
EMERGING FINANCIAL SERVICES TECHNOLOGY: NEW LEGAL ISSUES

QUESTIONS AND ANSWERS

Question – Elisabeth Wentworth (Banking Industry Ombudsman’s Office, Melbourne):

Part of the answer to this question is what Kara Daly was talking about in relation to the Trade Practices Act. But I wondered what the possibility is, and the protection against, devaluation of electronic cash? Is there some representation that it will continue to have an equivalent value to the nominated currency?

Response – Don Gregg (Speaker):

If I understand the question, you are wondering about the possibility of the electronic cash being devalued relative to the currency of the country. My simple answer is, that cannot happen. The commitment of the participants is to maintain the currency at par, and the rest of the guarantee is for consumers and merchants to get back dollar for dollar in the real currency any value that is on the card.

Question – Mark Sneddon (University of Melbourne Law School):

Can I ask Don Gregg a couple of questions. One is, when will Mondex be rolled out? I know that is deferred until next year, but can you give us any more indication on that. Secondly, the issue of pricing and fees on the card and the products for consumers and merchants – whether any work has been done on that that you can tell us about? And thirdly, I was wondering if you could pick up the point that Kara Daly was making about does Mondex value circulate or is it simply a changing balance on the different cards – on the card on the merchant’s terminal, and does that affect the conclusion as to whether or not it is a circulating measure of value?

Response – Don Gregg (Speaker):

I will try to work through the questions. The first one was about when we can expect to see Mondex electronic cash in the Australian market place. I suppose the answer is a complex one. There will be some market introduction on a limited basis over the next twelve months. One of the interesting things about working with four banks that are fierce competitors is they do not necessarily want to share with each other or share publicly what their individual implementation plans are. And the way one will see Mondex happen in Australia will be a combination of some joint implementation activity as well as individual banks pursuing commercial opportunities that they see in the market place. I cannot give you a full answer – one because I do not have it, and individual banks are not in the habit of announcing their plans before they really want to. But I do know that you will see Mondex in the market place starting in the next twelve months.

The other thing one needs to keep in mind is, this is a very expensive undertaking and so the investment will be paced over time. We are talking about changing consumer behaviour and consumers do not, for any new technology, change overnight. If you look at the adoption curves for things like mobile phones and microwave ovens and debit cards, it takes many years before you actually see it on a broad scale. But it does not mean that one does not start heading down the journey of implementation. So I think you will see from today to five years from now, very broad introduction of Mondex.

Your second question regarding fees. Again, the banks have chosen a common technology and product platform. What they do in terms of pricing that to consumers is up to individual banks. And again, it is much like cash. One bank may charge 50 cents for a withdrawal and another one may say you have five free withdrawals, and so on. So there is absolutely no pricing that is dictated by the Mondex franchise. The assumption is that consumers and merchants will pay something, and it would have to be priced appropriately to be attractive to the parties or the business will not be there. It is a big investment, so if the revenues in the end are not there then the product will not be there either.

The third question was about circulation. I am not sure I can fully answer in terms of the technology and legal aspects, but in principle what one is doing is transferring their claim on the originator by card. What happens is that from one card the balance on the card is reduced and on the other card the total balance is increased, but there is not individual compartmentalisation of value. It is not like you have transferred a \$10 note from this card to that card. You have simply reduced the amount of money on one card and increased it on the other.