AMERICAN EXPRESS

American Express Australia

Submission to the Reserve Bank of Australia

Review of Payments System Regulation – Issues Paper 2026

August 2026

Introduction

American Express appreciates the opportunity to respond to the Reserve Bank of Australia's *Review of Payments System Regulation Issues Paper 2026* (Issues Paper). The Issues Paper calls for stakeholder views on the issues that the RBA should prioritise to promote competition, efficiency and safety in payments and raises 19 questions across a range of topics, including matters related to non-designated card networks.

This submission principally responds to Question 8 of the Issues Paper, which asks whether there are competition, efficiency or financial safety issues relating to three-party networks and, if so, what regulatory action the RBA should consider. It also recommends priorities for the RBA's future regulatory agenda.

American Express supports the RBA's objectives of promoting competition, efficiency and financial safety. We also see this review as an opportunity to establish a forward-looking framework for a payments system undergoing significant technological and structural change. That framework should promote genuine competition and choice, support continued investment and innovation and recognise that different payment models can deliver value to merchants and consumers in different ways.

With a relatively small share of Australian card transactions, American Express does not compete through scale or ubiquity. We must earn merchant acceptance and Card Member usage by demonstrating the value we provide. In doing so, American Express provides choice and competitive pressure in a sector dominated by the major four-party schemes. Regulation should therefore be evidence-based, proportionate and targeted at clearly identified problems. It should also avoid unintended consequences that could reduce competition and choice.

That approach is particularly important in considering Question 8. American Express is already materially impacted by regulation of the card sector, even where existing measures do not apply directly to the three-party model. For example, as a closed-loop network, there are no interchange fees in the American Express network. However, interchange fee caps that apply to four-party schemes exert competitive pressure on American Express' merchant pricing. Similarly, surcharging rules that have applied to four-party schemes affect American Express card usage and acceptance.

Against that background, American Express recommends that the RBA:

(i) Prioritise the future payments framework

Future work should focus on the next generation of payments innovation, including tokenisation (addressed in Section [2.3] of the Issues Paper), AI-enabled and agentic commerce (addressed in Section [2.4] of the Issues Paper), and account-to-account payments (addressed in Section [4] of the Issues Paper). That work should include improving the utility of the New Payments Platform (NPP), as well as supporting a clear pathway for the future of account-to-account payments.

Any framework should be technology-neutral, internationally interoperable where appropriate, and be sufficiently flexible to support continued innovation and investment.

(ii) Prioritise measures that help merchants understand payment costs and make informed choices

American Express' pricing is simple and transparent. We remain committed to our existing transparency obligations, including current reporting to the RBA, and are willing to work constructively on further measures that support informed merchant choice.

Any such measures should recognise differences between payment models and fee structures to avoid inaccurate and misleading comparisons. They should also progressively reflect the broader range of payment methods used by merchants and consumers, rather than focusing only on traditional card payments.

(iii) Ensure that the market impact of recent regulatory changes is understood before further intervention is considered

The removal of surcharging and reductions to interchange fee caps, resulting from the findings in the *Review of Merchant Card Payment Costs and Surcharging: Conclusions Paper* (Conclusions Paper) will result in material regulatory and market change over time. These changes, which are yet to be implemented, should be given time to take effect. Their impact on merchant pricing, card usage, acceptance and competition should then be reviewed once sufficient market evidence is available to assess their effectiveness and any unintended consequences. Blunt and indiscriminately applied price regulation may disproportionately harm, unduly inhibit and constrain smaller and differentiated providers and unintentionally strengthen the position of the largest incumbent systems, further reducing competition and choice for consumers.

(iv) Adopt an evidence-based and proportionate approach to any regulation

Any assessment of whether further regulation is in the public interest should first identify the specific problem being addressed, the evidence of harm, the relevant market context and the likely consequences for competition, efficiency and financial safety.

The assessment should consider not only payment costs, but also the broader value and utility provided by different payment methods. Regulation should be targeted at the conduct or activities that give rise to an identified harm and should not be applied indiscriminately to materially different payment systems for the sole purpose of achieving equivalent treatment.

Before addressing the issues of competition, efficiency and safety, it is helpful to consider American Express' position in the broader payments environment.

American Express and the payment landscape

American Express invests in and operates a three-party model under which we have direct relationships with merchants and Card Members and perform issuing, acquiring and network functions within a single integrated business model. American Express does not issue debit cards in Australia.

This integrated structure is commonly referred to as a three-party or "closed-loop" network and differs fundamentally from the four-party card schemes operated by Visa and Mastercard. In a four-party system, the card scheme, issuing bank and acquiring bank are separate entities, with fees flowing between them through interchange and scheme fee arrangements. By contrast, American Express does not have interchange fees or scheme fees in its model. Because we issue cards directly and acquire our own transactions, American Express has a direct relationship with both Card Members and merchants. American Express typically bilaterally negotiates and offers merchants a simple merchant service fee, which is clearly disclosed on merchant statements. Merchant acceptance of American Express is entirely voluntary, with merchants choosing whether to accept American Express based on the value we deliver to their business and customers.

American Express remains a comparatively small participant in the Australian payments system that seeks to provide a compelling alternative to Visa and Mastercard's dominance in the card segment, while also competing against a broad range of other payment methods. American Express is not a "must-take" form of payment, a point previously recognised by the RBA.[1] Acceptance of American Express is also not binary. Even where a merchant accepts American Express, the merchant may still seek to influence the payment method through non-surcharge mechanisms, including by encouraging customers to use a different payment method or, where permitted, offering discounts for the use of other payment methods.

American Express' share of total card transactions (credit + debit) was approximately 2.2% for May 2026 YTD, compared to the major schemes, who, together, have more than 90% share of total card payments, including more than 95% share of cards on issue.[2] American Express is accepted by a more limited number of merchants in Australia. In addition, Card Members typically have another payment method available, meaning that when a merchant chooses not to accept American Express, the transaction can nevertheless be completed using an alternative payment method.

[1] Review of Merchant Card Payment Costs and Surcharging Consultation Paper (15 July 2026), p 36.
[2] RBA payments data report c1.2

Accordingly, American Express must earn merchant acceptance and Card Member usage rather than operating as a “must-take” form of payment.

Competition

American Express experiences strong competition across a payment ecosystem that, as the Issues Paper recognises, extends beyond traditional credit cards. American Express competes not only with credit card products, but with debit cards, BNPL providers, account-to-account payment solutions, prepaid and multi-currency debit products, BPAY for invoice payment, and in commercial contexts, broader business finance and lending. Merchants and Card Members today have access to an increasingly diverse range of payment options, and competition occurs across this broader ecosystem. The relevant competitive frame is therefore not limited to credit cards.

The House of Representatives Standing Committee on Economics recently observed that, in practical terms, Visa and Mastercard constitute a “duopoly” in the Australian card sector for credit card transactions.[3] In that environment, American Express competes by offering differentiated value and choice to merchants and Card Members, rather than through scale or ubiquity. As a three-party network that is not "must-take", American Express must continually innovate and invest to win merchant acceptance and Card Member usage, providing an important competitive alternative to the dominant schemes.

Efficiency

American Express supports measures that improve merchants’ understanding of payment fees, make it easier to compare between providers and support informed choice. Annexure A sets out how American Express can support the RBA’s transparency objectives in a way that reflects the characteristics of its business model.

American Express also supports the RBA’s March 2026 decision to remove consumer surcharges for debit and credit card transactions. Although American Express was not directly captured by the regulatory changes applying to the designated systems, American Express will align with the RBA’s policy objective and implement a no-surcharge approach from 1 October 2026. This will support a consistent and straightforward consumer experience at the point of sale.

Safety

American Express supports the RBA’s focus on safety and resilience as essential foundations of a modern payments system. American Express continues to directly invest in domestic payments infrastructure and future payment capabilities that

[3] A Level Paying Field Report on the inquiry into schemes, digital wallets and innovation in the payments sector House of Representatives Standing Committee on Economics – p.26

strengthen the security and resilience of its network. These investments include fraud and scam prevention, authentication, tokenisation and dispute management, all of which support safe and reliable payments.

The Issues Paper does not identify any financial-safety concern arising from the operation of American Express' three-party network. Any future regulatory framework should therefore be directed to identified and evidenced-based risks and should avoid measures that could reduce payment providers' incentives or capacity to continue investing in security and resilience.

1. **Matters to be prioritised by the RBA's future agenda**

The Issues Paper identifies several developments that will shape the future of Australia's payments system. American Express welcomes the RBA's focus on those developments and considers its future agenda should prioritise areas where it can support competition, choice and innovation across the payments system.

As set out above, the RBA's future agenda should be evidence-based and proportionate, focused on areas where intervention is likely to improve competition, efficiency or financial safety and where there is clear evidence of harm or market failure. It should also recognise that the payments industry is already implementing substantial changes arising from the Conclusions Paper.

Against that background, American Express considers that the RBA's future agenda should focus on the following areas.

<u>Tokenisation</u>

Tokenisation is becoming a foundational part of payments infrastructure. It reduces reliance on the storage of primary account numbers, improves payment security and can materially reduce fraud, particularly in the card-not-present environment.

Tokenisation also supports merchant portability and switching, enables secure digital-wallet transactions and provides an important foundation for emerging digital-commerce models, including AI-enabled and agentic commerce.

American Express supports the RBA's objective of promoting token portability. We invested to meet the 1 July 2026 implementation date and have established the network capability required to support merchants, payment service providers and other participants as they implement token portability. Australia is the first country in which American Express has implemented this capability.

<u>Recommendation:</u> Further work should remain technology-neutral, internationally interoperable and aligned with relevant global standards. The priority should be to support continued industry implementation and investment, while maintaining security, portability and competition.

AI enabled and agentic commerce

The use of AI agents in e-commerce is in its early stages but may materially change how payments are initiated and how payment methods are selected.

American Express does not consider that there is presently a case for prescriptive regulation of these emerging models. Businesses require sufficient clarity to invest, develop product roadmaps and support new commerce use cases, but regulation should not prematurely prescribe particular technologies or commercial models.

Recommendation: Any future framework should be technology-neutral, principles-based and aligned with relevant international standards. It should focus on matters including customer consent, transparency, payment choice, liability allocation, authentication, security and the treatment of disputed transactions. The objective should be to preserve merchant and consumer choice and avoid payment selection being determined through closed platforms, opaque incentives or default arrangements that unnecessarily limit competition.

Account-to-account payments and access to the New Payments Platform (NPP)

American Express supports the continued development of account-to-account payments as part of a competitive, efficient and resilient payments ecosystem.

Well-functioning account-to-account infrastructure can increase competition, support innovation and provide merchants and consumers with greater choice. American Express already uses and invests in account-to-account capability in Australia, including for customer statement payments and merchant settlement, through arrangements with licensed NPP participants.

Broader participation remains constrained by reliance on intermediaries, payment limits, liability frameworks, mandate processes and the operational complexity and cost of indirect participation. Practical capabilities such as account reachability, bulk-payment functionality, resilience, interoperability and commercially sustainable transaction economics will also affect adoption.

The governance arrangements for the NPP should ensure that decisions concerning investment priorities, future functionality and implementation timeframes are informed by the interests of the broader payments ecosystem, including non-bank payment service providers and technology providers, and not only by entities with direct participation or ownership interests.

The future of the Bulk Electronic Clearing System and the associated migration roadmap will also require clear implementation milestones, appropriate industry accountability, account reachability, bulk-payment capability and a workable pathway for the migration of direct debits.

Recommendation: The RBA should focus on reducing structural barriers to participation and use, while ensuring that appropriate operational resilience, security, anti-money laundering and counter-terrorism financing, and risk-management standards continue to apply.

3. Question 8: Three-party networks

Section [3.2.1] of the Issues Paper provides a high-level description of three-party networks and refers to unsubstantiated concerns attributed to unnamed stakeholders. This section of the Issues Paper specifically refers to American Express. Against that background, the RBA seeks views from stakeholders generally as to whether three-party networks raise competition, efficiency or financial safety issues and, if so, what regulatory action should be considered.

Stakeholders' concerns about "regulatory asymmetry"

The Issues Paper states that some stakeholders have raised concerns relating to "the regulatory asymmetry between American Express and designated systems". However, it does not identify the substance of these concerns, or identity of the stakeholders who have raised them. This necessarily limits American Express' ability to respond.

To the extent concerns have been raised by American Express' dominant competitors and their member banks, these companies clearly have an interest in advocating for regulatory positions that will inhibit American Express' ability to compete and provide choice to consumers. All such concerns should be assessed in light of the commercial interests of the dominant parties raising them and must be tested against objective evidence.

As noted above, American Express operates differently from a four-party system. Consequently, certain regulatory measures designed for four-party schemes, including interchange fee caps, do not apply to American Express because there is no interchange fee for such measures to regulate. This is not the result of a regulatory exemption or preferential treatment; rather, the relevant regulatory instrument has no object on which to operate. That structural difference does not, without more, confer a regulatory advantage or establish a case for further regulation.

The fact that materially different systems are subject to different rules is not evidence of a regulatory distortion. Regulatory neutrality requires like conduct and like risks to be treated alike; it does not require fundamentally different business models to be subject to identical rules. Extending rules designed for one model to another, in the absence of equivalent conduct or an identified harm, risks distorting competition rather than promoting it.

Against that background, the four points raised in the Issues Paper are addressed in turn.

Cardholder and merchant value proposition

American Express considers that the characterisation of card-use incentives in the Issues Paper, which is said to reflect concerns raised by unidentified "stakeholders", provides an incomplete view of our business model. We would like to provide the following clarification.

Unlike the dominant four-party networks, American Express cannot rely on ubiquity, and instead competes through a highly differentiated value-based premium model that offers a pro-competitive alternative for consumers and merchants. Rewards are one component of that value proposition, which also includes customer service, security and fraud protection, dispute support, travel-related benefits, payment flexibility and particularly for business customers, cash-flow and working-capital support.

The terms that American Express offers to cardholders and merchants reflect this value. As explained above, American Express offers a directly negotiated, simple and transparent merchant service fee based on the value delivered to merchants, and similarly it offers a value proposition to Card Members that reflects the value offered in the overall card proposition and applicable terms. Our cards are a choice, which means that we must continually invest in and demonstrate our value to Card Members and merchants alike, so that cardholders choose to hold American Express cards, and merchants choose to accept them.

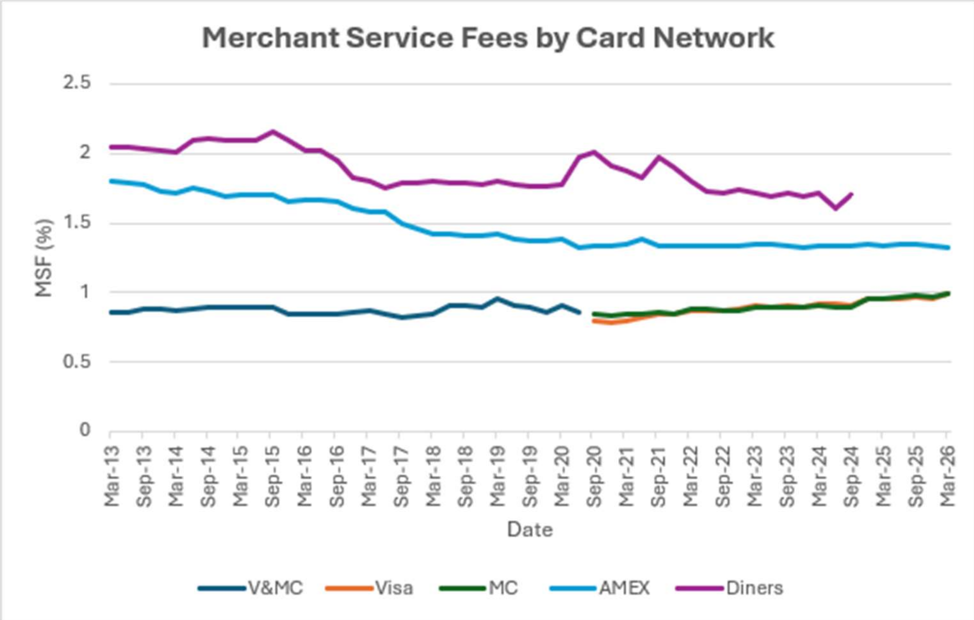
American Express' model does not involve interchange fees, which are well understood in the context of four party schemes to be collectively agreed fees that are paid by an acquirer to an issuer. Interchange fees can form part of the merchant service fee charged by four-party scheme acquirers to merchants, however, are only one component of that fee. Merchant service fees charged to merchants in a four-party scheme also include complex scheme and processing fee components. These are not a feature of American Express' model.

It is also important to recognise that American Express' merchant pricing is subject to sustained competitive pressure. American Express' average merchant service fee has declined over time, including in response to competitive pressure arising from interchange regulation of the four-party systems, while Visa and Mastercard's fees have increased. As the RBA itself has acknowledged, the impacts of interchange regulation on merchant service fees for three-party providers have been at least as large as those on four-party schemes, due to the downward competitive pressure on such fees.

That dynamic is reinforced through bilateral negotiation with merchants. Amex is a choice for all merchants – many merchants (large and small) choose not to accept our products. [redacted]

[redacted]

Graph 1



Source: RBA Data Table C3

Merchant steering and price signals

American Express considers that this issue has been addressed through the Conclusions Paper, which concluded that removing consumer surcharging would best promote the public interest. American Express supports that decision and, although not directly subject to the regulatory changes applying to the designated schemes, will align with the RBA's policy objectives by implementing a no-surcharge approach from 1 October 2026. This decision is intended to support a consistent and straightforward consumer experience at the point of sale. In doing this, American Express acknowledges the position in the RBA FAQ's that there may be industry specific dynamics and consequences that could mean exemptions to "no surcharge" rules are appropriate.[4]

[redacted]

[4] https://www.rba.gov.au/payments-and-infrastructure/review-of-retail-payments-regulation/2026-03/conclusions-paper/faqs/

Given the RBA's decision to remove surcharging, it would be anomalous to continue to permit surcharging for American Express cards only. [redacted]

We acknowledge the RBA's view that merchants can continue to provide price signals through discounting rather than surcharging. That reinforces the importance of ensuring any remaining surcharge framework does not single out one payment network in a way that creates misleading price signals unrelated to merchants' actual acceptance costs.

<u>Commercial card share</u>

American Express competes in commercial payments by offering differentiated products and services and has made meaningful inroads in a segment otherwise characterised by the scale and ubiquity of the dominant schemes. That position has been earned by meeting genuine payments and financing needs of Australian businesses through sustained investment, innovation and differentiated products and services. In that context, American Express' position in the commercial cards segment of the overall card and broader payments/lending sector reflects effective competition and is not a basis for regulation.

There is no evidence of market failure or harm giving rise to a need for regulation. Further, we submit that there is no barrier preventing the major banks or four-party schemes from competing more actively in this space. Those participants benefit from established business-banking relationships, significant funding capacity, extensive issuing and acquiring scale, broad distribution and near-ubiquitous merchant acceptance. They are well placed to develop and promote commercial card and working-capital products. The RBA has also retained the commercial credit card interchange cap of 0.8 per cent and the competitive effects of that should be given time to take effect and be assessed.

The relevant competitive framing is also an important consideration when considering these issues. Businesses meet their payment, financing and working-capital needs through a wide range of products, including:

- secured and unsecured loans;
- overdrafts and revolving credit facilities;
- commercial credit, charge and debit cards;
- buy now, pay later products; and
- account-to-account payment solutions.

On that basis, the relevant competitive landscape is particularly broad and extends materially beyond cards, or the commercial card segment within this sector. Moreover, commercial cards form only one part of this broader and highly competitive environment, representing less than 1% of loans outstanding in the business lending space.[5]

Accordingly, regulatory measures that reduce the viability of American Express commercial products could have the unintended consequence of reducing an existing source of flexible, short-term unsecured credit and payment functionality for small and medium businesses. For some businesses, the alternative may be greater reliance on secured lending, personal assets, overdrafts or other forms of finance that may be less flexible, less accessible or slower to obtain.

That outcome would be inconsistent with the broader policy interest in improving SME access to finance. The RBA has recognised, as recently as October 2025, that access to finance for SMEs has improved in recent years across a number of dimensions, including more competitive pricing, faster approval times, more streamlined application processes and a broader range of funding products, including improved availability of unsecured funding or funding not secured by physical assets such as property.[6] American Express commercial products form part of that broader set of flexible funding options.

Competitive dynamics

The Issues Paper refers to an unsubstantiated concern at p.15 that American Express' fees could rise if acceptance and use become more widespread and merchants become more constrained in their ability to stop accepting American Express. That concern is speculative and inconsistent with the historical evidence, and does not provide a basis for regulatory intervention.

Contrary to these claims, American Express' card share has decreased in recent years and due to competitive dynamics, it has continued to reduce merchant service fees in response to competition and the need to maintain merchant acceptance. In practice:

- American Express' average merchant service fee has declined in response to competitive pressure and to maintain acceptance (See Graph 1).
- American Express' share of total card transactions (credit + debit) was approximately 2.2% for May 2026 YTD, compared with approximately 5.0% in 2016 (see Graph 2).

[5] Reserve Bank of Australia (2025). "Statistical Tables: Credit and Charge Cards – Original Series – Personal and Commercial Cards – C1.2". available from: https://www.rba.gov.au/statistics/tables
[6] https://www.rba.gov.au/publications/bulletin/2025/oct/small-business-economic-and-financial-conditions.html

- Our share of cards in issue has also declined, from approximately 6.4 % in 2015 to approximately 2.4% at year-end 2025 (See Graph 3).
- [redacted]

As Graph 1 demonstrates, American Express' average merchant service fee has fallen more than Visa and Mastercard's since the RBA first regulated interchange fees. [redacted]

Previous regulatory settings have also affected American Express' position. Following the RBA's 2015–16 Review of Card Payments Regulation, American Express Companion Cards were withdrawn from Australia. The relevant regulatory changes took effect in July 2017, and the final Companion Cards were withdrawn by November 2018. [redacted]

[redacted]

The sector is also about to experience further material change as the Conclusions Paper is implemented. The removal of surcharging and revised interchange settings will affect merchant pricing, card usage, acceptance and competition. Those effects may take time to become apparent as commercial arrangements and merchant contracts are reviewed or renegotiated.

The RBA has stated in the Issues Paper at p. 5 that it does not intend to revisit matters addressed in the Conclusions Paper "in the absence of substantial new or unanticipated developments". That approach should also inform its consideration of Question 8.

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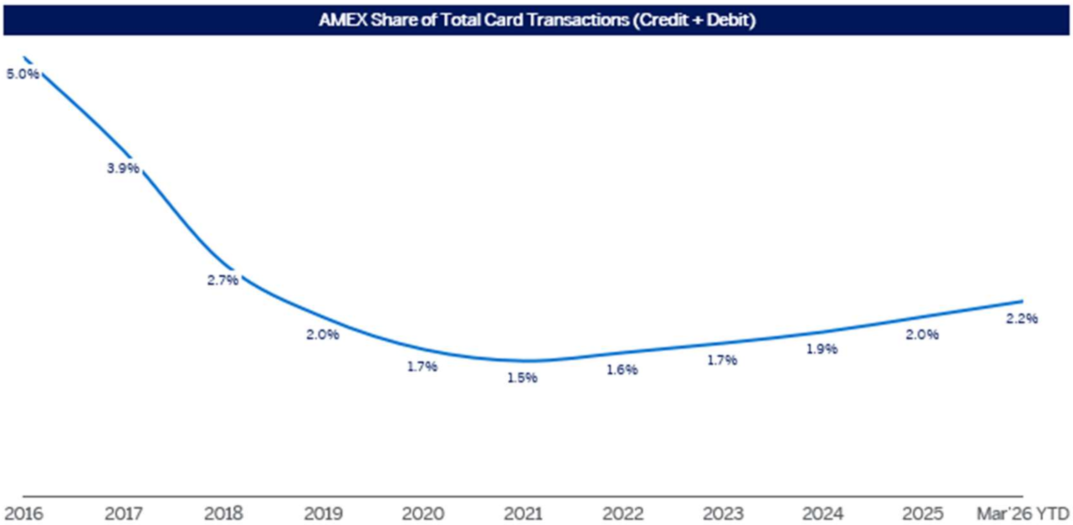
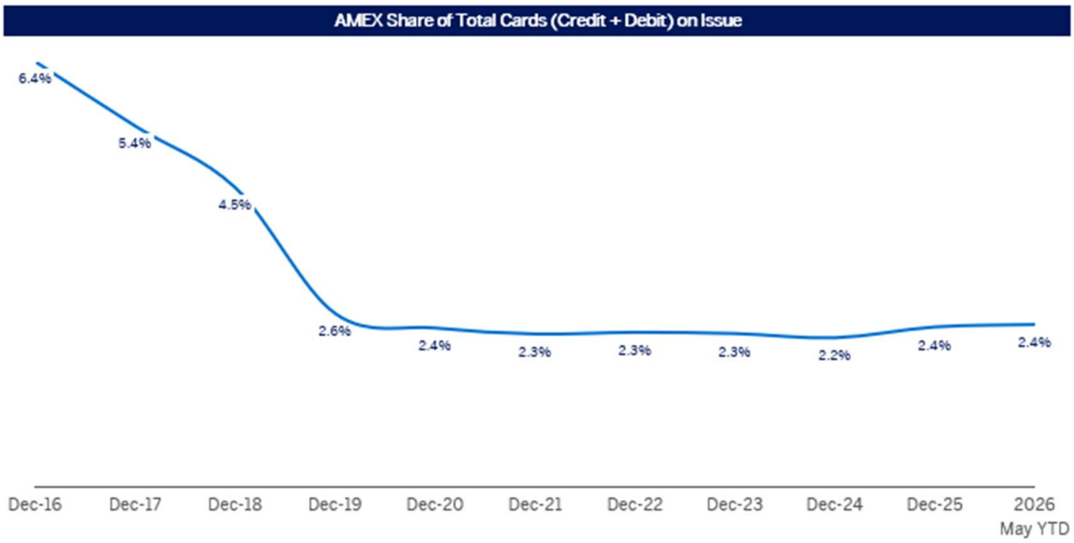
[7] The regulation took effect in July 2017 with the last Companion Cards being withdrawn in November 2018

Graph 2



Source: RBA Data Tables

Graph 3



Source: RBA Data Tables

4. Regulatory Action

For the reasons explained above, American Express does not consider that any of the concerns raised in section 3.2.1 of the Issues Paper give rise to any competition, efficiency or safety concerns. It follows that there is no basis for regulatory action in the absence of an identified concern supported by any evidence.

American Express notes that the Issues Paper itself does not propose any particular regulatory action in relation to three-party networks.

To the extent that other contributors to the RBA's review process propose regulatory action in relation to three-party networks, American Express requests an opportunity to consider and respond to those proposals, and the specific concerns said to justify them, given the direct impact and harm that could result from such claims.

5. Conclusion

American Express supports the RBA's objectives of promoting competition, efficiency and financial safety in Australia's payments system. The Issues Paper presents an opportunity to establish a forward-looking regulatory framework that responds to structural and technological change, preserves merchant and consumer choice and supports continued investment and innovation. In doing so, the RBA should recognise the material differences between payment systems and business models, as well as the broader value they provide to merchants and consumers. Any regulation should be evidence-based, proportionate and targeted to identified harms, while avoiding measures that may unintentionally entrench the position of the largest incumbent providers and distort competition dynamics.

American Express looks forward to continued consultation with the RBA during the next phase of its review and welcomes the opportunity to make further submissions.

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