Review of Payments System Regulation: Issues Paper Submission by Block, Inc.

Block, Inc. (ASX: XYZ) is a global technology company that builds tools to help more people access the economy. In Australia, Block operates Square, a payment service provider and acquirer, and Afterpay, a buy now pay later provider.

Block welcomes the opportunity to respond to the Issues Paper and supports the Reserve Bank of Australia's (RBA's) continued efforts to deliver a competitive, innovative, stable and efficient payments system. In keeping with these aims, we have responded to the specific questions raised by the RBA and set out below a number of criteria relating to the prioritisation of potential future regulatory interventions.

Part A: Prioritising the issues raised in this Review

The Issues Paper identifies the characteristics of a well-functioning payments system as strong contestability, effective interoperability and appropriate standardisation. In support of this and the objectives of the payments system generally, Block puts forward these three criteria against which the priority of different segments and interventions should be measured.

1. Competitiveness: promotion of competitive markets, consumer choice and diversity of business models, recognising that competition is critical to maintaining safety, resilience and trust. Prioritise healthy market dynamics, which can course-correct more effectively than onerous obligations in low-competition environments.

2. Materiality: systemic issues and the largest segments warrant priority over issues confined to small providers. There should be a focus on essential payments infrastructure or where market barriers have consistently been unable to be overcome through normal competitive market processes.

3. Proportionality: interventions should be weighed against their effect on entry and competition, and require clear evidence of market failure, competition constraints, consumer harm or systemic risk. Priority should attach to issues for which targeted remedies are available: access requirements, transparency, non-discrimination and portability obligations.

Part B: Responses to questions

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?

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?

Maintaining a strong and competitive domestic debit network, including the rapidly expanding mobile environments, is critical for a competitive payments ecosystem as well as digital sovereignty.[1] This extends to both goals of a payments system in the public and national interests.

The eftpos system is operated by Australian Payments Plus (AP+), which is member-owned and governed by a number of major banks and incumbent payment system participants. Some of these members generally receive greater revenue from transactions that occur via Visa and Mastercard rails rather than the lower-cost eftpos rail. In addition, many of these banks directly compete with non-bank Payment Service Providers (PSPs) that rely on eftpos.

It has been identified previously that AP+ members who are both issuers and acquirers can have "mixed incentives"[2] in supporting eftpos and least-cost routing. On the issuing side, routing debit transactions to Mastercard or Visa, or issuing single-network Visa/Mastercard debit cards, can be more favourable, as those schemes can generate higher interchange revenue than eftpos. On the acquiring side, major banks face greater competitive pressure if eftpos routes high levels of transaction volumes at low cost to competing non-bank PSPs. Without appropriate guardrails, this poses the risk that AP+ members who compete with non-bank PSPs work against wider eftpos adoption.

To address this dynamic, the ACCC and RBA should consider stronger fair-access rights, governance protections to prevent member influence over commercial dealings with competitors, and greater independence for designated payment networks.

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?

Reducing tying conduct with merchants' banks can assist in lowering PSP switching barriers. In a survey of Australian small businesses conducted by the Initiatives Group and published as Appendix B to Block's December 2024 submission to the Review of Retail Payments Regulation, the leading reason

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[1] On the cost and strategic significance of domestic payments capability in comparable jurisdictions, see European Central Bank, *Preparation phase of a digital euro* – *Closing report*, October 2025, which estimates euro area banking sector implementation costs of EUR 4 billion to EUR 5.8 billion.

[2] Australian Competition and Consumer Commission, Determination MA1000020, 2021, which identified mixed incentives for issuers and acquirers to support eftpos.

for small businesses using their current PSP is that they are existing banking customers (37 per cent).[3] Business banking relationships can therefore create barriers to switching. One example is banks not providing same-day settlement unless the merchant also holds an account with the same bank.

More generally, switching barriers for PSPs remain low compared to other aspects of the payments ecosystem. For example, Square offers no lock-in contracts or monthly fees as part of its services, with a number of other PSPs also offering a similar style of product. In the same survey, merchants who had moved to Square gave price as the leading reason at 44 per cent, followed by terminal fees at 37 per cent, avoiding a lock-in contract at 25 per cent, avoiding complicated pricing on different types of card payments at 21 per cent, and avoiding having to hold an account with a specific bank at 21 per cent.[4] Square, as well as a number of other PSPs, also offers point-of-sale (POS) software without integrated payments functionality to small businesses for free. Small businesses can use this POS software with free or low-cost payment methods using New Payments Platform infrastructure.

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?

Increased competition among PSPs has compressed acquirer margins and contributed to lower merchant service fees, while scheme fees have risen and now account for a material share of acceptance costs.[5]
This is consistent with the RBA's finding that declines in merchant service fees (MSFs) have been driven by reductions in interchange and acquirer margins, while "scheme fees have risen over time, putting upward pressure on card payment costs for merchants."[6]

Bundling of payments with business software by PSPs has expanded the range of choice available to merchants and has been central to this trend. In a survey of Square merchants, over 75 per cent chose to use the POS software provided, with 'easy set up and use' identified as the most valued aspect of the service.[7] Having access to these services saves the average small business AUD $400 to AUD $1,680 a year compared with sourcing software from another provider.[8] This contributes to 77 per cent of merchants reporting satisfaction with their PSP, compared with only 44 per cent among those with traditional acquirer-issuers.[9] These benefits arise because merchants are free to adopt or decline these services at any time. Square's POS software, for example, is available without integrated payments and merchants can switch providers without lock-in contracts or exit fees.

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[3] The Initiatives Group, The exchange of payment: the most critical part of a small merchant's customer journey – a white paper on small and micro business payments acceptance, 2024.
[4] Ibid.
[5] RBA, Review of Merchant Card Payment Costs and Surcharging Conclusions Paper, March 2026
[6] RBA, Merchant Card Payment Costs and Surcharging Issues Paper, October 2024
[7] The Initiatives Group/eDentify, Market Research with Small Merchants in Australia on Payments Acceptance, 2024.
[8] Mandala Partners, Surcharging, Unit Economics and Competition Analysis, prepared for Block, Inc., December 2024, which records an average annual saving of AUD $1,680 for merchants using Square's embedded point-of-sale software. The AUD $400 to AUD $1,680 range is as stated in Block's December 2024 submission to the Review of Retail Payments Regulation.
[9] Mandala Partners, Surcharging, Unit Economics and Competition Analysis, prepared for Block, Inc., December 2024 (merchant survey, n = 402).

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 rollout of broad-based network tokenisation is an important development in the payments ecosystem. Critical to the take-up of tokenisation is ensuring portability and preventing significant fee increases for transitioning to network tokens. In Block's experience, there have been instances overseas where a fee applies to the first transaction after a card is updated. These fees will disincentivise take-up and likely push out tokenisation timeframes. The RBA should continue to set a clear expectation that network tokens be portable between providers without transaction or migration fees.

Token portability also connects directly to Q3 and Q4. Where tokenisation is performed at the acquirer level, a merchant's ability to route tokens to another acquirer can be constrained, which adds a switching barrier that is invisible in headline pricing.

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?

The competition, efficiency and safety of agent-mediated payments turn on the protocols agents transact on, not the AI models. A dominant agent or wallet controlling the payment-initiation protocol could preference its own methods or charge proprietary access fees, recreating the self-preferencing and switching concerns the Review examines elsewhere.

Open, published protocols can keep the agentic layer contestable, collapse bespoke integrations into a shared standard (as gRPC and the Model Context Protocol have done), and let consent and authorisation mechanisms be independently audited.

Efforts to accommodate this include supporting agent-initiated payments running on open, interoperable protocols; applying a same-activity, same-risk lens to proprietary arrangements that create gatekeeping; preserving existing safeguards, including routing choice and fair non-bank access to the New Payments Platform; and prioritising monitoring over premature restriction of a fast-moving technology.

Q8: Are there competition, efficiency and/or financial safety issues relating to three-party networks? If so, what regulatory action should the RBA consider? See Q9.

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?

Three-party networks are both issuer and acquirer, so they charge no interchange and sit outside the RBA's interchange regulation for that reason. Where the RBA has intervened on price in the four-party networks, and on surcharging, it has done so in systems that are effectively must-take for merchants. Intervention too early would undermine the RBA's competition objective, even when challengers potentially have a higher price for merchants than designated networks. Over time, the inability of small providers to compete increases overall payment costs.

Any interventions in three-party networks must meet the high bar of demonstrating that any provider has significant power in the retail payments market and is effectively 'must-take' for merchants. There is limited evidence that even the largest non-designated networks have met this threshold, let alone smaller challenger competitors.

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

As the Issues Paper notes, BNPL accounts for around 2 per cent of retail payments, against 72.7 per cent for cards, on the same measure of the number of consumer payments in 2025 (49.4 per cent debit and 23.3 per cent credit and charge). Block notes two limits on that figure: the 2025 Consumer Payments Survey no longer collects BNPL as a separate category, so the 2 per cent is an 'Other' category that also captures prepaid, gift and welfare cards, cheques, money orders and Cabcharge, and therefore overstates BNPL; and the survey measures consumer payments rather than all payments in the economy.[10] Its share is higher online. In the Conclusions Paper to the Review of Retail Payments Regulation of October 2021, the RBA estimated that BNPL accounted for about 20 per cent of the value of online retail transactions. That estimate is a sector aggregate on a value basis, calculated from data provided to the Bank by nine providers, and is not comparable with the figures above, which are shares of the number of payments.

In 2021 the Board concluded that it would be in the public interest for BNPL providers to remove their no-surcharge rules, and did not implement that conclusion because the Payment Systems (Regulation) Act did not then extend to those providers. Block accepts that the question is properly before the RBA in this Review, and puts to it that the position has moved since 2021. Even as the BNPL market has matured and become more prevalent in some segments, it continues to support the RBA's objectives, particularly relating to competition and efficiency. No BNPL provider, or the

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[10] RBA, 2025 Consumer Payments Survey, reported in S Kim and M Reschke, Consumer Payment Behaviour in Australia, [RBA Bulletin](), 28 May 2026, Graph 1.

category as a whole, has the characteristics that have resulted in the designation of card networks. Evidence for this is outlined below:

BNPL merchant fees are dropping faster than other retail payment costs

The clearest indicator that competition is working effectively in the BNPL market is seen in average fees declining from around 4.5 per cent in 2020 to around 3 per cent in 2025. This marks a drop of roughly one third over five years, noting that the series carries a break in December 2024 arising from a change in collection coverage, so the two endpoints are not drawn on a fully consistent basis. Block accepts that BNPL acceptance costs remain higher on average than card acceptance costs; the point here is the direction of travel. That direction has held while scheme fees, mobile wallet fees and e-commerce fees have increased, central banks have moved away from the close-to-zero interest rate environment of the early 2020s, and BNPL has become subject to consumer credit regulation, which has increased operating costs.

The BNPL market is competitive with a range of business models

Where BNPL accounts for a higher share of payments within a particular retail segment, it is important to recognise that this proportion is made up of a much wider variety of providers and business models than that of the designated schemes.

Merchants routinely offer multiple BNPL providers, with low switching costs. Some BNPL providers offer no additional costs to merchants over normal card transactions. Some allow merchants to surcharge customers for using their product, while others ensure customers are not charged at checkout for using their product. Some, like Afterpay, derive the vast majority of revenue from merchants, while others generate a far greater proportion of revenue from consumers. Importantly, this range of business models and BNPL products is available in addition to the broad range of traditional credit cards.

In segments where BNPL has a higher share of payments, there is a broad range of payment options and switching costs are very low. E-commerce and fashion retailers allow customers a wide range of payment options, with a wide variety of alternatives to BNPL products that customers can and do choose. This is reflected in the 2022 Consumer Payments Survey, in which around 90 per cent of consumers said it was important or very important that a merchant accepts debit cards, while only around one-third said the same of BNPL acceptance for large purchases.[11] The RBA's study of consumer behaviour found around 80 per cent of BNPL customers would have used another payment method, most often a debit card, with a further 17 per cent saying they would have cancelled the purchase.[12] Another survey found 32 per cent of BNPL users would have incurred credit card costs if BNPL was not available.[13] Consumers are also not tied to one BNPL provider: the RBA found in 2022 that consumers holding a BNPL account held two accounts on average.[14]

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[11] RBA, The Evolution of Consumer Payments in Australia: Results from the 2022 Consumer Payments Survey, Research Discussion Paper 2023-08, Figure 4.

[12] RBA, Developments in the Buy Now, Pay Later Market, Bulletin, March 2021, Box B: BNPL acceptance and surcharging: Insights from the 2019 CPS.

[13] AFIA, The Economic Impact of Buy Now Pay Later in Australia, June 2022, prepared by BIS Oxford Economics.

[14] RBA, The Evolution of Consumer Payments in Australia: Results from the 2022 Consumer Payments Survey, Research Discussion Paper 2023-08, section 8.3: "Of those consumers with a BNPL account, BNPL users held two accounts on average."

Even in segments where BNPL is a comparatively popular payment method, both merchants and consumers are exhibiting behaviour consistent with a competitive and functioning marketplace. Merchants choose which, if any, BNPL products they wish to offer, with customers overwhelmingly choosing other payment options, should they not offer any one particular product.

BNPL is increasing competition and choice in the consumer credit market

BNPL is a regulated consumer credit product similar to credit cards. It is not a market in its own right; it is a small segment of the broader consumer credit market. This is a market that has historically had limited competition, with the four major banks holding 93.5 per cent of ADI-issued household credit card balances as at June 2026.[15] The entry and growth of BNPL providers has expanded choice and competitive pressure in this market.

Payment efficiency should consider consumer and merchant costs holistically

Merchant payment cost is only half of the equation relating to consumer credit products. Cost to the consumer in the form of account fees and interest charges represents a significant portion of the total cost of consumer credit, where BNPL has delivered significantly greater choice and consumer benefit. AFIA has estimated the gross benefit to consumers from using BNPL at AUD $422 million in FY23, and AUD $109 million net of fees including late fees, drawing on data from the seven Code signatory providers that account for close to 75 per cent of the BNPL market.[16] That estimate measures net consumer benefit rather than a comparison against the cost of credit cards, and it predates the commencement of the credit regime. While recognising that this has traditionally been broader than the RBA's remit, under the broader payments regulatory perimeter these consumer factors must be incorporated to provide an accurate assessment of efficiency and competition.

Merchants directly negotiate with BNPL providers

One of the central reasons for interchange caps is that these fees are often wholesale costs that most merchants cannot negotiate, or even see. A merchant's relationship with a BNPL provider generally does not share these characteristics. For example, Afterpay contracts bilaterally with each merchant at a negotiated fee, and the merchant weighs that cost against the expected return before agreeing to offer the product. Merchants also offer multiple different providers with various commercial models and low switching costs. This direct negotiation means that the ability to exert pricing pressure and negotiate rates is distinctly different from a merchant's position on interchange in a four-party card network.

Many BNPL providers use existing card networks where interchange caps already apply

Many BNPL products are a value-added service that makes use of card network infrastructure, not an alternative to it. Transactions using Afterpay in person, for example, are still conducted via a card network and are subject to interchange fee caps like any other card-based payment method.

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[15] APRA, Monthly Authorised Deposit-taking Institution Statistics, Table 2, June 2026. The measure covers ADI issuers and therefore excludes American Express.

[16] AFIA, The Economic Impact of Buy Now Pay Later in Australia, 2024.

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?

As the Issues Paper highlights, eligibility criteria for direct access to A2A payment systems generally favour authorised deposit-taking institutions, and there are limited options for non-bank PSPs to participate directly. The process for obtaining access is lengthy, costly and uncertain. In practice, this forces non-bank PSPs into indirect access arrangements, which means depending on the same major banks with which they compete, and bearing the fees and technical constraints those intermediaries impose.

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 National Competition Policy Review indicated that greater uptake of account-to-account payments would result in a 0.02 per cent increase in real GDP (AUD $445 million) and a reduction in consumer prices of 0.06 per cent due to reduced payment costs.[17] As recommended by the Competition Review, expanding direct NPP access to non-ADIs and implementing cost recovery pricing can further increase adoption.

To achieve this, the RBA should make direct access to the NPP genuinely available to non-bank PSPs, including by reviewing eligibility criteria that favour ADIs, streamlining and providing certainty around the onboarding process, further broadening access to Exchange Settlement Accounts and ensuring the costs of access are fair and transparent.

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?

Answered together with Q14 below: the barrier Block would have the RBA address is the absence of a common acceptance interface for account-to-account payments at the point of sale.

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

Appropriate standardisation can lower entry costs for new providers, enable switching and improve interoperability, provided it does not become so prescriptive that it constrains product differentiation and innovation. Central to this is developing a common acceptance interface for A2A payments at the point of sale.

[17] Productivity Commission, National Competition Policy: modelling proposed reforms, study report, 2024.

Q17: What role could the RBA play in supporting and coordinating industry-wide cryptographic uplifts in the payments system, while avoiding both duplication and undermining existing domestic and international standards, regulatory frameworks or industry-led initiatives?

Block supports the RBA setting a minimum cryptographic standard for the payments system, provided that it is concise, that it references established international standards rather than creating novel Australian requirements, and that it applies with risk-assessed flexibility across clearing streams that present different risk and economic profiles. A standard set by the RBA would apply to all participants irrespective of industry program membership, closing coverage gaps in existing arrangements whose authorisation extends only to the issuing and acquiring community. Implementation and ongoing coordination should remain industry-led, with the RBA's role focused on setting a durable baseline expectation while avoiding duplication of domestic and international standards or industry-led initiatives.

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?

The card-not-present (CNP) framework has successfully reduced fraud at domestic merchants but does not reach overseas merchants, where fraud remains a concern. CNP fraud was around 89 per cent of the value of fraud on Australian-issued cards in CY2024.[18] Overseas merchants and acquirers cannot be sanctioned, and in the same year CNP transactions at overseas merchants accounted for half of all card fraud on Australian-issued cards despite representing only around 3 per cent of transaction value.[19] That concentration of fraud in a small, unaddressed segment is the core issue.

The consequences fall on Australian participants. As the Issues Paper notes, the costs of fraud, and of managing disputes and chargebacks, are ultimately borne by Australian merchants and consumers through the pricing of payment services, and persistently high fraud can erode trust in cards and push consumers toward more expensive or less secure alternatives. Block encourages the RBA to work with AusPayNet, card schemes and international counterparts to extend the discipline of the CNP framework to transactions acquired offshore.

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?

As set out in Part A, the RBA should adopt and publish an explicit prioritisation framework and publish its assessment of each issue against that framework. It should also publish indicators that would cause a monitored issue to be re-prioritised, alongside its regulatory priorities at the end of 2026.

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[18] AusPayNet, Fraud Statistics, January to December 2024: total card fraud on Australian-issued cards rose 20 per cent to AUD $913 million, of which card-not-present fraud was AUD $816 million, or approximately 89 per cent.

[19] RBA, Review of Payments System Regulation: Issues Paper, 2026