

Committee Secretary
Standing Committee on Communications
P O Box 6021
House of Representatives
Parliament House
CANBERRA ACT 2600
AUSTRALIA
Ph: 61 2 62774601
Fax: 61 2 6277 4827
Email: coms.rep@aph.gov.au

26th June 2009.

RE: Parliamentary Inquiry into Cyber Crime

The Australian Merchant Payments Forum (AMPF) is an industry body that was formed in 2003 to represent the views and interests of both large and small merchants in the payments system. The AMPF has participated actively in the reviews and reforms of Australia's Payments System during this time.

This document is in response to the Parliamentary Inquiry into Cyber Crime request for submissions and puts forward the views and comments of the AMPF.

The AMPF supports the view that that the technological revolution has delivered many exciting opportunities, with both economic and social benefits. However, the risk of illegal activity that this development brings, such as identity theft and financial fraud, is threatening the individual's right to privacy and the competitiveness of Australian businesses.

The AMPF is supportive of action by the Australian Government to reduce identity theft as it represents a significant cost to merchants, particularly those that operate in the online space. Currently the cost of transactions processed via the internet with fraudulent payment details and identification are borne by the merchant, through transaction chargebacks. Banks and card schemes shift the full risk of online trading to the merchant, who becomes responsible for all disputed claims by default. Merchants wear the full risk of fraudulent payments made via the internet, despite merchants having few if any means of detecting illegitimate transactions.

An additional cost to merchants is borne through the merchant service fees. Banks charge higher rates to online merchants, representing the higher risk borne with internet transactions. Although the banks already charge merchants for losses made by cardholders whose details are fraudulently used on the web, as stated above, this higher MSF recoups the banks' administrative costs of dealing with these issues. A reduction in fraud will therefore result in cost savings to merchants, both directly, through a reduction in chargebacks, and indirectly, through lower MSFs.

The AMPF requests that any recommendations considered by the Parliamentary Committee for implementation ensure that a secure environment for transactions on the internet is both simple for customers to use and appear seamless in operation, ensuring that consumers are not burdened by difficulties in providing the required information. Currently the format used by the schemes to purchase goods via the internet would appear to cause many consumers to abandon the internet site due to the difficulty of providing authentication data. Further, any compliance for merchants to operate on the internet must be a low cost solution to enable the business case for merchants to rollout these solutions across their many sites

We would note that the best possible solution would be that the acquiring banks provide to merchants a suitably authenticated and secure access interface that will support the needs of merchants both current and future needs.

Any obligations for merchants arising from potential internet payment security initiatives must be low cost to enable merchants to readily adopt and implement such technology.

The AMPF wishes to participate actively in this inquiry given its considerable interest in internet commerce. For further comment or information please contact:

Russell Zimmerman
Chair
Australian Merchant Payments Forum
Post Office Box 112
BEECROFT NSW 2119
PH 02 9484 1151
Mobile 0418 796 805
Email: zimmerman@rockportretail.com