

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

REVIEW OF THE FOUR MAJOR BANKS

Tyro Payments

TYR03QW: Merchant services and low cost routing:

a) In terms of your Point of Sale (POS) strategic merchant services:

(i) What is the total number of your POS strategic merchant services?

(ii) What is the number of small and medium business customers?

Answer: Tyro does not have strategic merchants, as defined by the various schemes.

b) What number and share (percentage of total) of your total strategic merchant services customers and the number and share of small and medium business merchant services customers:

(i) Use the Least Cost Routing (LCR) or Merchant Choice Routing (MRC) option for multi-network debit transactions?

Answer: As of 31 December 2019, our total number of merchants is 32,450. All of our merchants are considered small and medium business customers.

(ii) Have a contract for the lowest cost routing option, when including all fees associated with the transaction including interchange and scheme fees?

Answer: Least cost routing is considered a pricing feature that any merchant can opt-in to. As such, Tyro does not use distinct contracts for merchants on least cost routing pricing.

c) Is LCR or MCR on multi-network debit transactions offered to all customers as an opt-out option to ensure all get access to savings? If not:

(i) Why?

Answer: Least cost routing is offered as an opt-in option to all of our customers. The reason for this is because we advocate for merchant flexibility, and believe merchants must consider whether least cost routing is right for them based on their business operations. For example, businesses on Special Offer pricing (which includes some flat fee simple pricing offers) or who currently

surcharge on debit contactless transactions may not benefit from least cost routing.

(ii) Considering that the Reserve Bank of Australia has advocated LCR since 2013, why have you not found a way to provide this service and the associated cost savings to all of your merchant services customers?

Answer: In March 2018, Tyro became the first Australian bank to launch least cost routing. In December 2017, before we launched least cost routing, we wrote to all of our merchants to provide information about least cost routing, and offered them the option to select this pricing. Since its launch in 2018, least cost routing is discussed with and offered to all new Tyro merchants.

(iii) Do you believe you are acting in your merchants' best interests by not passing on possible savings?

Answer: By providing information about least cost routing and offering it as an option to all of our merchants, we believe we are acting in our merchant's best interests. Tyro cannot and does not guarantee to merchants that by selecting least cost routing, its business will always save money, as any amounts saved will depend on the merchant's particular card mix, transaction volume and amount, industry, and pricing plan. However, Tyro offers to provide merchants with an estimate of potential savings if they do opt-in to least cost routing and will recommend this option to businesses that will likely benefit. Merchants can then make an informed decision on whether to opt-in to least cost routing.

d) Are LCR or MCR services offered on all terminal types for multi-network debit transactions? If not:

(i) Which terminal types do not have LCR or MCR?

Answer: Least cost routing is only available on terminals with contactless capabilities.

(ii) What percentage of your terminal fleet does this represent?

Answer: 3% of our current active terminals do not have contactless capabilities and, therefore, cannot support least cost routing.

(iii) When do you plan to upgrade those terminal types that do not have LCR or MCR to enable those merchants with those terminal types to access LCR or MCR?

Answer: Non-contactless terminals were provided as an option to merchants between 2007 to early 2014. Some of our existing merchants from that time

have elected to continue to use these terminals for their operations. We contact these customers from time to time to discuss the benefits of newer terminals. Customers with these terminals can contact Tyro to upgrade their terminals so they can enable least cost routing.

e) Are LCR or MCR services offered on all pricing plans for multi-network debit transactions? If not:

(i) Which pricing plans do not have LCR or MCR as an option?

Answer: Least cost routing is not available to merchants who are charged a single rate (simple/blended pricing).

(iii) Why?

Answer: This pricing approach is based on amalgamating all card schemes and card types into one rate for all types of transactions. This option appeals to merchants who want the clarity and simplicity of one single rate. Least cost routing is not available on this pricing option as the lower cost of acceptance is already considered when formulating the single rate.

f) If you provided all your strategic and small and medium business POS merchant services customers access to the lowest cost scheme on all multi-network debit transactions, what would the savings be for:

(i) Your strategic merchant customers?

Answer: Not applicable. We do not have strategic merchants.

g) If you passed on at POS the lowest cost per transaction via dynamic routing to your merchants, based upon current and eftpos 1 July 2020 pricing, what would the savings be for:

(i) Your strategic merchant customers?

Answer: Not applicable. We do not have strategic merchants.

h) Are any additional fees or charges, such as terminal rental, added or increased for small and medium business merchant customers who elect to implement LCR or MCR?

(i) If so, why?

Answer: No. Any additional fees, such as terminal rental, are standard across all merchants.

(ii) Do you increase the average eftpos transaction fee for customers who choose to use LCR or MCR compared to other plans? Why?

Answer:

No. If a merchant opts in for least cost routing, their average eftpos transaction fee would be lower than those who did not opt in for least cost routing.

(iii) Does a customer's choice to use LCR or MCR for debit transactions impact the fees you charge for credit transactions for any of your merchant customers? Why?

Answer:

Aside from merchants on a simple/blended pricing structure where our pricing amalgamates all card schemes and card types into one rate, our other pricing types keep the fees charged for debit and credit transactions separate and there is no impact to credit transaction fees if a merchant opts-in for least cost routing.