Level 27, Tower 1
International Towers
100 Barangaroo Ave
Sydney NSW 2000

21 August 2026

Mr Ellis Connolly
Head of Payments
Policy Department
Reserve Bank of Australia
GPO Box 3947
Sydney NSW 2001

By email: pysubmissions@rba.gov.au

Dear Mr Connolly,

RBA Review of Payments System Regulation

Introduction

FinTech Australia welcomes the opportunity to make a submission to the Reserve Bank of Australia's Review of Payments System Regulation. As the peak industry body representing Australia's fintech sector, we strongly support the Reserve Bank's commitment to ensuring Australia's payments regulatory framework continues to promote competition, efficiency, safety and innovation in the public interest.

Australia's payments ecosystem is undergoing its most significant transformation in decades. Payments are increasingly embedded within software platforms, digital wallets, account-to-account payment systems, digital identity services and emerging technologies such as artificial intelligence. At the same time, the Government is implementing major reforms across payment licensing, digital assets, the Consumer Data Right, Digital ID, scams prevention and anti-money laundering regulation.

These reforms create an important opportunity to ensure Australia's payments framework remains internationally competitive and capable of supporting innovation. They also make regulatory coordination and simplification particularly important. Payment providers, especially smaller firms, are already implementing substantial changes across licensing, safeguarding, scams prevention, data sharing, digital identity, digital assets and financial crime regulation. Where existing or forthcoming frameworks can address an issue effectively, the Reserve Bank should seek to use or complement those frameworks rather than create additional and potentially overlapping regulatory requirements. This will help avoid unnecessary compliance costs and cumulative barriers to competition.

FinTech Australia considers that this Review should focus on ensuring regulatory settings continue to promote competition on the merits while remaining technology-neutral, proportionate and evidence-based. As payments evolve, effective competition depends on practical access to infrastructure, interoperability, commercial participation arrangements and digital platforms, as well as formal access to payment systems.

Executive Summary

FinTech Australia supports the Reserve Bank's continued role in promoting competition and efficiency across Australia's payments system. While this submission addresses the breadth of issues raised in the Issues Paper, we consider that two areas warrant particular attention in this Review: competition and access in mobile wallet ecosystems, and the development of a more open and competitive account-to-account (A2A) payments ecosystem. These are areas where targeted action by the Reserve Bank could materially improve competitive conditions and support greater fintech participation.

First, FinTech Australia considers that mobile wallet ecosystems have become a significant competition issue requiring more active consideration by the Reserve Bank. Access to mobile wallets, operating systems and device functionality increasingly affects the ability of issuers and payment service providers to compete, while wallet fees represent a material cost of card issuance that sits outside the existing regulatory framework. This is particularly significant for smaller issuers, which face higher overall issuing costs and have less capacity to absorb wallet fees as interchange revenue is reduced. FinTech Australia recommends that the Reserve Bank designate the payment systems or arrangements through which significant mobile-wallet ecosystems control access to mobile payment functionality and, following consultation, establish an access regime requiring access on fair, reasonable and non-discriminatory terms. The Reserve Bank should also improve transparency around mobile wallet pricing across the payments value chain, including its interaction with interchange regulation and the extent to which wallet-related costs flow through acquiring arrangements to merchants.

Secondly, FinTech Australia considers that the Review provides an important opportunity to address longstanding barriers to fintech participation in Australia's A2A payments ecosystem. The NPP and PayTo have significant potential to provide a competitive alternative to cards and support new payment services, but that potential will be constrained if innovative non-bank providers remain dependent on incumbent institutions for access, settlement and key participation arrangements. FinTech Australia recommends that the Reserve Bank designate the NPP under the PSRA and commence a public consultation on an NPP access regime, working alongside Treasury's development of Common Access Requirements under Tranche 2 of the PSP reforms. The Reserve Bank should also examine more proportionate settlement pathways for appropriately regulated non-bank PSPs, improve transparency and non-bank representation in NPP governance and strategic decision-making, and address participation and liability arrangements that may weaken the business case for fintech investment in A2A services. In parallel, the Reserve Bank should address material inconsistencies in PayTo settings and support clear and proportionate consumer-protection, dispute-resolution and liability arrangements that build confidence in A2A payments while preserving their capacity to compete with cards.

These priorities sit within a broader approach to payments regulation centred on competition, merchant choice and proportionate intervention. FinTech Australia supports the continued availability and broad implementation of least-cost routing across physical, mobile and online environments, including action to preserve effective merchant routing choice as technologies and scheme capabilities evolve.

Across several other issues raised in the Issues Paper, FinTech Australia considers that the evidence does not presently support additional prescriptive regulation. This includes bundled and integrated payment services, token portability, BNPL and emerging technologies such as digital assets. Agentic commerce raises emerging questions concerning delegated authority, liability, dispute resolution, transparency and scams, but these should initially be addressed through industry dialogue, coordination with broader digital economy reforms and evidence-gathering rather than bespoke payments regulation.

Regulatory coherence will become increasingly important as reforms continue across the payments ecosystem. Payment providers are now subject to overlapping obligations concerning licensing, safeguarding, operational resilience, scams prevention, data sharing and financial crime compliance. The Reserve Bank should ensure that any future intervention complements these reforms, avoids unnecessary duplication and provides participants with a coherent and predictable regulatory framework.

Taken together, these recommendations seek to ensure Australia's payments system remains open to innovation while preserving confidence, resilience and financial stability. In particular, improving competitive conditions in mobile wallet ecosystems and removing unnecessary barriers to fintech participation in A2A payments would address two increasingly important determinants of competition in Australia's payments system. Competition is driven by the ability of innovative firms to participate effectively across the payments ecosystem. Maintaining that competitive environment will be critical to improving productivity, supporting investment and ensuring Australian consumers and businesses continue to benefit from world-leading payment services.

Conclusion and next steps

FinTech Australia appreciates the opportunity to contribute to the Review of Payments System Regulation and welcomes the Reserve Bank's continued engagement with industry on these important issues. We hope this submission assists the Reserve Bank in considering how Australia's payments regulatory framework can continue to promote competition, efficiency and innovation while maintaining the safety and integrity of the payments system.

We would welcome the opportunity to meet with you or your team to discuss the issues raised in this submission and to continue working collaboratively as the Review progresses. To arrange a meeting, please contact Jack Morgan, Head of Policy, at policy@fintechaustralia.org.au.

Yours sincerely

Rehan D’Almeida
CEO
FinTech Australia

FinTech Australia

RBA Review of Payments System Regulation – Issues Paper Submission

August 2026

About FinTech Australia

FinTech Australia is the peak industry body for Australia's fintech sector.

Our members span the breadth of Australia's financial technology ecosystem, including payment service providers, payment facilitators, digital banks, lenders, wealth technology firms, digital asset businesses, regtech providers, consumer data recipients, software platforms, payment infrastructure providers, and investors. Collectively, they represent organisations operating across virtually every component of Australia's modern payments ecosystem.

FinTech Australia's role is to advocate for public policy settings that encourage innovation, competition and productivity while maintaining appropriate consumer protections and financial system integrity. We work closely with Commonwealth departments and agencies, including the Reserve Bank of Australia, Treasury, ASIC, APRA, the ACCC and AUSTRAC, alongside Parliament, consumer groups and other industry stakeholders to develop practical, evidence-based policy reforms.

FinTech Australia would like to recognise the support of our policy partners, who assist in the development of our submissions:

- Allens;
- Ashurst Perkins Coie;
- DLA Piper;
- Gadens;
- Mallesons; and
- K&L Gates.

About this submission

This document was created by FinTech Australia in consultation with its members.

Our policy positions are informed through extensive consultation with members, including policy working groups, formal consultation processes, member roundtables and engagement with businesses ranging from early-stage startups through to established financial institutions and listed companies.

This submission has been informed by:

- targeted consultation with payment service providers, payment facilitators, infrastructure providers and technology companies;

- discussions with legal and regulatory experts;

- previous FinTech Australia submissions relating to payments, payment licensing, scams prevention and financial system reform; and

- relevant government inquiries, independent reviews and research concerning competition, payments and financial innovation.

While many of our members operate within payments, this submission is not intended to advance the commercial interests of any individual business model or market participant. Rather, it seeks to identify regulatory settings that promote efficient, competitive and innovative payment markets for the benefit of consumers, merchants and the broader Australian economy.

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List of recommendations

Recommendation 1

The Reserve Bank should:

A. *continue to support broad implementation of least-cost routing across physical, mobile and online payment environments;*
B. *improve transparency regarding the availability and enablement of least-cost routing;*
C. *distinguish between avoidable competitive restrictions and legitimate technical or commercial implementation constraints;*
D. *monitor emerging checkout technologies to ensure merchants retain effective routing choice; and*
E. *examine the competitive implications of the withdrawal or unavailability of foundational scheme capabilities, including card-matching functionality.*

Recommendation 2

The Reserve Bank should:

A. *continue monitoring potential competition, efficiency and financial safety issues within integrated payment ecosystems; and*
B. *not prioritise intervention in relation to bundled or integrated payment services at this time, given the demonstrated benefits of these models for competition, efficiency and financial safety in the Australian payments system.*

Recommendation 3

The Reserve Bank should:

A. *support continued industry-led development of token portability solutions, including the possible expansion of AusPayNet's Standard for Payment Service Provider Porting of Merchant Payment-Related Data to address token portability; and*
B. *not intervene with regulatory action on token portability at this time.*

Recommendation 4

The Reserve Bank should:

A. designate under the Payment Systems (Regulation) Act 1998 the payment systems or arrangements through which significant mobile-wallet ecosystems control access to mobile payment functionality;
B. following public consultation, establish an access regime for any designated system requiring that eligible payment service providers be given access to relevant wallet, operating-system and device functionality on fair, reasonable and non-discriminatory terms;
C. commence the process of identifying significant mobile wallet ecosystems for potential designation within 12 months and establish an indicative timeline for consultation and implementation to provide the industry with certainty regarding the regulatory pathway and avoid open-ended processes that entrench existing access restrictions ;
D. require greater transparency regarding the pricing and structure of mobile wallet services across the payments value chain, and assess whether current access pricing, including its interaction with reduced interchange revenue and any material pass-through to acquiring costs, supports effective competition for issuers and merchants;
E. ensure any resulting framework is outcomes-based and technology-neutral, and remains adaptable to future payment methods including account-to-account payments; and
F. coordinate with the ACCC and Treasury on the development of Australia's proposed digital competition regime, to ensure consistency should its scope evolve to intersect with payments infrastructure.

Recommendation 5

The Reserve Bank should:

A. confirm that the expanded scope of the Payment Systems (Regulation) Act 1998 does not imply that a broader range of payment systems will routinely be designated;
B. continue to reserve designation for circumstances where there is clear evidence that intervention would advance the statutory public interest objectives;
C. recognise that small closed-loop and three-party payment systems often enhance competition and innovation rather than giving rise to systemic competition concerns; and
D. avoid imposing regulatory obligations on emerging payment schemes that are disproportionate to their scale, market position and competitive impact.

Recommendation 6

The Reserve Bank should:

A. work with AusPayNet, card networks and industry to strengthen the evidence base regarding overseas card-not-present fraud;
B. support coordinated and risk-based fraud mitigation measures;
C. encourage greater international cooperation; and

D. avoid measures that unnecessarily disrupt legitimate cross-border commerce.

Recommendation 7

The Reserve Bank should:

A. examine whether existing chargeback arrangements operate efficiently and transparently;
B. encourage greater consistency in liability allocation and dispute processes where appropriate;
C. preserve chargebacks as a legitimate source of product differentiation; and
D. avoid imposing identical dispute-resolution mechanisms across materially different payment methods.

Recommendation 8

The Reserve Bank should:

A. recognise that BNPL products are now subject to a substantially strengthened regulatory framework under the National Consumer Credit Protection Act 2009, administered by ASIC;
B. allow sufficient time for those reforms to be implemented and evaluated before considering whether additional intervention under the PSRA is necessary;
C. assess any future proposal for designation by reference to the statutory public interest criteria in section 8 of the PSRA, including whether existing regulatory frameworks are already adequately addressing the relevant policy concerns;
D. avoid duplicative regulation unless there is clear evidence that intervention under the PSRA would produce material additional benefits in terms of competition, efficiency, financial safety or financial system stability; and
E. continue to monitor developments within the BNPL sector and review its approach should future evidence demonstrate that additional intervention is warranted.

Recommendation 9

The Reserve Bank should:

A. improve transparency regarding institution-specific PayTo settings, including transaction limits, merchant restrictions and fraud controls, assess whether material differences are justified and proportionate, and require participating financial institutions to address inconsistencies demonstrated to be unnecessarily constraining competition within clear indicative timeframes, with the Reserve Bank signalling its willingness to intervene under the PSRA if effective outcomes are not achieved within a reasonable period;
B. work with industry to develop clear and proportionate consumer-protection, dispute-resolution and liability arrangements for A2A payments, including appropriate mechanisms for managing ongoing payment authorities and transaction disputes, in a manner complementary to the Scams Prevention Framework and capable of supporting consumer confidence without simply replicating card-scheme rules;
C. monitor whether liability allocation and indemnity requirements within NPP participation arrangements are becoming a barrier to effective participation, particularly where they allocate risks beyond a participant's reasonable ability to manage them;

D. maintain competitive neutrality between cards and A2A payments, ensuring regulatory treatment is proportionate to the risks each presents rather than requiring one payment method to replicate the other's technical or commercial characteristics;
E. facilitate an industry-led process to examine the case for a common, interoperable and technology-neutral standard for QR-based payments.

Recommendation 10

The Reserve Bank should:

A. designate the NPP as a payment system under the Payment Systems (Regulation) Act 1998;
B. open a public consultation on an access regime for the NPP, including considering incorporating the Common Access Requirements anticipated under Tranche 2 as a baseline together with any additional requirements necessary to address the NPP's particular risks, and inviting industry submissions on the practical, commercial and technical barriers to participation identified in this submission;
C. examine whether tiered or functionally limited settlement arrangements could enable appropriately regulated non-ADI payment service providers to participate more directly in real-time settlement without requiring full Exchange Settlement Account status, drawing on international models such as the Bank of England's approach to non-bank PSP settlement access, and having regard to the competition and resilience benefits of reducing excessive dependence on a small number of settlement sponsors;
D. promote greater transparency and broader industry representation in NPP governance and strategic decision-making, including by:
  i. publishing key decisions and relevant governance meeting minutes;
  ii. providing appropriately regulated non-bank PSPs with direct opportunities to contribute to Reserve Bank and industry discussions concerning the strategic development of the NPP, PayTo and A2A payments; and
  iii. ensuring consultation arrangements do not unnecessarily require non-bank PSP perspectives to be mediated through direct NPP participants;
E. work with Treasury as Tranche 2 of the PSP reforms develops, to ensure Common Access Requirements and the Reserve Bank's own access regime remain complementary; and
F. undertake further evidence-gathering on the practical legal, commercial, operational and technical barriers to NPP participation.

Recommendation 11

The Reserve Bank should:

A. continue monitoring agentic commerce, with particular attention to delegated authority, agent identity, liability, dispute resolution, transparency, data visibility and scams and fraud;
B. facilitate industry dialogue on these emerging issues and coordinate with Treasury, ASIC and other relevant regulators to identify any genuine gaps in existing frameworks;
C. monitor relevant international developments and encourage open and interoperable technical standards; and

D. *avoid AI-specific payments regulation unless practical experience establishes a clear public interest case for intervention.*

Recommendation 12

The Reserve Bank should:

A. *monitor developments in cryptographic resilience and authentication;*
B. *work closely with specialist cybersecurity agencies and international standards bodies;*
C. *assess payments system implications rather than developing technical cryptographic standards; and*
D. *support coordinated migration toward evolving international security standards.*

Recommendation 13

The Reserve Bank should:

A. *continue to support the development of Consumer Data Right payment initiation and monitor its implications for competition, efficiency and innovation within the payments system;*
B. *engage with Treasury and other responsible agencies to support coordinated implementation of Action Initiation, expansion of high-value datasets including Australian Taxation Office data, and integration with Australia's Digital ID framework;*
C. *advocate for the timely expansion of Action Initiation to support broader payment use cases, including variable recurring payments and merchant-initiated transactions; and*
D. *monitor whether appropriately authorised non-ADI payment service providers can access payment initiation functionality on fair and non-discriminatory terms.*

Recommendation 14

The Reserve Bank should support the use of Australia's Digital ID framework as enabling infrastructure for the payments system where appropriate, while continuing to work with Treasury, the Digital ID Regulator and industry to ensure that payments regulation remains aligned with broader economy-wide digital identity reforms.

Recommendation 15

The Reserve Bank should:

A. *continue to monitor stablecoins, tokenised settlement and other emerging payment technologies, including their implications for competition, efficiency, safety and resilience;*
B. *work closely with Treasury, ASIC, industry and international counterparts as these technologies and their regulatory frameworks develop;*
C. *avoid additional payments-specific regulation until there is a demonstrated case for intervention, taking account of the implementation of the Digital Asset Framework and Payment Service Provider reforms; and*
D. *consider whether existing regulatory sandbox or innovation-facilitation mechanisms can support the safe testing of stablecoin-based and tokenised payment products while regulatory settings continue to develop.*

Part I. Competition through innovation

1.1 Australia's payments system is entering a new phase of competition

Australia's payments system is undergoing one of its most significant periods of transformation since the introduction of real-time payments. Consumers and businesses increasingly expect payments to be immediate, embedded within digital experiences, secure by design and capable of supporting new forms of commerce. At the same time, technological innovation is reshaping how payment services are delivered, enabling a wider range of participants to compete across functions that were previously performed by a relatively small number of incumbent institutions.

This transformation is occurring alongside an ambitious program of Government reform. Treasury is modernising the regulatory framework for payment service providers through the establishment of a new licensing regime. The Consumer Data Right (**CDR**) continues to expand, creating new opportunities for data-enabled financial services and competition. The New Payments Platform (**NPP**) continues to mature, while developments in digital identity, digital assets and artificial intelligence are reshaping the broader financial services landscape. The Government is also implementing a new Scams Prevention Framework, implementing significant reforms to Australia's anti-money laundering and counter-terrorism financing (**AML/CTF**) regime, and progressing a comprehensive regulatory framework for digital asset and tokenised custody platforms. Collectively, these reforms seek to strengthen consumer protection, improve financial system integrity and provide greater regulatory certainty for emerging payment technologies. Together, these reforms have the potential to fundamentally change how Australians initiate, authenticate and settle payments.

These developments create significant opportunities for greater competition, innovation and productivity. They also raise important questions about whether Australia's payments regulatory framework remains appropriately calibrated to support these outcomes. In our view, the core challenge will be ensuring underlying market settings allow innovative business models to compete on their merits, while maintaining confidence, resilience and stability across the payments ecosystem.

Supporting innovation requires more than removing unnecessary barriers to entry. It also requires a regulatory framework that provides sufficient certainty for businesses to invest confidently in new products, infrastructure and business models. Regulatory certainty has two related dimensions. Providers require clarity about the obligations that apply to their activities, but they also require sufficient certainty that compliant business models can remain commercially viable under those settings. A framework may be legally clear but still inhibit competition where the cumulative effect of access costs, liability arrangements, infrastructure requirements and overlapping regulation makes entry or continued participation uneconomic. Both dimensions should inform the Reserve Bank's assessment of competition and efficiency under the PSRA.

The Reserve Bank of Australia's Review of Payments System Regulation provides an important opportunity to assess whether existing regulatory settings continue to promote the objectives of the *Payment Systems (Regulation) Act 1998* (**PSRA**). While many elements of Australia's payments system have performed well, structural changes across the market mean that competition now depends on factors beyond traditional payment infrastructure. Access to digital platforms, interoperability between payment systems, commercial participation arrangements, governance frameworks and technical standards are becoming more important determinants of whether innovative firms can successfully enter and compete within Australian payments markets.

Payments regulation also has implications extending well beyond the payments sector. Efficient and innovative payment services reduce transaction costs, improve cash flow, simplify reconciliation and enable greater automation across the economy.

The broader economic significance of fintech reinforces this point. [Research by Deloitte] commissioned by FinTech Australia found that the fintech sector directly contributed $13.6 billion to Australian GDP in 2024–25 and directly employed approximately 50,200 people. Almost 80 per cent of surveyed fintech businesses identified improved business productivity as their primary form of value creation, including through digitised workflows, reduced fraud, lower transaction costs, improved data quality and automation. In FinTech Australia’s view, payments policy should recognise that barriers to financial innovation can constrain productivity and competition across the wider economy.

Against this backdrop, FinTech Australia considers that the central objective of this review should be to ensure that Australia's payments regulatory framework remains competition-enhancing, technology-neutral and capable of supporting continued innovation, while preserving the safety, resilience and integrity of the payments system.

1.2 The changing nature of competition in payments

Australia's payments system has historically been characterised by strong institutions, high levels of trust and comparatively efficient electronic payment infrastructure. These foundations have supported significant innovation over recent decades, including the widespread adoption of contactless payments, the development of the NPP and continued growth in digital commerce.

Increasingly, however, competition is shifting away from traditional payment instruments themselves towards the broader ecosystems within which payments occur.

Consumers no longer simply choose between different cards or bank accounts. Payment experiences are to a greater extent being shaped by digital wallets, mobile operating systems, application programming interfaces (**APIs**), software platforms, identity services, embedded finance solutions and both card and account-to-account payment capabilities. Merchants also assess payment providers across a much wider range of factors than transaction cost, including software integration, fraud management, reconciliation, data and customer experience.

This evolution has significant implications for regulation.

Traditional approaches to payments regulation have often focused on individual payment systems or infrastructure providers. While these remain important, competition outcomes are now influenced by interactions across multiple layers of the payments ecosystem. A participant's ability to compete may depend as much on access to mobile device functionality, technical interoperability, governance arrangements or commercial onboarding processes as on formal access to payment rails themselves.

Accordingly, assessments of competition should increasingly consider the practical conditions under which innovative firms are able to participate, rather than focusing solely on whether formal legal access exists.

For example, the legal ability to participate in a payment system may provide limited practical benefit where onboarding processes are unnecessarily complex, sponsorship arrangements remain commercially inaccessible, technical integration costs are prohibitive or governance arrangements limit meaningful participation by newer entrants. Likewise, nominal interoperability between systems may fail to deliver competitive outcomes where commercial incentives discourage its effective utilisation.

Practical participation may also depend upon continued access to banking infrastructure. Under the Government's proposed payment service provider licensing framework, many payment providers will be required to safeguard customer funds through authorised deposit-taking institutions. Access to appropriate banking services is therefore becoming a practical precondition to participation in Australia's payments ecosystem. While decisions regarding customer relationships remain matters for individual financial institutions, the Reserve Bank should recognise that unnecessary barriers to banking access may have broader implications for competition, innovation and the effective operation of payment systems.

The Reserve Bank has historically recognised that competition, efficiency and innovation are mutually reinforcing objectives under the PSRA. FinTech Australia considers this relationship will become increasingly important as Australia's payments ecosystem continues to evolve.

Part II. The Reserve Bank's role in an evolving payments ecosystem

Australia's payments system is entering a period of sustained structural change. Innovation is progressively occurring beyond traditional payment rails and financial institutions, across mobile wallets, account-to-account payment solutions, digital platforms, software ecosystems, embedded finance, digital identity services and emerging forms of digital value transfer. These developments are changing how consumers and businesses make payments and the conditions under which payment service providers compete.

The recent amendments to the PSRA recognise this evolution. The reforms modernise the legislative framework by expanding the definitions of payment system and participant, ensuring the Act remains technology-neutral and capable of capturing new business models, payment technologies and participants across the payments value chain. The [Explanatory Memorandum] explains that these reforms are intended to ensure the regulatory framework remains fit for purpose as the payments ecosystem evolves, rather than being constrained by definitions developed for an earlier generation of payment systems.

These amendments substantially broaden the range of payment systems and participants that may fall within the Reserve Bank's jurisdiction. Importantly, however, they do not alter the statutory framework governing when the Reserve Bank should exercise its regulatory powers.

That distinction should underpin this Review.

2.1 The public interest as the organising principle of the Review

The Reserve Bank's principal regulatory powers under the PSRA – including the power to designate payment systems, impose access regimes, determine standards, give directions and arbitrate disputes – ultimately depend upon whether the relevant action is in the public interest.

Section 8 of the PSRA provides that, in determining whether particular action is in the public interest, the Reserve Bank must have regard to the desirability of payment systems:

- being financially safe for use by participants;
- being efficient;
- being competitive; and
- not materially causing or contributing to increased risk to the financial system.

The Reserve Bank may also have regard to any other matters that it considers relevant.

These statutory considerations should provide the organising framework for this Review.

The central question is therefore not whether emerging technologies, payment systems or business models are sufficiently novel to warrant regulation. Rather, it is whether developments within Australia's evolving payments ecosystem give rise to public interest concerns relating to financial safety, efficiency, competition or financial system risk that justify the exercise of the Reserve Bank's powers under the PSRA.

This distinction is particularly significant following the 2025 reforms. While Parliament substantially expanded the scope of arrangements capable of being regulated, it deliberately retained the existing public interest framework. The Explanatory Memorandum makes clear that the reforms were intended to ensure that the Reserve Bank's regulatory framework remained capable of responding to developments across an increasingly diverse payments ecosystem, rather than broadening the substantive basis upon which regulation would be justified.

Accordingly, the emergence of a new payment system, technology or participant does not, of itself, justify regulatory intervention. What matters is whether there is credible evidence that intervention would advance one or more of the statutory objectives identified in section 8.

2.2 Applying the public interest test

The statutory public interest test establishes what the Reserve Bank must consider. Equally important is how those considerations should be applied in the context of a more complex and interconnected payments ecosystem.

FinTech Australia considers that the following principles should guide the Reserve Bank's consideration of whether designation or other regulatory intervention is warranted.

1. Regulation should promote competition on the merits

Regulatory settings should seek to remove unnecessary structural barriers that prevent businesses from competing through better products, services or technology. Intervention should focus on ensuring markets remain contestable, rather than favouring particular business models or participants.

The existence of multiple providers is an important indicator of competition, but it should not be the sole consideration. The Reserve Bank's assessment should also consider whether market participants are able to compete effectively, including whether governance arrangements, technical integration requirements, commercial participation models or other structural features create unnecessary barriers to entry, expansion or innovation. Equally, differences in commercial outcomes between participants do not necessarily indicate a competition concern where those outcomes reflect effective competition on the merits.

2. Regulation should remain technology-neutral

The regulatory framework should accommodate evolving payment technologies without prescribing preferred technical solutions wherever possible. Comparable activities presenting comparable risks should generally be subject to comparable regulatory outcomes.

The recent amendments to the PSRA reinforce this principle by modernising the legislative framework to accommodate a broader range of payment systems and participants without favouring particular technologies or business models. As new forms of payment continue to emerge, the Reserve Bank's regulatory approach should remain sufficiently flexible to support innovation while maintaining appropriate safeguards.

3. Regulation should support interoperability

Increasingly, consumer and merchant outcomes depend upon the ability of different payment systems, digital platforms and service providers to interact efficiently. Interoperability should therefore remain a central consideration across payments policy.

Formal access to a payment system may not be sufficient where technical integration, governance arrangements, commercial onboarding processes or proprietary technologies continue to impede effective participation. Accordingly, the Reserve Bank should consider both formal and practical barriers when assessing whether regulatory intervention would improve competition or efficiency.

4. Regulation should be proportionate and evidence-based

Intervention should be supported by credible evidence of material harm, structural impediments or risks relating to competition, efficiency, financial safety or financial-system stability. The nature and strength of the evidence required should reflect the significance and intrusiveness of the proposed regulatory response. Regulatory responses should be proportionate to those risks and regularly reviewed as markets evolve.

The expansion of the Reserve Bank's jurisdiction should not create an expectation that a broader range of payment systems will necessarily be subject to greater regulatory intervention. Rather, designation should remain a purposeful regulatory step, supported by evidence that intervention would advance the statutory public interest objectives.

5. Regulation should complement broader Government reforms

This Review occurs alongside substantial reforms led by Treasury and other agencies. The Reserve Bank should seek to ensure that its future regulatory approach complements these reforms, avoids unnecessary duplication and provides market participants with a coherent and predictable regulatory framework.

This is particularly important given the breadth of concurrent reforms affecting payment providers, including payment service provider licensing, the Consumer Data Right, Digital ID, the Scams Prevention Framework, reforms to Australia's AML/CTF regime and the digital asset framework. Where these reforms are already addressing particular policy objectives, the Reserve Bank should seek to leverage those outcomes rather than impose overlapping requirements.

Particular attention should be given to regulatory stacking. A payment provider may be subject to overlapping requirements concerning licensing, safeguarding, operational resilience, fraud and scams, data governance, consumer redress and payment-system participation. Even where each obligation is defensible in isolation, their cumulative operation may create unnecessary duplication, inconsistent liability settings or barriers to entry. The Reserve Bank should therefore assess the incremental benefit of any new requirement against the complete regulatory framework applying to the relevant activity.

FinTech Australia considers that a regulatory mapping exercise would assist in identifying and addressing these cumulative burdens. Specifically, such an exercise should identify specific overlaps between the PSRA, the new PSP licensing regime, the Scams Prevention Framework, AML/CTF reforms, CDR obligations and APRA prudential standards as they apply to payment service providers. It should also examine opportunities to adopt a 'tell us once' principle, whereby compliance demonstrated to one regulator (for example, operational resilience certified under PSP licensing) is recognised by other regulators rather than requiring duplicative demonstration.

FinTech Australia further recommends the establishment of a formal inter-agency coordination mechanism- beyond existing informal arrangements, between the RBA, ASIC, APRA, the ACCC, OAIC and Treasury to ensure regulatory interventions are appropriately sequenced and do not create cumulative compliance burdens that disproportionately affect smaller participants.

In this regard, we reference the UK's approach under the Financial Services and Markets Act 2023, which established a statutory duty for regulators to consider their impact on growth and international competitiveness, which we consider provides a useful reference. Australia could adopt a similar principle to ensure that payments regulation supports, rather than inadvertently inhibits, the competitiveness, productivity and innovation objectives that underpin the current reform agenda.

2.3 A measured approach to intervention

The Reserve Bank has historically sought to encourage industry-led solutions where these are capable of addressing public interest concerns, while retaining the capacity to intervene where voluntary arrangements prove ineffective.

FinTech Australia supports this approach.

Not every emerging issue requires designation or formal regulation. In some circumstances, the public interest may be best served through continued monitoring, improved transparency, voluntary industry reform or the development of common technical standards. In others, designation may provide the appropriate framework for addressing persistent structural barriers to competition or efficiency.

Accordingly, FinTech Australia considers that the Reserve Bank should adopt a graduated approach to intervention. Designation should remain an important regulatory tool, but one exercised carefully, transparently and consistently with the statutory public interest framework established by Parliament.

Where several responses could address an identified concern, the Reserve Bank should prefer the least intrusive measure reasonably capable of producing an effective and durable outcome. This may involve transparency, information-gathering, industry standards or facilitated reform before prescriptive standards or access obligations are imposed. However, less intrusive approaches should not become a reason for indefinite delay where evidence shows that voluntary arrangements are unlikely to address a persistent structural problem.

Part III. Competition between payment methods

3.1 Merchant choice as a driver of competition and efficiency

Merchant choice has long been a central objective of Australia's payments policy. Merchant choice now extends well beyond the selection of a payment network. Wallets, gateways, software platforms, tokenisation services and payment orchestration providers can all influence how a payment is initiated, routed and processed. By enabling merchants to influence how payments are accepted and processed, merchant choice encourages payment systems and service providers to compete on price, functionality, service quality and innovation. This, in turn, promotes the statutory objectives of competition and efficiency under the PSRA.

Historically, many of the Reserve Bank's interventions in retail payments have sought to strengthen competition by ensuring that merchants are able to make informed commercial decisions about how they accept payments. Measures such as least-cost routing have demonstrated that relatively targeted regulatory interventions can improve competitive outcomes without prescribing commercial arrangements or introducing regulations which favour particular payment systems.

At the same time, Australia's payments ecosystem has evolved considerably. Payment functionality is increasingly delivered through digital wallets, embedded payment experiences, tokenisation services, software platforms and other technologies that sit between merchants, consumers and traditional payment systems. While these developments have delivered significant benefits for consumers and businesses, they have also introduced new points within the payments value chain where commercial decisions affecting payment routing, acceptance and pricing may more often be determined by intermediaries rather than merchants themselves.

Accordingly, the concept of merchant choice should be viewed expansively. In particular, it encompasses the broader ability of merchants to make commercial decisions about how payments are accepted, processed and presented to consumers, and to select payment solutions that best meet the needs of their businesses and customers.

Importantly, promoting merchant choice does not mean that merchants should always be directed towards the lowest-cost payment arrangement. Payment providers compete on a range of factors beyond payment acceptance costs, including customer experience, software integration, settlement speed, fraud management, value-added services and operational efficiency. Different merchants will legitimately place different weight on these considerations. The role of regulation should therefore be to ensure that merchants are able to exercise informed and meaningful commercial choice, rather than to favour particular pricing models or commercial outcomes. This also means that assessments of routing competition should have regard to whether the available networks provide sufficiently comparable underlying capabilities, since the lowest-priced route may not represent an equivalent service from the merchant's perspective. Competition between payment networks therefore depends partly on whether merchants can make routing decisions between services that remain broadly substitutable from a functional perspective.

Importantly, merchant choice is not an objective in its own right. Nor does it require that every merchant be able to determine every aspect of every payment transaction. Rather, merchant choice is valuable because it promotes effective competition between payment systems and payment service providers. Where merchants are able to exercise meaningful commercial choice, providers have stronger incentives to compete on price, functionality, service quality and innovation. That includes competing through integrated or bundled service offerings where merchants determine that those arrangements deliver the greatest overall value for their businesses. Conversely, where structural barriers unnecessarily constrain merchant choice, competitive pressures may be weakened, potentially resulting in higher costs, reduced innovation or diminished efficiency over time.

For this reason, FinTech Australia considers that the appropriate policy question is whether structural features of Australia's payments ecosystem unnecessarily restrict merchants' ability to exercise commercial choice in ways that would otherwise promote competition and efficiency. This requires careful consideration of both existing market arrangements and the implications of emerging payment technologies.

In considering these issues, the Reserve Bank should continue to adopt an evidence-based and proportionate approach to intervention. Markets evolve rapidly, and many competitive constraints may be addressed through commercial innovation or voluntary industry initiatives. Regulatory intervention should therefore be reserved for circumstances where there is credible evidence that structural features of the market are materially impairing competition or efficiency, and where intervention is likely to advance the public interest objectives established by the PSRA.

The following sections examine how these principles apply across several aspects of Australia's evolving payments ecosystem, beginning with least-cost routing before considering digital wallets, account-to-account payments, tokenisation, artificial intelligence and other emerging developments that increasingly influence merchant choice.

3.2 Least-cost routing

Least-cost routing (**LCR**) has been one of the Reserve Bank's most significant payments policy initiatives of the past decade. By enabling merchants to route eligible dual-network debit card transactions through the network offering the lowest cost, LCR has strengthened competitive pressure between payment networks and delivered meaningful savings for many Australian businesses.

Importantly, the success of LCR demonstrates that carefully targeted regulatory intervention can improve competitive outcomes without prescribing commercial arrangements or limiting merchant choice. Rather than requiring merchants to route transactions through a particular network, the existing framework preserves merchants' ability to determine how eligible transactions are processed in accordance with their own commercial preferences.

The implementation of LCR has also demonstrated the value of an outcomes-focused regulatory approach. While the Reserve Bank has established clear expectations regarding merchant access to LCR, industry participants have retained flexibility in how those outcomes are delivered, allowing competition and innovation to continue across acquiring services and payment technologies.

FinTech Australia supports the continued availability of LCR for eligible transactions and considers that maintaining effective merchant routing choice remains an important means of promoting competition and efficiency within Australia's debit payments market.

The benefits of LCR should also be assessed having regard to the merchant's acquiring arrangement. Acquirers operate different business models and merchants may choose between interchange-plus, blended and other pricing structures. For merchants on simple all-inclusive pricing, routing outcomes may already be reflected in the headline rate rather than producing a separately identifiable saving on each transaction. Assessments of LCR outcomes should therefore distinguish the competitive benefits of routing from assumptions about how those benefits are passed through under different merchant pricing models.

At the same time, the payments ecosystem continues to evolve.

An increasing proportion of in-person payments are now initiated through mobile wallets or tokenised credentials, while online commerce continues to grow rapidly. As payment technologies evolve, the practical ability of merchants to exercise routing choice will depend upon commercial and technical arrangements extending beyond traditional card-present payment infrastructure.

The Reserve Bank should therefore continue to assess merchant routing outcomes by reference to their practical effectiveness, rather than their formal availability. Merchants may technically have access to routing functionality, but still face commercial, contractual or technical constraints that limit their ability to exercise meaningful choice in practice. Conversely, the existence of different commercial models should not, in itself, be regarded as evidence that intervention is required where merchants retain the ability to make informed commercial decisions.

This approach is consistent with the broader public interest framework outlined in Part II. The relevant question is whether practical limitations materially diminish competition or efficiency in a manner that justifies proportionate regulatory intervention. Regulatory responses should remain technology-neutral and directed toward preserving effective merchant choice rather than prescribing particular implementation models.

The practical impediments to LCR differ across mobile and online environments. In mobile environments, routing choice may depend on whether both networks associated with a dual-network debit card have been provisioned into the relevant wallet, the technical capabilities exposed by the wallet or operating-system provider, and the readiness of issuers, acquirers and terminal providers to support routing. A merchant may therefore be unable to exercise routing choice in practice even where the underlying physical card is technically capable of being processed through either network.

In online environments, implementation may involve additional dependencies across merchants, payment gateways, acquirers, tokenisation services and checkout providers. Supporting a second debit network may require investment in technical integration, transaction routing, fraud controls, credential management and reconciliation. Commercial incentives may also differ where the gateway or platform responsible for implementation does not directly receive the merchant savings associated with LCR.

Online routing also differs from the card-present environment because the merchant may not directly control every layer responsible for credential storage, checkout presentation, token provisioning and transaction routing. A merchant may select a commerce platform or payment service provider as an integrated service, while particular network choices are subsequently determined by technical capability, token availability or decisions made elsewhere in the value chain. The Reserve Bank should therefore seek evidence about where routing decisions are made in online payment flows, which participant bears the cost of enabling an additional network and whether the party required to make the investment receives a sufficient commercial benefit from doing so or is otherwise sufficiently incentivised to make such investment.

Greater transparency would assist this assessment. Relevant information may include the proportion of eligible online debit transactions for which routing is technically available, whether routing is enabled by default, the availability of both network credentials within tokenised environments, the cost and time required to add a second network, and any contractual or technical restriction preventing merchant choice. This would allow the Reserve Bank to distinguish genuine implementation complexity from arrangements that unnecessarily entrench single-network acceptance.

These issues warrant closer examination, including greater transparency regarding where LCR is available, where it is enabled by default, and the technical or commercial reasons for persistent gaps. However, the existence of incomplete implementation does not necessarily establish that particular participants are restricting competition. Implementation remains complex and may require coordinated changes across multiple parties. Any further action should distinguish between avoidable restrictions and legitimate technical, security or investment constraints.

The next phase of Australia's merchant routing framework should therefore focus less on expanding regulatory requirements for their own sake and more on ensuring that merchants continue to have meaningful opportunities to exercise commercial choice as payment technologies evolve. This includes considering how emerging technologies such as mobile wallets, network tokenisation and embedded payment experiences affect the practical operation of merchant choice, while recognising that any further intervention should remain evidence-based, technology-neutral and proportionate.

Maintaining functional competition between debit networks

The effectiveness of least-cost routing also depends on the competing debit networks offering merchants and payment service providers sufficiently comparable capabilities. Routing cannot be assessed solely by reference to the transaction price charged by each network where the choice of network also affects access to materially different services, data or functionality.

This issue is illustrated by recent developments concerning eftpos card-matching functionality. Card matching can enable merchants and service providers to associate eligible payment transactions with payment credentials for purposes such as merchant-funded loyalty, rewards, offers and customer engagement. Where comparable functionality remains available through the international card networks but is unavailable through eftpos, routing an eligible transaction through eftpos may produce a materially different outcome from routing that transaction through another network.

FinTech Australia does not suggest that every payment network must offer identical products or features. Product differentiation is an important component of competition, and schemes should remain able to innovate and develop distinct commercial propositions. However, a distinction should be drawn between competitive product differentiation and the absence of foundational capabilities necessary for merchants and payment service providers to use competing networks on broadly equivalent terms.

This distinction will become more important as merchant-choice routing develops. Where routing decisions are based only on the immediate transaction cost, but one network does not support functionality that forms part of the merchant's broader payment proposition, merchants may face a choice between lower transaction costs and access to loyalty, customer-engagement or other value-added capabilities. Over time, this may lead merchants or their service providers to exclude the lower-cost network from particular use cases, reducing effective routing choice and weakening competitive pressure between debit networks.

There is also a risk of cumulative divergence. Lower routing volumes may weaken the commercial case for investment in functionality on one network, while the resulting functionality gap further reduces the willingness of merchants and service providers to route transactions through that network. If left unaddressed, this feedback loop could progressively undermine the viability of merchant-choice routing and reduce competition within Australia's domestic debit market.

The appropriate policy objective should not be achieving strict feature-by-feature parity. Rather, the Reserve Bank should consider whether material and persistent differences in foundational scheme capabilities prevent merchants from making routing decisions between reasonably substitutable services. This assessment should take account of the full merchant proposition, including transaction processing, fraud controls, tokenisation, data availability, loyalty functionality, reconciliation and other services that materially influence network choice.

FinTech Australia considers that the immediate response should be further evidence-gathering and facilitated industry engagement, and notes positive engagement on this with the Reserve Bank and Australian Payments Plus (**AP+**).

More broadly, the issues raised by least-cost routing and merchant-choice routing illustrate a wider theme that recurs throughout this submission: formal regulations increasingly need to be supported by assessments into practical commercial and technical access by merchants of various payment services and solutions, in order for competition to operate effectively.

Recommendation 1

The Reserve Bank should:

A. ***continue to support broad implementation of least-cost routing across physical, mobile and online payment environments;***
B. ***improve transparency regarding the availability and enablement of least-cost routing;***
C. ***distinguish between avoidable competitive restrictions and legitimate technical or commercial implementation constraints;***
D. ***monitor emerging checkout technologies to ensure merchants retain effective routing choice; and***
E. ***examine the competitive implications of the withdrawal or unavailability of foundational scheme capabilities, including card-matching functionality.***

3.3 Merchant choice in an evolving payments ecosystem

Merchant choice is increasingly shaped by participants that sit between merchants, consumers and the underlying payment rails. These include payment service providers, gateways, software platforms, orchestration providers, digital wallets and tokenisation services. Their products often determine how payment methods are presented, authenticated and routed, and which functionality is available to merchants.

These developments have generally strengthened competition. Integrated products can reduce implementation costs, improve security and allow providers to compete through software, fraud management, analytics, reconciliation and customer experience. The existence of an intermediary or bundled service should not, of itself, be regarded as a competition concern.

The relevant question is whether merchants remain able to choose between competing payment propositions and whether particular commercial or technical arrangements materially restrict entry, switching or interoperability. The following sections apply that question to integrated platforms, tokenisation and mobile wallets.

3.4 Integrated payment platforms, e-commerce and bundled payment services

Payment acceptance is more commonly delivered as part of broader platforms incorporating acquiring, e-commerce functionality, fraud management, accounting integration, analytics, invoicing and other business services. This model is particularly important for small and medium-sized merchants which often derive value from the combination of these services through a single, scalable product.

Bundling should therefore be assessed by reference to its effect on competition rather than treated as inherently problematic. Integration that lowers merchant costs, improves functionality or allows providers to compete more effectively can strengthen competition and productivity. A different concern arises where contractual or technical arrangements create artificial barriers to entry, switching or interoperability that are unrelated to the efficient delivery of the integrated service. The Reserve Bank should maintain this distinction when considering whether intervention is warranted.

Integrated payment platforms have delivered material benefits across each of the Reserve Bank's statutory objectives. Increased entry by fintech providers has strengthened competition in merchant acquiring, while integrated services have improved efficiency by reducing friction and transaction costs and simplifying payment acceptance for merchants. At the same time, these platforms have invested heavily in fraud prevention, authentication and cyber resilience, contributing to the safety of Australia's payments system.

In the FinTech Australia’s submission, in assessing its regulatory priorities, the Reserve Bank should:

- be mindful of the positive impact integrated platforms and bundled services have had, as a whole, on competition, efficiency and financial safety of Australia’s payment systems;
- be mindful of the risk that assessing individual practices in isolation could obscure this broader picture;
- regarding competition specifically, assess competition in merchant payments by reference to the complete service offered to merchants, including checkout quality, APIs, software integration, fraud protection, reporting, settlement, hardware, implementation requirements and customer support, rather than comparing acquiring rates or transaction processing in isolation. The fact that services are integrated also does not necessarily mean that merchants face a single opaque price, as acquiring and other platform services may continue to be separately priced; and
- be mindful that addressing a perceived competition issue in isolation may come at the cost of the efficiency and financial safety benefits that integrated platforms deliver.

Competition in merchant acquiring has strengthened following the entry and expansion of fintech payment service providers. Analysis by Mandala commissioned by FinTech Australia and at Annexure A to this submission found that, since 2018, the major four banks’ share of card-present acquiring declined from approximately 77 per cent to 64 per cent, while their share of card-not-present acquiring declined from approximately 95 per cent to 51 per cent. Over the same period, average merchant service fees declined by approximately 9 basis points. This is delivered in large part through integrated capabilities, point-of-sale software, digital onboarding, cross-channel payment capabilities, analytics, digital servicing, merchant reporting and business management tools, that allow fintechs to compete effectively against larger incumbent institutions despite lacking the scale advantages of vertically integrated issuer-acquirers. These findings demonstrate that new entry and differentiated fintech offerings, built on integrated, bundled service models, have delivered material competitive benefits for merchants and reduced market concentration. Regulatory intervention targeting bundled services risks reversing these gains.

Mandala’s analysis further concludes that fintech entrants have reduced concentration within merchant acquiring, increased transparency, improved merchant experience and contributed to lower merchant service fees. Mandala modelled that, under a counterfactual scenario in which reduced fintech competition caused merchant service fees to return towards earlier levels, annual payment-processing costs for small businesses could be approximately $300–450 million higher. The estimate illustrates the potential economy-wide cost of regulatory intervention that weakens competition in merchant acquiring by constraining bundled or integrated service models.

Regarding switching costs, the Reserve Bank has raised concerns about the difficulty merchants face in moving away from an integrated platform to a preferred PSP. FinTech Australia does not consider there to be a material issue with merchant switching in this context. Some degree of time and cost when switching PSPs on an integrated platform is a natural consequence of the technical integration involved, rather than evidence of a competition, efficiency or financial safety issue. Specifically, changing providers may require updates to software integrations, payment configurations, fraud settings, reconciliation processes, customer communications and operational workflows. The objective of competition policy should be to distinguish switching costs that arise naturally from integration from unnecessary or artificial barriers that materially affect competition. Integrated offerings can themselves strengthen competition and productivity where they lower costs, improve functionality or enable providers to offer merchants a more efficient service. Intervention should therefore focus on barriers that cannot reasonably be explained by the efficient delivery of the integrated service.

FinTech Australia is not aware of pervasive or systemic competition, efficiency or financial safety issues arising from integrated payment platforms that would justify regulatory intervention. It is FinTech Australia's submission that regulatory intervention should be reserved for circumstances where there is credible evidence that providers are using market power to foreclose rivals, restrict interoperability or materially reduce merchant choice. FinTech Australia does not consider that this is occurring in the Australian market. The evidence above points in the opposite direction with new entrants increasing contestability, lowering fees and expanding merchant choice.

Recommendation 2

The Reserve Bank should:

A. ***continue monitoring potential competition, efficiency and financial safety issues within integrated payment ecosystems; and***
B. ***not prioritise intervention in relation to bundled or integrated payment services at this time, given the demonstrated benefits of these models for competition, efficiency and financial safety in the Australian payments system.***

3.5 Tokenisation and the future of merchant choice

Tokenisation has become an important component of Australia's payments infrastructure. By replacing sensitive payment credentials with unique digital tokens, tokenisation has materially improved payment security, reduced fraud and enabled new payment experiences across e-commerce, mobile wallets, subscription services and embedded payments.

FinTech Australia supports the continued growth and adoption of tokenisation, including greater portability of tokens between payment service providers, acknowledging that challenges remain in achieving full token portability between providers. These challenges are largely technical in nature and require coordination across multiple industry participants including payment service providers, card schemes and digital wallet providers.

FinTech Australia accepts that these portability challenges may have some impact on competition, to the extent they contribute to the switching frictions discussed in the preceding section. However, the appropriate way forward is continued development of industry-led solutions, rather than regulatory intervention. Tokenisation frameworks rely on tightly controlled credential lifecycle management to support payment security, so enabling transfer or re-provisioning of tokens across platforms introduces operational complexity and new security risks if not designed carefully. These are precisely the kinds of technical and security considerations best worked through by industry, with the safeguards that a co-designed, industry-led standard can provide.

Industry-led standardisation is also continuing to evolve. AusPayNet has recently developed a Standard for Payment Service Provider Porting of Merchant Payment-Related Data, intended to improve interoperability while maintaining appropriate security and operational safeguards. FinTech Australia supports the expansion of this Standard to more directly address token portability.

The existence of this standardisation work strengthens the case for regulatory restraint at this stage. The Reserve Bank should support industry-led solutions, including by playing an active role in encouraging industry take-up of industry-developed porting standards in due course. More broadly, the Reserve Bank should adopt a measured and evidence-based approach to any future regulation of tokenisation. Intervention should only be considered where there is clear evidence that existing arrangements are creating material barriers to competition or merchant choice, and where the likely public benefits outweigh the associated implementation, security and operational costs. Absent such evidence, regulatory settings should continue to support innovation while allowing industry-led solutions to develop in response to evolving merchant and consumer needs.

Recommendation 3

The Reserve Bank should:

A. ***support continued industry-led development of token portability solutions, including the possible expansion of AusPayNet's Standard for Payment Service Provider Porting of Merchant Payment-Related Data to address token portability; and***
B. ***not intervene with regulatory action on token portability at this time.***

3.6 Mobile wallets

Mobile wallets as critical payments infrastructure

Mobile wallets have become one of the defining innovations in modern payments, transforming how consumers store payment credentials, authenticate transactions and interact with merchants, and delivering substantial improvements in security, convenience and user experience.

The rapid growth of mobile wallets has also fundamentally changed the structure of competition within the payments system. Historically, competition between payment systems largely occurred within the acquiring environment, where merchants retained the ability to determine how transactions would be processed and payment service providers competed to deliver innovative payment solutions. Increasingly, the primary interface through which consumers initiate payments is the mobile operating system and associated wallet application, not the card payment itself. Control over wallet functionality now influences which payment services can compete and the extent to which merchants can exercise meaningful commercial choice. In this way, mobile wallets have evolved beyond consumer applications to become critical payments infrastructure.

Greater interoperability within mobile wallet ecosystems, phone operating systems and near field communications chip hardware (**NFC**) has the potential to unlock a new generation of payment innovation, including richer merchant experiences (e.g. loyalty programs, digital receipts, fraud prevention) and accelerated innovation in account-to-account payments. Australia has invested heavily in modern payment infrastructure through the NPP, PayTo, Consumer Data Right action initiation and Digital ID. Realising the full potential of these developments will increasingly depend upon the ability of payment service providers ability to integrate these capabilities into the mobile interfaces through which payments are initiated, enabling consumers to choose between card-based and account-to-account payment methods through a common interface rather than separate applications.

The innovation opportunity extends beyond payment initiation itself. Future payment experiences could combine Consumer Data Right-enabled payment initiation, Digital ID credential verification, PayTo authorisation, merchant loyalty programs, fraud controls, personalised offers and other value-added services within a single consumer interaction. Such innovations have the potential to improve payment efficiency, strengthen fraud prevention, reduce transaction costs and create new sources of value for merchants, consumers and payment service providers.

The implications for competition have been recognised through multiple domestic and international policy processes, including the Senate Select Committee on Australia as a Technology and Financial Centre, the ACCC's Digital Platform Services Inquiry (which highlighted the ability of mobile ecosystem operators to influence downstream competition, including through their control of key hardware, software and payment interfaces), and reforms adopted and proposed in the European Union and the United Kingdom.

Mobile wallet interoperability is therefore no longer simply a question of merchant routing or consumer choice, it is a foundational issue for competition, innovation and the long-term evolution of Australia's payments ecosystem, engaging each of the public interest objectives in section 8 of the PSRA: competition, efficiency, financial safety and financial system risk.

FinTech Australia's position is that the Reserve Bank’s objective should be to remove artificial or anti-competitive barriers to entry in the mobile wallet space, rather than prescribe a particular technical architecture. The following section sets out FinTech Australia's proposed framework for achieving these objectives.

An Australian interoperability framework for mobile wallets

Restrictions on access to mobile wallet, operating system and NFC functionality have the potential to constrain competition, innovation and merchant choice. FinTech Australia considers that the Reserve Bank should commence the process of identifying and, where the statutory definition is satisfied, designating the payment systems or arrangements through which systemically significant ecosystems control access to mobile payment functionality, and use the resulting regulatory process to establish an Australian interoperability and access framework. Designation would allow the Reserve Bank to examine these services through the statutory public interest framework and, following consultation, impose targeted requirements where necessary.

Importantly, the relevant constraint may lie not in the wallet application itself, but in control over the operating system, NFC controller, secure element, credential-provisioning process, authentication functionality, default-app settings or the interfaces between them. Regulation should therefore target the combination of capabilities required to offer an effective competing service, not treat access to the NFC chip alone as a complete solution.

FinTech Australia considers that the resulting framework should be informed by the principles underpinning interoperability regimes in comparable jurisdictions, including the European Union’s *Digital Markets Act* and the United Kingdom’s approach discussed below, while being tailored to Australia’s payments system and regulatory architecture. It should establish clear interoperability outcomes without prescribing particular technical implementations or commercial business models.

FinTech Australia notes that the Australian Government is separately considering a broader ex ante digital competition regime for designated digital platforms, following consultation on Treasury’s December 2024 proposal paper. That regime remains under development, and its currently proposed priority services, app marketplaces, ad tech and potentially social media, do not extend to mobile wallets. FinTech Australia considers that the Reserve Bank’s existing designation powers under the PSRA are the appropriate and available mechanism to address competition concerns regarding mobile wallet access in the interim, and recommends that the Reserve Bank coordinate closely with the ACCC and Treasury to ensure consistency should the scope of any ex ante regime evolve to intersect with payments infrastructure.

<u>*Fair, reasonable and non-discriminatory access*</u>

(i) Some implementation challenges

The cornerstone of an Australian interoperability framework should be an obligation on providers of significant mobile wallet ecosystems to provide eligible payment service providers with access to relevant functionality on fair, reasonable and non-discriminatory terms. The framework should focus on functional equivalence rather than identical technical implementation: it should not require every platform to adopt the same architecture but should ensure that competing providers can deliver a service that is genuinely comparable to the platform operator's own. Platform operators should not be able to use their control over technical design, hardware components, access conditions or related services to prevent otherwise eligible providers from offering secure and viable alternatives.

Effective access should extend beyond the ability to communicate with an NFC chip in isolation. A competing provider must be able to store or access credentials securely, respond to a contactless terminal, authenticate the user and transaction, provision and manage credentials, and offer a sufficiently seamless consumer experience. These are capabilities that, depending on platform architecture, may require wallet APIs, tokenisation and credential-provisioning services, authentication interfaces, default-app functionality and background or field-detection capabilities.

There are important differences between the two main approaches to enabling access:

- Secure Element-based access: a tamper-resistant hardware component stores and processes sensitive payment credentials directly; and
- Host Card Emulation ("**HCE**"): an application emulates a contactless payment credential without direct control of the Secure Element, typically relying on tokenisation and cloud-based credential management.

Both approaches can support competing digital wallets, but involve different security architectures, implementation requirements and commercial models. The framework should accommodate either, rather than mandating one over the other before the security, cost and operational implications of each have been properly assessed.

(ii) International experience

International experience shows that more than one technical approach can support greater competition. Under commitments accepted by the European Commission, Apple agreed to provide competing wallets with access through an HCE-based access in the European Economic Area, and has since extended broader NFC capabilities for third-party developers in several other jurisdictions. Android platforms have historically supported HCE more broadly. The appropriate objective is to ensure that competing providers can offer secure and effective contactless payment services, while allowing technology providers flexibility regarding how that outcome is achieved.

The United Kingdom's experience is directly relevant and worth monitoring closely. Having designated Apple and Google as having strategic market status in their mobile platforms, the Competition and Markets Authority (**CMA**) is now working through precisely these questions in practice. It recently sought evidence on both the technical method for NFC access on iOS and its pricing, and is expected to consult on proposed measures later in 2026. Notably, the CMA is not treating this as a binary access question: its work recognises NFC has applications beyond card payments, including account-to-account payments, digital identity and transport which is relevant to Australia given an interoperability framework here could support similar future use cases.

Further, the CMA has confirmed Apple will not rely on confidentiality provisions to block third parties from submitting evidence. A comparable approach in Australia would assist the Reserve Bank to obtain reliable information about pricing, contractual conditions, implementation costs and the practical performance of different access models.

(iii) Terms of access should be transparent and commercial

Access terms should also be sufficiently transparent to allow providers to assess whether they can develop and launch services on a commercially sustainable basis. Relevant conditions, technical standards, approval processes and grounds for refusing or suspending access should be objective, documented and applied consistently.

The commercial terms of access warrant particular attention given their interaction with the Reserve Bank's recent interchange reforms, which reduced the revenue available to issuers to recover legitimate costs, including fees charged by mobile wallet providers. The Reserve Bank's own issuer cost study found that issuers other than the major banks face materially higher eligible costs, estimated at approximately 10 cents per debit transaction and 0.27 per cent for consumer credit transactions.

This is particularly significant for smaller issuers and fintechs, which have less scale to absorb these costs or cross-subsidise card programs from other business lines. Research by The Initiatives Group at Annexure B commissioned by FinTech Australia has found that reductions in interchange revenue affect smaller issuers disproportionately.

Where mobile wallet fees absorb a substantial proportion of an already-reduced pool, smaller issuers may be left with insufficient revenue to fund the core operations, issuing credentials, authorising transactions, managing fraud, that make wallet transactions possible at all, risking the very outcomes the Reserve Bank's reforms were intended to support.

Formal access on fair and non-discriminatory terms will not resolve this if pricing makes participation commercially unsustainable, particularly given the limited competitive pressure in a concentrated mobile wallet market. The Reserve Bank should therefore examine not only whether access is technically available, but whether access pricing supports viable and effective competition between issuers.

At an absolute minimum, the Reserve Bank should require greater transparency regarding mobile wallet pricing and structure, consistent with its own conclusion that fee transparency strengthens competition. This should encompass material wallet-related costs across the payments value chain, including where costs are reflected in acquiring arrangements, so that the Reserve Bank can assess both their effect on issuer economics and the extent to which wallet costs ultimately flow through to merchants. If transparency alone does not produce reasonable outcomes, the concentrated market structure may justify further measures to ensure access charges are fair, reasonable and consistent with effective issuer competition.

Targeted application to significant mobile wallet ecosystems

Interoperability obligations should be targeted at mobile wallet or platform providers whose position gives them a significant ability to influence access to mobile payment functionality and downstream competition.

In determining the scope of designation and any resulting obligations, the Reserve Bank should have regard to matters including:

- the provider's share of mobile devices, wallet transactions or relevant payment activity;
- its control over an operating system, hardware capability or other functionality required to initiate mobile payments;
- the importance of its services as a gateway between payment providers and consumers;
- the existence of network effects, switching barriers or other structural features that reinforce its position; and
- its ability to materially affect competition between payment services or payment systems.

This would ensure that regulation is directed towards structural access constraints rather than applying indiscriminately to fintech wallets or other providers that do not control essential device infrastructure. It would also align the framework with the proportionality principle underpinning the public interest test.

Eligibility, security and objective access requirements

Interoperability should not mean unrestricted access to sensitive device or payment functionality.

Access should be available to appropriately authorised providers that meet objective regulatory, technical and security requirements. Depending on the service being offered, relevant criteria could include appropriate licensing or regulatory status (such as under tranche 1 of the PSP licensing reforms), compliance with applicable payments regulation, operational resilience, cybersecurity capabilities, fraud-management controls, consumer-protection arrangements and adherence to recognised technical standards.

Platform operators should retain the ability to impose measures reasonably necessary to protect security, privacy, device integrity and consumers. However, these requirements should be transparent, proportionate to the relevant risk and applied consistently. Security should not become a basis for unnecessarily excluding competitors or favouring services offered by the platform operator or its commercial partners.

Security requirements may legitimately differ according to the method by which access is provided. The framework should permit appropriate controls reflecting those differences, while requiring the platform operator to demonstrate that any material restriction is necessary and proportionate to the identified risk.

The Reserve Bank should also distinguish between access to the underlying technical capability and access to ancillary platform services. A provider may be technically capable of initiating an NFC transaction but still be unable to offer an effective competing service if it cannot be selected as the default application, activate reliably when a device is presented to a terminal, access necessary authentication functions or provide an experience comparable to the platform operator's own wallet. Assessments of interoperability should therefore consider the complete user and transaction pathway rather than access to an individual hardware component alone.

Where access is refused, restricted or suspended, the provider should receive sufficiently clear reasons and have access to an effective and timely review or dispute-resolution mechanism. Depending on the final regulatory architecture, this could involve independent merits review, expert determination or use of the Reserve Bank's dispute and arbitration powers under the PSRA. The mechanism should be capable of resolving technical and commercial access disputes promptly, recognising that prolonged delay may itself prevent entry or materially weaken competition.

Supporting competition across payment rails

The framework should not be limited to reproducing existing card functionality within competing wallets. Its broader purpose should be to enable appropriately authorised providers to develop new payment propositions and facilitate competition between payment systems.

In particular, access arrangements should be capable of supporting the integration of A2A payment services into mobile wallet experiences, allowing consumers to select between cards, PayTo and future CDR-enabled payment initiation through a common interface.

The framework should therefore remain adaptable to future payment initiation, authentication and credential-based services, rather than being confined to technologies currently used for contactless card payments.

Governance, compliance and review

The Reserve Bank should develop the framework through consultation with wallet and operating-system providers, payment systems, fintechs, financial institutions, merchants, consumer representatives and relevant regulatory agencies.

Implementation may appropriately occur in stages, particularly where technical development is required. However, the framework should include clear milestones and accountability to avoid open-ended processes that entrench existing access restrictions.

The Reserve Bank should also have access to appropriate information to monitor compliance, including access terms, approval timeframes, refusal decisions and relevant technical or commercial conditions. Dispute-resolution arrangements should allow access issues to be considered promptly, recognising that lengthy delays can prevent innovative services from entering the market.

Periodic review will be necessary to ensure that the framework remains effective as technology, consumer behaviour and payment models change. The scope of regulated functionality should therefore be capable of adjustment where new device capabilities or payment interfaces become important to competition.

Recommendation 4

The Reserve Bank should:

A. ***designate under the Payment Systems (Regulation) Act 1998 the payment systems or arrangements through which significant mobile-wallet ecosystems control access to mobile payment functionality;***
B. ***following public consultation, establish an access regime for any designated system requiring that eligible payment service providers be given access to relevant wallet, operating-system and device functionality on fair, reasonable and non-discriminatory terms;***
C. ***commence the process of identifying significant mobile wallet ecosystems for potential designation within 12 months and establish an indicative timeline for consultation and implementation to provide the industry with certainty regarding the regulatory pathway and avoid open-ended processes that entrench existing access restrictions ;***
D. ***require greater transparency regarding the pricing and structure of mobile wallet services across the payments value chain, and assess whether current access pricing, including its interaction with reduced interchange revenue and any material pass-through to acquiring costs, supports effective competition for issuers and merchants;***
E. ***ensure any resulting framework is outcomes-based and technology-neutral, and remains adaptable to future payment methods including account-to-account payments; and***
F. ***coordinate with the ACCC and Treasury on the development of Australia's proposed digital competition regime, to ensure consistency should its scope evolve to intersect with payments infrastructure.***

While mobile wallets illustrate one important example of evolving digital infrastructure, similar questions arise across other layers of the payments ecosystem. The following sections therefore consider how comparable principles should apply to other forms of access, interoperability and emerging payment technologies.

3.7 Non-designated card networks

Designation should remain targeted

The recent amendments to the PSRA substantially expand the range of payment systems that may fall within the Reserve Bank's jurisdiction. While these reforms appropriately modernise the legislative framework, they should not be interpreted as creating an expectation that a broader range of payment systems will become subject to designation or other regulatory intervention.

FinTech Australia supports the Reserve Bank retaining the flexibility to designate payment systems where doing so would advance the statutory public interest. However, designation should remain an exceptional regulatory tool directed towards addressing material concerns relating to competition, efficiency, financial safety or financial system risk. It should not become a routine consequence of falling within the expanded statutory definitions.

Innovation should not be discouraged through premature designation

The expansion of the PSRA creates the possibility that smaller or emerging payment schemes may, for the first time, fall within the scope of the Reserve Bank's designation powers.

Many of these schemes operate as closed-loop or three-party payment systems that serve particular industries, merchant communities or customer segments. They often compete by developing innovative commercial models, specialised functionality or integrated customer experiences rather than seeking to replicate the scale or operating models of the major card schemes.

These providers can make an important contribution to competition by introducing new business models and increasing competitive pressure across the broader payments ecosystem. Their relatively small scale and specialised nature may also mean that many of the policy concerns historically associated with large three-party payment systems do not arise.

FinTech Australia is concerned that uncertainty regarding the future use of designation powers could inadvertently discourage investment and innovation in these emerging payment models.

A proportionate approach

Accordingly, FinTech Australia considers that the Reserve Bank should make clear that the availability of broader designation powers does not imply a broader policy of designation.

In assessing whether designation is warranted, the Reserve Bank should continue to focus on whether there is credible evidence that a payment system is giving rise to material public interest concerns that cannot reasonably be addressed through less intrusive measures.

Relevant considerations should include:

- the scale and significance of the payment system;
- whether the system possesses market power capable of materially affecting downstream competition;
- whether structural features are preventing effective competition;
- whether designation would deliver proportionate public benefits; and
- whether industry-led or commercial solutions are capable of addressing the relevant issues.

Importantly, the mere fact that a payment system operates as a closed-loop or three-party model should not, of itself, support designation.

Preserving competitive diversity

Australia's payments ecosystem benefits from diversity in payment models.

Alongside the major card schemes, smaller closed-loop and specialist payment systems can introduce competitive pressure, encourage experimentation and provide merchants and consumers with alternative payment experiences. They often compete by serving markets that larger payment systems have not prioritised or by offering differentiated value propositions rather than competing primarily on scale.

Maintaining this diversity is consistent with the objectives of the PSRA. A regulatory framework that allows innovative payment systems to emerge and grow without unnecessary regulatory burden is likely to strengthen competition over the longer term.

For this reason, FinTech Australia considers that designation should generally be directed towards payment systems whose scale, market position or control over critical payment functionality gives rise to demonstrable public interest concerns, rather than being applied to smaller innovative payment systems whose presence is itself contributing to competition.

Recommendation 5

The Reserve Bank should:

A. ***confirm that the expanded scope of the Payment Systems (Regulation) Act 1998 does not imply that a broader range of payment systems will routinely be designated;***
B. ***continue to reserve designation for circumstances where there is clear evidence that intervention would advance the statutory public interest objectives;***
C. ***recognise that small closed-loop and three-party payment systems often enhance competition and innovation rather than giving rise to systemic competition concerns; and***
D. ***avoid imposing regulatory obligations on emerging payment schemes that are disproportionate to their scale, market position and competitive impact.***

3.8 Card payment security and dispute arrangements

Cards remain a central component of Australia’s payments system and continue to deliver substantial benefits through widespread acceptance, international interoperability, established authentication mechanisms and mature processes for managing unauthorised transactions and payment disputes. These features contribute to consumer and merchant confidence and form an important part of the value proposition through which cards compete.

At the same time, the continued growth of digital and cross-border commerce has created evolving challenges for card-payment security and dispute management. The following sections consider overseas card-not-present fraud and chargeback arrangements, having regard to the Reserve Bank’s statutory objectives of financial safety, efficiency and competition.

Overseas card-not-present fraud

Overseas card-not-present fraud represents a material weakness in the broader card-payments ecosystem. AusPayNet's FY25 fraud data indicates that online spending with overseas merchants represented only around 3 per cent of total spending on Australian-issued cards, but accounted for 52 per cent of fraud on those cards. The overseas card-not-present fraud rate remained more than ten times the equivalent domestic rate.

These figures should be considered alongside the substantial progress made in reducing the incidence of domestic card-not-present fraud. AusPayNet's Card-Not-Present Fraud Mitigation Framework has operated since 2019 and was developed in consultation with issuers, acquirers, merchants, card schemes, gateways, payment service providers and the Reserve Bank. The framework establishes responsibilities across the domestic card-payments ecosystem and supports risk-based strong customer authentication and other fraud-mitigation measures.

Recent outcomes suggest that these arrangements, together with continuing investment by individual market participants, have materially improved domestic fraud performance. AusPayNet has reported that the domestic card-not-present fraud rate has declined despite continued growth in online card spending. This supports the continued use of coordinated, industry-led and technology-neutral fraud controls rather than prescriptive requirements directed at particular authentication technologies.

The principal gap is that Australia's domestic framework cannot impose equivalent requirements on overseas merchants, acquirers or payment gateways. Australian-issued cards may therefore be used in acceptance environments subject to materially different authentication practices, fraud controls and regulatory requirements. AusPayNet has identified this offshore gap as a significant source of fraud affecting Australian cardholders and payments-system participants.

This issue has implications for financial safety and efficiency. Fraud losses impose direct and indirect costs on issuers, merchants, payment service providers and consumers. They may also result in increased transaction monitoring, authentication friction and false declines, including for legitimate Australian consumers purchasing goods and services from overseas merchants.

The competition implications require more careful assessment. Additional security controls can reduce fraud and improve confidence in cross-border commerce. However, blunt or poorly calibrated measures could disproportionately affect smaller overseas merchants, increase checkout friction, reduce transaction approval rates or make it more difficult for Australian consumers to purchase from legitimate international businesses. Regulatory intervention should therefore be informed by evidence regarding the sources and concentration of fraud and the likely effect of any response on legitimate commerce.

The international character of the issue also limits the effectiveness of measures directed solely at Australian merchants or payment service providers. Further domestic requirements would have limited value if the principal vulnerabilities arise within overseas acquiring and merchant environments. There is also a risk that controls applied only by Australian issuers could displace fraud toward other merchants, jurisdictions or payment channels rather than materially reducing it.

FinTech Australia therefore considers that the appropriate response should build on AusPayNet's existing work and focus on risk-based coordination across the card-payments ecosystem. Potential areas for further examination include:

- more granular identification of high-risk merchants, merchant categories and acquiring jurisdictions;
- improved sharing of fraud intelligence between issuers, acquirers, payment networks and relevant digital platforms;
- risk-based authentication or transaction step-ups for higher-risk overseas transactions;
- stronger international network rules and incentives applying to overseas acquiring environments; and
- engagement with international regulators and standards bodies to improve consistency in card-not-present fraud controls.

These options should not be treated as predetermined regulatory solutions. Their costs, effectiveness and potential consequences for legitimate transactions require further examination. In particular, broad requirements to authenticate or decline overseas transactions should not be introduced without evidence that they would materially reduce fraud and would not create disproportionate friction or false declines.

The Reserve Bank has a legitimate interest in the implications of overseas card-not-present fraud for the safety and efficiency of the Australian payments system. However, detailed fraud rules should continue to be developed through institutions with access to the relevant transaction data, operational expertise and international network arrangements. AusPayNet, card networks, issuers, acquirers, gateways and payment service providers are better placed to design and maintain operational fraud controls, with the Reserve Bank assessing whether the resulting arrangements adequately advance the public interest.

This issue should also be considered alongside the Government's broader Scams Prevention Framework. AusPayNet has identified evidence that fraud involving Australian-issued cards may facilitate the purchase of digital advertising and other services associated with higher-value scams. To the extent that systemic harms arise from the conduct of digital platforms or other regulated sectors, they should be addressed through the cross-sector framework designed for that purpose rather than relying solely on card-payment rules.

At present, the available evidence supports further coordinated work but does not establish a clear case for a prescriptive standard under the PSRA. The Reserve Bank should first work with AusPayNet and industry to better understand where overseas losses arise, the effectiveness of available controls and whether any persistent incentive or coordination failures warrant intervention.

Recommendation 6

The Reserve Bank should:

- ***A. work with AusPayNet, card networks and industry to strengthen the evidence base regarding overseas card-not-present fraud;***
- ***B. support coordinated and risk-based fraud mitigation measures;***
- ***C. encourage greater international cooperation; and***
- ***D. avoid measures that unnecessarily disrupt legitimate cross-border commerce.***

Chargebacks and payment disputes

Chargeback arrangements are an important component of the card payments system. They provide a mechanism through which an issuer may seek to reverse a transaction in circumstances defined by card-network rules, including certain unauthorised transactions, processing errors and disputes concerning goods or services. These arrangements contribute to consumer and merchant confidence in card payments and form part of the broader value proposition through which cards compete with other payment methods.

Chargebacks should not, however, be treated as a universal or automatic consumer-refund mechanism. They operate according to detailed network rules, evidentiary requirements and timeframes, and the availability of a chargeback may depend on the nature of the transaction and the relevant dispute. The underlying legal rights of consumers, merchants, issuers and payment service providers may also arise under separate consumer, contract and financial-services laws.

The existence of chargeback protection is a legitimate source of differentiation between payment methods. Regulatory settings should not require A2A payments to reproduce card chargeback arrangements in their entirety. A2A payments have different authorisation, settlement and risk characteristics, and consumer-protection arrangements should be designed according to those characteristics. Competitive neutrality requires comparable outcomes for comparable risks, not identical mechanisms across technically different payment systems.

At the same time, the operation of chargeback arrangements can affect competition and efficiency within the card ecosystem. Payment facilitators, marketplaces and other intermediaries may be required to manage chargeback exposure arising from transactions involving large numbers of underlying merchants. Unclear rules, inconsistent application, limited visibility over evidence requirements or disproportionate allocation of liability may increase the cost and risk of providing payment services, particularly for newer entrants and smaller providers.

Merchant outcomes are also relevant. Chargebacks protect legitimate consumer interests, but inappropriate or abusive use can impose costs on merchants and payment service providers, including the value of the transaction, administrative costs, scheme fees and the loss of goods or services already supplied. First-party misuse, sometimes described as friendly fraud, can be particularly difficult to distinguish from legitimate disputes. Effective chargeback arrangements should therefore provide balanced incentives for authentication, evidence retention, timely investigation and fair decision-making.

Greater transparency and consistency into scheme chargeback rules may improve the operation of the framework without requiring the Reserve Bank to prescribe detailed dispute rules. Payment service providers and merchants should have clear information regarding the applicable grounds, evidentiary requirements, timeframes, fees and review processes. Network rules should also provide proportionate processes for contesting chargebacks and should not allocate liability to intermediaries without regard to their role, conduct and capacity to control the relevant risk.

Chargebacks alone may also provide insufficient incentives to address some systemic forms of fraud. AusPayNet has observed, in the context of overseas card-not-present fraud, that the chargeback regime may not create sufficient economic incentives for digital platforms to prevent fraud and scams facilitated through their services. This reinforces the need to distinguish individual transaction disputes, for which chargebacks may be appropriate, from broader systemic harms requiring obligations under frameworks such as the Scams Prevention Framework.

FinTech Australia does not consider that the available evidence supports the Reserve Bank developing a uniform chargeback standard at this stage. Chargeback rules are detailed, internationally interconnected and closely related to card-network operating arrangements. However, the Reserve Bank should consider whether the practical operation of these arrangements creates material barriers to competition or efficiency, particularly for payment facilitators and other intermediaries, and whether greater transparency or industry-led consistency would improve outcomes.

Recommendation 7

The Reserve Bank should:

A. ***examine whether existing chargeback arrangements operate efficiently and transparently;***
B. ***encourage greater consistency in liability allocation and dispute processes where appropriate;***
C. ***preserve chargebacks as a legitimate source of product differentiation; and***
D. ***avoid imposing identical dispute-resolution mechanisms across materially different payment methods.***

3.9 Buy Now, Pay Later

Buy now, pay later in a changing regulatory landscape

Buy Now, Pay Later (**BNPL**) products have become an established feature of Australia's payments ecosystem. Over the past decade, they have expanded consumer choice, encouraged innovation in digital commerce and checkout experiences, and increased competitive pressure across a range of retail payment products. Their growth has also contributed to the development of embedded finance and demonstrated the capacity for fintech businesses to compete by offering differentiated payment experiences alongside more traditional payment instruments.

The growth of BNPL has, however, also prompted significant policy attention. Questions have been raised regarding consumer protection, responsible lending, merchant pricing, competition and the appropriate regulatory treatment of these products. These issues have been considered through multiple government reviews over recent years, culminating in substantial reforms to Australia's consumer credit framework. In considering these policy issues, it is important to distinguish between competition and efficiency issues connected to the payments system versus those connected to lending, as well as a broad range of other considerations more strictly connected to consumer protection and adjacent issues falling within the remit of other regulators.

The policy context in which this Review is taking place also differs markedly from that which existed only a few years ago. Historically, there may have been legitimate questions as to whether the existing regulatory framework adequately addressed the risks associated with BNPL products. Those questions should now be considered in light of a comprehensive legislative framework that has only recently commenced operation.

This is an important consideration when assessing whether any additional intervention under the PSRA is warranted. As discussed above, the recent amendments to the PSRA expand the range of payment systems that may be designated by the Reserve Bank. They do not, however, alter the statutory public interest test governing when those powers should be exercised. Nor do they create a presumption that payment systems operating within an already comprehensive regulatory framework should be subject to additional regulation unless there is clear evidence that doing so would advance the statutory objectives of the PSRA.

A comprehensive regulatory framework is now in place

BNPL providers are now subject to a substantially strengthened regulatory framework under the *National Consumer Credit Protection Act 2009* (**NCCP Act**). Parliament has determined that these products should be brought within Australia's consumer credit regime, with ASIC responsible for administering and enforcing that framework.

The reforms introduce a range of new obligations, including licensing requirements, modified responsible lending obligations, dispute resolution requirements, hardship obligations and broader conduct standards. ASIC has supplemented the legislative framework through detailed regulatory guidance, providing industry with greater clarity regarding its expectations for compliance and supervision.

Collectively, these reforms represent one of the most significant regulatory developments affecting the sector since BNPL products first emerged in Australia. They reflect Parliament's considered judgment regarding the appropriate balance between encouraging innovation and strengthening consumer protections.

Importantly, however, these reforms are still at an early stage of implementation. There has been limited opportunity for regulators, industry or government to assess their practical operation or determine whether they are achieving their intended policy objectives. Market participants continue to implement new compliance arrangements, while ASIC's supervisory approach and regulatory expectations will necessarily continue to evolve as experience is gained.

Against this background, FinTech Australia considers that it would be premature to conclude that additional regulation under the PSRA is required before the operation of the new consumer credit framework has been properly evaluated.

The PSRA should complement, not duplicate, existing regulation

One of the guiding principles that should underpin this Review is that payments regulation should complement broader Government reforms rather than duplicate them.

Australia's payments sector is currently undergoing one of the most significant periods of regulatory reform in decades. Alongside the new BNPL framework, the Government has introduced payment service provider licensing reforms, implemented substantial changes to Australia's AML/CTF regime, progressed the Scams Prevention Framework, expanded the Consumer Data Right regime and established new regulatory frameworks for digital assets and payment stablecoins.

Each of these reforms has been designed to address particular public policy objectives through the regulatory framework best suited to those objectives.

In the case of BNPL, Parliament has recently determined that consumer protection, responsible lending and conduct issues should principally be addressed through Australia's consumer credit regime under the oversight of ASIC. Those reforms should be given sufficient time to operate before additional regulatory intervention is contemplated.

This is not to suggest that the Reserve Bank has no legitimate interest in developments within the BNPL sector. As BNPL products continue to evolve, they may raise questions relevant to competition, payment system efficiency or other matters falling within the Reserve Bank's statutory responsibilities. However, any exercise of the Reserve Bank's powers should recognise the existence of the broader regulatory architecture within which these products now operate.

Where another regulatory framework is already addressing the relevant policy objectives, the case for intervention under the PSRA should be supported by clear evidence that existing arrangements are insufficient and that additional action by the Reserve Bank would materially advance the statutory public interest objectives.

Applying the public interest test

Section 8 of the PSRA instructs the Reserve Bank to have regard to the desirability of payment systems being financially safe, efficient and competitive, while not materially contributing to increased financial system risk. FinTech Australia considers that this framework provides an appropriate basis for assessing whether designation or other regulatory intervention in relation to BNPL would presently be justified.

Competition

BNPL has contributed to increased competition within Australia's retail payments ecosystem by introducing new payment options for consumers and merchants and encouraging greater innovation in checkout experiences, merchant services and digital commerce.

The BNPL market is also highly competitive, with 15 different BNPL providers competing for market share within BNPL alone – as well as competing with a broad spectrum of other types of credit providers.

While commercial arrangements adopted by BNPL providers differ from those associated with traditional card payments, differences in business models do not, of themselves, indicate a competition concern requiring regulatory intervention. Merchants remain free to determine which payment methods they offer, taking into account a broad range of commercial considerations, including customer demand, conversion rates, settlement arrangements, software integration and overall value.

At present, FinTech Australia does not consider that there is sufficient evidence to conclude that designation under the PSRA would materially improve competitive outcomes beyond those already being delivered through existing market dynamics and recent legislative reforms.

Efficiency

BNPL has enabled significant innovation in digital commerce by simplifying checkout experiences, facilitating embedded finance and supporting increased consumer choice.

While the long-term evolution of these products should continue to be monitored, there is presently limited evidence that designation would materially improve payment system efficiency. Equally, premature intervention risks imposing additional regulatory complexity on a sector that is still adapting to substantial legislative reform.

The Reserve Bank should therefore continue to assess efficiency outcomes having regard to the operation of the recently implemented consumer credit framework before considering whether further regulatory measures are required.

Financial safety

The principal public policy concerns historically associated with BNPL have related to consumer protection, responsible lending, hardship arrangements and provider conduct.
These matters are now the subject of comprehensive legislative reform administered by ASIC.

Accordingly, while financial safety remains an important consideration under the PSRA, FinTech Australia considers that many of the issues traditionally raised in relation to BNPL are now being addressed through a regulatory framework specifically designed for that purpose. This reduces the likelihood that additional intervention under the PSRA would presently deliver material incremental public benefit.

Financial system risk

FinTech Australia is not aware of evidence suggesting that BNPL currently gives rise to material financial system risks of the kind contemplated by section 8 of the PSRA.

This position should, of course, continue to be monitored as payment markets evolve. However, the existence of a growing payment product does not, in itself, establish a basis for designation or other regulatory intervention.

A measured approach to future intervention

None of the above should be taken to suggest that BNPL should be permanently excluded from the Reserve Bank's consideration under the PSRA.

Payments markets evolve rapidly. Consumer behaviour, market structure and commercial practices will continue to develop, and future evidence may demonstrate that regulatory intervention is necessary to promote competition, efficiency or another statutory objective.

However, FinTech Australia considers that any such decision should be informed by evidence rather than anticipation.

The recent consumer credit reforms represent a substantial change to the regulatory environment. Before considering whether additional regulation under the PSRA is warranted, Government and regulators should first have the opportunity to assess whether those reforms are operating effectively and whether any residual policy concerns remain that are properly addressed through the Reserve Bank's statutory powers rather than existing regulatory frameworks.

This also reflects the principle that payments regulation should complement, rather than duplicate, broader Government reforms. The immediate priority should therefore be to allow the new BNPL framework to mature and evaluate its impact before considering whether any additional payments-specific intervention is warranted under the PSRA.

Such an approach is consistent with the proportionality and evidence-based principles outlined earlier in this submission. It recognises both the Reserve Bank's important role in promoting competition and efficiency across Australia's payments system and the importance of avoiding unnecessary regulatory duplication where Parliament has recently established a comprehensive alternative framework.

Recommendation 8

The Reserve Bank should:

A. ***recognise that BNPL products are now subject to a substantially strengthened regulatory framework under the National Consumer Credit Protection Act 2009, administered by ASIC;***
B. ***allow sufficient time for those reforms to be implemented and evaluated before considering whether additional intervention under the PSRA is necessary;***
C. ***assess any future proposal for designation by reference to the statutory public interest criteria in section 8 of the PSRA, including whether existing regulatory frameworks are already adequately addressing the relevant policy concerns;***
D. ***avoid duplicative regulation unless there is clear evidence that intervention under the PSRA would produce material additional benefits in terms of competition, efficiency, financial safety or financial system stability; and***
E. ***continue to monitor developments within the BNPL sector and review its approach should future evidence demonstrate that additional intervention is warranted.***

3.10 Competition between cards and account-to-account payments

Overview

Australia's payments system benefits from competition between a range of payment methods, including cards, A2A payments, digital wallets, stored-value facilities and emerging payment technologies. These payment methods serve different customer preferences, merchant needs and commercial use cases. They should therefore be able to compete on their respective merits within a technology-neutral regulatory framework.

FinTech Australia considers that the NPP and PayTo have created the infrastructure for A2A payments to become a stronger competitive constraint on cards, but that this potential will only be realised if the Reserve Bank focuses on removing avoidable barriers to adoption - particularly regarding liability allocation, dispute resolution and inconsistent implementation across financial institutions. This section sets out FinTech Australia's view on the principles that should guide the Reserve Bank's approach, the current barriers to greater A2A adoption, and where regulatory attention would be most effective.

Guiding principles

Regulatory settings should be competitively neutral and technology-neutral as between cards, A2A payments and other payment methods. This does not require identical regulation for different payment methods as cards and A2A payments have different technical structures and risk characteristics, and rules should be proportionate to those differences rather than uniform. The relevant question is whether there are artificial barriers to competition which are preventing each payment method competing on its merits.

Competition between cards and A2A payments

Cards continue to provide substantial value through broad consumer familiarity, widespread acceptance, international interoperability, mature recurring payment functionality and established consumer protections. Card providers have also continued to invest in security, fraud prevention, digital payment experiences and new forms of acceptance. These capabilities will remain an important part of Australia's payments ecosystem.

Modern A2A payments offer a different set of capabilities, including real-time movement of funds, richer payment data, greater visibility over payment arrangements and potentially lower acceptance costs for some use cases. In the opinion of many FinTech Australia members, investment in the NPP, PayTo and associated services has expanded the range of transactions for which A2A payments may provide a credible alternative.

Within that framework, modern A2A services have the potential to become a more significant source of competitive pressure on cards in some parts of the market, encouraging all providers to compete more vigorously on price, functionality, service quality, security and customer experience.

Australia has already made substantial investments in the infrastructure required to support this competition. The next phase should focus on enabling the market to make effective use of that infrastructure, while preserving competitive neutrality and recognising the continuing value delivered by card payments.

International experience confirms the competitive potential of A2A payments at point-of-sale and online. For example:

- in the UK, the Payments Service and the Open Banking framework established under PSD2 have enabled fintechs to build A2A checkout solutions that compete directly with cards. The UK's mandated open APIs for payment initiation have been instrumental in this regard, and the Joint Regulatory Oversight Committee is now progressing Variable Recurring Payments to further expand A2A use cases, including at point-of-sale via mobile devices. The FCA and PSR continue to examine how open banking-initiated payments can be made more widely available to merchants, reflecting a deliberate policy of fostering A2A competition with established card networks;
- in the US, the launch of the FedNow instant payments system in 2023 and the continued growth of The Clearing House's Real-Time Payments (**RTP**) network have expanded the infrastructure available for real-time A2A merchant payments. Fintech providers are developing pay-by-bank solutions leveraging these rails, (although fragmented access for non-bank PSPs remains a significant challenge); and
- Singapore also offers a further instructive model: PayNow, linked to the FAST clearing system, enables QR-code-based A2A merchant payments through the unified SGQR standard, which provides a seamless point-of-sale experience without requiring merchants to deploy separate card terminals. MAS has actively promoted interoperability between e-wallets and bank accounts, demonstrating how regulatory coordination can accelerate A2A adoption.

These international examples demonstrate that regulatory frameworks which actively facilitate A2A competition with cards - through mandated open APIs, unified QR standards or coordinated access arrangements - can materially accelerate merchant adoption.

Australia’s investment in the NPP and PayTo provides comparable, and in some respects superior, technical infrastructure. The challenge is ensuring that access, commercial and regulatory settings enable fintechs and other payment service providers to develop compelling A2A merchant propositions that realise this infrastructure’s competitive potential.

These international experiences also provide useful lessons for the next stage of A2A development in Australia. They demonstrate that real-time infrastructure alone does not ensure widespread adoption. Practical access for competing providers, interoperable acceptance mechanisms, clear liability and dispute-resolution arrangements, and sufficiently consistent implementation can all affect whether A2A payments develop into a credible alternative to cards. The Reserve Bank should draw on these experiences when considering PayTo and NPP reforms, while adapting relevant approaches to Australia's institutional and regulatory settings.

QR-based payments

QR-based payments may provide another practical channel for expanding competition between payment methods. Their use remains comparatively limited in Australia, despite widespread adoption in a number of overseas markets.

FinTech Australia considers that greater standardisation could assist adoption by reducing fragmentation and enabling merchants and consumers to use QR-based payment services more consistently across providers. The Reserve Bank should facilitate an industry-led process to examine the case for a common, interoperable and technology-neutral QR standard, drawing on relevant international experience. Any standard should provide a common foundation for interoperability while allowing payment providers to continue competing on price, functionality and customer experience.

PayTo and the competitive potential of the NPP

The NPP provides real-time, data-rich payment infrastructure capable of supporting a wide range of consumer and business payment services. It has enabled financial institutions and fintechs to develop payment experiences that were not possible through legacy batch-based systems and provides the underlying infrastructure through which A2A payments can compete across a broader range of use cases.

PayTo materially extends this potential. It enables a business or payment service provider to establish a digital payment agreement with a customer and initiate payments from the customer’s bank account in accordance with that agreement. Customers can view and manage their payment agreements through their financial institution, while merchants and payment providers can receive near real-time information about the status of an authorisation or payment. These capabilities can support use cases including recurring subscription payments, bill payments, merchant-initiated payments, variable recurring payments, e-commerce, account funding and embedded payment experiences.

The competitive value of PayTo will, however, depend on whether it can be adopted at scale and integrated into compelling merchant and consumer propositions. The existence of modern infrastructure is not sufficient if payment providers and merchants face unnecessary commercial, operational or regulatory barriers to using it. As further detailed below, the costs, complexity and resource requirements associated with the implementation and operational change faced by merchants may currently outweigh the anticipated savings from adopting A2A payments. This, in turn, may reduce the willingness of payment providers to offer A2A solutions and consequently, limit customer uptake.

Recurring payments are a particularly important area of potential competition between cards and A2A payments. Cards and direct debit currently support a substantial proportion of subscription, membership, utility and other ongoing payment arrangements. PayTo creates an opportunity for A2A services to compete more effectively in these markets without necessarily displacing the role cards continue to play. Compared with legacy direct debit arrangements, PayTo can offer consumers greater visibility and control over ongoing payment agreements, and give merchants and payment providers more timely information about the status of an agreement or payment.

The regulatory framework should generally preserve the scope for these services to evolve. It should not assume that recurring A2A payments must replicate the commercial arrangements or product characteristics of cards or traditional direct debit. The competitive benefit of PayTo will arise in part from the ability of providers to design new propositions around its distinctive capabilities.

Consistent implementation across participating financial institutions will also be critical to the success of PayTo. Common technical standards provide an important foundation, but material differences in implementation can still create unnecessary friction. Members have identified variation in API implementation, customer journeys, transaction limits, authentication requirements and operational settings across participating institutions, increasing integration costs and slowing adoption. FinTech Australia does not advocate prescriptive standardisation of every implementation decision; however, the Reserve Bank should continue working with industry to encourage greater consistency in those aspects of PayTo that materially affect interoperability, customer experience and competition.

Some differences in PayTo implementation may also reflect uncertainty about the role of the payer institution when a customer authorises a PayTo agreement through its banking interface. A customer may perceive the presentation of an agreement within their bank's application as carrying some form of endorsement of the payee, even though the payer institution may have no commercial relationship with that merchant. Concern about the resulting reputational or scam-related exposure may create incentives for institutions to adopt conservative transaction limits, merchant restrictions or fraud controls.

Greater clarity around these roles may therefore assist PayTo adoption. AP+ and the Reserve Bank should consider whether scheme rules or guidance can make clear that presenting a PayTo agreement for customer authorisation does not, without more, amount to endorsement of the payee, and that responsibility for losses should follow the conduct and responsibilities of the relevant participants rather than the interface through which the mandate was authorised.

Greater transparency would also improve confidence in the operation of PayTo. Financial institutions currently apply differing transaction limits, merchant restrictions and fraud controls, which can materially affect the practical availability of PayTo without always being apparent to merchants or payment service providers. These differences should not be presumed to be inappropriate: institutions require flexibility to manage genuine fraud, operational and customer risks. However, where differences materially constrain PayTo adoption or competition, the Reserve Bank should assess whether they remain justified and proportionate. Where they do not, the Reserve Bank should set clear expectations and indicative timeframes for participating institutions to address them and be prepared to intervene under the PSRA if voluntary progress does not produce effective outcomes within a reasonable period.The planned retirement of the Bulk Electronic Clearing System (**BECS**) is a relevant part of this picture: PayTo is likely to play a central role in replacing many recurring direct debit use cases currently carried on BECS. FinTech Australia considers that migration should be sequenced to give businesses sufficient time and certainty, while avoiding an unnecessarily slow transition that entrenches legacy arrangements. The migration should remain technology-neutral in its effect, it should not be used to direct transactions away from cards where cards remain the more suitable option, but should ensure A2A services are available as an effective alternative where they offer a stronger proposition.

There is also a concern that BECS migration timelines may be set without adequate consideration of the readiness of non-bank participants who depend on sponsored access for their A2A payment capabilities. Many fintechs currently rely on BECS-based direct debit through their sponsoring institutions, and migration to NPP-based alternatives will require those sponsors to prioritise the necessary technical and operational changes. The transition plan should include specific milestones and support measures for non-bank PSP readiness, including clear obligations on sponsoring institutions to facilitate timely migration for their indirect participants.

Without such safeguards, there is a risk that migration could disrupt services provided by fintechs to their merchant and consumer customers, or that smaller participants could be left without viable A2A payment capabilities during the transition period.

Barriers to adoption

Merchant and consumer adoption of A2A payments depends on more than the availability of infrastructure and supportive regulatory settings: familiarity, commercial incentives and implementation costs all play a role, and some friction is a normal feature of adopting any new payment method rather than evidence of market failure. FinTech Australia's focus in this section is on the barriers to adoption that regulatory and industry settings can actually influence, and where the Reserve Bank can play a useful facilitative role.

- <u>Inconsistent implementation</u>. Differences in customer journeys, authorisation processes, technical readiness and service availability across participating financial institutions make it harder for payment providers to offer a consistent national product. The Reserve Bank can assist by engaging with industry to encourage consistency, without prescribing every implementation detail.

- Liability and risk allocation. Obligations that expose payment service providers to disproportionate or uncertain liability for scams, fraud or other losses may deter participation and increase the cost of providing A2A services. This is addressed in detail in the following section. This is squarely a matter the Reserve Bank can influence, through the design of participation arrangements and its own scrutiny of liability terms.
- Implementation costs. A2A payments require integration into existing checkout, billing, customer-service and reconciliation processes, and this can be a significant barrier, particularly for smaller merchants with limited technology resources. Payment service providers have an important role in reducing this complexity by incorporating A2A capabilities into integrated merchant products rather than requiring businesses to build standalone connections. The Reserve Bank can support this by encouraging PSPs and financial institutions to prioritise integrated, low-friction merchant onboarding for A2A services.

The Reserve Bank and industry should focus on reducing these avoidable barriers, recognising that neither regulation nor infrastructure reform can eliminate all costs associated with changing established merchant and consumer behaviour, but that consistent implementation and proportionate liability allocation are squarely within reach.

Liability allocation should not become a barrier to participation

Practical participation depends not only upon technical access to payment infrastructure, but also upon the commercial terms on which that access is made available. During consultation on this Review, FinTech Australia members raised concerns that some proposed participation arrangements for NPP services may require payment service providers to assume broad contractual liability for scam and fraud losses, including through indemnities extending beyond matters within the participant's own control.

FinTech Australia does not suggest that payment system participants should be insulated from responsibility for risks they create or control. Appropriate liability allocation is an important component of maintaining confidence and integrity within the payments system. However, liability arrangements should remain proportionate, transparent and appropriately aligned with each participant's ability to manage the relevant risk.

Liability settings that require newer participants to indemnify sponsoring institutions or other participants for broad categories of fraud or scam losses may materially affect the commercial viability of participation, particularly for smaller payment service providers and fintechs. Where contractual arrangements allocate risks that cannot reasonably be controlled or priced by the participant assuming them, they may operate as a practical barrier to entry notwithstanding the formal availability of payment system access.

Liability arrangements should also be developed consistently with Australia's broader scams policy framework. Treasury is currently implementing the Scams Prevention Framework, which establishes a comprehensive legislative framework for allocating responsibilities across participants in the payments ecosystem. Private participation arrangements and payment system rules should complement that framework rather than duplicating, circumventing or materially diverging from it before it has been fully implemented and evaluated.

The Reserve Bank should therefore monitor whether liability allocation within payment system participation arrangements is becoming a structural barrier to competition or effective participation. While contractual arrangements are appropriately matters for industry participants in the first instance, they may warrant closer scrutiny where their cumulative effect materially constrains access to payment infrastructure or undermines the competitive objectives of broader payments reforms.

Dispute resolution and chargebacks

FinTech Australia also considers that dispute resolution is a distinct and important issue for A2A payments to develop as a credible competitor to cards. For A2A payments to provide a sustained competitive alternative, consumers and merchants will need confidence that disputed, unauthorised or incorrectly executed transactions can be resolved through clear and effective processes. Card chargeback arrangements are well understood and provide an established mechanism for addressing certain transaction disputes. While those arrangements should not simply be replicated for A2A payments, there is merit in developing functionally comparable protections suited to the characteristics of real-time account-to-account transfers, and FinTech Australia encourages the Reserve Bank to work with industry on this as a priority alongside the liability questions addressed above.

More broadly, the ability of A2A payments to compete with cards will depend on the overall functionality and consumer experience they provide. Card schemes have developed mature arrangements for functions including refunds and partial refunds, pre-authorisations, recurring-payment management and other transaction adjustments. A2A payments need not reproduce these mechanisms or the underlying card-scheme rules, but material gaps in functionality or consumer protection may affect their attractiveness as a substitute for cards.

The Reserve Bank should therefore consider the broader consumer and merchant proposition as A2A payments develop, including whether users have sufficiently clear mechanisms to understand, manage and revoke ongoing payment authorities and whether material differences in protections or functionality are adequately disclosed. Industry should retain flexibility to develop A2A-specific solutions rather than being required to replicate card functionality.

Recommendation 9

The Reserve Bank should:

A. ***improve transparency regarding institution-specific PayTo settings, including transaction limits, merchant restrictions and fraud controls, assess whether material differences are justified and proportionate, and require participating financial institutions to address inconsistencies demonstrated to be unnecessarily constraining competition within clear indicative timeframes, with the Reserve Bank signalling its willingness to intervene under the PSRA if effective outcomes are not achieved within a reasonable period;***

B. ***work with industry to develop clear and proportionate consumer-protection, dispute-resolution and liability arrangements for A2A payments, including appropriate mechanisms for managing ongoing payment authorities and transaction disputes, in a manner complementary to the Scams Prevention Framework and capable of supporting consumer confidence without simply replicating card-scheme rules;***
C. ***monitor whether liability allocation and indemnity requirements within NPP participation arrangements are becoming a barrier to effective participation, particularly where they allocate risks beyond a participant's reasonable ability to manage them;***
D. ***maintain competitive neutrality between cards and A2A payments, ensuring regulatory treatment is proportionate to the risks each presents rather than requiring one payment method to replicate the other's technical or commercial characteristics;***
E. ***facilitate an industry-led process to examine the case for a common, interoperable and technology-neutral standard for QR-based payments.***

Part IV. Access and participation in payment systems

This part applies the public interest framework outlined in Part II by examining whether existing participation arrangements unnecessarily impede competition on the merits, whether operational and governance requirements remain proportionate to the risks presented by different categories of participant, and whether greater transparency or regulatory certainty could improve competition and efficiency without duplicating broader Government reforms.

4.1 Effective access as a foundation for competition and innovation

Access to payment infrastructure is a necessary foundation for effective competition. Payment service providers cannot introduce new products, expand merchant and consumer choice or place meaningful competitive pressure on established providers unless they can obtain access to the systems and functionality required to deliver those services.

However, access should not be assessed solely by reference to formal eligibility. A provider may be technically permitted to apply for participation while facing commercial, technical or operational impediments that make the available pathway impractical, reflecting the broader distinction this submission draws between nominal access and effective participation.

FinTech Australia does not suggest that access should be universal or unconditional. Direct participation in critical payments infrastructure carries substantial responsibilities, and participants must meet rigorous requirements relating to operational resilience, cyber security, fraud controls, financial resources and technical performance. The issue is whether the pathway for demonstrating those capabilities is sufficiently clear, proportionate and open to institutions other than authorised deposit-taking institutions (**ADIs**). Access criteria should correspond to the functions an applicant proposes to perform and the risks it introduces, rather than relying unnecessarily on its institutional form.

Improving direct access pathways is particularly important for the NPP. As Australia migrates from legacy A2A arrangements and makes greater use of PayTo, Confirmation of Payee and richer ISO 20022 messaging, the NPP will become still more central to competition and innovation across the economy. Ensuring that appropriately regulated fintechs can participate meaningfully in that infrastructure should be treated as a central component of Australia's payments modernisation agenda.

4.2 The changing role of the NPP

The NPP was developed as real-time infrastructure through which financial institutions could clear and settle fast, data-rich payments. Its role has since expanded well beyond bank-to-bank transfers, now supporting PayID, PayTo, payment initiation, Confirmation of Payee and a broader range of value and non-value messages. Further, the planned migration away from BECS will increase the NPP's systemic and commercial importance, as a wider range of recurring, business and merchant payments come to depend on NPP functionality.

The NPP should therefore be understood as critical national payments infrastructure supporting a broad ecosystem, rather than solely as infrastructure connecting banks.

This has implications for access. Participation arrangements designed around the institutions that originally funded and built the NPP may not suit the more diverse range of providers now seeking to develop payment services using it, and the access framework should evolve as the functions, users and economic significance of the infrastructure grows.

A modern access framework should recognise that fintechs may perform specialised payment functions without accepting deposits or providing the full range of banking services - initiating payments, providing merchant-facing payment services, managing digital payment agreements, facilitating recurring payments or integrating payment capabilities into business software, without needing to undertake direct settlement or operate as a bank. Participation arrangements should accommodate those different roles while ensuring that each provider assumes obligations proportionate to its activities and risks.

4.3 Fintech participation as a driver of NPP innovation

Access arrangements will influence who participates in the NPP and how quickly new services are developed on top of it.

Fintechs are frequently the institutions most focused on developing new payment products and addressing particular customer problems, commonly differentiating themselves through software, data, user experience, payment orchestration, fraud management, reconciliation and integration with broader commercial processes. Allowing these providers to interact more directly with the NPP can shorten product-development cycles, reduce dependence on intermediaries and also create stronger incentives to develop new uses for PayTo, real-time payments and data-rich messaging.

The benefits are not confined to fintechs. Greater participation by innovative providers can increase the value of the infrastructure for all users, new products can broaden merchant adoption and demonstrate use cases that established participants may subsequently adopt, and competition from new entrants can encourage all participants to improve their products and customer experiences.

This matters because payment infrastructure does not generate innovation by itself. A new rail's economic value depends on institutions developing useful, commercially viable products around it. Australia should therefore seek to involve its most innovative regulated financial institutions in the NPP's future development. An access framework that limits practical direct participation to large incumbent institutions risks separating the infrastructure from many of the firms best placed to develop new customer propositions using it.

This does not mean that every fintech should become a direct participant. For some providers, sponsored or indirect access will remain the most efficient and appropriate model. The objective should be to ensure that direct participation represents a viable option for providers that have the capabilities, scale and business need to assume the associated responsibilities.

4.4 Existing pathways to NPP participation

The NPP currently offers three main ways to interact with it: as a Direct Participant (accessing the NPP directly including for clearing and settling payments), as an Identified Institution (accessing the NPP indirectly through a Direct Participant) or as a Connected Institution (enabling the exchange of non-value messages directly with the NPP infrastructure).

This differentiated structure is appropriate in principle. Different providers perform different functions and should not all be required to assume identical obligations. A provider that wishes to initiate payments should not necessarily be required to satisfy every requirement applicable to an institution settling payments through the Fast Settlement Service.

However, the existence of multiple participation categories does not make each pathway effective in practice. FinTech Australia's member consultation indicates that the route for non-banks to become Direct Participants is still widely regarded as opaque, costly, difficult to navigate and not fit-for-purpose. Members also consider that existing arrangements are not yet well aligned with the emerging payment service provider licensing framework.

The Reserve Bank should therefore assess not only the legal structure of available access models, but also whether appropriately regulated providers can access and use them in practice.

FinTech Australia recognises the significant work AP+ has undertaken in operating and developing Australia's domestic payments infrastructure. AP+ is owned by its member financial institutions, a structure that itself raises competition concerns the Reserve Bank should not overlook. As the operator of a nationally significant payments infrastructure with an increasingly diverse participant base, AP+’s governance and access decisions must be, and must be seen to be, independent of the commercial interests of its incumbent owners.

Governance arrangements and access processes should therefore be transparent, objective and consistently applied, so that participants have confidence that decisions are based on appropriate technical, operational and risk considerations rather than the interests of AP+’s owner-participants.

4.5 Dependence on incumbent sponsors

Sponsored and indirect access can be an efficient route to market. It lets specialist firms avoid building costly core infrastructure, and lets sponsors provide valuable settlement, compliance and operational services. But it can also embed unnecessary margin for incumbent sponsors, subject non-banks to the limitations of banks' legacy systems, and increase exposure to risks like de-banking. A fintech relying on a sponsor may have limited control over service availability, product development, commercial terms and access to new functionality, and the sponsor may compete with it in downstream markets.

FinTech Australia acknowledges that sponsors assume genuine costs and risks and should retain their own commercial and risk appetite. However dependence on sponsorship due to unjustified barriers to direct participation may constrain innovation where a provider cannot obtain timely access or cannot develop a differentiated service without an incumbent bank's agreement. There are also inherent costs and lead time associated with moving from an incumbent bank which reduces the competitive pressure in servicing non-bank participants.

A robust direct access pathway can improve sponsored access by strengthening indirect providers' negotiating position and encouraging competition between sponsors.

4.6 Practical impediments to direct NPP access

FinTech Australia’s discussions with members and with the Reserve Bank indicate that the impediments to direct access are multifaceted. They cannot be reduced to a single formal eligibility requirement.

Clarity of the access pathway

The clearest problems with the direct access pathway are regulatory misalignment and process opacity. Direct Participants face requirements shaped around APRA-regulated ADIs, which do not necessarily fit the risk profile of a non-bank seeking to initiate payments or exchange messages without taking on settlement risk. Compounding this, prospective participants cannot easily determine, at an early stage:

- which participation category is appropriate for their proposed service;
- which regulatory and institutional requirements apply;
- the technical architecture they must build;
- the testing and certification process;

- indicative timeframes and key milestones;
- the full range of initial and ongoing costs;
- the functions they will be permitted to perform; and
- the responsibilities they will assume relative to AP+, the Reserve Bank and other participants.

This uncertainty matters because developing a business case for direct connection requires substantial preparatory investment including engaging technical specialists, legal advisers, infrastructure vendors and potential settlement partners before commercial viability can even be assessed. The access process should provide prospective participants with sufficiently clear information to undertake meaningful feasibility work before incurring major expenditure. This does not require the publication of sensitive system-security information. Rather, it requires a coherent explanation of the pathway, requirements, costs, sequencing and expected outcomes.

Long or uncertain implementation periods are themselves a significant barrier: they increase financing costs, make it harder to plan product launches or secure investment, and increase the risk that business assumptions or regulatory requirements change before a provider becomes operational. A structured onboarding calendar may be necessary to manage system changes safely, but the Reserve Bank should examine whether the frequency of onboarding windows, testing capacity and sequencing of approvals unnecessarily extend the pathway. Prospective participants should receive indicative timeframes, clear milestones and timely notice of matters requiring remediation, with delays arising from system-wide capacity or dependencies outside an applicant's control identified transparently.

Greater transparency around access arrangements would itself improve competition and market efficiency. Prospective participants should be able to understand the different participation pathways, the broad eligibility criteria for each, the categories of technical and operational requirements, the expected onboarding process and the respective responsibilities of participants, sponsors and infrastructure providers. This does not require publishing commercially sensitive information or confidential security requirements, it requires visibility of the framework within which participation decisions are made, which would also help the Reserve Bank distinguish barriers arising from formal requirements from those arising from commercial or operational practice.

Access categories should also be assessed by reference to the practical control and functionality they provide, not just their formal availability. Rules should clearly identify which providers may use each capability and why any restriction is necessary, and where access to a function does not introduce clearing, settlement or prudential risk, a requirement to become a full participant should face careful scrutiny.

Technical connection requirements

Direct connection may require substantial investment in gateway infrastructure, connectors, back-office systems, secure messaging and testing environments and raise legitimate safety and resilience considerations. However, the real question is whether the current technical model unnecessarily assumes every Direct Participant will replicate infrastructure built by the original bank participants.

The Reserve Bank and AP+ should assess whether requirements are expressed as technology-neutral outcomes wherever possible, and whether equivalent security and resilience could be achieved through modern connection models, including secure cloud-compatible arrangements, accredited gateway providers, shared technical services, standardised implementation materials, staged connections, and functionally limited access where a provider doesn't need the full suite of participant capabilities.

These options should not be adopted where they would materially weaken resilience but legacy technical architecture should not be retained unexamined merely because it suited the original participant base.

Potential options may include:

- secure cloud-compatible connection arrangements;
- accredited gateway and infrastructure providers;
- shared technical services supporting multiple regulated participants;
- standardised and more accessible implementation materials;
- improved testing and certification environments;
- staged connections allowing providers to establish capability progressively; and
- functionally limited direct access where a provider does not require the full suite of participant capabilities.

Cost and the commercial business case

Participation in systemically important infrastructure inevitably requires significant investment in technology, resilience and compliance. However, costs and obligations must remain proportionate to the functions performed and risks assumed. Where costs reflect necessary resilience or security requirements, they're likely justified; where they arise from avoidable duplication or historical market structures shaped around incumbent banks, there may be room for improvement. An access pathway is not practically effective if its costs make participation viable only for the largest institutions, unless those costs are demonstrably necessary.

Access fees and cost-recovery arrangements should therefore be:

- transparent enough to support a reliable business case;
- reasonably related to the services and infrastructure used;
- proportionate to the functions performed;
- structured so that new entrants do not bear unrelated legacy costs;
- sufficient to preserve incentives for ongoing infrastructure investment; and
- designed to avoid unnecessary scale advantages where costs do not vary with participant size.

Compounding barriers for non-bank payment providers

These access barriers can have a compounding effect on fintechs and non-bank payment service providers seeking to develop and offer A2A payment services. Compared with established banking institutions, these providers may face additional structural costs and dependencies at several points in the participation model.

Settlement is one example. Direct settlement through the Fast Settlement Service currently depends on access to an Exchange Settlement Account, and the cost, regulatory requirements and operational complexity associated with that model place it beyond the practical reach of many non-ADI payment providers. In the absence of a more proportionate settlement pathway for licensed PSPs, these providers generally remain dependent on sponsoring institutions for functions they cannot perform directly.

The concentration of settlement access can also have implications for operational resilience and financial safety. Where a substantial number of non-bank providers ultimately depend on a small number of sponsoring institutions, a commercial, risk-management or de-risking decision by one sponsor may affect services provided to a much wider group of downstream businesses and customers. This risk is particularly difficult to mitigate where alternative sponsors are limited or migration to another provider cannot be completed within available notice periods. The Reserve Bank should therefore consider the resilience benefits, as well as the competition benefits, of creating additional proportionate pathways to settlement for appropriately regulated non-bank PSPs.

Liability settings may add to these pressures. FinTech Australia members have raised concerns that scam and fraud liability arrangements may impose disproportionate costs on smaller payment providers, which generally do not have the transaction volumes, data resources or scale advantages available to major financial institutions for scam detection and prevention. The Scams Prevention Framework and payment-system participation arrangements should allocate responsibility having regard to each participant's role and practical ability to manage the relevant risk.

The combined effect of settlement barriers, dependence on sponsored access and disproportionate liability exposure may weaken the commercial case for fintech investment in A2A payment services. If these settings deter entry or expansion, they will reduce the diversity of providers developing NPP-based products and weaken competitive pressure in services offered to merchants and consumers.

In FinTech Australia’s submission, the objective should be an efficient, competitively neutral allocation of the genuine costs of participation, not free or subsidised access. The Reserve Bank should gather evidence on the total cost of establishing and maintaining different forms of direct connection, to distinguish unavoidable costs from those capable of redesign.

4.7 Operational decision-making and participant confidence

Governance matters not only for who participates in the NPP, but for its ongoing operation. Decisions on new functionality, implementation sequencing, technical capacity and onboarding timeframes can have significant commercial consequences for payment service providers. Where these decisions aren't well understood, they create uncertainty that discourages investment even where formal access exists.

FinTech Australia does not suggest the Reserve Bank should oversee day-to-day operational decisions. But as a piece of nationally significant infrastructure, the NPP's governance should be genuinely open: FinTech Australia considers that AP+ should publish key operational decisions and the reasoning behind them, and make minutes of relevant governance meetings available to participants, so that the market can see that decisions are made transparently, objectively and according to clearly understood principles. This is particularly important as the NPP supports a more diverse range of competing participants than when it was established.

Transparency alone will not ensure that the development of the NPP reflects the perspectives of the broader range of businesses now building and delivering A2A payment services. Non-bank PSPs are among the most active users of, and investors in, NPP and PayTo capability, and provide payment services to a substantial part of Australia's fintech and platform economy. However, their ability to contribute directly to strategic discussions about the future of A2A payments remains limited. In particular, non-bank PSPs are not directly represented in relevant Reserve Bank industry roundtables, while scheme-level engagement is principally conducted through forums for NPP participants. This means their perspectives may be filtered through institutions whose roles, commercial interests and operating models differ materially from their own.

As the NPP develops from core payment infrastructure into a platform supporting a wider range of commercial payment services, its governance and consultation arrangements should evolve accordingly. The Reserve Bank and AP+ should establish effective mechanisms for appropriately regulated non-bank PSPs to contribute directly to discussions concerning NPP strategy, PayTo development, access arrangements and future A2A functionality. This need not require non-bank providers to participate in decisions concerning matters for which direct participants bear particular operational or settlement responsibilities. It should, however, give businesses making significant investments in A2A services a meaningful voice in decisions that affect their ability to develop and compete using that infrastructure.

Member consultation also highlighted the importance of ensuring that participation requirements, including arrangements relating to operational responsibility and liability allocation, remain proportionate to the role performed by individual participants. Commercial arrangements perceived as disproportionate or uncertain may discourage investment even where formal access is available. While detailed contractual arrangements are appropriately industry matters, the Reserve Bank should consider whether governance and participation arrangements continue to support competition, efficiency and innovation.

4.8 Improving the direct access pathway

FinTech Australia considers that a more effective direct access pathway should be built around function, capability and risk.

Any such framework should:

- establish clearer access categories (see further below), with increased transparency around their practical implications, so providers can identify which category corresponds to their proposed functions and understand the consequences;
- publish a clear direct access pathway, giving prospective participants clear information on requirements, processes, indicative costs, timeframes and available functionality;
- use institution-agnostic eligibility criteria (including regulatory status, technical capability, operational resilience, financial resources, governance and risk) rather than assuming meaningful participation requires an ADI licence, increasingly leveraging PSP licensing authorisations as the primary indicator of regulatory capability as those reforms mature;
- distinguish connection, clearing and settlement, so providers that don't introduce settlement risk aren't automatically required to satisfy settlement-participant requirements;
- enable modern technical models, with technology-neutral requirements that accommodate secure cloud or accredited third-party infrastructure where equivalent outcomes can be demonstrated;
- improve testing and onboarding, ensuring testing environments, certification processes and participation windows are sufficiently available to prevent avoidable delay;
- provide clear reasons and independent review for materially adverse access decisions; and
- ensure proportionate cost recovery and review outcomes over time, assessed against actual applications, onboarding times, costs and use of NPP functionality.

These reforms would not guarantee entry or commercial success. They would provide a clearer and more objective opportunity for capable providers to demonstrate that they can participate safely.

Broader settlement system considerations are also relevant to improving direct access. The RBA's Reserve Bank Information and Transfer System (**RITS**) and the Fast Settlement Service underpinning the NPP currently limit direct settlement participation to entities holding Exchange Settlement Accounts. Expanding direct access to the NPP for non-ADI PSPs therefore raises questions about whether the current settlement architecture can accommodate a broader participant base without introducing systemic risk.

FinTech Australia considers that the RBA should examine whether tiered settlement models - similar to the Bank of England's approach of allowing non-bank PSPs to hold settlement accounts at the central bank under appropriate safeguards - could support broader fintech participation in real-time payments while maintaining settlement finality and system integrity.

A tiered model could also reduce the extent to which appropriately regulated PSPs are compelled to rely on incumbent banks purely because direct settlement is commercially or operationally inaccessible. Any alternative should remain proportionate to the settlement risk undertaken by the participant and should take account of the regulatory assurance provided by the new PSP licensing framework.

Any changes to settlement arrangements must, however, be carefully calibrated to avoid destabilising the existing RITS ecosystem or creating operational risks during transition. A graduated approach, potentially beginning with a limited number of appropriately regulated non-ADI participants under enhanced oversight, would, in our view, allow the Reserve Bank to assess the practical implications before broader expansion.

Access categories

The access framework should clearly distinguish between different functions, including:

- connection to NPP messaging infrastructure;
- the ability to initiate payments;
- clearing and settlement;
- access to PayTo and the Mandate Management Service;
- access to Confirmation of Payee; and
- access to addressing and other supporting services.

A provider should not be required to obtain banking status merely to access functionality that doesn't involve deposit-taking or direct settlement risk.

Some forms of direct participation appropriately require access to settlement arrangements and the ability to meet obligations through the Fast Settlement Service. These raise different risks from payment initiation or the exchange of non-value messages. Where settlement is required, the framework should consider whether a regulated non-bank provider can satisfy the relevant requirements directly or through a clearly defined settlement arrangement. Institutional status should be relevant where it reflects substantive risk, but should not substitute for a direct assessment of capability.

4.9 The Connected Institution model

The Connected Institution model provides an important participation pathway for payment service providers seeking a more direct connection to the NPP without becoming Direct Participants.

In practical terms, Connected Institution status allows a provider to access PayTo and the Mandate Management Service directly, without needing a banking intermediary, while still relying on an NPP participant for clearing and settlement. This is its central value: it removes the banking intermediary for PayTo access specifically, without requiring the provider to take on the full responsibilities of a Direct Participant.

However, limited use of the model suggests that its practical and commercial value should be examined. The relevant questions include:

- whether the available functionality is sufficient to justify the cost of connection;
- the cost of acquiring and maintaining gateway and back-office infrastructure;
- continuing dependence on another participant for clearing or settlement;
- the time and complexity involved in onboarding;
- the allocation of operational, scams, fraud and compliance risks;
- the ability to use third-party infrastructure providers;
- access to PayTo and other emerging services beyond current functionality; and

- whether the model provides enough control over service quality and product development.

The Connected Institution model should continue to evolve alongside broader access arrangements. As experience with the model grows, the Reserve Bank and industry should consider whether additional functionality, greater transparency or refinements to participation requirements could further improve its usefulness for regulated payment service providers seeking more direct participation in the NPP.

4.10 The case for RBA designation and an NPP access regime

FinTech Australia considers that the Reserve Bank should designate the NPP as a payment system under the PSRA and, following consultation, establish an access regime for it. In designing that access regime, the Reserve Bank should have regard to the Common Access Requirements anticipated under Tranche 2 of the Government's PSP reforms, and could consider incorporating them as a baseline, supplemented by any additional requirements the Reserve Bank considers necessary to address the NPP's particular risks and characteristics.

Common Access Requirements and an NPP-specific access regime can perform different but complementary functions. Common Access Requirements are necessarily a base-level, cross-system standard designed to apply consistently across different regulated payment functions. An access regime for a specific system like the NPP will always need to build on top of that baseline to address the particular risks and characteristics of that system. Designation and Common Access Requirements therefore go hand in hand.

FinTech Australia considers that the Reserve Bank should not wait for Tranche 2 to be finalised before designating the NPP. Designation, and the evidence-gathering it enables, can proceed now and can inform, rather than duplicate or be duplicated by, the development of Common Access Requirements.

The case for an RBA access regime

The PSRA permits the Reserve Bank, following designation of a payment system, to impose an access regime where it considers this appropriate in the public interest. Existing RBA access regimes demonstrate that this power can be used to improve entry conditions and promote competition and efficiency while taking account of the interests of existing and prospective participants.

An RBA access regime could offer several advantages:

- It could be tailored specifically to the NPP. The Reserve Bank could distinguish between different forms of access and address matters such as eligibility, process, transparency, timeframes, review and access to functionality without imposing a generic framework across unrelated payment systems.
- It will provide regulatory certainty. Objective statutory requirements will give prospective participants greater confidence that access decisions will be made consistently and that scheme rules cannot depart from public policy objectives without justification.

- The Reserve Bank has direct expertise in the NPP, the Fast Settlement Service and the interaction between access, operational risk and settlement. It is therefore well placed to calibrate requirements to the particular safety and efficiency characteristics of the system.
- An access regime could be introduced or adjusted if voluntary improvements do not produce effective outcomes.

FinTech Australia acknowledges that an access regime would also present some genuine design challenges: it could reduce flexibility if drafted too prescriptively, and it may be difficult to prescribe access terms before the Reserve Bank has a sufficiently detailed understanding of costs, technical architecture and the commercial viability of different models.

For these reasons, FinTech Australia suggests that the Reserve Bank proceed to designate the NPP and expressly examine the public interest case for the content of an access regime, identifying the evidence required to inform its design.

A potential access regime could focus on process and outcomes rather than prescribing technical or commercial terms. It might address: objective and function-based eligibility criteria; recognition of PSP licensing status; transparent application requirements; reasonable decision-making timeframes; access to defined functionality; written reasons for materially adverse decisions; independent review; non-discriminatory application of technical standards; and transparent and proportionate cost-recovery principles.

This would preserve flexibility for AP+ and participants to manage the operational details of access while establishing minimum public interest safeguards.

The role of Common Access Requirements

Common Access Requirements under Tranche 2 have real value, but their value is as a floor, not a ceiling. A common framework establishing baseline standards, licensing status, governance and compliance capability, financial resources, safeguarding, operational resilience, cyber security, scams and fraud controls, technical competence, and accountability for outsourced service providers, gives providers a clearer, institution-agnostic understanding of baseline expectations across payment systems, and lets system operators rely on the public licensing framework rather than independently reassessing every matter.

But precisely because Common Access Requirements are designed to apply across payment functions generally, they will necessarily be minimal, they will be a base level of requirements rather than a complete access code for any particular system. They should not create an automatic entitlement to access irrespective of system-specific risk: an NPP direct settlement participant will need to satisfy requirements that are not relevant to a provider seeking limited access to another payment system, and system operators must retain the ability to impose additional requirements that are objectively necessary for safety, capacity and integrity, in a transparent manner commensurate with the relevant risk. This is precisely why an NPP-specific access regime, building on the Common Access Requirements baseline, remains necessary.

New licensing framework

Any future access framework should also seek to leverage the new payment service provider licensing regime established under Tranche 1 of the Government's reforms. Where an entity has already demonstrated appropriate governance, operational capability, financial resources and risk management through an AFSL authorisation to provide regulated payment services, there may be opportunities to reduce unnecessary duplication in payment system access assessments. This would not remove the need for payment system-specific operational or technical requirements, but could provide a more proportionate and efficient foundation upon which access decisions are made.

Their effectiveness would also depend on legal enforceability, responsibility for administration, interaction with scheme rules and the availability of review where access is refused. Because the Tranche 2 model remains in development, the Reserve Bank should engage closely with Treasury to ensure that the framework is capable of supporting practical access rather than merely establishing additional eligibility criteria.

4.11 Building the evidence base

FinTech Australia considers that there would be significant value in the Reserve Bank undertaking further work to better understand the practical operation of current access arrangements.

Discussions with members suggest that the principal barriers to participation are increasingly not legal in nature. Rather, they relate to the commercial and operational realities of participating in Australia's payments infrastructure. During discussions with FinTech Australia, the Reserve Bank identified a number of these issues as warranting further examination, including connection costs, technical architecture, cloud-based participation models, implementation timeframes, the commercial viability of direct participation and the practical operation of existing participation pathways.

FinTech Australia considers that the Reserve Bank should not simply gather this evidence internally, but should open a dedicated public consultation on NPP access, including the design of the access regime recommended above, and invite submissions from industry. This would ensure the evidence base is built transparently and collaboratively, and would allow the Reserve Bank to move directly from designation to a well-evidenced access regime without an open-ended, undefined evidence-gathering phase in between.

In particular, the Reserve Bank should seek to better understand:

- the total cost of establishing and maintaining different forms of NPP participation;
- the principal technical and operational barriers to direct participation;
- whether current connection models remain appropriate in light of modern cloud infrastructure and evolving technology architectures;
- the practical operation of the Connected Institution model, including the extent to which it provides an effective and commercially viable pathway for payment service providers seeking more direct participation in the NPP;
- onboarding timeframes, testing processes and implementation costs;
- the functionality available through each participation pathway;
- the extent to which current participation models support or constrain innovation;

- the interaction between payment system participation requirements and the emerging PSP licensing framework;
- whether fintechs regard sponsored access as a commercially effective substitute for direct participation; and
- the practical impediments to broader merchant and customer adoption of modern A2A payment capabilities.

Importantly, this work should extend beyond formal access criteria. The Reserve Bank's review should examine the broader ecosystem conditions that influence whether Australia's A2A infrastructure is capable of supporting effective competition. These include implementation consistency across participants, commercial incentives, governance arrangements, technical interoperability and the extent to which payment providers can realistically develop innovative products around the underlying infrastructure.

The Reserve Bank should also seek evidence from organisations that considered, but ultimately decided against, pursuing direct participation. Understanding why potential participants abandoned those efforts may provide a more complete picture of the practical barriers than examining existing participants alone.

4.12 Supporting the A2A vision

This broader evidence-gathering exercise, and the consultation process recommended above, would also support implementation of the recently finalised Vision for the Future of Account-to-Account Payments in Australia from the A2A Payments Roundtable.

The Vision recognises that a successful A2A payments system should not only be secure, resilient and feature-rich, but also accessible to providers, commercially viable and capable of supporting innovation. It likewise identifies competition, innovation and productivity as central public interest objectives for the future evolution of Australia's A2A ecosystem.

Improving access pathways is therefore fundamental to achieving the broader strategic direction that the Government, regulators and industry have collectively endorsed for Australia's future A2A payments system.

4.13 Existing government support for reform

The proposition that access pathways warrant further examination is also consistent with broader Government policy.

The House of Representatives Standing Committee on Economics' report *A Level Paying Field* recommended that Treasury work with regulators and industry to facilitate easier access to the NPP for smaller payment providers and fintechs as part of strengthening competition and innovation in Australia's payments system. The Committee also supported continued work to modernise Australia's A2A payments infrastructure and implement the next stage of the Government's payment reforms.

Recommendation 10

The Reserve Bank should:

- ***A. designate the NPP as a payment system under the Payment Systems (Regulation) Act 1998;***
- ***B. open a public consultation on an access regime for the NPP, including considering incorporating the Common Access Requirements anticipated under Tranche 2 as a baseline together with any additional requirements necessary to address the NPP's particular risks, and inviting industry submissions on the practical, commercial and technical barriers to participation identified in this submission;***
- ***C. examine whether tiered or functionally limited settlement arrangements could enable appropriately regulated non-ADI payment service providers to participate more directly in real-time settlement without requiring full Exchange Settlement Account status, drawing on international models such as the Bank of England's approach to non-bank PSP settlement access, and having regard to the competition and resilience benefits of reducing excessive dependence on a small number of settlement sponsors;***
- ***D. promote greater transparency and broader industry representation in NPP governance and strategic decision-making, including by:***
    - ***i. publishing key decisions and relevant governance meeting minutes;***
    - ***ii. providing appropriately regulated non-bank PSPs with direct opportunities to contribute to Reserve Bank and industry discussions concerning the strategic development of the NPP, PayTo and A2A payments; and***
    - ***iii. ensuring consultation arrangements do not unnecessarily require non-bank PSP perspectives to be mediated through direct NPP participants;***
- ***E. work with Treasury as Tranche 2 of the PSP reforms develops, to ensure Common Access Requirements and the Reserve Bank's own access regime remain complementary; and***
- ***F. undertake further evidence-gathering on the practical legal, commercial, operational and technical barriers to NPP participation.***

Part V. Technology and future market evolution

Increasingly, consumers experience payments through integrated digital ecosystems that combine identity, payment initiation, authentication, data sharing, fraud prevention and settlement. Technology is changing not merely individual payment methods, but the architecture of competition itself. Regulatory frameworks should therefore focus less on individual technologies and more on ensuring that the broader ecosystem remains competitive, interoperable and capable of supporting innovation.

As new forms of payment infrastructure emerge, including AI-enabled payment services, the relevant policy question remains whether market structures continue to support effective competition, interoperability and consumer choice, consistent with the public interest framework outlined in Part II.

5.1 Artificial intelligence, agentic commerce and delegated payment authority

Artificial intelligence (**AI**) will change how payment decisions are made and how transactions are initiated. While today's payments ecosystem generally assumes that payment instructions are initiated directly by consumers or businesses, advances in AI are creating the possibility that software agents may identify purchasing opportunities, compare providers, negotiate commercial terms and initiate transactions on behalf of users within parameters established by those users.

Although often described as "agentic commerce", these developments remain at an early stage of commercial development. There is currently limited evidence regarding likely adoption, consumer behaviour, competitive impacts or the operational models that will ultimately emerge. Internationally, market participants continue to experiment with a range of approaches, and there is no settled model for how AI-enabled payment initiation will operate in practice.

Many of the issues raised by AI are not unique. They reflect broader themes already discussed throughout this submission. As with mobile wallets, digital platforms and other emerging technologies, competition outcomes will increasingly depend upon practical access to infrastructure, interoperability between participants, transparent governance arrangements and the ability of innovative providers to compete on their merits. The Reserve Bank should therefore assess AI-enabled payment services using the same public interest framework applied elsewhere in this submission, rather than developing technology-specific regulatory approaches unless there is credible evidence that AI gives rise to distinct competition, efficiency or financial stability concerns.

The Reserve Bank should also distinguish between regulating AI itself and promoting competitive market structures within which AI-enabled payment services develop. At this early stage, the greater public interest concern is not the functionality of particular AI systems, but whether emerging payment ecosystems remain sufficiently open and interoperable to support effective competition. The Reserve Bank should therefore encourage the development of open technical standards and interoperable payment interfaces rather than proprietary approaches that could entrench particular payment networks, platforms or technology providers.

FinTech Australia considers it would be premature for the Reserve Bank to develop technology-specific regulatory settings for agentic commerce. At present, there is insufficient evidence to conclude that the public interest test under the PSRA justifies regulatory intervention directed specifically at AI-enabled payments. Premature intervention risks constraining innovation before markets have had an opportunity to develop, potentially favouring particular technologies or business models that may ultimately prove less effective than alternative approaches.

This is not to suggest that agentic commerce raises no regulatory questions. Rather, many of the issues currently attracting attention, including consumer protection, privacy, AI governance and broader questions of digital regulation, fall principally within the responsibilities of the Australian Government, Treasury and specialist regulators, as well as industry itself – at which level many present issues are capable of being resolved. The Reserve Bank's role should remain focused on those matters that relate directly to the efficiency, competition and safety of the payments system.

As evidence emerges over time, the interaction between agentic commerce and these statutory objectives may become clearer, but that evidence is not yet available.

The Issues Paper identifies several possible ways in which agentic commerce could affect the Reserve Bank's statutory objectives. These include the possibility that software agents may favour particular payment methods or debit networks, reduce merchants' practical influence over routing, introduce additional fees into the payment process or create uncertainty regarding whether a transaction accurately reflected the consumer's intention.

These are legitimate matters for the Reserve Bank to observe as commercial models develop. In principle, an agent that systematically directs transactions toward a related or preferred payment method could influence competition between payment systems. Similarly, additional fees or restrictions imposed at the agentic interface could affect merchant acceptance costs or obscure the basis on which payment methods are selected.

At present, however, these possibilities remain largely theoretical. There is insufficient evidence regarding the adoption of agentic commerce, the commercial relationships likely to support it, how agents will select payment methods, whether merchants will retain the ability to establish acceptance parameters, or whether new fees will arise in practice. It is therefore not presently possible to determine whether agentic commerce will materially restrict merchant choice or instead increase competition by enabling more informed and dynamic selection between payment products.

The Reserve Bank should seek to build this evidence base before considering intervention. Relevant matters may include emerging pricing models, payment-method selection practices, relationships between agent providers and payment systems, the extent of merchant control over accepted payment methods and the incidence of disputes involving agent-initiated transactions. This work can be undertaken through industry engagement and market monitoring without prescribing the architecture through which agentic commerce develops.

The principal payments policy issue likely to emerge is the evolution of delegated payment authority. Australia's payments framework has traditionally been designed around payment instructions given directly by consumers or authorised representatives. As software agents become capable of acting autonomously within parameters established by users, regulatory frameworks will need to accommodate circumstances in which consumers authorise software agents to act on their behalf while retaining meaningful control over that authority.

Over time, this may raise questions regarding authentication, consent, auditability, liability allocation and the mechanisms through which delegated authority may be established, monitored and revoked. Importantly, these questions are not unique to AI and should be addressed through technology-neutral regulatory principles rather than AI-specific rules. Any future regulatory response should focus on ensuring secure, reliable and accountable payment initiation regardless of the technology through which it is achieved, and the cornerstone of any regulation should be built around transparency and disclosure rather than more interventionist approaches.

Agentic commerce also exposes a number of regulatory questions that existing payments frameworks do not yet fully address. These include how existing dispute resolution frameworks apply where purchasing decisions are initiated by software agents, the transparency of underlying commercial arrangements between consumers, merchants and AI providers, the availability of appropriate consumer protections, and the visibility of payment and decision-making data where transactions fail or disputes arise. The increasing autonomy of AI systems may also create new scams and fraud risks, including social engineering attacks that exploit delegated payment authority.

These questions are beginning to receive greater attention internationally. Regulators in jurisdictions including Singapore and the United Kingdom are articulating principles for trusted AI agents and delegated digital transactions. Australia should closely monitor these developments and seek to ensure that broader digital economy reforms – including Consumer Data Right action initiation and Digital ID – provide an appropriate foundation for trusted agentic commerce before developing payments-specific regulatory requirements.

Australia's broader digital economy reforms may provide important enabling infrastructure for addressing many of these questions. In particular, Consumer Data Right action initiation and Digital ID have the potential to provide trusted mechanisms through which consumers can establish, authenticate and manage delegated payment authority. As these frameworks mature, they may provide a secure and interoperable foundation for emerging forms of agentic commerce without requiring bespoke payments regulation.

Further industry and regulatory dialogue will be needed as practical use cases develop. Relevant issues include the scope and authentication of delegated authority, agent identity, liability where an agent acts outside a user's mandate, dispute resolution, transparency of commercial arrangements, access to information needed to investigate disputed transactions, and scams and fraud. These questions should be examined through practical experience and coordinated with broader work on AI governance, Consumer Data Right action initiation and Digital ID before payments-specific requirements are considered.

The Issues Paper also identifies a number of potential competition questions arising from progressively more capable AI systems, including how software agents may determine payment method selection, merchant preference, pricing or dispute resolution. These are appropriate issues for continued observation. At present, however, there is insufficient evidence regarding likely market outcomes to justify payments-specific intervention. Consistent with the principles outlined in Part II, the emergence of AI does not itself establish a basis for regulation under the PSRA. The relevant question remains whether evidence emerges that AI materially affects competition, efficiency or financial safety in a manner that warrants intervention.

Rather than pursuing regulatory intervention at this stage, FinTech Australia considers the Reserve Bank should continue to monitor developments in agentic commerce and build an evidence base regarding its implications for competition, efficiency and safety within the payments system. This should include ongoing engagement with industry, Treasury, relevant regulators, international central banks and standards bodies to understand emerging market practices and identify whether existing regulatory frameworks remain fit for purpose. The Reserve Bank is also well placed to use its convening role to facilitate discussion across the payments ecosystem on issues such as delegated payment authority, authentication and interoperability, helping to ensure that any future policy response is informed by practical experience and market evidence rather than theoretical risks.

Recommendation 11

The Reserve Bank should:

A. continue monitoring agentic commerce, with particular attention to delegated authority, agent identity, liability, dispute resolution, transparency, data visibility and scams and fraud;

B. facilitate industry dialogue on these emerging issues and coordinate with Treasury, ASIC and other relevant regulators to identify any genuine gaps in existing frameworks;

C. monitor relevant international developments and encourage open and interoperable technical standards; and

D. avoid AI-specific payments regulation unless practical experience establishes a clear public interest case for intervention.

5.2 Cryptography and payment security

Cryptographic technologies underpin the security, integrity and resilience of modern payment systems. As payments become increasingly digital, continued investment in cryptographic resilience will remain essential to maintaining confidence in Australia's payments infrastructure. Emerging developments, including advances in quantum computing, have prompted increased international attention on the long-term suitability of existing cryptographic standards and the transition to post-quantum cryptography.

FinTech Australia recognises the substantial industry-led work already underway to uplift cryptographic resilience, including the Advanced Encryption Standard Migration Program. Such initiatives provide an appropriate mechanism for translating international standards and specialist cybersecurity guidance into coordinated changes across interconnected payments infrastructure.

Cryptographic migration nevertheless presents significant practical challenges. These include competing cybersecurity and technology-investment priorities, the replacement or upgrading of established physical and digital infrastructure, dependencies between participants, evolving international standards and uncertainty regarding the sequencing and timing of post-quantum migration. These considerations reinforce the need for coordinated and risk-based implementation rather than inflexible regulatory deadlines developed independently of specialist technical processes.

These developments warrant continued attention from the Reserve Bank because of their potential implications for the safety and resilience of Australia's payments system. However, they do not presently justify payment system-specific regulatory intervention. The transition to new cryptographic standards is expected to occur progressively over many years and will be shaped by technological developments, internationally recognised standards and broader cyber security policy. There remains considerable uncertainty regarding the timing of these developments, the migration pathways that will ultimately be adopted and their implications for payment system participants.

Nor does FinTech Australia consider the Reserve Bank to be the institution best placed to develop or maintain technical cryptographic standards. Cryptography is a highly specialised and rapidly evolving discipline, with technical standards typically developed through established international standards bodies, cybersecurity agencies and industry experts. These organisations possess the technical expertise, global visibility and dedicated governance arrangements necessary to evaluate emerging vulnerabilities, assess competing technical approaches and update standards as technologies evolve. Australia's payments framework should continue to leverage these established processes rather than developing payment-specific or Australia-specific cryptographic requirements.

The Reserve Bank nevertheless has an important role in considering how these developments affect the payments system. Its comparative advantage lies in assessing the implications of evolving cryptographic standards for payment system resilience, interoperability, competition and operational continuity, rather than determining which technical standards should be adopted. This distinction will become more important as payment technologies continue to evolve and security standards require ongoing refinement.

Authentication technologies will likewise continue to evolve alongside advances in digital identity, delegated payment authority and emerging forms of payment initiation. As discussed elsewhere in this submission, Consumer Data Right action initiation and Digital ID may provide important foundations for strengthening authentication while improving consumer experience and reducing fraud. Regulatory settings should therefore remain technology-neutral, allowing payment service providers to adopt authentication solutions that best respond to evolving security threats and consumer expectations, while continuing to meet appropriate standards of safety and reliability.

This approach is also consistent with the broader public interest framework outlined in Part II. The Reserve Bank's role should remain directed toward payments outcomes rather than the selection of particular cryptographic technologies. Any future intervention should therefore remain technology-neutral, proportionate and informed by specialist technical expertise and internationally recognised standards.

Rather than introducing new regulatory requirements, FinTech Australia considers the Reserve Bank should continue to monitor developments in cryptographic resilience, engage closely with industry, Australia's cybersecurity agencies, international central banks and relevant standards bodies, and assess whether Australia's payments regulatory framework remains capable of supporting the timely adoption of evolving international security standards. The Reserve Bank is also well placed to facilitate dialogue across the payments ecosystem regarding the operational implications of emerging cryptographic developments, helping to ensure migration pathways remain coordinated, interoperable and proportionate.

Recommendation 12

The Reserve Bank should:

A. monitor developments in cryptographic resilience and authentication;
B. work closely with specialist cybersecurity agencies and international standards bodies;
C. assess payments system implications rather than developing technical cryptographic standards; and
D. support coordinated migration toward evolving international security standards.

5.3 Consumer Data Right and payment initiation

The continued evolution of the CDR has the potential to reshape competition in Australia's payments ecosystem by enabling consumers and businesses to initiate payments securely through accredited third parties. Unlike traditional payment initiation models, the CDR provides a standardised, interoperable framework through which consumers may authorise payment instructions without sharing banking credentials or relying on proprietary technical integrations.

The introduction of Action Initiation represents an important next step in the evolution of the CDR. By enabling accredited providers to initiate payment instructions with a consumer's explicit consent, Action Initiation has the potential to support greater competition, expand consumer choice and encourage the development of innovative payment services. Importantly, these outcomes can be achieved through a framework that incorporates strong consumer protections, accreditation requirements and standardised consent processes.

The long-term significance of payment initiation extends beyond the initiation of individual payment transactions. As discussed in the preceding section, emerging forms of delegated payment authority, including agentic commerce, are likely to depend on trusted mechanisms through which consumers can authorise third parties or software agents to act on their behalf. Over time, the CDR has the potential to provide important infrastructure supporting these emerging use cases by establishing consistent approaches to consent, authorisation and authentication.

The future development of payment initiation will also depend on the continued expansion of high-value datasets within the CDR. In particular, incorporating Australian Taxation Office data would materially enhance the utility of the regime by enabling more comprehensive financial assessments, reducing information asymmetries and supporting the development of more competitive financial products and services. This would complement existing banking datasets and increase the practical value of payment initiation and other data-enabled services.

Similarly, continued integration between the CDR and Australia's Digital ID framework has the potential to strengthen authentication while reducing friction for consumers. Trusted digital identity services may enable more efficient establishment and verification of payment authority, improving both security and user experience as payment initiation capabilities mature.

While these developments have significant long-term potential, they remain at different stages of implementation and commercial maturity. Continued policy stability and coordinated implementation will therefore be important to providing industry with confidence to invest in new payment initiation capabilities. Regulatory settings should remain technology-neutral and avoid favouring particular commercial models or technical architectures, allowing competition to determine how payment initiation services evolve.

The Reserve Bank has an important interest in understanding how these developments may influence competition, efficiency and innovation across the payments ecosystem. In particular, the continued rollout of Action Initiation, the expansion of CDR datasets and greater integration with Digital ID may reduce barriers to entry for new payment service providers, broaden consumer choice and facilitate new forms of competition between payment methods. The Reserve Bank should therefore continue to engage closely with Treasury, the Data Standards Body, the ACCC and industry to ensure these complementary reforms develop in a coordinated manner.

This approach also reflects the principle that payments regulation should complement broader Government reforms. Treasury, the ACCC and the Data Standards Body are already implementing substantial reforms relating to data sharing and payment initiation. The Reserve Bank's role should therefore focus on monitoring payments outcomes and competition impacts rather than duplicating those policy processes.

Recommendation 13

The Reserve Bank should:

- ***A. continue to support the development of Consumer Data Right payment initiation and monitor its implications for competition, efficiency and innovation within the payments system;***
- ***B. engage with Treasury and other responsible agencies to support coordinated implementation of Action Initiation, expansion of high-value datasets including Australian Taxation Office data, and integration with Australia's Digital ID framework;***
- ***C. advocate for the timely expansion of Action Initiation to support broader payment use cases, including variable recurring payments and merchant-initiated transactions; and***
- ***D. monitor whether appropriately authorised non-ADI payment service providers can access payment initiation functionality on fair and non-discriminatory terms.***

5.4 Digital identity and trusted authentication

Digital ID may provide important enabling infrastructure for payment authentication, consent and delegated authority. As the framework matures and expands to the private sector, it may support payment initiation and reduce reliance on fragmented, payment-specific identity processes.

The principal policy questions concerning accreditation, privacy, identity governance and consumer protection appropriately remain with the Government and the Digital ID Regulator. The Reserve Bank should focus on whether payments regulation can use the economy-wide framework to improve competition, efficiency and safety without creating duplicative identity requirements.

Continued coordination with the Digital ID Regulator, Treasury and industry will be important to ensure that payments requirements remain compatible with the broader framework and that relevant payment use cases are considered as it develops.

Recommendation 14

The Reserve Bank should support the use of Australia's Digital ID framework as enabling infrastructure for the payments system where appropriate, while continuing to work with Treasury, the Digital ID Regulator and industry to ensure that payments regulation remains aligned with broader economy-wide digital identity reforms.

5.5 Digital assets, stablecoins and settlement innovation

Digital assets and emerging settlement technologies have the potential to reshape aspects of Australia's payments ecosystem over time. Stablecoins, tokenised bank deposits and other forms of tokenised money may enable new payment and settlement models, while advances in tokenisation have the potential to improve the efficiency, programmability and interoperability of financial markets and payment systems. Although these technologies remain at varying stages of commercial maturity, they demonstrate the pace at which payments innovation continues to evolve.

Recent modelling by the Digital Finance Cooperative Research Centre estimates that digital finance innovation could generate up to $24 billion in annual economic gains for Australia, including approximately $8 billion per year from improvements in payments. The report identifies more efficient cross-border payments, foreign exchange, settlement and financial market infrastructure as some of the largest opportunities, while recognising that the scale and timing of these benefits will ultimately depend on commercial adoption, regulatory certainty and continued technological development.

Stablecoins are one example of this broader trend. While adoption remains relatively limited, stablecoins have the potential to improve the speed, availability and cost of certain payment use cases, particularly cross-border payments where existing arrangements often rely on multiple intermediaries, correspondent banking relationships and fragmented settlement processes. In these contexts, trusted programmable settlement assets may reduce operational friction, improve capital efficiency and support more seamless movement of value across jurisdictions. Equally, tokenised forms of commercial bank money may provide similar benefits while leveraging existing banking infrastructure. It remains too early to determine which models will ultimately prove most effective, and regulatory settings should remain sufficiently technology-neutral to allow competition and market adoption to determine their respective roles.

Beyond digital forms of money, tokenisation also has the potential to transform the infrastructure through which financial assets are issued, traded and settled. Tokenised securities, investment funds, collateral and other real-world assets may reduce operational complexity, improve liquidity management, shorten settlement cycles and enable greater automation throughout financial markets. Recent work undertaken through the Reserve Bank and DFCRC's Project Acacia further demonstrates the potential for tokenised assets, digital money and new settlement infrastructure to improve the efficiency and resilience of Australia's wholesale financial markets.

At the same time, these technologies remain at an early stage of commercial adoption. International approaches continue to evolve, business models are still emerging and there is limited empirical evidence regarding their long-term implications for competition, efficiency or financial stability. Premature regulatory intervention risks constraining innovation before markets have had an opportunity to mature or favouring particular technological approaches ahead of others that may ultimately prove more effective.

Importantly, Australia is not approaching these developments from a regulatory vacuum. The Australian Government has established a comprehensive Digital Asset Framework, with implementation now being led by ASIC. In parallel, the new PSP licensing regime and associated Stored Value Facility framework will establish an important regulatory foundation for payment products, including stablecoin-based payment arrangements where they fall within the scope of those reforms. These significant reforms should be given an opportunity to mature before additional payments-specific regulatory intervention is contemplated.

The Reserve Bank nevertheless has an important role in understanding how these technologies may influence the future operation of Australia's payments system. This includes monitoring developments in stablecoins, tokenised settlement and emerging forms of digital money, assessing their implications for competition, efficiency, resilience and interoperability, and engaging with industry and international counterparts to understand evolving market practices. Consistent with the broader themes of this submission, the Reserve Bank's comparative advantage lies in assessing the payments system implications of these developments rather than establishing technology-specific regulatory frameworks where broader economy-wide reforms are already underway.

More broadly, digital assets reinforce a central theme emerging throughout Part V. Artificial intelligence, cryptographic innovation, the CDR, Digital ID and digital assets all have the potential to reshape Australia's payments ecosystem over time. Collectively, they demonstrate that innovation is occurring simultaneously across multiple layers of the financial system. Premature or overly narrow regulation could constrain technologies and business models before their benefits, risks and likely market adoption are properly understood. Australia's payments framework should therefore remain technology-neutral, evidence-based and sufficiently flexible to accommodate evolving business models while allowing competition, market adoption and practical experience to determine which technologies ultimately succeed. Where broader economy-wide regulatory frameworks already exist or are being implemented, payments regulation should seek to complement those frameworks rather than duplicate them.

Consistent with the framework established in Part II, the emergence of new settlement technologies does not, of itself, establish a basis for regulatory intervention under the PSRA. The relevant question remains whether additional regulation is necessary to advance competition, efficiency or financial safety beyond the comprehensive reforms already being implemented by Government.

Recommendation 15

The Reserve Bank should:

A. ***continue to monitor stablecoins, tokenised settlement and other emerging payment technologies, including their implications for competition, efficiency, safety and resilience;***
B. ***work closely with Treasury, ASIC, industry and international counterparts as these technologies and their regulatory frameworks develop;***
C. ***avoid additional payments-specific regulation until there is a demonstrated case for intervention, taking account of the implementation of the Digital Asset Framework and Payment Service Provider reforms; and***
D. ***consider whether existing regulatory sandbox or innovation-facilitation mechanisms can support the safe testing of stablecoin-based and tokenised payment products while regulatory settings continue to develop.***