

AUSTRALIAN PAYMENTS FORUM COMMUNIQUE¹

Wednesday, 15 June 2011

Australian Payments Forum looks at multi-function cards²

The sixth meeting of the Australian Payments Forum was held in Sydney at the Intercontinental Hotel on Wednesday, 15 June 2011, convened by Professor Ian Harper. 44 participants from 27 organisations including merchants, financial institutions, card schemes and industry associations met specifically to consider the topic of multi-function cards in the payments industry.

Representatives of the RBA and Treasury were also in attendance as observers.

In February this year, the Payments System Board (PSB) released a statement expressing support for the continuation of multi-function cards but voicing concerns in respect of data reporting requirements imposed by international card schemes on some transactions through the EFTPOS system, and transaction fees imposed by one scheme on those transactions. The PSB sought industry cooperation to resolve these issues.

Participants received a discussion paper dealing with these issues and other related concerns that summarised views of issuers, acquirers, merchants and schemes canvassed by APCA.

Participants heard from:

- Ms Victoria Richardson, Consultant with Abnote and Consult Hyperion;
- Mr Andrew Cartwright, Country Manager Australia, MasterCard Asia/Pacific (Australia) Ltd;
- Mr Vipin Kalra, Country Manager, Visa AP (Australia) Pty Ltd; and
- Mr Bruce Mansfield, Managing Director, EFTPOS Payments Australia Ltd.

Professor Harper welcomed participants and noted that the meeting provided the opportunity to discuss the shared use of network infrastructure and promote the strengthening of competition. Mr Chris Hamilton from the Australian Payments Clearing Association (APCA) provided a brief introduction, noting that the Forum was set up to promote industry dialogue on important issues facing the payments system, of which the issue of multi-function cards was a perfect example.

¹ The Australian Payments Forum has been established to promote industry-based and non-regulatory initiatives in the Australian payments system as a means of enhancing efficiency, security and competition with minimal regulatory overlay. Participants include senior representatives from financial institutions, card schemes, merchants, consumer groups and industry representative bodies.

² Multi-function payment cards, also referred to as "combo cards" in Australia, are payment cards capable of initiating two or more different types of transactions, each governed by the rules of a different payment scheme. The term multi-function card is also frequently used to refer to chip cards that have applications for multiple payments schemes loaded into the chip.

Such cards are a widespread and long-standing feature of the Australian payments system. The Payments System Board (PSB) is in favour of the ongoing issuance and use of combo cards as they provide a mechanism for competition between payment systems at the point of sale and are widely accepted by cardholders.

The first speaker of the Forum, Ms Richardson, provided an overview of global developments in card payments as well as identifying important future developments in the payments field, including the growing use of contactless and mobile payments and the significant change in economic relationships this could bring about. She noted, for example, that the younger generation often engage in digital transactions before they have even opened a bank account.

Messrs Cartwright, Kalra and Mansfield expressed their respective organisations' commitment to supporting multi-function cards and continuing to ensure that such a product is offered to customers. All agreed that offering customer choice was the most important concern, along with ensuring fair competition amongst payment instruments.

It emerged during the presentations that workable understanding had been reached between two of the schemes in relation to the PSB's concerns, but there still remained some points of difference between two schemes in relation to transaction reporting and the imposition of transaction fees.

The challenge of offering multi-function cards in an evolving payments system, with innovations such as contactless and mobile payments, was also discussed. Participants debated some technological, operational and customer experience challenges in offering multi-function options to consumers in a contactless environment, although mobile payments offer greater flexibility and scope for multi-functionality in the future.

After the departure of the RBA and Treasury representatives, Forum participants discussed ways in which industry can better identify its own solutions to payments system issues. Some participants expressed the view that either a commercial agreement or industry self-regulation was preferable to intervention by government but that the best way to develop a suitable framework to achieve this objective needs further discussion.

Finally, in other business, Mr Hamilton advised participants of APCA's public consultation on the future of cheques and encouraged organisations to lodge submissions on this issue.

Professor Harper closed by thanking all participants for their active engagement in discussions and advised that the next Australian Payments Forum was currently earmarked to consider the RBA's Strategic Review on Innovation, providing an opportunity for the Forum to provide comment and feedback to the RBA and the PSB.

Ian R. Harper
CONVENOR