

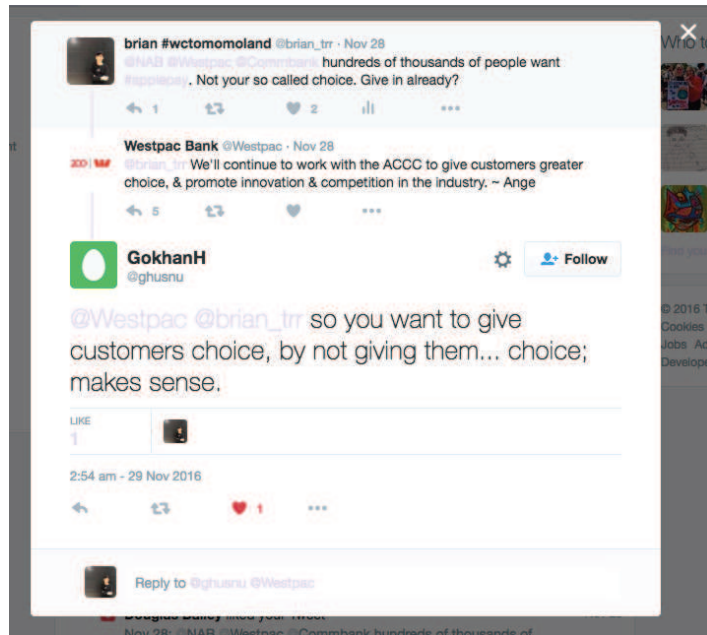
Bendigo and Adelaide Bank and others applications for authorisation (A91546 & A91547)

Response to Applicant's 21st of November Submission.

My view on the situation.

It is still laughable on how the banks keep trying to force Apple into giving up their NFC chip, especially when the iPhone is their own flagship device.

I find it funny how the big three banks: Commonwealth Bank, NAB and Westpac that are still trying to get Apple to give in due to "choice", when they haven't even offered the same on Android devices. Commonwealth Bank has its own app and not Android nor Samsung Pay. NAB has its own app and not Android nor Samsung Pay. Westpac has its own app and is "scheduled" to receive Android Pay but have no announcements for Samsung Pay.



Cuscal has recently announced a deal which put over 30 small banks and credit unions into the Apple Pay mix. Why can't the big banks do the same? Choice? Or more like wanting to have control on the consumers and having not to pay for fees to use the iPhone.

Negating the applicant's statement

- *"Access to the NFC functionality on the Android platform alone is not economically viable in a relatively small market such as Australia – by itself it cannot generate the same public benefits."*

The Android platform is huge in Australia, as everywhere else in the world. Australians own more Androids over iPhones with a 56.1% market share whilst iPhones having a 34.9% market share¹. If a consumer wants to pay with their phone and are with one of the banks that currently don't support Apple Pay but do with Android Pay or their own app, they can feel free to choose an Android phone. If a consumer wants an iPhone and wants to pay with their phone but can't because of the bank won't give in, the consumer can switch to a different bank or credit union such as ANZ, Bank Australia, Beyond Bank

¹ The Sydney Morning Herald. 2016. Apple's iPhone loses top spot to Android in Australia. [ONLINE] Available at: <http://www.smh.com.au/digital-life/mobiles/apples-iphone-loses-top-spot-to-android-in-australia-20150907-gjihc4l.html>. [Accessed 03 December 2016].

CUA, People's Choice Credit Union, Teachers Mutual Bank and much more. That's what we called choice and competition between banks.

- *"Similarly, non-integrated solutions (eg, NFC stickers or non-NFC options) cannot substitute for integrated NFC access or provide the same public benefits."*

Then how are non-NFC options still thriving today?

Commonwealth Bank and NAB (two of the banks participating in the authorisation) are still offering NFC PayTags²³ to iPhone or non-NFC phone users to this day.

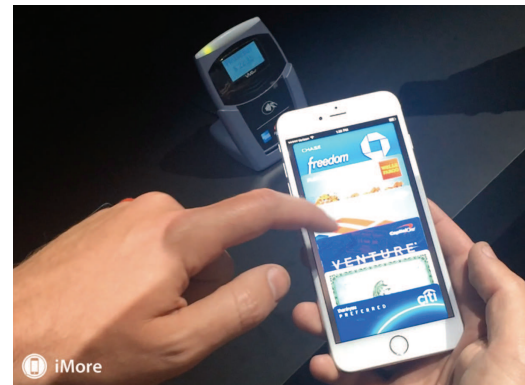
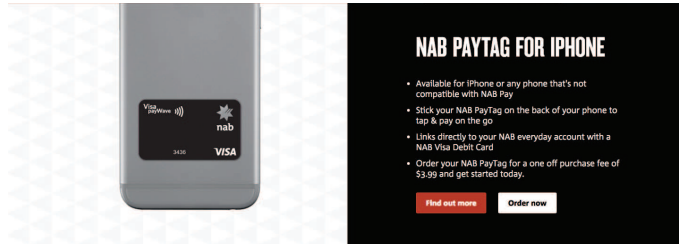
Seems like it's doing well considering how Commonwealth

Bank has offered this PayTag since 2014. In my previous document, I stated that some non-Near Field Communication options are still thriving today in other countries, WeChat Pay/Wallet has beaten Apple Pay in Hong Kong, South Africa also uses WeChat Pay/Wallet and even goes to the extent to integrate the system in ATMs. Thailand and Japan can use Line Pay which still exists to this day and also in South Korea where mobile and internet payments are prevalent, users are able to use KakaoPay, Payco and Naver Pay.

- *"...Capital One – has added a payment button that links its banking app directly to Apple Pay (the Apple Pay Button). However, the ability to provide apps that use the Apple Pay Button does not provide real competition to Apple Pay."*

The Capital One bank does not offer an Apple Pay button? Payments with any bank including the Capital One bank are the same. Double press the home button and touch-id to pay, no need to go through the cumbersome effort of going into an app to pay.

- *... NFC reader to make payments with the same ease that applies when making "tap and go" Yet, customers will also have the choice of opening particular apps to make payments (eg, a wallet offered by a major retailer, if the customer happens to be shopping at that retailer's store) or using their mobile banking app to complete the transaction (eg, if the customer decided to check their account balances and pay some bills or transfer funds between accounts while waiting in the checkout line or at the point of sale)."*



² Tap and Pay with the new CommBank app – CommBank. 2016. Tap and Pay with the new CommBank app – CommBank. [ONLINE] Available at: <https://www.commbank.com.au/personal/online-banking/commbank-app/tap-and-pay.html>. [Accessed 03 December 2016].

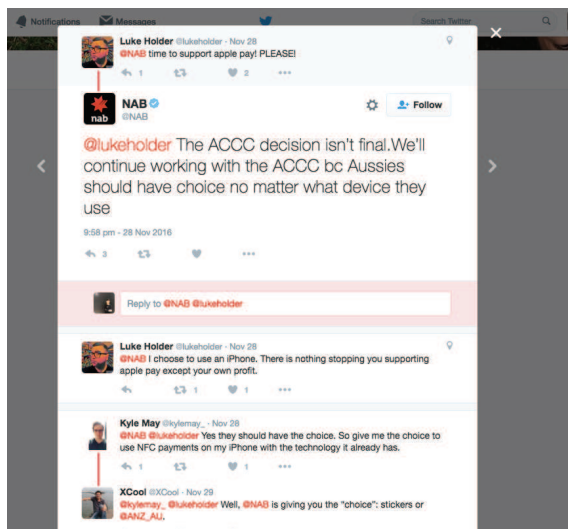
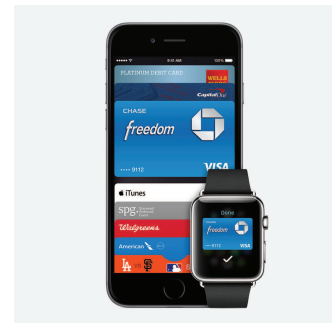
³ Tap and Pay securely with Android or iPhone, Convenient contactless payments.. 2016. Tap and Pay securely with Android or iPhone, Convenient contactless payments.. [ONLINE] Available at: http://campaigns.nab.com.au/tapandpay/?own_cid=shortURL:tapandpay. [Accessed 03 December 2016].

Apple Pay is doing all these steps, back when Apple Pay didn't exist, the app 'Passbook' (now called as Wallet) allowed users to insert reward cards and more on their Passbook app. Now with Apple Pay integrated, there's a possibility arising for an NFC Reward Cards such as MyCokeRewards and Walsgreen Rewards. Both which support NFC Reward Cards. Even then, retailers can opt out of this experience and just scan normal reward cards or even insert QR codes within their apps shown by Australia Post's app. Third Party apps can also do the same such as Stocard allowing consumers to place their Flybuy, Myer One, Woolworths Reward cards and much more on their phone. Stocard also allows for offers at participating retailers, shown inside the app⁴.

If a consumer decides that he/she needs to transfer money between a saving and checking account for example, the consumer can do that and still use Apple Pay. Apple Pay behaves like a pop-up, whilst the consumer is in line, he/she can go into CommBank, ANZ GoMoney, Westpac Live or NAB and transfer money and when the consumer reaches the front and orders he/she can tap her phone to the reader and the Apple Pay pop-up will show. Pay with Touch-ID and voila, done. Why are the banks stating that you can't transfer funds or pay bills if you do have Apple Pay? Misleading consumers?

- *"The applicants are responding to the competitive threat of disruption by doing more for their customers"*

Competitive threat? More like the banks are scared of competition. The banks are scared of laying out their cards with other banks. Apple Pay is open to any bank, a user with multiple banks can use Apple Pay normally. However, the banks are trying to lock a user into one bank. Granting access to the NFC chip will drastically lower the users choice and will lower competition between banks.



stating that they're doing more when really,

Also doing more for their consumers is not listening to their outcries to not support Apple Pay. Every day, customers on the bank's social media accounts cry for the banks to support Apple Pay. Only to be met with a response such as "working with the ACCC... provide choice.". It is laughable that banks are



⁴ Stocard - All loyalty cards on your smartphone. 2016. Stocard - All loyalty cards on your smartphone. [ONLINE] Available at: <https://stocardapp.com/>. [Accessed 04 December 2016].

they're just ignoring consumers.

- *"There is no evidence that the applicants are trying to exclude or discriminate against third party wallets."*

Really then, so where is Commonwealth Bank and NAB with Android Pay? Or any of the other banks with Samsung Pay? The only reason why the Bendigo and Adelaide Bank appears to be in Android Pay is because they had no previous infrastructure to support Mobile Payments, as well as Commonwealth's subsidiary Bankwest which now supports Android Pay. Westpac only catered mobile payments to a select amount of Samsung users which is why they are jumping aboard ship. With Commonwealth and their CommBank app, and NAB with their NAB Pay app, they don't need Android Pay as they are perfectly fine with their own apps, excluding third party wallets from accessing their infrastructure.

Which leads to the contradiction.

- *"Thus, there is no commercial or legal basis to suggest that the applicants could develop their own NFC mobile wallets on the iPhone and not participate in Apple Pay."*

If Commonwealth Bank and NAB were to participate in the Android Pay wallet system, which is free of charges and works differently than Apple Pay, maybe then consumers such as I would believe the banks. However, the banks are constantly trying to deter consumers from an open wallet solution where multiple banks are supported.

- *"Apple's submission argues that the applicants have the incentive to discriminate against Apple Pay in order to avoid the competition between issuers that arises at the point of sale from having credit cards from multiple issuers together in a third party wallet. However, customers can already easily switch between the plastic cards in their physical wallets, and will be able to easily switch between differentiated mobile payment applications on their mobile phones."*

Thing is, physical cards don't show offers from their own bank trying to lure them into owning more credit cards and potentially more debt. The applicants can state that the user is easily allowed to switch between differentiated mobile payment applications, however it is a hell of a struggle to do so, especially with the Android system. First of all, if you have an ANZ account, CommBank account, Westpac account and Citibank account, you'd first need to download Android Pay, CommBank, Westpac and CitiPay. Then you would need to decide which one is your default. If you need to pay with CommBank the most, you'd choose CommBank. Thing is, if you need to pay with any other mobile wallet, you need to venture through the settings, just to change your default NFC payment option, in order to pay. The process is convoluted and Apple Pay is changing that to be one simple solution.

- *"Mobile wallets that have not had access to iPhone customers, or that have attempted to address the iPhone customer segment through QR codes and Bluetooth, have tended to fail. Recent examples include Semble in New Zealand, Suretap in Canada, CurrentC in the United States and Twint in Switzerland."*

These are only some of the failures in non-NFC Mobile Wallets. Line Pay, KakaoPay and WeChat Pay are still thriving today. As I said previously, CurrentC failed due to anti-competitive measures such as forcing retailers to disable Near-Field Communication payment in many stores such as Walmart, Best Buy, CVS-Health and RiteAid⁵. CurrentC was also highly controversial in its privacy policy and also leaked out consumer's emails to hundreds of peoples before shutting down.

The Apple Pay Button approach is inconvenient for users.

There is no such thing as a dedicated Apple Pay button. Capital-One has decided to link up their service with Apple Pay allowing for easy access to rewards if purchased with Apple Pay. Nowhere on the website does it state specific instructions such as go onto Capital-One, allowing access for an Apple Pay transaction. In fact, a Capital-One customer doesn't even need the Capital-One Wallet application to access basic Apple Pay functions like making a transaction or viewing past transactions made using Apple Pay. The Capital-One app acts like a way for users to see past transactions and new rewards, that's all. Also, the banks state that more security = inconvenient when in reality, the extra security can help secure user's funds.

- *"The applicants do not see any inconsistency in saying that Apple adopts a "take it or leave it" approach to individual banks of the size or scale of the applicants but has made concessions when negotiating with groups or much larger entities... They only argue that in dealing with JR East and its Suica NFC card, Apple has both accommodated a different NFC standard and has altered its approach to security in permitting contactless payments without requiring Touch ID fingerprint authentication for Suica stored value."*

Negotiating to use a different technology for a different country is understandable, not everyone in the world uses Near-Field Communication, this is shown by Visa and MasterCard by choosing not to issue PayPass or PayWave cards in Japan, but instead issuing iD and QuicPay (FeliCa technology) integrated into their own card. Also with Suica, users can set if they want no Touch-ID fingerprint authentication. This is called the Express Transit Card setting (スプレスカード) and only works with the Suica card. The user can opt out of this Express Transit Card setting and get on public transport normally. Apple chose this setting for two reasons.

1. With Suica being used mainly for transport, many people need to get past the gate day in and day out. The Express Card setting allows people to get in and out the train gates faster.
2. Suica is used like a Myki/Opal/GoCard card and is stored value. There is no authentication when you touch on and off. Touch-ID verification is only device based when using a Suica and verification isn't sent through to an online server unlike using a CDCVM terminal and paying through Apple Pay using a credit/debit card.

⁵ Banks Did It Apple's Way in Payments by Mobile - New York Times. 2016. Log In - New York Times. [ONLINE] Available at: http://dealbook.nytimes.com/2014/09/11/banks-did-it-apples-way-in-payments-by-mobile/?_php=true&_type=blogs&_php=true&_type=blogs&_r=2&. [Accessed 04 December 2016].

Isn't it right for Apple to negotiate with companies to be up to date with the country's standard?

- *"A Suica card can be loaded with up to ¥20,000 (around \$A250) in value, and may be automatically recharged if it is linked to a credit card that can provide this function, such as JR East's View card... the average value of a fraudulent transaction has been estimated at \$US136 for credit cards and \$US104 for debit cards in the United States, and at \$A210 for cards in Australia. In these circumstances it is not clear why Apple does not consider unauthorised payments up to ¥20,000 to be a significant security risk but would need to refuse access to the NFC function due to far more speculative and unsubstantiated security risks."*

First of all, the card is recharged using Touch-ID, meaning that unauthorised transactions can't occur with the card being recharged. Unauthorised Apple Pay transactions only happen with negligence (such as adding another person's fingerprint on the phone).

Furthermore, take a look at some prepaid card limits.

- Australia Post Load and Go Reloadable Visa Card - \$999AUD (max limit)
- American Express Serve Prepaid Card - \$100000USD (max limit)
- Coles Reloadable Prepaid Card - \$1000AUD (max limit)
- myki - \$250AUD (max limit)
- Opal - \$250AUD (max limit)
- Vanilla Visa - \$9999AUD

Why are the applicants complaining when clearly the max limit is over \$210 on every prepaid card, even transport cards?

Negatives if the authorisation is passed through.

- Deterring consumers from using third party wallets such as Apple Pay or even Android/Samsung Pay.

If banks are allowed to pass through costs to consumers for using third party mobile wallets, consumers are less likely to use Apple Pay and more likely to use the own bank's app which can lower competition between banks. Banks should not be able to pass through fees brought on by Apple Pay as it would remove the incentive to use Apple Pay and will discriminate third party wallets and lower the amount of choice the consumer gets with mobile wallet.

- Security and privacy issues.

Apple Pay is completely different to other third party mobile wallets where security is first. No private info is leaked when making a transaction, this includes purchases, name, card number and more. Whereas Android Pay gives purchase details to Google, Apple is choosing to make its ecosystem completely private for the user to have peace-of-mind. However, if this authorisation passes people can potentially hack the system and the security of Apple Pay will go down the drain. People have already hacked Android Pay and Samsung Pay. I wouldn't want to feel unsafe using a mobile wallet.

- Forcing Apple to open up NFC on their own device? Competition issue?

Apple can choose whether they want to open up their Near Field Communication system on their device because it is their device. If users want to pay using their phone, they have a choice of Android or iPhone. If the banks don't support Apple Pay, the user can choose to wait it out **or switch to a different bank that does**. Again, it's what is called as competition.

Conclusion

Cuscal managed to open up small banks and credit unions to the Apple Pay world, so what is stopping Commonwealth, NAB, Westpac and Bendigo Bank from doing so. Do they seriously want for us to pay fees just to use a mobile wallet? Do they want to delay Apple Pay?

I strongly urge the ACCC to reject this authorisation, likewise with your draft. There are too many public detriments outweighing public benefits.