



**Parliamentary Joint Committee on Corporations and Financial Services -
Questions on notice relating to Mobile payment and digital wallet financial
services inquiry**

Apple Pty Limited

QoN001-04

Most physical credit and debit cards in Australia have dual network functionality that allows merchants to route transactions through the lowest cost network (least-cost routing, LCR). Whilst Apple Wallet can support transactions over either the (usually cheaper) eftpos network or the card schemes, and as noted in Apple's submission to this inquiry, Apple Pay does not restrict LCR by merchants, tap-and-go payments on mobile devices are processed through the single network associated with the virtual card presented by the customer, regardless of whether or not the linked physical card can support dual networks. Merchants therefore cannot take advantage of LCR for payments with mobile devices, potentially leading to higher transaction costs that are born by both merchants and consumers.

What obstacles exist to enabling dual network functionality for virtual cards or LCR on mobile devices? Is Apple working to support dual network functionality and LCR for mobile POS payments in Australia?

Apple response: Apple worked with both eftpos and major card issuers in Australia to enable dual network functionality in Apple Pay and allowing customers to select an account or payment network based on their preference, which is consistent with plastic card transactions when Apple Pay launched in Australia. Apple is not involved in transaction routing — which is managed by actors on the processing (acquiring) side of a card transaction. Apple's relationships are solely on the issuing side with card issuers that issue credit, debit, prepaid cards or other payment credentials to their own customers. Apple does not have a position on how the transaction is routed once it leaves the device.

We continue to believe that customer choice is a key part of the transaction experience, and current Apple Pay functionality maintains that experience. If it is a regulatory requirement that merchants choose the debit network used to process a transaction, rather than the customer, then Apple will work with issuers and the payment networks on a solution to transition to a model that supports the presentment of two network credentials to the terminal.