

17 July 2013

The Director  
Adjudication Branch  
Australian Competition and Consumer Commission  
GPO Box 3131  
Canberra ACT 2601



Refer: Ms Hayley Parkes

By Email to: [hayley.parkes@accc.gov.au](mailto:hayley.parkes@accc.gov.au)

Dear Ms Parkes,

**Visa Worldwide Pte Limited & Ors - applications for authorisation A91379 & A91380  
- interested party consultation**

Thank you for your letter of 9 July 2013 in relation to the above matters. The Commonwealth Bank (the Bank) appreciates the opportunity to comment briefly on the matters raised therein.

At the outset, it is important to note that the Bank:

- is named in the Submission to the Australian Competition and Consumer Commission (ACCC) in support of the Application for Authorisation lodged by Visa Worldwide Pte Limited and Visa AP (Australia) Pty Ltd (Visa), and MasterCard Asia/Pacific Pte Ltd (MasterCard), as a member of the Steering Committee (and a '*specific financial institution*') seeking an aligned and unified implementation of the use of personal identification numbers at point of sale (or PIN@POS) for Visa and MasterCard transactions; and
- is a member of both Visa and MasterCard (the Applicants).

The Bank is supportive of the PIN@POS initiative and believes that it would be in the public interest for the ACCC to grant authorisation (interim and final) of the conduct as requested by the Applicants.

Your letter seeks views on two specific issues relevant to the substantive Application in relation to the implementation of mandatory PIN@POS, as well as views on matters relevant to a communication strategy for the voluntary adoption of PIN@POS – the latter being the subject of an Application for interim authorisation. We address these below, along with some more general comments.

**Application for Authorisation**

You have sought views on:

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

The question of whether MasterCard and Visa would, in the absence of ACCC imprimatur, mandate PIN@POS is best directed to the two card schemes themselves. However, it is our experience that both schemes see considerable merit in mandatory PIN@POS, so the likelihood of a mandate to this effect would have to be high. The risk however, if the schemes were to proceed without the protection afforded by Authorisation, is that co-ordination and consistency could suffer – to the potential detriment of cardholders and merchants, and costs would likely be duplicated. This would be unfortunate and would act to lessen the public benefit that would otherwise flow from the co-ordinated deployment of PIN@POS.

The possible terms of any such mandate would be matters for the schemes themselves but the Submission lodged in support of the Application (especially paragraph 7) provides a good indication of the schemes' intentions in this regard.

- 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

Co-ordination of a comprehensive PIN@POS programme is, in our assessment, unlikely to lessen competition. Fraud mitigation, one of the key drivers behind the Application, is a shared focus area and a matter of joint benefit – not only for the schemes but also for members and the broader industry more generally. Collaboration in this area can only be beneficial for payments industry participants – we do not comprehend circumstances in which competitive pressures would be lessened as a result of co-ordinated deployment of this initiative.

Furthermore, we see considerable merit arising from a co-ordinated PIN@POS programme – especially in the areas of consistent communication to our cardholders and merchants and the costs associated with system and operational changes – which we would prefer to address only once. Avoiding costs associated with duplicating work effort is, we believe, to the ultimate benefit of all.

### **Application for Interim Authorisation**

You have also sought views on:

- the likely effect of coordination of Visa, MasterCard and specific financial institutions' activities in relation to the public communications strategy for voluntary PIN@POS

We believe that cross scheme, and financial institution, co-ordination of communications supporting voluntary PIN@POS, is a valuable, interim, step towards the longer term deployment of mandatory changes. Early co-ordination will, we believe, greatly:

- assist to boost cardholder, merchant and general public awareness, and understanding, of this programme – its rationale and its impact;
- assist practical deployment at a greater pace than would otherwise be possible;
- minimise subsequent cardholder and merchant inconvenience at the time that the mandatory programme takes effect (and the time it takes to change consumer behaviour); and
- facilitate operational efficiencies.

### **General Comments**

We also take this opportunity to offer the following general comments:

- The Bank has long been a supporter of the use of PIN as a means of cardholder verification – on the grounds of fraud mitigation, operational efficiencies at the merchant checkout and consistent customer experience. This is consistent with our support of

contactless payments for transactions under \$100-, which will remain PIN-less and which continue to exhibit strong growth.

- Australia's domestic, proprietary debit card scheme (eftpos) has only ever operated with PIN at point of sale. Extending PIN to transactions conducted using cards branded as Visa or MasterCard is logical and expected to be well understood by our customers (with appropriate co-ordination and messaging).
- Not only are Australian consumers familiar with the use of PIN for eftpos transactions, but they are also familiar with the use of PIN at ATMs. For many cardholders, the PIN that they use today at an ATM will be the same PIN that could be used to authorise transactions at POS.
- We understand also that American Express is likely to mandate the use of PIN, if ACCC support is forthcoming (although this is clearly a matter for American Express to comment upon.)
- The global trend towards use of PIN is, we believe, another factor in support of its domestic deployment.

In conclusion, and as stated above, the Bank is supportive of the PIN@POS initiative and believes that it would be in the public interest for the ACCC to grant authorisation (interim and final) of the conduct as requested by the Applicants. We look forward to the ACCC's prompt determination of this outcome.

Thank you again for the opportunity to comment on these matters. We of course remain available to discuss these comments at any time, and to that end ask that you contact the undersigned.

The Bank appreciates that this Submission will be posted on the ACCC's public register.

Yours sincerely

*[Signed]*

Stuart Woodward  
General Manager  
Representation