that the Bank is a party to an Application for Authorisation currently being considered by the Australian Competition and Consumer Commission in relation to ApplePay. This Application seeks, amongst other aspects, non - exclusive access to a mobile phone's NFC chip, enabling contactless payments. This is based on a desire to offer choice – of mobile wallet providers – consistent with our preference, as stated above, to offer choice of payment network.

9. If the Bank were to contemplate a standard addressing conduct in this area, are there particular compliance costs that would arise for industry?

While a detailed assessment of potential compliance costs has not been conducted, we do not believe that such costs would be significant.

In conclusion, we believe that the electronic representation of a card with dual network functionality (as explored previously by the Reserve Bank in relation to the plastic card environment) into the mobile payments environment, follows a valuable precedent - enabling choice, facilitating convenience, promoting the take up of mobile payments, and overall enhancing payment system efficiency. We support enabling customers to have the same functionality on mobile devices as they currently enjoy with plastic cards.

We thank you for the opportunity to comment on these matters and agree to this Submission being published on the Reserve Bank web site. We of course remain available to discuss these comments at any time.

Yours sincerely

[Signed]

Stuart Woodward
General Manager
Payments Representation