

## HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

### REVIEW OF THE FOUR MAJOR BANKS

#### NAB

**NAB43QW:** Eftpos

#### **Answer:**

(a) Do you intend to pass on savings from the eftpos interchange wholesale repricing for routed multi-network debit card transactions that is being introduced on 1 July? If so, how much of the 2 cent reduction per transaction will be passed on?

Discussions to enter a strategic agreement with eftpos to use the eftpos interchange wholesale repricing are in progress. NAB has communicated its feedback to eftpos that the high volume threshold conditions attached to these lower rates could make them challenging to pass on to merchants. The conditions would require the ongoing tracking of volumes, which could lead to price increases if the conditions are not met by a merchant.

(b) When do you intend to turn on all eftpos digital messages?

NAB continues to work with eftpos to resolve concerns with the proposed solution. These concerns have been provided to both eftpos and the broader membership base as part of the eftpos engagement process (formerly the eftpos Management Advisory Committee which was recently disbanded by eftpos). Resolution of these issues is required prior to any further progress. Both NAB and eftpos continue to work together in good faith to be able to resolve these issues as soon as possible.

(c) Have you turned on at least the low risk transactions such as card on file and D&W that were technically available in 2018? If not, why?

An optimal customer experience requires all issuers to be able to process card not present eftpos transactions, otherwise the merchant will need to communicate which issuers can use the service and which can't.

Only some eftpos specifications for processing card not present transactions were made available in 2018. Some issuers completed development in 2019 for limited capability, such as instalment payments.

Eftpos's functionality for recurring payments needs to be rebuilt to comply with the Banking Code of Practice requirements and this is expected to be completed by all issuers in 2020.

(d) Do you believe turning on digital for eftpos will create more price competition and place issuer income at risk? If so, is this one of the reasons you have been slow to launch eftpos digital?

Conversations between NAB and eftpos to enable digital transaction processing continue. NAB has raised a number of Banking Code of Practice compliance-related concerns relating to this functionality.

These are yet to be resolved and NAB will continue to work with eftpos to close out its concerns. Once these are resolved, NAB will be able to consider the system development and implementation work required.

(e) Do you think you are acting in your merchants' best interests by not turning on eftpos digital transactions sooner?

NAB continues to engage with eftpos to be able to address its concerns regarding eftpos digital transactions. This is essential to be able to provide eftpos digital transactions in a manner that aligns to the safe, secure and reliable processing for all other NAB transactions. Concerns include, but are not limited to, compliance with the Banking Code of Practice and fraud management.