

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

REVIEW OF THE FOUR MAJOR BANKS AND OTHER FINANCIAL INSTITUTIONS

HSBC

HSB02QW: Merchant services and low cost routing:

HSB02QW(a): In terms of your Point of Sale (POS) strategic merchant services:

HSB02QW(a)(i): What is the total number of your POS strategic merchant services customers?

Answer: Zero.

HSBC Australia launched its proposition for corporate merchant customers in January 2020 in partnership with First Data Merchant Solutions Australia (FDMSA). The latter is the merchant acquirer on record and HSBC Australia provides consolidated reporting to users.

This proposition, called Omni-Channel, is a single platform which allows merchants to receive payments from customers in a number of different ways, including cheques, direct entry, RTGS (Real Time Gross Settlement), telegraphic transfer, online and point of sale (POS) merchant acquiring.

At June 25, none of our Omni-Channel customers are using the POS facility / strategic merchant services. However, our proposition supports POS merchant acquiring solution and we expect to have customers using this option in the future. It provides Least Cost Routing (LCR) capability as a default option which we have actively been promoting to our Merchant clients.

HSB02QW(a)(ii): What is the number small and medium business customers?

Answer: At June 25, none of our Omni-Channel customers are using the POS facility / strategic merchant services. However, our proposition supports POS merchant acquiring solution and we expect to have customers using this option in the future.

HSB02QW(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:

Answer: At June 25, none of our Omni-Channel customers are using the POS facility / strategic merchant services. However, our proposition supports POS merchant acquiring solution and we expect to have customers using this option in the future.

HSB02QW(b)(i): Use the Least Cost Routing (LCR) or Merchant Choice Routing (MRC) option for multi-network debit transactions?

Answer: At June 25, none of our Omni-Channel customers are using the POS facility / strategic merchant services and we expect to have customers using this option in the future. However, our proposition supports Least Cost Routing (LCR) capability and we actively promote it as the default option.

HSB02QW(b)(ii): Have a contract for the lowest cost routing option, when including all fees associated with the transaction including interchange and scheme fees?

Answer: At June 25, none of our Omni-Channel customers are using the POS facility / strategic merchant services and we expect to have customers using this option in the future. However, our proposition supports Least Cost Routing (LCR) capability and we actively promote it as the default option.

HSB02QW(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?

Answer: Yes

HSB02QW(c)(i): If not: Why?

Answer: N/A

HSB02QW(c)(ii): If not: Considering that the Reserve Bank of Australia has advocated LCR since 2013, why have you not found a way provide this service and the associated cost savings to all of your merchant services customers?

Answer: N/A

HSB02QW(c)(iii): If not: Do you believe you are acting in your merchants' best interests by not passing on possible savings?

Answer: N/A

HSB02QW(d): Are LCR or MCR services offered on all terminal types for multi-network debit transactions?

Answer: Yes

HSB02QW(d)(i): If not: Which terminal types do not have LCR or MCR?

Answer: N/A

HSB02QW(d)(ii): If not: What percentage of your terminal fleet does this represent?

Answer: N/A

HSB02QW(d)(iii): If not: 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: N/A

HSB02QW(e): Are LCR or MCR services offered on all pricing plans for multi-network debit transactions?

Answer: Yes

HSB02QW(e)(i): If not: Which pricing plans do not have LCR or MCR as an option?

Answer: N/A

HSB02QW(e)(ii): If not: What percentage of your small and medium business merchant customers are on these plans?

Answer: N/A

HSB02QW(e)(iii): If not: Why?

Answer: N/A

HSB02QW(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:

HSB02QW(f)(i): Your strategic merchants customers?

Answer: N/A – our proposition supports Least Cost Routing (LCR) capability on all multi-network debit transactions and we actively promote it as the default option.

HSB02QW(f)(ii): Your remainder of medium and small business merchant customers?

Answer: N/A – our proposition supports Least Cost Routing (LCR) capability on all multi-network debit transactions and we actively promote it as the default option.

HSB02QW(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:

HSB02QW(g)(i): Your strategic merchants customers?

Answer: Whilst we have not on-boarded strategic merchant clients to date, FDMSA has confirmed that it will pass on bulk of the cost reduction to merchants resulting in overall savings in transaction costs to potential customers.

HSB02QW(g)(ii): Your remainder of medium and small business merchant customers?

Answer: Whilst we have not on-boarded medium and small business clients to date, FDMSA has confirmed that it will pass on bulk of the cost reduction to merchants resulting in overall savings in transaction costs to potential customers.

HSB02QW(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?

Answer: No

HSB02QW(h)(i): If so, why?

Answer: N/A

HSB02QW(h)(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

HSB02QW(h)(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: No