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BY EMAIL

PUBLIC REGISTER VERSION

Ms Hayley Parkes & Ms Marie Dalins
Assistant Director / Director
Australian Competition & Consumer Commission

The logo for Ashurst, featuring the word "ashurst" in a lowercase, bold, sans-serif typeface.

Dear Ms Parkes and Ms Dalins

Authorisations A91379 & A91380

We refer to your letter of 29 August 2013 and to the further submissions from interested parties in relation to the above applications for authorisation.

This letter responds to the submission by PayPal dated 28 August 2013.

CONCERNS REGARDING IMPACT ON OTHER PAYMENT METHODS

The PayPal submission raises potential concerns that the PIN@POS initiative may entrench established methods of payment and create a barrier to entry to innovative firms and business models. The submission also notes that it is important to ensure that the PIN@POS promotions do not suggest that transactions via other methods are less safe.

As a preliminary matter the Applicants note that the concerns raised in the PayPal submission are misconceived as they relate to "card not present" transactions. The Applicants' proposed conduct concerns the joint adoption of mandatory PIN@POS for "card present" transactions, being transactions where the consumer is physically present at the point of sale **and** elects to use their credit or debit card to make payment for their purchase. The proposed conduct does not have any impact on "card not present" transactions, including those transactions where the consumer is physically present at the point of sale but elects to use an alternative payment method.

The Applicants make the following comments in relation to PayPal's concerns:

- (a) The Applicants reject the suggestion that the PIN@POS initiative will have any impact on barriers to entry or that it will entrench existing payment methods. All the PIN@POS initiative will do is increase security on chip cards in domestic card-present transactions. The Applicants' conduct does not encourage a particular payment method, it simply mandates PIN as the only accepted customer verification method when a consumer elects to make a "card present" transaction. This will have no impact on barriers to entry to other payment methods, nor will it "entrench" existing payment methods.
- (b) Further to (a) above, the coordinated introduction of mandatory PIN@POS will not in any way discourage or hinder the development of alternative payment methods. There will continue to be strong innovation in payments, including in relation to alternative payment methods such as digital or mobile wallets.
- (c) The PIN@POS promotional materials do not, in any way, suggest or imply that "card not present" transactions are less safe. The PIN@POS promotional materials

do not address "card not present" transactions. They only address the use of PIN in "card present" transactions and in particular seek to educate consumers that using a PIN is safer for their credit and debit card purchases than is using their signature.

- (d) The concerns identified by PayPal are not connected in any way to the cooperative conduct, for which the parties are seeking authorisation. As such, these concerns are not relevant to the ACCC's consideration of the authorisation applications.

Please feel free to contact us if you have any queries.

Yours faithfully



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