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Submission to the Reserve Bank of Australia

Review of Payments System Regulation Issues Paper

Submitted by: Azupay Trading Pty Ltd
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1. About Azupay

Azupay is an Australian payments technology company specialising in real-time account-to-account (A2A) payments using Australia's New Payments Platform (NPP). We provide PayID-based receivables, PayTo, real-time outbound payments and payment orchestration designed to reduce friction, fraud risk and operating cost.

We work with major banks, enterprises, government agencies and digital platforms across sectors including travel, telecommunications, property, wagering, education and retail. More than two million Australians have used Azupay's NPP-based services, and our platform processes millions of payments each month.

Azupay is integrated with e-commerce and point-of-sale platforms, including Shopify and Clover, and direct integration into major enterprise clients' commerce platforms. This gives us direct experience of how platform design, commercial incentives, payment user journeys and scheme rules affect whether merchants and consumers can make a genuine payment choice.

2. Executive Summary

Azupay welcomes the RBA's review and its focus on contestability, interoperability and appropriate standardisation. These are essential characteristics of a safe and efficient payments system. However, competition is not created merely by making an alternative payment rail technically available. It depends on whether the payment method can be discovered, selected and completed on fair commercial terms and with a credible end-user experience.

As merchants lose the ability to recover higher payment acceptance costs through surcharging, many are actively considering how to steer customers towards lower-cost payment methods. Our experience is that this is difficult in practice. Platform contracts and fees can neutralise cost advantages; checkout design can privilege an incumbent payment method; merchants are highly sensitive to conversion risk; and technology teams general prioritise revenue initiatives, even if uncertain, ahead of certain but incremental cost savings.

The result may be that higher payment costs are absorbed in margins or incorporated into general prices, rather than reduced through a change in payment mix. The RBA should therefore assess practical merchant choice across the entire payment journey - platform access, presentation, authentication, execution and confirmation - rather than relying only on price transparency or formal availability.

Azupay recommends that the RBA prioritise the following outcomes:

- Fair and non-discriminatory access to integrated commerce and point-of-sale platforms, including pricing and checkout experience;
- Timely and enforceable portability of PayTo Agreements, applying the same competition principle the RBA has identified for card token portability;
- A standardised, secure hand-off from merchant environments into a pre-populated payer-bank journey, followed by a reliable return to the merchant;
- Real-time, end-to-end payment status information when a payer bank holds or reviews a transaction, without compromising fraud controls or tipping-off obligations;

- Payment choice and transparent decision criteria in mobile wallets and agentic commerce, supported by open and interoperable authentication standards;
- Proportionate and accountable access to A2A infrastructure, with clearer service standards and enforcement for both direct and sponsored access arrangements.

This submission focuses primarily on Questions 3-7 and 11-14 of the Issues Paper, with additional observations relevant to Question 19.

3. Practical Merchant Choice after Surcharge Reform

The policy objective behind allowing prohibition of card surcharging is partly that merchants will exert greater pressure on payment costs by changing providers and payment mix. Azupay supports that objective. Our clients are increasingly interested in promoting lower-cost A2A payments now that price signals can no longer be used to drive consumer choice toward lower cost payment methods.

However, several structural impediments weaken this mechanism. Merchants may be constrained by long-term agreements with banks, schemes or commerce platforms. In price-sensitive sectors, raising headline prices and then discounting a lower-cost method may be commercially unrealistic, in some sectors changing headline prices is operationally difficult. Merchants are also reluctant to change payment presentation or add steps where even a small perceived risk to conversion can outweigh a payment-cost saving.

There is also an internal investment problem. A technology initiative that reduces an existing cost is often ranked behind an initiative promising new revenue, even where the saving is more certain than the revenue opportunity. This is particularly acute for large enterprises with complex delivery backlogs.

The RBA should monitor whether surcharge reform is producing a measurable shift towards lower-cost methods, rather than assuming that it will. If it is not, the Review should identify whether commercial restrictions, platform design and unequal user experiences are preventing merchants from exercising the choice on which the policy outcome depends.

4. Integrated Platforms and Bundled Payment Services

4.1 Platform pricing can remove the benefit of a lower-cost rail

Integrated platforms provide substantial value by combining commerce, operations and payments. The competition concern arises where control of the platform is used to preference an affiliated or preferred payment service and to make alternative payment methods commercially unattractive.

Azupay is integrated with Shopify. Payments processed through our connection attract an ad valorem platform fee levied by Shopify that must ultimately be reflected in the price Azupay charges to the merchant. In the broader Australian market, A2A payments have established a differentiated commercial model based predominantly on a fixed fee per transaction. The platform fee converts that model into a fixed fee plus a percentage of transaction value, even though the underlying A2A processing cost is not inherently ad valorem.

Whether such a charge is described as a platform fee, access fee or third-party transaction fee, the economic effect can be to neutralise the lower-cost characteristics of the alternative rail. This affects small businesses, but it also affects large merchants that rely deeply on an integrated platform and cannot realistically migrate their broader commerce operations simply to change PSP.

In addition, Shopify operates the Shop App, that establishes preferences and behaviours of payers visiting the Shopify commerce ecosystem. Consumers benefit from using Shop app in that it can streamline their online shopping experience including automating the presentment of the user's default payment method and merchants benefit to the extent that conversion rate on payment may be higher when buyers use the Shop App. Shopify has confirmed to us that Shopify Pay is the only payment method available in the Shop App and has advised that any client wanting to use alternate payment methods can turn off Shop App that will lead to lower customer conversion. Azupay sees that more than half of all payments made to our Shopify clients originate via the Shop App.

Other platforms operate similar concepts to streamline and control consumer behaviours. When considering impact of commerce platforms on merchant choice in payment routing it is important to also consider impact of consumer facing apps or features attached to the commerce experience platform that further restrict payment choice.

4.2 Practical competition requires experience parity

Payment choice inertia is strong. Consumers naturally select familiar and trusted methods. Merchants and innovative PSPs can overcome that inertia through product design, education and compelling experiences, but not where a platform reserves its most seamless checkout, configuration and operational flows for a captive payment method while third-party methods are made harder to enable or use.

A payment method should not be considered competitively available merely because a technical integration exists. The RBA should consider whether merchants can present it with comparable prominence, whether staff and customers face additional steps, whether reliable status information is available, and whether the merchant can steer customers without contractual or technical penalty.

4.3 Regulatory response

Azupay does not suggest that integrated platforms should be required to unbundle every service or support every PSP. The objective should be to prevent platform control from foreclosing payment competition. The RBA should consider, in coordination with the ACCC where appropriate:

- limits on discriminatory charges attached to payment choice that are not reasonably related to the incremental cost or risk of supporting the alternative PSP;
- reasonable parity in payment presentation, checkout functionality and operational access; and
- effective export and portability of merchant payment configuration and data when switching providers.

5. Portability and Switching: PayTo Agreements

Azupay does not process card payments and does not comment on the detailed operation of card tokenisation. We do, however, see a direct A2A analogue to the switching concern identified in section 2.3 of the Issues Paper.

For recurring or merchant-initiated use cases, a PayTo Agreement ID operates in practice as a tokenised representation of a customer's permission to collect funds from an account. The merchant can interact with that identifier without storing sensitive account credentials. This is a significant safety and efficiency benefit.

If the agreement cannot be transferred when a merchant changes its PayTo Initiator or when service arrangements change at the payer-participant layer, the merchant's installed customer base becomes locked to the incumbent provider. Requiring customers to establish new agreements creates attrition, operational cost and service risk. For large prospective users, that lock-in can be a reason not to adopt PayTo at all.

As the RBA considers implications of card tokenisation portability the RBA should take the opportunity to also consider PayTo Agreement portability. PayTo roadmap has always included the goal of portability, but this functionality has been repeatedly deferred. Learnings from portability challenges with tokenised cards should be applied to PayTo scheme plans, including the challenges faced in enforcing portability when systems and scale are established first without portability in place.

6. AI Agents and Mobile Payment Interfaces

6.1 Agentic commerce must preserve payment choice and accountable authorisation

Agentic commerce raises material competition, efficiency and safety questions. Current industry activity is concentrated on discovery, product selection and checkout completion. Payment choice is receiving less attention, creating a risk that international card-based methods become the only method simply because they are embedded first in global agent protocols.

The term agent implies that the system acts for someone, but the relevant principal is often unclear. An agent may be optimising for the consumer, merchant, commerce platform, model provider or payment provider. Those interests can diverge at the point of payment. A consumer may value purchase protection or rewards; a merchant may value lower cost and faster settlement; a platform may be influenced by commercial incentives.

Policy should require meaningful transparency about whose interests an agent is designed to serve, the criteria used to select a payment method, and any financial incentives affecting that decision. Consumers and merchants should be able to set payment preferences, and safe, regulated payment methods should be able to participate through open technical standards rather than bilateral arrangements with a small number of global platforms.

In the near term, most agentic payments will retain a human confirmation step. A2A payments are well suited to this model because a payment request must be presented to the payer's bank, which authenticates its own customer and authorises the specific instruction. Over time, delegated agent authority may replace some human actions. Before that occurs, capability must be in place to establish the identity of the agent, the scope and limits of its mandate, transaction binding, revocation, auditability, network visibility and liability. This capability must be clearly supported in legislation and scheme rules. These developments will take time. In the meantime, opaque use by agents of highly flexible PayTo Agreement structures to initiate payments without a human authentication would create inappropriate systemic risk. To the extent this is implemented it may weaken trust in the overall PayTo scheme, similar risk has already been recognised and leading to reactive tightening of risk controls across the NPP scheme. It is important that policy consideration of agentic commerce includes its impact on trust of NPP based payment methods.

The RBA should support controlled Australian trials and standards development, rather than allow the market to be defined solely by offshore technology companies and card networks. A well-governed A2A pathway would use the strong authentication and consent architecture already present in the NPP ecosystem.

6.2 Mobile wallets and interoperable trust services

Smart personal devices have become an important consumer payments interface and could enable competition between cards and A2A payments. That opportunity will not be realised if dominant operating-system providers reserve key device capabilities or the most trusted user experience for their native wallet and affiliated payment methods.

The RBA should support fair access to security-relevant device capabilities, not just NFC access, on equivalent and proportionate terms. The policy objective should extend beyond least-cost routing within cards to the ability for appropriately governed A2A methods to deliver a credible in-person experience.

Passkeys and verifiable credentials also have potential to support phishing-resistant authentication, identity assertions and transaction consent outside a single proprietary wallet. Regulation should remain technology-neutral, but it should promote interoperability and prevent operating-system or wallet control from unnecessarily blocking these globally standard approaches.

7. A2A Infrastructure Access and Standardisation

Access to A2A infrastructure is challenging because real-time value transfer requires participants to have a high degree of trust in each other's business, financial and technical capabilities. This challenge is increasing as legislation and scheme rules allocate greater responsibility for scam and fraud losses. The cost does not disappear if access is moved from a sponsoring participant to a central infrastructure operator; it is transferred to another party that must perform equivalent assessment, monitoring and resilience functions.

Direct participation is therefore not a universal solution. It requires a substantial business case, high availability and security standards, and ongoing operational capability. In Australia's relatively small domestic payments market, even large international banks and PSPs can struggle to justify the investment and often prioritise other jurisdictions.

The more immediate competition priority is to make both direct and indirect access more transparent, proportionate and accountable. The RBA should consider minimum expectations for published eligibility criteria, decision timeframes, reasons for refusal, service levels, pricing transparency, portability between sponsors, escalation mechanisms and compliance with scheme commitments. Capable non-bank providers should have credible pathways to greater functional access, but without weakening the controls necessary to protect the system.

Alignment to global standards can lower integration cost, particularly for multinational businesses, but the focus should be on common interfaces and outcomes rather than uniform products. ISO 20022 messaging alone does not remove the distinctive rules, consent models and operating flows of PayID and PayTo. Useful priorities include common APIs, status and error codes, data definitions, consent evidence, portability and service-level expectations. Providers should remain free to differentiate through orchestration, risk controls and user experience.

8. Enabling A2A to Compete at the Point of Payment

8.1 Standardised hand-off to the payer bank

The most valuable near-term intervention would be a standardised way for an e-commerce or point-of-sale experience to take a customer directly into a pre-populated payment journey in the customer's own bank, subject to the bank's normal authentication and approval, and then return the customer and payment outcome to the merchant.

This can support both a PayID push payment and approval of a PayTo Agreement. The amount, payee and reference can be populated from the purchase context, while the customer retains control and reviews the instruction inside the trusted banking environment. The merchant never receives the customer's banking credentials.

Today, many customers must leave the merchant journey, find and open their banking app, manually enter or paste payment details, complete the payment and then return to the merchant. The process is secure but unnecessarily fragmented. It creates errors and abandonment and makes A2A difficult to promote in use cases where the merchant is sensitive to conversion.

The RBA should support a mandatory, bank-agnostic standard for secure app links and web fallbacks, pre-population, customer review, authentication, return links and machine-readable confirmation. Consistent implementation by payer banks would materially improve competition without displacing the bank's role in authenticating and protecting its customer.

8.2 Real-time status and exception handling

Real-time payments create a reasonable expectation of real-time information, even where a bank decides that settlement should be delayed for risk review. A rare but impactful failure occurs when the payer's bank presents the payment as completed to the customer while the merchant receives no message that the payment has been initiated or held.

The incidence is low, but the impact is disproportionate. Large merchants are reluctant to adopt a payment method where even a small number of customers may reasonably believe their funds have disappeared between their bank and the merchant.

Payer banks must retain the ability to delay a transaction, protect customers and comply with tipping-off restrictions. Those needs do not require the payer and merchant to be left without a usable status. The system should support machine-readable and customer-friendly states such as received, pending review, settled, rejected and expired, together with appropriately general reason categories and expected next steps.

The RBA should set an end-to-end outcome standard and require the relevant scheme operators and participants to implement it. The standard should cover both parties to the payment and should not require disclosure of sensitive fraud rules or investigative information.

8. 3 Retail-grade performance and operating rules

In-person and attended online payments require low latency, high availability and a clear outcome while the customer is present. Current transaction volumes do not fully test how PayID, PayTo Agreement management and related messaging will perform if there is large-scale switching from cards. Capacity planning and retail service-level testing should occur before adoption accelerates.

The NPP supports concepts of high- and low-priority processing. The RBA should be alert to a model in which basic person-present performance becomes dependent on a premium priority tier, creating a new cost barrier to competition. Core retail performance should be available on fair terms.

Scheme rules and operating procedures for A2A retail use cases also need to mature. Merchants and PSPs require clear rules for payment status, disputes, liability, service levels and exception handling comparable in operational certainty - though not necessarily identical in substance - to those available in established card systems. Delays in agreeing operational rules on PayTo disputes currently are having severe impact on PayTo adoption.

9. Recommended Regulatory Priorities

1. **Effective platform neutrality.** Require transparent fees and integration terms, objective access criteria and reasonable experience parity for non-preferred payment methods on major integrated platforms.
2. **PayTo Agreement portability.** Set an enforceable industry implementation timetable before provider lock-in becomes embedded at greater scale.
3. **Standardised payer-bank hand-off.** Require secure deep linking, pre-population, authentication and return flows across payer banks for relevant PayID and PayTo journeys.
4. **End-to-end transaction status.** Establish consistent real-time states and communications for payments held, reviewed, settled or rejected, while preserving financial-crime controls and legal obligations.
5. **Open mobile and agentic payment choice.** Ensure dominant wallet, operating-system and agent platforms do not make safe alternative rails commercially or technically inaccessible; require transparency where agents select payment methods.

6. **Accountable A2A access and standards.** Improve transparency, timeframes, service levels, sponsor portability and enforcement for direct and indirect access, while maintaining proportionate trust and resilience requirements.
7. **Evidence-based review of merchant steering.** Measure whether surcharge reform is changing payment mix and total acceptance cost, and address structural barriers where merchants cannot practically act on lower-cost alternatives.

Several of these priorities may require coordination with Treasury, the ACCC, AP+, AusPayNet, financial regulators and industry participants. The amended PSRA gives the RBA an important ability to examine the payment-system effect of conduct that may sit across institutional boundaries. Where an issue is outside the RBA's formal powers, it should still identify the desired payment outcome and refer or coordinate the necessary action.

10. Conclusion

Australia has invested in real-time national payment infrastructure capable of providing a sovereign, safe, low-cost and resilient alternative to cards and legacy A2A systems. The priority now is to make those capabilities work reliably in the commerce environments where payment choices are made. Fair platform access, portability, consistent bank journeys, clear outcomes, open interfaces and accountable authorisation would allow innovation to compete while preserving the trust and safety expected of Australia's payments system.

Azupay welcomes the opportunity to engage further with the RBA on the issues raised in this submission.

Yours Sincerely,

TRundle

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