

Your Ref: 51693

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Ms Marie Dalins
Director
Australian Competition and Consumer Commission
Adjudication Branch
23 Marcus Clarke Street
Canberra ACT 2601

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

Dear Ms Dalins

Thank you for the opportunity to comment on the applications by Visa and MasterCard for the authorisation to jointly implement and promote the PIN@POS initiative. PayPal is committed to the development of better, safer methods of payments.

Globally, PayPal has been a leader in driving payments innovation and offers solutions that enable commerce, with an historical focus on online and mobile solutions. Innovation in payments is accelerating, driven in large part by the adoption of smartphones and tablets and the convergence of online and offline commerce. In Australia, PayPal is trialling point-of-sale solutions, using our proven digital wallet capability as well as card-present mPOS solutions. PayPal's digital wallet gives consumers the choice of paying by scheme-issued credit or debit, bank account or balance held in their PayPal account. Consumers have strong confidence in the security of PayPal payments, and have ranked PayPal as one of the highly trusted brands in Australia.

Increasingly, consumers can choose to use mobile wallets to pay for goods and services at the point of sale. These transactions occur where the consumer is "present" yet the consumer's payment card may or may not be present, transactions which network rules may not treat as "card present". These new solutions are beneficial for consumers and merchants, in part because of the development of alternative payment methods that deliver the comparable levels of security and reduced fraud in what are "card not present" transactions at point of sale.

As one example of this type of innovation, PayPal recently introduced PayPal Check-In, which is available to consumers on their smartphones when they register for a PayPal account and download the secure PayPal application. This solution enables consumers both to remotely order and prepay for goods or services, and to pay for those goods or services directly at the point of sale. In this instance, the payment is designated as a “card not present” transaction being processed via PayPal’s digital wallet.

Because security and fraud prevention are of vital importance, PayPal Check-In includes many measures, including the following, to help mitigate risk for the buyer and merchant:

- 1) PayPal is ‘closed loop’ and operates a three party model; as such PayPal holds relationships with the merchant and consumer in the PayPal system and completes the necessary identification verification, AML checks and vetting;
- 2) Using geo-location, PayPal facilitates transactions by displaying details of approved merchants to consumers, via its smartphone app;
- 3) when the consumer opts to make a purchase from that merchant, PayPal displays the order details along with the consumer’s photo within the merchant’s Point of Sale software, as a form of verification; and
- 4) PayPal’s sophisticated risk models work in the background to detect any unusual activity on the account and trigger alerts where appropriate.

While the PIN@POS industry initiative focuses on PIN for “card present” transactions, there are highly secure options for “card not present” transactions, using other verification methods associated with mobile payments/digital wallet technology. PayPal Check-In is but one of many examples of such innovations being developed by innovators in payments which help drive competition. Other organisations and innovative payment start-ups are also developing their own “card not present” solutions and will no doubt continue to innovate in this market. Merchants and consumers should know that mobile payments/digital wallet transactions can be highly secure, even though they often will not require a PIN for verification, and network rules should not be based on the assumption that “card present” transactions are necessarily more secure.


In summary, PIN is not the only safe way to execute a payment transaction at the point of sale. The risk of an initiative such as PIN@POS is that it will entrench established methods of payment and create an effective barrier to entry by innovative firms and foreclose new business models. While PayPal supports initiatives such as PIN@POS to make card payments more secure, we are concerned that such initiatives can not be leveraged to discourage the development of new payments methods, such as digital wallets used for “card not present” transactions.

If the Commission is to approve the application by Visa and MasterCard, we submit that it should also monitor the payments industry closely to ensure that Australian consumers and merchants receive the benefits of advances in payments safety and technology, whether they use a traditional card or a new mobile wallet, and whether the networks' rules treat the transaction as "card present" or "card not present."

It is important to ensure that in promoting PIN@POS for "card present" transactions that the promotions do not suggest or imply that transactions via other methods which are "card not present" are inherently less safe.

We thank you for your consideration. PayPal would be happy to discuss this matter with the Commission.

Yours sincerely,



Matthew Poblocki

Legal Director

PayPal Australia Pty Ltd