Australian Banking Association

Review of Payments System Regulation

Consultation Response

Australian Banking Association

Introduction

The Australian Banking Association (**ABA**) welcomes the opportunity to respond to the Reserve Bank of Australia's Review of Payments System Regulation.

Australia's payments system is changing rapidly. New technologies, business models and participants are delivering greater choice and innovation, while also changing where market power sits, how costs are generated and who bears responsibility for maintaining the system. The expanded Payments System (Regulation) Act provides an important opportunity for the RBA to ensure regulation reflects the payments system as it operates today.

The ABA considers competitive neutrality should be a central principle of this Review. Payment systems and providers performing broadly equivalent economic functions should face broadly equivalent regulatory expectations. Regulation should focus on the source of competition or efficiency challenges, including where those problems arise in wallets, platforms, three-party networks or other participants that have historically sat outside the regulatory perimeter, despite their significant roles within the payments system.

The Review should also recognise that efficiency depends on a commercially sustainable payments system. Australia requires continuing investment in infrastructure, resilience, security, fraud prevention and innovation. Policy settings should therefore consider costs and incentives across the full payments chain, including the growing role of international schemes and technology platforms, and avoid outcomes that weaken domestic investment capacity or increase strategic dependence.

Against these principles, the ABA supports targeted intervention where there is clear evidence of market power, regulatory asymmetry or emerging risk. In other areas, existing industry initiatives, monitoring and coordinated reform processes should be allowed to progress before additional regulation is imposed.

The ABA looks forward to engaging with the RBA to support practical and balanced payments policy, ensuring Australia's payments system remains equitable, efficient, and capable of supporting the evolving needs of our economy.

Australian Banking Association

Q1: What are the impediments to competition between debit card networks for merchants' transactions on DNDCs across mobile and/or online environments? Are there practices by industry participants that limit competition, efficiency or financial safety in relation to debit card transactions?

The ABA supports effective competition between debit networks and merchant choice over the routing of eligible dual-network debit card transactions. Industry implementation has delivered substantial progress in the physical card environment, where least-cost routing is now widely available and enabled. The remaining barriers in mobile and online channels are more complex, both due to the rapid pace of technology change in online environments, and because a transaction can depend on coordination across issuers, networks, token service providers, mobile wallets, gateways, acquirers, integrated platforms and merchants.

For mobile wallet transactions, both debit credentials must be provisioned and supported throughout the transaction chain. Competition can be constrained where wallet providers do not support both networks on equivalent terms, delay provisioning, restrict routing functionality or impose contractual conditions that limit the ability of issuers or merchants to support alternative networks. These concerns are particularly significant where the wallet provider also controls the device interface and faces limited competition from alternative wallets.

Online LCR faces broader technical and commercial barriers. Eftpos online functionality was developed after international networks were already embedded across gateways, token systems and merchant platforms. Supporting a second network may require material investment in routing, tokenisation, fraud controls, recurring payments, refunds and dispute processes. Differences in functionality, authorisation performance and fraud outcomes also mean that the lowest nominal network fee will not always represent the lowest total cost.

The gap between LCR availability and enablement also warrants closer examination. Some merchants receive bundled or blended pricing and may not benefit directly from lower wholesale routing costs. Others may prioritise reliability, functionality or simplicity. The RBA should therefore distinguish between genuine impediments to competition, temporary implementation constraints and informed commercial choices by merchants.

Q2: Is there a public interest case for the RBA to take further action to support competition across debit card networks in mobile and/or online environments?

There is a public interest case for the RBA to continue supporting competition between debit networks, but the ABA does not consider the current evidence establishes a case for a general LCR mandate in mobile or online environments.

The RBA is already working with wallet providers, networks and issuers to resolve remaining barriers in mobile wallets, and enablement is continuing to rise. The ABA considers this industry-led process should be allowed to continue, supported by clear expectations and monitoring. A regulatory mandate should only be considered where evidence identifies a persistent impediment that cannot be addressed through coordinated implementation.

Greater caution is required in the online environment. Online LCR can require material investment across gateways, PSPs, acquirers, token systems and merchant platforms. The incremental benefit may also be limited. The Issues Paper identifies some evidence that online LCR can place downward pressure on scheme fees, but this effect should not be overstated. Australian debit interchange is already exceptionally low by international standards, which reduces the prospective gains from further intervention.

Any further action must also consider the sustainability of debit issuing. Debit economics are already being compressed by further reductions in interchanges and the growing incidence of mobile wallet fees. Further obligations that reduce issuer revenue or require substantial additional investment could make some debit transactions uneconomic, particularly where the RBA has not yet addressed the wallet fees affecting marginal transaction costs. A policy intended to improve routing competition should not weaken the capacity of issuers to provide secure, reliable and widely available debit services.

Where the RBA identifies a genuine bottleneck, intervention should target the participant controlling it. In the online environment, this may be a gateway, PSP or acquirer that has developed LCR functionality but has not enabled it for merchants, or that imposes unreasonable technical or commercial barriers to doing so. The expanded PSRA should allow obligations to be allocated according to control over the impediment, rather than imposed broadly across the payments chain.

The preferred approach is therefore continued industry-led implementation, better evidence on the causes of non-enablement, and targeted action only where a material and persistent barrier is established.

Q3: How difficult is it for merchants to switch away from their existing integrated platform services provider to access their preferred PSP? To what extent do merchants receive clear and sufficient information from integrated platform providers prior to joining about potential challenges in switching PSPs, and are there areas where greater transparency could help them better understand potential costs and risks?

The level of integration described in the Issues Paper suggests that switching can involve substantially more than changing a payments provider. A merchant may also need to replace or reconfigure its website, point-of-sale hardware, inventory management, accounting, payroll, customer data and other operational services. These dependencies can create significant cost, disruption and execution risk, particularly for small businesses.

Some switching costs reflect the value merchants receive from an integrated service. Many small businesses prefer bundled products because they offer simplicity, predictable pricing and a single provider for services needed to operate the business. The existence of switching costs does not *per se* establish a competition problem. The relevant concern is whether platforms create avoidable barriers that prevent merchants from accessing a preferred PSP, including restrictive technical integration, punitive third-party transaction fees, limitations on data or token portability, or a lack of practical exit support.

The ABA considers that there could be merit in encouraging greater transparency for merchants. This could involve additional disclosures of practical information, including:

- which PSPs can be used and any additional fees for using a non-preferred provider;
- minimum terms, termination charges and notice periods;
- the portability of transaction data, customer credentials and tokens;
- technical or operational work required to change PSPs; and
- any services or functionality that would be lost following a switch.

It is important that additional disclosures are calibrated towards, and limited to, those likely to be useful for merchants. Additional documentation alone may not improve competition, particularly for time-poor small businesses. The objective should be to ensure merchants understand material restrictions and exit costs before committing to a platform.

Q4: Does the bundling of payments with other services, such as in integrated platforms, raise competition, efficiency and/or financial safety issues in the payments system? If so, should regulatory action be considered and what form should it take?

Bundling can deliver substantial benefits for merchants. Integrated platforms reduce complexity, can lower establishment costs and combine payment acceptance with software, hardware and other services needed to operate a business. Regulation should not discourage these models or presume that merchants would prefer payments to be purchased separately.

Competition concerns can arise where a platform uses control over essential non-payment services to favour its own PSP or make competing services commercially unviable. Relevant practices could include preventing integration with alternative PSPs, charging disproportionate fees for their use, withholding access to necessary interfaces or data, or designing migration processes that materially impede switching. These practices may weaken acquiring competition and allow payment costs to be set by the platform rather than through contestable merchant choice.

Any intervention should be evidence-based and directed at the specific source of market power. Potential measures could include clear disclosure of third-party PSP charges, fair and technically equivalent access for compatible PSPs, and effective portability of merchant payment data and credentials. The RBA should also consider whether the conduct is specifically connected to payments system competition or is more appropriately addressed under general competition and consumer law.

The ABA would not support broad forced unbundling or prescriptive regulation of integrated business models. Such measures could increase costs, reduce innovation and remove products that many small businesses value. Where regulation is warranted, it should prevent unreasonable restrictions on merchant choice while preserving platform security, operational integrity and the ability to recover legitimate integration costs.

As a first step, the ABA recommends that the RBA monitors developments in integrated platforms, including restrictions on third-party PSP access, additional fees and merchant switching outcomes, to determine whether these practices are producing material and persistent competition or efficiency concerns.

Q5: How do stakeholders assess the functioning and effectiveness to date of the RBA's tokenisation expectations? Is further regulatory intervention needed to promote the portability of tokens for payment cards, or to address other competition, efficiency or financial safety issues associated with implementing tokenisation across card payment systems? If so, what regulatory actions should be considered?

The ABA supports tokenisation and token portability in principle. Tokenisation improves payment security by reducing the storage and transmission of primary account numbers, while portability can lower the cost and disruption associated with merchants changing payment service providers. Effective token synchronisation can also support online least-cost routing by ensuring both network credentials on a dual-network debit card remain available following card replacement or other lifecycle events.

However, the Issues Paper does not clearly establish the nature, scale or materiality of the competition or efficiency problem that would warrant further regulatory intervention. The RBA identifies concerns that some merchants may experience difficulty transferring tokens when changing PSPs, but provides limited evidence on how frequently this occurs, the costs involved, or whether existing industry processes are proving inadequate.

It is also too early to assess the full effectiveness of the current framework. The AusPayNet standard establishing common requirements for the transfer of merchant payment-related data only commenced on 1 July 2026. While that standard does not directly mandate token portability, its implementation should be allowed to bed in before the RBA considers imposing additional requirements.

The ABA therefore does not consider that a case for further regulation has been established. Token migration involves security controls, customer credentials, fraud risk, liability allocation and different token architectures across schemes and PSPs. Prescriptive requirements introduced without a clearly defined problem could add complexity and cost without materially improving merchant switching.

The preferred approach is continued industry-led work on token portability and synchronisation, accompanied by monitoring of the existing expectations and the AusPayNet standard. Any future consideration of regulation should begin with clear evidence of a material and persistent market failure that existing industry processes cannot address.

Q6: Are there competition, efficiency and/or financial safety issues relating to the use of AI agents for payments in e-commerce? If so, are there any regulatory actions that the RBA should consider?

AI agents have the potential to improve e-commerce by helping consumers compare products, automate routine purchases and select payment methods according to their preferences. They may also reduce merchant friction, improve conversion and support more efficient payment routing. These benefits should be encouraged.

Agentic commerce also introduces a new decision-making and commercial layer between the consumer, merchant and payment provider. An agent may influence which merchants and products are presented, which payment methods are available, how a transaction is routed and what fees are incurred. If a small number of international technology platforms become the principal interface through which consumers shop and pay, they could develop substantial control over commerce and payments without carrying the corresponding responsibilities borne by regulated payment providers.

The ABA considers agentic commerce should be a priority for early industry and regulatory work. The immediate objective should be to establish a trusted and interoperable framework before transaction volumes scale and commercial or liability arrangements become difficult to unwind. We have elaborated on some of the most pressing issues below.

Agent-initiated transactions must be identifiable

The substantive financial safety issue is whether issuers, acquirers and merchants can reliably identify that a transaction has been initiated by an AI agent, or whether an AI agent participated in that transaction.

Without this information, an agent-initiated payment may appear to the issuer as an ordinary card-not-present transaction, despite the consumer having delegated part or all of the purchasing decision to another party. A consumer directly confirming a purchase presents a different risk from an agent operating autonomously under a broad mandate, or from a compromised or unauthorised agent.

In practice, issuers and acquirers may not receive sufficient information to distinguish between:

- a consumer who directly reviews and confirms the final purchase;
- an agent operating within a tightly defined consumer mandate;
- an agent making a more autonomous decision based on general instructions; and
- a malicious, compromised or unauthorised agent.

These scenarios present materially different authentication, fraud and dispute risks. Treating them as equivalent would weaken payment providers' ability to apply appropriate controls and could cause agentic losses and disputes to be spread across the broader payments system.

Agent involvement should therefore be identifiable throughout the payment chain. Transaction data should indicate the agent and responsible platform, whether the consumer confirmed the final transaction, and the nature of the authority granted. An accessible audit trail should record the consumer's instructions, relevant limits, the agent's decision and the basis on which the payment was initiated. These requirements should apply consistently across payment networks and agentic protocols, rather than being visible only within one proprietary system.

Liability arrangements should be resolved promptly

Existing payment rules generally distinguish between an authorised payment, an unauthorised payment and a dispute concerning the underlying purchase. Agentic commerce can blur these categories. A consumer may have authorised an agent to transact but subsequently argue that the agent selected the wrong product, exceeded a spending limit, misunderstood an instruction or acted on inaccurate information. The payment credential may have been validly authenticated even though the agent's conduct was defective.

Unless responsibility is resolved early, increased disputes and chargebacks could raise the overall cost of payments. Liability should follow control and the source of the failure. Agent and platform providers should carry responsibility where an agent acts outside its mandate, inadequately preserves evidence of authority or is compromised through weaknesses in their systems. Merchants and payment providers should remain responsible for the elements they control. Issuers and acquirers should not become the default bearers of losses arising from failures of external agents or platforms over which they have no control.

Issuers and acquirers must have comparable and substantive involvement in developing these arrangements. Issuers hold the cardholder relationship and undertake authentication, fraud monitoring and customer dispute management. Acquirers hold the merchant relationship, support transaction acceptance and data transmission, manage merchant-side risk controls and play a central role in chargebacks and dispute resolution. Rules developed without the direct participation of both sides of the transaction may create operational gaps or allocate liability to participants that lack the information or control required to manage the underlying risk.

Competition, payment choice and costs

AI agents may choose a payment method based on technical defaults, commercial incentives or arrangements between the agent provider and a payment network. The selected method may not align with the preferences of either the consumer or merchant.

Consumers should be able to specify relevant preferences, including payment account, use of credit, transaction limits and whether human confirmation is required. Merchants should retain control over the payment methods they accept. Material commercial incentives that influence an agent's selection should be transparent.

Agentic platforms and protocols should also be capable of supporting different payment rails. Early development should not structurally limit agentic commerce to international card networks. Open standards that allow merchants to retain control of payment processing and work with different payment providers are already being developed internationally.

The RBA should also monitor new fees charged by agent providers, technology platforms and schemes. Agentic commerce could add another fee layer above existing acquiring, scheme, wallet and e-commerce platform costs. Particular scrutiny is warranted where a platform controls material consumer traffic and merchants have limited practical ability to avoid its terms.

The ABA also considers the competition issues will vary according to the type of agent. An agent used by a merchant to assist customers within its own store presents a different risk profile from a general-purpose agent operated by a major technology platform. A large platform may control product discovery, merchant ranking, customer data, checkout and payment selection. This can make the agent a significant new control point over commerce and payments.

Such a platform could preference affiliated merchants, wallets or payment services; select payment methods according to commercial incentives; limit access to domestic payment rails; or impose additional fees on merchants seeking access to consumers. The RBA has already identified the risk that agents may choose payment methods according to incentives rather than cost, and that agentic transactions could add a further merchant fee. These concerns are consistent with the ABA's broader observation that new digital interfaces can add fee layers and concentrate pricing power in overseas platforms while relying on payment infrastructure, security and dispute capabilities funded by domestic participants.

Q7: Are there competition, efficiency and/or financial safety issues relating to mobile payments? If so, are there any regulatory actions that the RBA should consider?

Mobile wallets have delivered substantial benefits to consumers and merchants through convenience, security and ease of use. Their rapid adoption also means that the commercial and technical settings governing mobile payments now have material implications for competition and efficiency across the payments system. Mobile wallets account for a substantial share of Australian card payments, making the mobile interface an important gateway through which consumers access payment methods and providers compete.

Conceptually, mobile wallets can raise two distinct issues. The first is whether fees imposed by a wallet provider add an efficient and competitively constrained cost to the payment chain. The second is whether control over the device functionality required for contactless payments limits entry by competing wallets and payment methods. Both concerns become more significant where the wallet provider also controls the device operating system, and consumers have limited practical alternatives.

These concerns do not arise uniformly across all mobile wallets. The ABA's comments focus on Apple because its model differs materially from other major wallet providers in Australia. Apple charges issuers transaction-based fees for the use of Apple Pay, while other major pass-through wallets do not currently impose an equivalent issuer fee. Apple also operates Apple Pay as the native wallet on iOS devices and imposes material constraints on third-party wallets. In contrast, Android supports third-party access to NFC through both Host Card Emulation (**HCE**) and secure element (**SE**) technologies, and competing wallets can operate alongside Google Pay on comparable terms.

This gives rise to two issues that in our view, warrant regulatory action by the RBA:

- the level, transparency and competitive constraint on Apple Pay fees; and
- the terms on which competing wallets can access iPhone NFC functionality.

Action on Apple Pay fees would address a material and growing cost within the payments system. Effective NFC access would allow competing wallets to enter and create stronger competitive discipline over time. Competition will take time to develop even under an effective access regime, while intervention on fees alone would leave the underlying barrier to entry intact. The RBA should therefore act on both issues.

Apple Pay fees

Apple Pay is Apple's proprietary mobile wallet. Financial institutions enter into bilateral commercial arrangements with Apple to make their cards available through Apple Pay and pay transaction-based fees when customers use the service.

Apple Pay provides a service valued by consumers, and while other wallets do not charge fees, Apple is entitled to earn a commercial return. The regulatory concern arises from the conditions under which its fees are set. Mobile wallet payment functionality has become an expected feature of any card product; an issuer that does not offer Apple Pay risks placing itself at a material competitive disadvantage, while the absence of an established competing wallet on iOS limits its ability to respond to Apple's terms by supporting an alternative provider.

The fees are also subject to strict confidentiality restrictions and are not visible to the consumer choosing to use the wallet or the merchant accepting the payment. This weakens the price signal that would ordinarily constrain an additional cost in the payment chain. Issuers have limited practical ability to negotiate, avoid or transparently recover the fee, despite the materiality of this fee in the payments system.

This raises both competition and efficiency concerns. Limited switching and bargaining options weaken the constraint on Apple's pricing. The fee also adds to the cost of each wallet transaction without a direct price signal to the consumer choosing the service. As mobile wallet use grows and regulated interchange declines, Apple Pay fees absorb a larger share of the economics available to fund processing, fraud prevention, disputes, customer service and system investment. As Apple Pay fees are fixed, we would expect to see these fees comprise a growing share of overall payment costs due to both declining interchange fees and growth in mobile wallet usage.

The RBA should therefore establish a framework to ensure Apple Pay fees are fair, reasonable and transparent. The ABA is not proposing that Apple Pay be provided free of charge.

As an initial step, the RBA should improve transparency of wallet fees by making public the rates and structure of Apple Pay fees, as well as any additional useful comparative data. As interchange fees, and now scheme fees, are subject to public transparency, these measures would simply bring mobile wallet fees in line with other market wide fees. As the payment system regulator, the RBA should consider reviewing Apple Pay contracts and implementing a prohibition on any restrictive clauses or terms that impede competition or reduce efficiency.

The ABA also recommends that the RBA undertake a cost study, or similar exercise, to establish an objective basis for assessing fair and reasonable wallet pricing. The RBA has extensive experience examining costs and setting regulated benchmarks in relation to interchange. A comparable exercise could consider the costs Apple incurs in providing Apple Pay, the functionality and value delivered, relevant international pricing and the returns reasonably required to support continued investment.

Competition between mobile wallets

A separate issue arises from Apple's control of the hardware and software required to make contactless payments on iPhones while also operating Apple Pay. This gives Apple control over the conditions under which another wallet can enter and compete with its own service. Apple has historically reserved access to the relevant NFC functionality for Apple Pay. In its antitrust investigation, the European Commission concluded that *"Apple abused its dominant position by refusing to supply the NFC input on iOS to competing mobile wallet developers, while reserving such access only to Apple Pay."*[1] The Commission identified detrimental market outcomes arising from this exclusion, including *"less innovation and choice for iPhone mobile wallet users."*

It is important to distinguish ***Apple Pay*** from Apple's ***NFC & Secure Element (SE) Platform***. Apple Pay is Apple's own branded mobile wallet service, through which consumers store and use cards issued by financial institutions. The NFC & SE Platform is a separate proposition that Apple launched in Australia, the United Kingdom and a range of other markets in 2024. It allows authorised developers to build contactless payment functionality directly into their own apps using the iPhone's secure element. Apple expressly describes the NFC & SE Platform as independent of Apple Pay and Apple Wallet.

The NFC & SE Platform therefore provides a potential technical pathway for a bank, fintech or other provider to develop a wallet that competes with Apple Pay. However, access is subject to Apple's approval, commercial and confidentiality agreements, and applicable access fees. Developers must apply for an entitlement and comply with technical and experience requirements determined by Apple.

The availability of the NFC & SE Platform **has not** produced effective wallet competition. The ABA is not aware of any competing payment wallet that has launched using the NFC & SE Platform. The UK Competition and Markets Authority (**CMA**) similarly found that no new product or service had launched through it in the United Kingdom during its first 18 months.

The CMA found:

> *"Although Apple's NFC & SE Platform has the potential to increase choice for consumers in the products or services made available using NFC, in the 18 months since it has launched, we have not seen new products or services launch in the UK. This suggests that the barriers to using this platform are high."*

The CMA reported that the principal reason for this was commercial:

> *"Using the platform is not commercially viable due to high access fees."*

These outcomes show why technical availability is not sufficient. A third party required to pay the platform owner for the functionality needed to compete with that owner's native wallet begins at a structural disadvantage. Separate technical requirements, approval processes and confidential commercial terms add further cost and uncertainty. The result is access in form without commercially viable entry.

The European Economic Area (**EEA**) provides a precedent for regulatory intervention. Following the European Commission's competition investigation, Apple made legally binding commitments to

[1] *Commission accepts commitments by Apple opening access to 'tap and go' technology on iPhones*, 11 July 2024

provide third-party wallet developers with fee-free and functionally equivalent NFC access using HCE, without requiring them to use Apple Pay or Apple Wallet. Access must be governed by fair, objective, transparent and non-discriminatory eligibility criteria. Competing wallets can be selected as the default contactless application and use essential iPhone functionality, including field detection, double-click activation, Face ID, Touch ID and the device passcode. The framework is supported by independent monitoring and dispute resolution.

HCE uses a different technical architecture from Apple Pay and the NFC & SE Platform, but it can deliver a comparable payment experience, mirroring the approach on Android phones, while complying with security and privacy requirements. Apple's own EEA implementation supports default wallet selection, device authentication and the standard activation functionality needed for a competing wallet to be credible to consumers.

Despite a relatively short period and the lead time for third parties to develop their own wallets, the CMA notes the European approach has driven new entrants into the iOS mobile payments market:

> *"In July 2024, the European Commission (EC) accepted legally binding commitments from Apple to provide NFC access for free, using HCE, within the EEA. Since the commitments were accepted, multiple apps have launched in Europe using NFC including from PayPal, Curve and Klarna."*

The EU approach is not perfect. There have been implementation challenges faced by third parties, and access to the secure element remains unresolved which may become a constraint itself as other NFC use cases become commonplace.

However, these issues should not act as an impediment to injecting much needed competitive tension and consumer choice into the mobile payments market. Therefore, **the ABA strongly believes the RBA should adopt the European approach as the basis for Australian access.** Apple should be required to provide fee-free HCE access to the NFC input, with equivalent default, activation and authentication functionality and fair, objective, transparent and non-discriminatory eligibility requirements.

Importantly, there is no inconsistency between fee-free access to NFC and fair remuneration for Apple Pay. NFC access concerns an essential device input needed for another provider to compete. Apple Pay is a separate downstream service that Apple may continue to offer and charge for, subject to fair and reasonable pricing.

The two reforms are complementary. Equivalent NFC access would create the prospect of sustained competition and allow financial services providers and others to develop alternative wallets. Action on Apple Pay fees would address the current efficiency problem while that competition develops and would benefit those that do not intend to operate their own wallet. Both are necessary to produce a genuinely contestable and efficient mobile payments market.

Q8: Are there competition, efficiency and/or financial safety issues relating to three-party networks? If so, what regulatory action should the RBA consider?

Competition and efficiency issues

Three-party networks provide consumers and businesses with additional choice. However, American Express has reached a scale in Australia where its different regulatory treatment has material consequences for competition and efficiency.

American Express combines the roles of network, issuer and acquirer. It therefore does not pay an explicit interchange fee between separate issuing and acquiring institutions and falls outside the interchange regulation applied to Visa and Mastercard. That structural distinction does not remove the underlying economic transfer between merchants and cardholders. American Express sets the merchant fee, controls the cardholder proposition and can use merchant revenue to fund rewards and other incentives that encourage use of its cards.

This creates clear competitive asymmetry. Four-party issuers are constrained in the revenue available to support cardholder propositions, while American Express can continue to fund competing products through higher merchant fees. The effect of regulatory reductions in interchange fees can therefore be to shift transactions towards the higher-cost network, rather than reduce payment costs overall.

These issues exist across both consumer and commercial cards. The reduction in consumer credit interchange to 0.3 per cent will widen the regulatory difference between bank-issued cards and American Express. The likely effect and market outcomes should be monitored closely as issuers adjust fees, rewards and product features.

In the commercial card market, American Express is already the largest issuer by some margin. The ABA agrees with the PSB's observation that further reductions could materially advantage American Express, weaken competition and ultimately increase merchant payment costs.

While the decision to retain the existing 0.8 per cent cap on commercial interchange was appropriate, that decision avoided worsening the existing imbalance; it did not resolve it. American Express retains its established competitive advantage in commercial cards, and the underlying trend towards greater concentration may continue. The RBA should therefore resist any further reduction in commercial card interchange while American Express remains outside equivalent regulation. Any future consideration of commercial card caps should occur only after the regulatory asymmetry has been addressed and the competitive effects of the current settings are understood.

While merchant choice to refuse American Express is in theory a potential constraint on acceptance fees, its effectiveness should not be assumed. American Express is widely accepted in Australia, and for many businesses, acceptance is considered essential.

Regulatory equivalence

The appropriate response should be based on economic function rather than the formal description of a scheme as “three-party” or “four-party”.

A pure three-party transaction occurs where American Express both issues the card and acquires the merchant transaction. However, a three-party network can also involve a third-party issuer or acquirer. These arrangements are sometimes described as “three-and-a-half-party” models and are functionally closer to a four-party system: separate entities perform issuing or acquiring functions and the scheme sets the rules and commercial arrangements connecting them.

The RBA should designate the American Express proprietary card system and apply regulatory requirements according to the function performed in each arrangement. Where American Express operates as a genuine closed-loop system, designation would support appropriate data collection, transparency, supervision and ongoing assessment of its effects on competition and system-wide costs. Where it operates in a manner equivalent to a four-party network, equivalent regulatory requirements should apply.

The United Kingdom provides a useful model.[2] Under the UK's retained Interchange Fee Regulation, a three-party scheme is treated as a four-party scheme where it licenses another payment service provider to issue cards or acquire transactions. Consumer interchange caps then apply to transactions where the issuer and acquirer are different entities. Transactions where American Express itself performs both functions remain outside those caps.

This approach does not attempt to force a pure three-party model into regulation designed for a different structure. It instead prevents a network from obtaining the regulatory treatment of a closed-loop scheme when it is functionally using separate issuers or acquirers. The UK framework also preserves the separate treatment of commercial cards, which are exempt from its interchange caps.

Direct price regulation of American Express's pure three-party merchant fee would be more complex because that fee combines issuing, acquiring, network, credit and cardholder benefits. It should not be the starting point. The immediate priority should be designation, functional regulatory equivalence and better visibility of how American Express operates across its different arrangements.

The central principle is that comparable payment activities should receive comparable regulatory treatment. A network should not gain a structural advantage merely because issuing, acquiring and scheme functions are organised within a different corporate or contractual form.

Q9: Does the current regulatory treatment of non-designated card networks such as JCB and UnionPay remain appropriate given their limited scale in Australia, or would formal regulation of these networks by the RBA better support competition, efficiency and financial safety in the payments system?

The underlying regulatory principle should apply consistently across card networks operating in Australia. Payment systems performing broadly equivalent economic functions should be subject to broadly equivalent regulatory expectations, regardless of their corporate structure, country of origin or current transaction volumes.

That principle extends to JCB and UnionPay. Both facilitate card payments in the Australian market and can impose merchant costs outside the regulatory settings applying to designated networks. Their smaller scale does not remove the potential for regulatory asymmetry, particularly in sectors such as tourism and international retail where merchants may face commercial pressure to accept them.

However, regulatory priorities should reflect the scale and materiality of the issue. JCB and UnionPay currently account for a small share of Australian card payments, their use is concentrated among international cardholders, and their domestic issuing presence is absent or limited. They do not presently have the same effect on competition, merchant costs or regulatory neutrality as American Express.

The immediate priority should therefore be American Express, given its scale, domestic presence and direct competition with regulated four-party credit and commercial card products. Addressing the more material asymmetry first would deliver greater benefit and establish a clear framework that could subsequently be applied to other networks.

[2] Payment Systems Regulator (2020). 'Guidance on the PSR's approach as a competent authority for the EU Interchange Fee Regulation.'

Australian Banking Association

The RBA should retain the expectation that JCB, UnionPay and any other non-designated network will be brought within equivalent regulatory settings where their Australian presence becomes material, merchant costs warrant closer scrutiny, or differences in treatment begin to distort competition. This preserves the principle of regulatory neutrality while ensuring regulatory effort is directed first to the most consequential issue.

Q10: Are there competition, efficiency and/or financial safety issues relating to BNPL services? If so, what regulatory action should the RBA consider?

BNPL is a mature and functionally significant payment method

BNPL performs substantially the same consumer function as a credit card or other instalment product, but its merchant acceptance costs are materially higher. RBA research[3] published in June 2023 estimated that BNPL cost merchants, on average, around 4 per cent of the transaction value, compared with approximately 0.5 to 1.5 per cent for traditional card payments. This was a point-in-time estimate. While BNPL fees have since declined, the Issues Paper confirms that they remain materially higher than card acceptance costs.

BNPL has become a standard feature of Australian online checkouts and is increasingly integrated into in-store and mobile payment environments. Afterpay is accepted by mass-market retailers including Kmart, BIG W and Chemist Warehouse. Amazon Australia added Afterpay in 2025 after previously offering Zip, illustrating the commercial expectation that major marketplaces provide consumers with multiple BNPL options. What was once a payment method confined to occasional discretionary purchases, is increasingly available across everyday retail expenditure.

The sector has also moved beyond bilateral integration at participating merchant checkouts. Afterpay offers a digital card that operates through Apple Pay, Google Pay and Samsung Pay, while Afterpay Plus can be used at almost any merchant accepting those wallets. Zip Pay offers a Visa card that can be used online wherever Visa is accepted. Zip also offers rewards, cashback and Qantas Points to encourage use of its payment products. These developments increasingly blur the practical boundary between BNPL, mobile wallets and conventional card products.

BNPL is now formally regulated as credit. Since 10 June 2025, most BNPL arrangements have been regulated under the National Consumer Credit Protection Act and providers must hold an Australian credit licence. This reflects the economic substance of the product: BNPL provides consumers with credit to acquire goods and services immediately and repay over time.

Competition and efficiency issues

In economic terms, many closed-loop BNPL arrangements resemble three-party card systems. The provider has direct relationships with both the consumer and merchant, provides or arranges the credit, pays the merchant upfront, sets the merchant acceptance fee and controls the rules governing use of the service. It can then use merchant revenue to fund the consumer proposition, including interest-free instalments, discounts, cashback or rewards. The analogy is not exact in every technical respect, particularly as some BNPL products now use open-loop card rails and consumers often use card rails to repay BNPL instalments, but the competition and efficiency dynamics are closely comparable.

This creates regulatory asymmetry – banks and other financial services providers can offer instalment products over regulated card infrastructure, subject to the economics and rules applying to those systems. A BNPL provider may compete for the same transaction while charging a

[3] Nguyen and Watson (2023), 'Consumer Payment Behaviour in Australia', RBA Bulletin, June.

substantially higher merchant fee and contractually preventing the merchant from recovering or signalling that cost. The resulting advantage does not necessarily reflect a more efficient payment service.

The structure also creates a significant cross-subsidy. The consumer chooses BNPL and receives the benefit of deferred payment, while the merchant pays the acceptance fee. Where merchants cannot surcharge, those costs are incorporated into general prices and borne across the merchant's customer base. Consumers using debit cards, credit cards (including three-party cards), cash or account-to-account payments therefore contribute to the cost of BNPL transactions.

This matters particularly where BNPL has become effectively "must-take". In retail categories where consumers expect instalment payments to be available, merchants may face a material commercial penalty if they decline BNPL. Smaller merchants generally have limited bargaining power over fees and terms. This is compounded by providers not publicly disclosing merchant fees, leaving smaller merchants without reliable benchmarks to assess or negotiate the terms offered to them. Market concentration, together with the withdrawal of smaller providers from parts of the sector, may further weaken competitive pressure on merchant pricing.

BNPL no-surcharge rules should be prohibited

The ABA considers that BNPL providers should no longer be permitted to impose no-surcharge rules. Merchants should be free to absorb BNPL fees, recover them from the customer choosing the service, or encourage use of a lower-cost payment method.

The RBA reached the substantive conclusion in 2021 that removing BNPL no-surcharge rules would promote competition and efficiency but did not proceed because of uncertainty about the scope of its regulatory powers. The amended PSRA has addressed that constraint. The RBA should now use its expanded powers, including designation where necessary, to prohibit these rules.

The decision to prohibit surcharging on designated debit and credit card systems does not provide a sound basis for allowing private BNPL no-surcharge rules to continue. Card no-surcharge rules will operate within a framework that directly regulates interchange and constrains parts of the cost of card acceptance. BNPL merchant fees remain substantially higher, comparatively opaque and outside equivalent price regulation. Allowing BNPL providers to suppress price signals without any corresponding constraint on merchant fees would entrench a regulatory advantage for a higher-cost payment method.

Removing no-surcharge rules would not require merchants to surcharge. Many merchants may continue to absorb the cost because they value the additional sales or customer access generated by BNPL. The reform would restore merchant choice and expose BNPL providers to greater competitive pressure over fees.

Improved transparency should accompany this change. Major BNPL providers should report consistent information to the RBA on transaction volumes, average merchant fees and fee dispersion across merchant sizes and sectors. Merchants should also receive clear information about the full costs and conditions of acceptance.

Q11: What are the challenges faced by participants and end-users in the A2A payments system? Do these limit efficiency, competition or financial safety in relation to A2A transactions?

The main challenges relate to access, differences in capabilities across A2A systems and the coordination required to develop common infrastructure and standards.

Australian Banking Association

Direct participation can be costly and operationally complex, particularly for smaller institutions and non-bank PSPs. Indirect access is therefore an important and, in many cases, efficient means of participation. Direct participation also carries substantial financial, operational, cyber, liquidity and compliance obligations that should remain proportionate to the activities undertaken and risks introduced.

However, some indirect participation models can create their own competition constraints. In systems including the NPP, obligations may be applied to indirect participants through their sponsoring participant rather than directly to the entity undertaking the relevant activity. This can require sponsors to assume significant monitoring, oversight and enforcement responsibilities for the conduct of indirect participants. The resulting compliance and operational burden may reduce the willingness of existing participants to sponsor new entrants, limiting access and competition.

The ABA does not consider this warrants immediate regulatory intervention ahead of the payments licensing regime being implemented and allowed to settle. That regime may materially change which obligations apply directly to payment service providers and how responsibility is allocated between sponsors and indirect participants. The RBA should nevertheless monitor whether indirect participation arrangements are constraining access and ensure future frameworks align obligations with the participant controlling the relevant activity, while preserving appropriate responsibilities for sponsors.

Differences in infrastructure, messaging and functionality can also increase integration costs and produce variation in services available to providers and end-users. Greater standardisation may support interoperability where systems need to interact, but should not extend into product features that should remain open to competition and differentiation.

These issues should continue to be considered through the A2A Payments Roundtable and roadmap process, with separate regulatory action considered only where material access barriers remain after the licensing framework is established.

Q12: Is there a case for the RBA to take any regulatory action in relation to A2A payments to support efficiency, competition or financial safety, or control risk to the financial system? If so, what regulatory actions should be considered?

The ABA does not consider that a case for additional regulatory action has presently been established. The Issues Paper identifies important questions about the future architecture, access, functionality and resilience of A2A payments, but does not demonstrate a discrete market failure or financial safety concern requiring intervention under the PSRA.

These matters are already being considered through the A2A Payments Roundtable, which is developing a shared vision and roadmap for the system. That process is the appropriate mechanism because the issues are interconnected and will require coordinated decisions about infrastructure, standards, sequencing, funding and risk. The RBA should continue to participate in and provide public-interest oversight of that work, rather than introduce a parallel regulatory process.

Any future intervention should be based on clear evidence that the roadmap process cannot address a material competition, efficiency or safety problem. It should also preserve governance arrangements in which the institutions funding infrastructure and carrying operational risk have an appropriate role in shaping delivery.

Q13: What are the barriers to more seamlessly enabling A2A payments in the in-person and online environments through, for example, digital wallets, and do they warrant the RBA taking action to address them?

The principal barriers are consumer utility, merchant integration, access to mobile interfaces and the commercial economics required to support investment.

A2A payments do not currently offer protections equivalent to cards across fraud, chargebacks, refunds and liability allocation. These differences can reduce consumer confidence and make A2A less attractive for retail purchases, particularly online or where goods and services are delivered later. Any expansion into retail payments will require clear authorisation standards, appropriate scam and fraud protections, accessible dispute processes and certainty about responsibility when a transaction goes wrong. These protections should reflect the characteristics of A2A payments rather than simply reproduce card scheme rules.

For in-person transactions particularly, A2A payments must provide a sufficiently convenient and reliable experience to compete with contactless cards. Access to mobile device functionality is relevant because restrictions imposed by a device or operating-system provider can prevent A2A services from reaching consumers through the same contactless interface as card payments. This reinforces the case made under Q7 for fair and equivalent access to NFC functionality, rather than requiring a separate A2A-specific regulatory response.

Commercial viability is equally important. Developing in-person and online A2A payment services requires sustained investment in infrastructure, merchant acceptance, fraud controls, customer support and new functionality. Appropriate economic incentives are therefore necessary for providers to develop and maintain these capabilities. The A2A vision appropriately recognises that end-user outcomes depend on a commercially sustainable system capable of funding continued innovation, security and resilience.

The ABA does not support mandating A2A acceptance, wallet integration or particular routing outcomes. The A2A Payments Roundtable and roadmap remain the appropriate mechanisms for addressing capability, consumer-protection and commercial-model questions in a coordinated way. The RBA should consider targeted action only where a specific access restriction or market failure cannot be resolved through that process.

Q14: What regulatory action, if any, should the RBA take to promote more standardisation and interoperability across cards and A2A payments?

The ABA does not consider that regulatory action is currently required to impose greater standardisation or interoperability across cards and A2A payments. They are distinct payment systems with different architectures, economics, functionality and risk arrangements. Those differences can support competition and resilience, and should not be treated as deficiencies in themselves.

Standardisation can be valuable where it reduces unnecessary integration costs or allows providers and payment interfaces to support multiple rails. It should be applied at the layer where interoperability is required, such as common technical interfaces, messaging or merchant integration. It should not extend into product features, commercial models or consumer protections that should remain a basis for competition and informed choice.

The roadmap process should determine where common standards would produce practical benefits, taking account of implementation costs and existing industry investment. The RBA should support that process and address any specific access restriction identified under other parts of the

Review, but a broad regulatory requirement to make cards and A2A systems interoperable would be premature.

Q15: How is the payments industry strengthening its cryptographic practices in response to evolving cyber threats? What initiatives or uplift programs are underway, and how effective are these initiatives likely to be?

The payments industry is undertaking significant cryptographic uplift through individual investment, international standards and the industry-led Advanced Encryption Standard Migration Program. The program brings together global standards, card-specific PCI requirements and Australian Signals Directorate guidance to develop an approach suited to the Australian payments system.

The ABA considers this coordinated, industry-led approach is likely to be more effective and sustainable than a separate prescriptive regulatory framework. Cryptographic uplift must be continuous and risk-based, with implementation sequenced to address current vulnerabilities while preparing for emerging threats, including quantum computing. Effectiveness will ultimately depend on consistent adoption across the full payments chain, since weaknesses in one participant, infrastructure layer or access point can undermine broader system security.

Q16: What key barriers or challenges are participants facing in uplifting cryptography and broader cyber security practices within the payments system?

The principal challenge is the scale and interdependence of the payments system. Cryptographic changes must be coordinated across financial institutions, payment networks, processors, merchants and technology providers, and often require changes to legacy systems and physical infrastructure. The AES migration alone may require the replacement or upgrade of approximately 970,000 payment terminals and 25,000 ATMs.

Participants must also balance future-focused cryptographic risks against immediate cyber threats and other resilience investments. This is particularly challenging where the timing of quantum threats remains uncertain and relevant standards and technical solutions continue to evolve. Accelerating investment before standards mature can create stranded costs, while delaying action for too long can increase future transition risk.

Differing guidance can compound these challenges. Global card standards, Australian national-security guidance and individual organisations' risk assessments may favour different timeframes or implementation approaches. Smaller participants may also face proportionately greater financial and technical constraints. A coordinated and staged transition is therefore important to avoid fragmentation, unnecessary duplication and operational disruption.

Q17: What role could the RBA play in supporting and coordinating industry-wide cryptographic uplifts in the payments system?

The RBA can play a constructive coordinating role by convening participants, monitoring system-wide readiness and helping align the expectations of relevant domestic agencies and international standard-setting bodies. This could help resolve inconsistencies in timing and guidance, identify dependencies between participants and provide greater certainty for investment planning.

Technical standards should continue to be developed through the specialist domestic and international bodies already responsible for them, including AusPayNet, the PCI Security Standards Council, the Australian Signals Directorate and recognised standards organisations. The RBA should avoid establishing duplicative technical requirements or mandating a particular cryptographic solution before standards and implementation pathways are sufficiently mature.

The ABA would not support separate sector-specific mandates that cut across international card standards or duplicate the existing AES Migration Program. Australia's card system is globally connected, and divergent domestic requirements could increase cost, fragment implementation and create interoperability risks. The preferred approach is continued industry-led delivery, supported by clear regulatory coordination and proportionate oversight.

Q18: Do current arrangements for addressing overseas card-not-present fraud raise competition, efficiency and/or financial safety issues? Should the RBA consider a regulatory response to these issues, and if so, what form should this response take?

Current arrangements raise material efficiency, consumer and financial safety concerns. Card-not-present transactions at overseas merchants account for around half of all fraud on Australian-issued cards despite representing only around 3 per cent of transaction value. The losses and administrative costs are ultimately borne within the Australian payments system, while the overseas merchants and acquirers responsible for applying transaction controls sit outside the domestic framework.

For consumers, the impact extends beyond the direct fraud loss. Affected customers may need to dispute transactions, cancel and replace cards, update stored credentials and temporarily lose access to their usual payment method. Even where they are reimbursed, resolving fraud can involve uncertainty, delay and repeated engagement with their bank. These costs are accompanied by substantial operational inefficiency for issuers, including investigation, reimbursement, chargeback and customer-support processes.

The principal gap is cross-border enforcement. The domestic CNP Framework has reduced fraud at Australian merchants by setting performance thresholds and allowing AusPayNet to sanction issuers and acquirers through the IAC Code Set. Overseas merchants and acquirers sit outside that framework, even though deficiencies in their authentication, data quality or fraud controls may be the source of the loss. This creates an asymmetry between Australian participants subject to domestic requirements and overseas participants able to access Australian-issued cards without equivalent obligations.

A blanket requirement for Australian issuers to apply strong customer authentication to all overseas CNP transactions would be poorly targeted. It would place the implementation cost and operational burden primarily on Australian issuers and consumers while leaving the underlying practices of overseas merchants and acquirers largely unchanged. It could also increase checkout friction, false declines and abandoned transactions, including at legitimate overseas merchants.

The ABA supports risk-based authentication. Many issuers already apply multifactor authentication voluntarily where transaction characteristics indicate elevated risk. Issuers should retain the flexibility to use customer behaviour, merchant history, geography, device information and other available risk signals to determine when additional authentication is appropriate. This allows high-risk transactions to receive greater scrutiny while lower-risk transactions proceed without unnecessary friction.

The effectiveness of this approach depends on issuers receiving timely and reliable transaction data. Card networks should support consistent transmission of merchant, acquirer, authentication and fraud-risk information, including through EMV 3-D Secure where appropriate. Poor or incomplete data from overseas transactions can limit an issuer's ability to distinguish fraud from legitimate cross-border spending and contribute to both fraud losses and false declines.

Scheme and network-level rules provide a more effective lever than an issuer-only mandate. International card networks can establish requirements that apply across jurisdictions, strengthen fraud-performance standards for overseas acquirers, promote appropriate authentication and allocate liability towards participants that fail to support adequate controls. The RBA should engage directly with the schemes, AusPayNet and industry on whether existing cross-border rules create sufficient incentives for overseas merchants and acquirers to manage fraud.

International coordination will also be necessary. Australian regulation cannot directly supervise every overseas merchant or acquirer, and divergent domestic authentication requirements could create complexity without resolving the underlying problem. The RBA can use its relationships with overseas regulators and international payment bodies to promote stronger and more consistent cross-border fraud standards.

The appropriate response is therefore a coordinated, risk-based framework focused on the points in the transaction chain that control the relevant risk. The RBA should avoid a blanket SCA mandate on Australian issuers and instead prioritise better transaction data, stronger network rules, appropriate liability allocation and international coordination. This would address the source of overseas CNP fraud more effectively while limiting unnecessary friction for legitimate Australian consumers.

Q19: Are there any other issues relating to payments that the RBA should consider prioritising to promote competition, efficiency and financial safety in the payments system? Are there regulatory options outside of the RBA's formal powers under the PSRA to address the issues outlined in this paper? Are there issues in the broader payments system that have implications for the design and implementation of the RBA's payments system regulation?

The ABA considers that three broader issues should remain on the RBA's agenda: the economic sustainability and sovereign capability of Australia's payments system, the resilience of critical payments infrastructure, and the unresolved market power and pricing issues associated with four-party scheme fees.

Economic sustainability and domestic capability

Economic sustainability is a condition of an efficient, resilient and innovative payments system. Banks fund and operate many of the capabilities on which retail payments depend, including customer accounts, credentials, settlement, fraud controls, dispute processes and domestic infrastructure. Those obligations require sustained investment to deliver the high-quality, modern and safe payment services that Australians expect.

At the same time, a growing share of payments value is captured through fee layers and control points operated by international schemes, digital wallets and technology platforms. These providers deliver valuable services, but their pricing and commercial terms are often less transparent and less constrained than those applying to domestic institutions.

This creates a structural policy risk. Regulation that continually compresses the economics of the domestic, regulated parts of the system, without equivalent scrutiny of offshore fees and market power, can weaken local investment capacity while increasing Australia's dependence on infrastructure and commercial terms determined elsewhere. The A2A vision identifies the same dynamic: economic value can migrate to wallets, gateways and other value-adding services while the participants funding the underlying system are expected to invest on diminishing economics.

The ABA considers it vital that Australia retains the capability, expertise and policy space required to maintain critical infrastructure and make decisions in the national interest. This does not require protection from international competition. It requires competitive neutrality and a regulatory framework that does not systematically favour offshore platforms over domestic participants carrying the underlying investment and risk.

The ABA acknowledges that the RBA does not intend to revisit matters determined through the recent merchant card costs and surcharging review without substantial new or unanticipated developments. The ABA is not seeking to reopen those decisions through this Review. However, the recent interchange reductions make it more important to monitor their system-wide effects, including:

- the sustainability of debit and credit issuing;
- investment in security, resilience and innovation;
- competition from smaller and mid-sized issuers;
- migration towards higher-cost or less regulated payment methods; and
- the proportion of payments revenue transferred offshore.

Evidence of material effects in these areas would be relevant both to future payments policy and to whether new or unanticipated developments have emerged. The RBA's public-interest assessment should therefore consider domestic investment capacity and strategic dependence alongside immediate transaction costs.

System-wide resilience

Participants across the payments system depend on a small number of critical systems, including RITS, the NPP, BECS, eftpos and the international card networks. Individual institutions cannot readily impose or independently verify consistent resilience requirements across these shared systems, despite the system-wide consequences of a significant disruption.

The RBA should consider establishing common minimum resilience and assurance expectations for critical payment systems, proportionate to their role and existing regulatory oversight. This could include regular attestation against agreed standards and reporting to industry on recovery capability, including evidence that recovery arrangements have been tested under severe disruption scenarios. The objective should be greater consistency and visibility across the payments system, without duplicating APRA requirements or existing oversight arrangements.

Four-party scheme fees remain unresolved

The ABA considers that the scheme fee issue remains unresolved.

The Scheme Fee Roadmaps arising from the recent review may improve consultation, notice periods and the explanation of fee changes. Those measures do not determine whether the overall level, growth and structure of scheme fees are efficient.

This matters directly to the effectiveness of interchange regulation. Reducing interchange will not lower end-to-end merchant costs where international schemes can recover the difference through higher network, processing, tokenisation or other mandatory fees. Overseas experience indicates that this is a credible risk, and the ABA's earlier submissions identified rising scheme fees as one reason merchant benefits from interchange reductions have been limited.

The RBA should retain scheme fees as an active regulatory priority, assess whether the roadmaps produce measurable improvements and continue building the evidence base on fee levels, mandatory services and pricing power. If transparency and process reforms prove insufficient, a targeted examination of scheme pricing and competition should follow. Direct price regulation should remain a later option, considered only where a clear market failure is established and less intrusive measures have failed.

These issues point to a broader principle: payments regulation should assess costs and incentives across the full system. Focusing intervention on domestic regulated revenue while leaving concentrated offshore fee layers largely untouched risks relocating economic value rather than improving efficiency.

Policy contact: Maxwell Pryor

Policy Director

maxwell.pryor@ausbanking.org.au

About the ABA

The Australian Banking Association advocates for a strong, competitive, and innovative banking industry that delivers excellent and equitable outcomes for customers. We promote and encourage policies that improve banking services for all Australians, through advocacy, research, policy expertise and thought leadership.