

Blanch, Belinda

From: Dominic.White
Sent: Monday, 15 July 2013 9:44 AM
To: Parkes, Hayley
Cc: Doug.Johnson Ken.Sims
Subject: Re: Authorisations lodged by Visa and MasterCard [SEC=UNCLASSIFIED]
Attachments: A91379 & A91380 - Visa and MasterCard - letter to interested parties.pdf;
Authorisation process-the basics (2).pdf

Dear Hayley,

Thank you for your letter dated 9 July 2013.

National Australia Bank(NAB) appreciates the opportunity to comment on the Visa and MasterCard applications for authorisation relating to their desire to mandate PIN@POS within the Australian market.

From time to time -issues arise that affect the entire card payment industry and warrant a coordinated response. These tend to relate primarily to security related matters that attempt to address fraud and other illegal activities that do not discriminate by card brand. NAB considers that coordination by the card schemes on such matters is possible without impacting on the competition between card schemes or on the competition between participants in the card schemes. The PIN@POS project is aimed at minimising fraud activity that costs financial institutions through fraud losses and associated operational costs.

In response to the two questions raised in your letter NAB provides the following comments

If authorisation was not granted, whether MasterCard and Visa would be likely to implement mandatory PIN@POS and, if so, on what terms.

NAB concurs with the description of the "future without" state in section 7.2 of the applicants' submission dated 4 July 2013. The benefits arising-from PIN@POS are clear and we consider it likely that, if the authorisation is not granted, both schemes will proceed to mandate PIN@POS separately. A lack of coordination will result in each scheme issuing rules and requirements separately that may differ in detail and implementation dates. This would add cost to financial institutions' compliance activities. It would also lead to confusion among cardholders and, more particularly, merchants that would need to understand what processes are to be followed for each separate scheme.

Whether the coordination of Visa, MasterCard and specific financial institutions' activities in relation to mandatory PIN@POS is likely to lead to:

- a lessening of competition in the relevant markets (e.g. for the supply of payment card schemes) or any other public detriments; and*
- any public benefits, for example efficiency benefits for merchants or participating financial institutions.*

NAB does not believe that the coordination of PIN@POS will in any way lessen competition. The coordination will have distinct financial and efficiency benefits for financial institutions and their merchant customers, primarily through the elimination of duplication in the areas set out in section 8.1 of the applicants' submission. Operational benefits will arise through:

- decrease in the time taken to complete a transaction;
- a reduction in chargebacks/disputes activity and associated operational costs; and
- a reduction in fraud losses.

Cardholders will have one process in terms of authorising a card payment. They will suffer less inconvenience from fraud activity which generally requires the replacement of their card and card number.

Ultimately financial institutions benefit from the reduction in fraud generally as a result of lower losses and operational costs.

If you wish to discuss our response or require further information please contact :

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Tel: Mob:
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Kind regards,

Dominic White

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