

Merchant Choice Routing – Online Notification Guidelines

AusPayNet

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Context

Introduction

These Online Notification Guidelines recommend a range of best practices for Acquirers, Gateways and their merchants to implement Merchant Choice Routing Notification to customers in an online environment.

The Guidelines focus on three areas:

- (a) Online text to notify customers of Merchant Choice Routing;
- (b) Updates to be included in a merchant's Terms and Conditions to provide customers more detailed information regarding Merchant Choice Routing online and how it may impact the customer's transaction;
- (c) Updates to be included in a merchant's "Frequently Asked Questions" to help address typical customer questions on Merchant Choice Routing online and how it may impact the customer's transaction.

Background

In November 2019, the Reserve Bank of Australia (RBA) issued a paper seeking stakeholder views on potential issues in the payments industry including Merchant Choice Routing (MCR) and its uptake in the market. In May 2021 the RBA commenced consultation on draft standards created as a result of feedback received following the release of the 2019 Issues paper. The draft standards encompassed proposed policy changes, including the expectation that industry will follow a set of principles regarding implementation of MCR in the 'device-not-present'¹ (online) environment.

In October 2021, the RBA published its [Review of Retail Payments Regulation Conclusions Paper](#), which confirmed that in addition to its expectation that all acquirers and payment facilitators will offer MCR functionality for 'device-present' (in-person) transactions and promote the functionality to their merchant customers, it expects all acquirers, payment facilitators and gateways to offer and promote MCR functionality to merchants in the online environment by the end of 2022.

¹ The RBA uses the terms '**device-present**' and '**device-not-present**', rather than 'card-present' and 'card-not-present', in recognition of the growing number of card payments customers make by presenting a device other than a physical payment card.

Device-present refers to transactions made through a scheme debit network at a point of sale, where the card, mobile phone or other device interacts with an acceptance technology to authenticate the transaction. This includes transactions made using a POS card/device acceptance terminal and also includes any paper-based back up arrangements. The transaction may involve the cardholder entering a PIN (or in some circumstances a signature) and contactless payments.

Device-not-present refers to transactions made through a scheme debit network processed via 'remote' card acceptance technology where the card, mobile phone or other device is not able to physically interact with the technology to authenticate the transaction. Examples of these kinds of transactions include: card details provided to the merchant on a website; and mail/telephone orders.

The same terms are used in these Notification Guidelines.

In its 2021 paper, the RBA established four ‘Principles for LCR in the device-not-present environment’ that industry is expected to abide by in the implementation of MCR online. This included Principle 2, which says:

“If a customer has not made an explicit choice of network, and the transaction may be routed by the merchant or another party in the transaction process away from the ‘front-of-card’ network, there should be reasonable notification that routing could occur. In the case of new recurring transactions, it would be appropriate to notify customers only at the time of setting up the arrangement. In the case of existing recurring transactions, merchants should notify customers that their transactions may now be routed. The Bank is not prescribing exactly how such notifications should occur.”

Objectives and Principles

- (a) The Guidelines’ objectives are to provide recommendations that:
 - i. meet the Principle 2 requirement of ‘reasonable notification’;
 - ii. meet the Principle 2 requirements with the least amount of friction and confusion caused to customers; and
 - iii. provide additional information on transaction routing for interested customers.
- (b) The Guidelines are voluntary and intended to represent best practice for Acquirers, Payment Gateways and their merchants, enabling MCR Notification to be displayed to customers with minimal disruption to a customer’s online shopping experience.
- (c) The Guidelines are technology neutral.
- (d) AusPayNet does not monitor or enforce adoption of or compliance with these Guidelines by any Acquirer, Payment Gateway or their merchants.
- (e) AusPayNet will periodically review these guidelines to ensure they remain effective and relevant.

Scope

Where ‘Reasonable Notification’ is Expected:

- Transactions that occur in an online environment i.e. ‘Device-Not-Present’
- Transactions undertaken using a Dual Network Debit Card
- Transactions where the customer has not made an explicit choice of debit network
- All ‘device-not-present’ transaction types, including:
 - Merchant-initiated (card on file) transactions
 - Mobile phone transactions (i.e. transactions made in a mobile phone browser or application)
 - QR code payments, including both customer-presented QR codes and merchant-presented QR codes, where notification should be provided when the customer enters payment information on a website or mobile phone application.
 - Phone order transactions, where notification should be provided verbally

Where 'Reasonable Notification' is Not Expected:

- 'Device-present' transactions (e.g. Transactions that occur in-person on a phone via a mobile wallet)
- Transactions undertaken using a Single Network Debit Card, a credit card or gift card
- Transactions where the customer has made an explicit choice of debit network to process the transaction
- Transactions that are not routed away from the "front-of-card network"

Guidelines

Where notification of MCR is expected, it is recommended that:

- Online Notification Text is displayed to the customer,
- A statement is added to merchant's Terms and Conditions, and
- An explanation is added to merchant's "Frequently Asked Questions".

A quick reference guide for recommended notification may be found in Appendix A at the end of this document.

Transaction Scenarios

The Guidelines should be followed in the following scenarios:

- Single Transaction
 - When a customer undertakes each transaction.
- New Recurring Transaction (including 'card on file' set-up)
 - When a customer sets up a new recurring transaction or 'card on file' arrangement, the Online Notification Text only needs to be displayed during the setup of this arrangement. The merchant is free to route the initial transaction and all future recurring transactions as advised in that notification.
- Existing Recurring Transaction (including existing 'card on file' arrangements)
 - If a customer has an existing recurring transaction or 'card on file' arrangement with a merchant where the obligation of 'Reasonable Notification' applies, the merchant is to communicate to the customer, via email, letter or another form of communication, that routing may be implemented. This notification should be provided to the customer at least 20 days in advance of the initial implementation of routing on the customer's transactions. After initial notification, the merchant is free to route all future recurring transactions as advised in that notification.

Online Notification Text

Where:

Notification text should be displayed to the customer in a visible space before completion of the check-out process, at a time when the customer can cancel the transaction or modify their payment method.

What:

Notification text should advise the customer that routing by the merchant or another party in the transaction process could occur.

Merchants should use the most accurate and direct notification that they are able to provide.

Suggested notification - Single Transaction:

This payment will be completed via [Scheme].*

See the 'Terms and Conditions' for further details.

Suggested notification - Recurring Transaction / 'Card on file' setup:

Please note your initial payment and all future payments using this card will be completed via [Scheme¹].

See the 'Terms and Conditions' for further details.

[Scheme*] should be replaced with the scheme network through which the transaction will be routed. For example, "This payment will be completed via eftpos."

Where a merchant is unable to confirm the scheme network through which the transaction will be routed before the customer completes the transaction, a generic notification should be displayed.

- I. Where a merchant is able to identify the networks supported by the customer's card prior to completion of the transaction, these networks should be specified in the notification.

Suggested notification - Single Transaction:

This payment will be completed via [Scheme^A] or [Scheme^B].

See the 'Terms and Conditions' for further details.

Suggested notification - Recurring Transaction / 'Card on file' setup:

Please note your initial payment and all future payments using this card will be completed via [Scheme²] or [Scheme³].

See the 'Terms and Conditions' for further details.

[Scheme^A] and [Scheme^B] should be replaced with the scheme networks supported by the Dual Network Debit Card.

- II. Where a merchant is unable to confirm to the customer any specific card details, a generic notification should be displayed.

Suggested notification - Single Transaction:

Please note if you are using a card displaying two debit networks (a Dual Network Debit Card) your payment may be processed through either network. See the 'Terms and Conditions' for further details.

Suggested notification - Recurring Transaction / 'Card on file' setup:

Please note if you are using a card displaying two debit networks (a Dual Network Debit Card) your first payment and all future debit payments using this card may be processed through either network. See the 'Terms and Conditions' for further details.

Terms and Conditions

Where:

Merchant's Terms and Conditions (or equivalent) should be updated.

What:

Terms and Conditions should notify the customer that routing may occur when using Dual Network Debit Cards to complete transactions.

Suggested Terms and Conditions clause:

Online Payments Processing – Dual Network Debit Cards

Online payments are processed through the credit or debit payment network(s) enabled on your card. Where your card displays two debit payment networks [Merchants] may process the payment through either network.*

[Merchants] can be replaced with the merchant's trading name, or remain as "merchants". For example, "Store ABCD may process the payment through either network."*

Frequently Asked Questions

Where:

In the merchant's Frequently Asked Questions (FAQs) section of their website or equivalent area.

What:

Merchant's FAQs should include a question explaining MCR online.

Suggested FAQ:

What is a Dual Network Debit Card and how does the merchant's choice of debit network to process a transaction affect the customer?

A payment card may display two debit payment networks – eftpos (eftpos Payments Australia Limited) and another card network (for example, Mastercard debit, Visa debit). Payments using a card displaying two debit payment networks may be processed through either network.

Where a merchant chooses the payment network to process a debit transaction there will be no impact on the price paid by the customer for the goods or services, the customer's rights (if any) to a refund or return or the customer's rights under Australian Consumer Law.

The terms and conditions regarding use of the customer's card are set out in the customer's agreement with the card provider.

Appendix A: Quick Reference Guide for MCR Notification Online

In the RBA's [Review of Retail Payments Regulation Conclusions Paper \(2021\)](#), the RBA states that 'reasonable notification' should be provided when routing may occur in the online environment.

Recommended forms of notification are summarised in the table below:

Location	Suggested Notification Text
Online Notification (Single Transaction)	<i>This payment will be completed via [Scheme]*.</i> <i>See the 'Terms and Conditions' for further details.</i> Or, where a merchant is unable to confirm the scheme network: <i>This payment will be completed via [Scheme^A] or [Scheme^B].</i> <i>See the 'Terms and Conditions' for further details.</i> Or, where a merchant is unable to confirm any specific card details: <i>Please note if you are using a card displaying two debit networks (a Dual Network Debit Card) your payment may be processed through either network.</i> <i>See the 'Terms and Conditions' for further details.</i>
Online Notification (Recurring Transaction)	<i>Please note your initial payment and all future payments using this card will be completed via [Scheme²] or [Scheme³].</i> <i>See the 'Terms and Conditions' for further details.</i> Or, where a merchant is unable to confirm the scheme network: <i>Please note your initial payment and all future payments using this card will be completed via [Scheme²] or [Scheme³].</i> <i>See the 'Terms and Conditions' for further details.</i> Or, where a merchant is unable to confirm any specific card details: <i>Please note if you are using a card displaying two debit networks (a Dual Network Debit Card) your first payment and all future debit payments using this card may be processed through either network.</i> <i>See the 'Terms and Conditions' for further details.</i>
Terms and Conditions (T&Cs)	<i>Online Payments Processing – Dual Network Debit Cards</i> <i>Online payments are processed through the credit or debit payment network(s) enabled on your card. Where your card displays two debit payment networks [Merchants*] may process the payment through either network.</i>
Frequently Asked Questions (FAQ)	<i>What is a Dual Network Debit Card and how does the merchant's choice of debit network to process a transaction affect the customer?</i> <i>A payment card may display two debit payment networks – eftpos (eftpos Payments Australia Limited) and another card network (for example, Mastercard debit, Visa debit). Payments using a card displaying two debit payment networks may be processed through either network.</i> <i>Where a merchant chooses the payment network to process a debit transaction there will be no impact on the price paid by the customer for the goods or services, the customer's rights (if any) to a refund or return or the customer's rights under Australian Consumer Law.</i> <i>The terms and conditions regarding use of the customer's card are set out in the customer's agreement with the card provider.</i>

[Scheme*] should be replaced with the scheme network/s through which the transaction will be routed.

[Merchants*] can be replaced with the merchant's trading name, or remain as "merchants".