

# FAQs least cost routing

## What is least cost routing and why is it being offered?

The objective of least cost routing is to enable merchants to choose the network that provides the best economic outcome for them on contactless transactions from dual network debit cards. Least cost routing has not always been a choice for merchants.

In November 2017, The RBA's Payments System Board said it "strongly supported calls from a range of stakeholders for acquirers to provide merchants with least-cost routing functionality for contactless transactions using dual-network debit cards" (Payments Systems Board Update – November 2017).

<http://www.rba.gov.au/media-releases/2017/mr-17-24.html>

## Will least cost routing affect credit card payments?

No. Currently least cost routing is only being developed for dual network debit cards in Australia.

## What percentage of card payments are made on debit cards in Australia?

Debit cards represent almost 70% of all transactions in Australia, or around 6 billion transactions a year and growing quickly.

## What is the potential saving for merchants?

Potential savings will vary from merchant to merchant. According to the RBA in December 2017, "debit transactions via the international schemes typically cost merchants about 44 basis points (or 44c for every \$100) more than transactions via the domestic eftpos system in 2016/17".

<http://www.rba.gov.au/speeches/2017/sp-so-2017-12-13.html>

## How many dual network debit cards are there in the Australian market?

There are around 26 million contactless enabled dual network debit cards in the market, featuring both eftpos and an international scheme (Visa or MasterCard), representing around 70 per cent of debit cards in Australia.

## To which network will transactions be routed?

This depends on the Merchant's choice. According to the RBA, eftpos has the lowest published interchange rates and the lowest published scheme fee for multi network debit cards on most transaction types. In December 2017 the RBA stated: "debit transactions via the international schemes typically cost merchants about 44 basis points (or 44c in \$100) more than transactions via the domestic eftpos system in 2016/17".

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## Does least cost routing stop consumers using another network if they prefer?

No. Consumers can still dock their card and select their preferred network if they wish.

## Will the customer experience be different?

The customer experience should be the same. The customer simply taps a card to make transactions under \$100 as they do today. If it is a transaction over \$100 they will be prompted to enter a PIN as they are today.

Cardholders should contact their bank if they notice a discrepancy.

## Will consumers lose rewards if debit transactions are routed to eftpos?

eftpos regularly offers all eftpos cardholders the chance to win rewards for eligible transactions via the eftpos WIN platform which is also available for merchant-specific and Member rewards programs. These rewards are not available to consumers who pay using the international schemes.

<https://eftposwin.com.au/about>

## Are chargebacks available through eftpos?

Yes. eftpos chargeback rights exist for eftpos transactions and cover the full range of losses required by the ePayments Code, like fraud, unauthorised transactions, goods not received and equipment malfunction or processing errors.

It is worth noting that more than 80% of fraud is online, not in store. eftpos is not yet a choice for online payments. Routing is only relevant for in store, dual network debit card payments.

## Will transactions be less secure if they are routed through the eftpos network?

No. eftpos has the lowest card fraud rates in the country. While disputed transactions and fraud rates are low on the eftpos network, zero liability to consumers applies to contactless eftpos transactions that do not require a PIN.

## Will least cost routing experience technical difficulties?

Least cost routing is live a thousands of merchants in Australia, with no discernible difference in technical or payment outcomes.

Least cost routing has also been introduced in other countries without technical issues.

## Shouldn't consumers have the choice about where their transactions are routed?

They still do. Consumers that want to select the network through which their transactions are routed are still able to choose by docking their card.

Consumers currently have no choice about where their contactless transactions on dual network debit cards are routed – they go to the international card schemes, unless consumers dock their card. According to RBA, the international schemes are more expensive for merchants for most transactions.

<http://www.rba.gov.au/speeches/2017/sp-so-2017-12-13.html>

## Will consumers lose any insurances (extended warranty, purchase protection) offered on a purchase from using the card?

No. While insurances on debit cards are very rare, a review of the card terms indicates that currently all the insurances that are offered are done so at an account level rather than a network level, so consumers should still be eligible for insurance benefits offered on dual network cards.

Warranty protection under the competition and consumer law continues to apply.

## The daily purchase and ATM limit on the eftpos network is lower than daily limit for other card schemes. Will this impact my ability to make purchases?

Given publicly announced recommendations from Regulators, eftpos understands that Issuers are updating systems to rectify any potential impacts related to daily limits. The cardholder should be entitled to access their own funds without unnecessary restrictions regardless of the network used to process the transaction to the same account.

In any event, daily limits are variable and can be set by the customer at up to \$10,000 at some banks.

In the unlikely event that a customer does go over their daily limit, they can still dock the card and choose a different network, or use another card or contact their bank.

## I have two accounts linked to my card, will the same account be debited for purchases if I tap my card at a merchant with least cost routing?

Issuers are working to ensure that the same account is used if you tap your card, whether it is an eftpos or Visa/Mastercard transaction. Please contact your bank if you notice a discrepancy.