

Blanch, Belinda

From: Latham, Craig
Sent: Thursday, 18 July 2013 5:03 PM
To: Parkes, Hayley
Cc: Brennan, Mark; McLeay, Matthew; Eaton, David; Browne, Geoff; Sinkunas, Mike; 'frank.zumbo King, Yasmin; Dalins, Marie
Subject: RE: Authorisations lodged by Visa and MasterCard [SEC=UNCLASSIFIED]

Hayley

The Australian Commissioner of Small Business, Mark Brennan, asked me to provide some observations to you on the authorisations lodged by VISA and MasterCard and thank you for the opportunity to comment.

Our comments are intended to provide you with some food for thought on the issues from a small business perspective.

Competition & efficiency

Subject to the comments below, the implementation of mandatory PIN@POS would be unlikely to:

- lessen competition or result in public detriment; and
- reduce efficiency benefits for merchants.

There may be positive benefits to small business from PIN@POS by:

- reducing fraud and thereby decreasing the cost of disputed transactions; and
- facilitating quicker checkouts, including through the use of self-checkouts.

Also, given that VISA or MasterCard could introduce PIN@POS independently of each other, working together to simultaneously introduce PIN@POS does not seem to result in additional issues. Coordinating the introduction of PIN@POS is likely to minimise any costs and confusion that could otherwise result.

Potential small business issues to consider

We see that there are at least three potential issues for small business that may require consideration:

1) *Modification of premises and/or method of operating*

There could be additional costs to business to modify how payment is accepted (such as the need to introduce mobile terminals). For example, many restaurants operate by providing bills to customers who are seated at tables. Customers sign the authorisations and a receipt is then brought back to the table. This method of operating would need to change in order to provide a PIN. Either patrons would need to leave their seats and go to a counter to pay and/or the restaurant would need to use mobile terminals to receive payment. This could mean that restaurants need to change their facilities to provide for greater numbers of counter payments and/or upgrade to mobile terminals. Consideration could be given by VISA, MasterCard and the financial institutions to ways of assisting businesses to make this transition.

2) *Tips*

Many small business people receive tips. Currently, these tips may be added to a bill by customers before they authorise it. However, some existing systems may not facilitate the addition of tips when a PIN is used. Given the move to PIN@POS, the facility to add a tip before PIN entry could be made available at no additional cost to business.

3) *Price clarity*

The current system seems to allow operators to move past the price on the terminal and advance the transaction to the point where a customer simply enters their PIN with no price being shown on the device. This is different to when a customer signs an authorisation since the price is printed on the authorisation. Given that all transactions would require a PIN, there is a greater need to either

change systems to ensure price clarity and/or to educate businesses and customers on how to use the terminals to ensure that the price being paid is clear to both parties. This would avoid small businesses needing to deal with disputes over a wrong price being input and not noticed until a customer checks their statement.

Assumptions

The above comments are based on a number of assumptions.

Foremost among these is the opportunity that PIN@POS presents for VISA, MasterCard and the financial institutions to facilitate a move to the new approach at low or no cost to small business (for example, by assisting small business to adopt mobile terminals and modifying systems).

Additional issues could arise for small business if our other assumptions are incorrect, namely if:

- PIN@POS is introduced before all relevant cardholders have activated cards that use PINs;
- existing workarounds for system failure are diminished;
- institutions do not continue to expand the practice of allowing their customers to change their PIN to something that is memorable for them;
- foreign cards without PINs are **not** separately catered for (as intended);
- there is insufficient education of customers and businesses to limit confusion at the POS on changeover (as intended); and
- the changeover is **not** aligned for VISA and MasterCard to avoid confusion at POS (as intended).

Please do not hesitate to contact me, if you would like me to clarify or expand on any of the above.

Regards

Craig

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