Back to basics on unfinished business

PRIORITISING CRITICAL ISSUES – CARDS, A2A, CASH AND OUTAGES - WITH COMMONSENSE PRINCIPLES

INDEPENDENT PAYMENTS FORUM AUSTRALIA

Submission to the Reserve Bank of Australia

August 2026

FORUM PARTICIPANTS

AACS Australian Association of Convenience Stores
ACAPMA Australasian Convenience and Petroleum Marketers Association
Australian Lottery & Newsagents Association
Clubs Australia
AHA
MGA Independent Businesses Australia
ATIA Australian Travel Industry Association
The Pharmacy Guild of Australia
newsXpress
next PAYMENTS
FusionPay making payments feel good
ARCA

Head of Payments Policy Department
Reserve Bank of Australia
By email: pysubmissions@rba.gov.au

Submission to Review of Payments System Regulation - Issues Paper

Dear Head of Payments Policy,

Thank you for the opportunity to lodge a submission for the Review of Payments System Regulation - Issues Paper and to provide our views regarding which payments policy issues should be prioritised by the Reserve Bank of Australia in order to serve the public interest, increase efficiency, competition, reliability and financial safety.

While we agree that the Review comes at a time of significant change in payments, the fundamentally important and most heavily-used parts of Australia's payments system remain largely unchanged – cards (mobile and physical), account-to-account and cash.

It is true that some newly applied technologies are reshaping aspects of the payments system, but the vast majority of Australian consumers and businesses make and receive payments via these critical networks and have been doing so for decades.

There can be no doubt that a significant amount of policy and regulatory work remains to be done to ensure these important pieces of critical infrastructure are being managed and regulated in a way that serves the public interest, increases reliability, efficiency and competition and ensures financial safety, including in times of crisis.

As discussed in the Review, new developments across these networks "have the potential to make payments more convenient and safer, facilitate the entry of new players and lower costs for end users", but these benefits are often not achieved because Australia lacks simple principles-based regulation and public-interest standards that should be applied before adoption. In fact, in many cases, the result of new technologies can be escalating costs, reduced competition and increased risk of outages, financial losses, fraud and scams.

IPF has significant concerns about regulators taking their eye off the ball on fundamental technology-neutral issues that impact all Australians, while focusing on marginal issues, most of which could be resolved by simple, clear, principles-based regulation and commonsense standards.

While some of these marginal issues will no doubt be core to submissions from large corporate entities with vested interests, asking the RBA to prioritise mobile, third party schemes and BNPL, IPF and its members would like the RBA and other payments regulators to prioritise the issues that impact most Australian business and consumers every single day and help create an efficient, safe, competitive and reliable payments system for all Australians.

Yours sincerely,

Warwick Ponder
Warwick Ponder
Cofounder, IPF

Brad Kelly
Brad Kelly
Cofounder, IPF

About IPF

Independent Payments Forum Australia (IPF) was formed in 2023 by a group of payments professionals who are passionate about providing an alternative view on the health and wellbeing of the Australian payments system.

IPF represents a growing number of payments participants who currently have little power to individually influence payments policy and pricing outcomes that significantly impact their members, businesses and customers.

Our small business participants alone represent more than 120,000 retail shop fronts, newsagents, community pharmacies, restaurants, cafes, pubs, clubs, service stations, convenience stores, gift shops, supermarkets, hardware stores and liquor outlets across Australia. We also represent some smaller industry participants and fintechs, and we are proactively engaged with many others in the payments ecosystem to canvas their views.

Currently, the payments eco-system in Australia is dominated by a few major retailers, big banks, aggregators, Payments Services Providers (PSPs), two large US domiciled payments companies (Visa and Mastercard) and Australian Payments Plus (AP+).

Global platforms, PSPs and technology companies (including Apple, Google, Square and American Express) have also made significant headway into the Australian market with premium cards, bundled plans, digital wallets and other form factors.

Collectively, these well-resourced organisations have a stranglehold on the payments market and policy discussion in Australia and dominate industry forums that make recommendations to Government on payments issues, while also exerting influence on other policy and advocacy organisations via lucrative sponsorships and partnerships.

Many of these players appear to have significant access to Government officials and decision-makers at very senior levels - a privilege often not available small businesses or organisations like IPF, despite our large membership, and deep policy implications for our members and their customers.

This has caused a lopsided policy debate which has resulted in further upward pressure on payment fees to merchants and their customers, especially those smaller merchants without appropriate representation in regulatory forums, or a depth of understanding around payments economics and technology.

Introduction

Independent Payments Forum, like the Reserve Bank remains concerned with issues related to merchant choice in payments and see this as the number one priority for review and reform. Along with this, outages across the payments industry continue to plague the system and undermine confidence, productivity and efficiency.

With the dominance of card payments in Australia, there is still major work that needs to be done regarding competition and efficiency in this space. The Reserve Bank's last review did not offer solutions for the inequity, secrecy and lack of regulation around scheme fees and the monopoly-like dominance of the international card schemes, that include backroom deals for large retailers, whilst SMEs continue to subsidise costs of larger retailers via flat/blended pricing. With debit cards now accounting for around 80% of transactions and the end of surcharging on October 1, there needs to be safeguards in place to ensure that merchants and consumers are not facing inflated pricing due to a lack of policy and legislation around scheme fees, flat rates and a lack of a mandate for least-cost routing at the merchant level. Without principle-based regulation in this area, payments service providers (PSPs) will continue to reap the benefits of least-cost routing, whilst SMEs suffer under inflated pricing with the choice either to raise prices or go out of business.

Account-to-account is critical to payments and is offered as an alternative to card payments, however in its current form, the New Payments Platform (NPP) is insufficient in the retail space and is not a viable choice for many merchants. Key issues around costs, accessibility, reliability and standardisation need to be addressed and greater protections from scams and fraud need to be ensured if it going to be offered as a serious alternative to card payments and a part of Australia's critical payments infrastructure.

Global PSPs, fintech acquirers and integrated commerce platforms are becoming an increasingly significant part of Australia's payments ecosystem. PSPs now provide payments as part of broader business platforms that combine acquiring with accounting, payroll, inventory management, e-commerce, customer relationship management and business analytics. While these platforms have delivered significant innovation and convenience, they also present emerging competition and interoperability challenges that sit outside the traditional scope of payments regulation. As these ecosystems deepen, the practical ability for merchants to switch payment providers without disrupting their wider business operations is diminished. We believe that integrated commerce platforms and PSPs need to be brought into the RBA's regulatory framework and regulated consistently.

Within the Issues Paper, the Reserve Bank outlines a number of other important issues within the payments system although IPF believes are lesser priorities to those outlined above. In order we see these as:

- Use of AI agents for payments in e-commerce including the high likelihood of increased costs and liability issues.
- Tokenisation of card information, Cryptography and Fraud Prevention - focusing on friendly fraud and disputes processes.
- Mobile payments, including costs and transparency
- Three party networks e.g. Amex and Buy Now Pay Later, with focus on fees and the ability to surcharge if left unregulated.

While not included in this review, we remain very concerned about ad hoc policies regarding cash, with the potential for additional costs and regulatory burdens placed on small businesses, rather than the banks whose responsibility it is to ensure their customers can access their own money. The essential nature of cash and its distribution needs to be addressed in an overarching way that ensures accessibility for all, and that cash users are not disadvantaged because of where they choose to live and work. We strongly recommend the RBA launch a separate, urgent consultation on the future of cash to canvas the views of ordinary Australians.

1. Merchant choice - Unfinished business on cards and A2A

Addressing Questions 1 and 2 of the Issues Paper.

Merchant choice should be a fundamental pillar at the heart of Australia's payments regulation, not something that is debated in every consultation and eroded to suit the agendas of large corporate entities and card schemes.

We strongly agree with the principle of merchant choice and with the RBA's view that when "merchants can easily switch to alternative providers, payment system operators and PSPs face stronger incentives to innovate, improve their service offerings, build safer and more resilient systems and compete on price". This principle ensures better outcomes for small businesses and consumers in the public interest and should be backed by stronger regulations and mandates.

Through industry cooperation and regulatory imperatives and mandates, the RBA can ensure that developments in payments technology and e-commerce do not constrain merchant choice, and the result adverse implications for competition, efficiency and financial safety in the payments system.

The use of technology to distort markets, reduce competition and disrupt merchant choice has been seen time and again with developments such as click to pay, contactless and tokenisation. Some emerging payment use cases, such as agentic commerce, will amplify existing constraints to least-cost routing and merchant choice.

The RBA should help establish an Australian standards body to oversee the introduction of technologies in critical payments systems and ensure they do no lockout competitors and provide both merchants and consumers with adequate protections.

Merchant choice also includes cash usage. The essential nature of cash and its distribution needs to be addressed in an overarching way that ensures accessibility for all.

Cards

Australia's cards system remains plagued with secret scheme fees, backroom interchange deals for big retailers, unfair flat rate pricing that distorts debit and credit markets, and fraud systems that are designed to shift liability and shield the payments industry, rather than protect merchants and consumers. These characteristics are not in the public interest, increase inefficiency, stifle competition, and risk financial safety.

With a merchant's ability to surcharge being removed on October 1, it is necessary that the RBA ensures action that promotes efficiency and competition in the payments system. Regulation of scheme fees along with action on blended/ flat rate pricing will create competition pressure within the card payments space. By blending credit and debit payment costs, merchants, whose majority of payments (around 80%) are debit are being forced to pay much higher prices for transactions. RBA modelling shows the pricing differences experienced by merchants who are forced onto blended and flat rate pricing plans when interchange ++ and least-cost routing (LCR) options are not available, explained or promoted to them.

Table 1: Examples of Pricing Plan Types and Related Costs of Acceptance[(a)]

	Fee charged by PSP Per cent				
Plan type	eftpos	Visa debit	Visa credit	Mastercard debit	Mastercard credit
Fixed	1.4	1.4	1.4	1.4	1.4
Blended[(b)]	0.4	1.1	1.1	1.1	1.1
Unblended	0.22	0.45	0.99	0.47	0.97

(a) These rates are indicative only.

(b) This example presents only one type of blended plan. Other blended plans are available with different rates blended together. For example, a separate Visa/Mastercard credit rate and Visa/Mastercard debit rate.

Source: RBA.

Merchants are in an increasingly difficult situation where pricing under the new lower interchange caps does not need to be revealed by PSPs until October 1 and no pricing changes need to occur under blended/flat pricing arrangements, unlike in interchange ++ scenarios. Some platforms and PSPs have chosen to share their blended pricing changes, revealing the lower interchange caps will not make any significant change to pricing for merchants.

Stripe has announced its 1 October pricing, noting that:

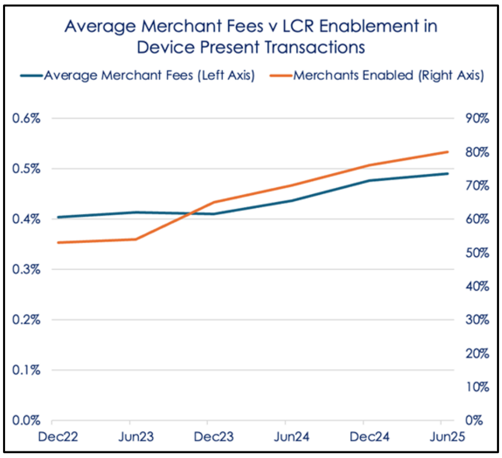
"Effective 1 October 2026, Stripe is passing on the 0.05% rate reduction (1.7% to 1.65%) on both credit and debit cards. Fixed fees (10c in-person, 30c online) remain unchanged."

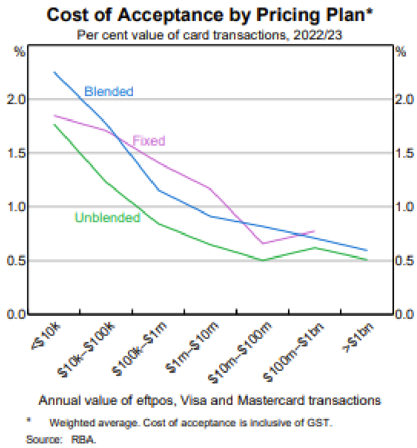
If all domestic card payment volume in Australia were processed through Stripe, the interchange fee reduction would represent an estimated A$533.5 million annual saving across the market per year – much less that the $1 billion predicted by the RBA in its Conclusions Paper.

Stripe is also introducing a new 8c per-transaction fee for its Radar Standard fraud protection product. Again, if all domestic payment volume in Australia, both in-person and online, were processed through Stripe, and if this fee applies across all payment channels including in-person, it would add up to approximately A$1.24 billion in new costs annually, more than double the A$533.5 million saved from the interchange rate cut. On a net basis, this would leave merchants worse off by approximately A$705.8 million a year.

Some IPF members have reported that Stripe will not be reviewing their fees until the end of their agreement period with them. This means these businesses may continue to bear the higher existing cost for a significant period, without seeing any benefit of reductions in underlying interchange costs, while Stripe retains the benefit of those lower costs in the interim.

Australia still has no coherent policy on LCR. The Issues Paper states that the RBA "is considering whether there is a case for further action on LCR to enhance the competition across debit networks in other environments". IPF would argue that further action needs to be taken on LCR in the in-person environment, given that across business overall we have not seen downward pressure on merchant fees that we should be seeing if LCR was mandated and enabled at the merchant level.





The Reserve Bank's data shows the positive impact LCR can have[1] and yet, so far there has been no action on ensuring merchants access these savings which could be done by mandating LCR at the merchant level. Taking further action on LCR in mobile wallets and online transactions is important but does not help the SMEs that cannot access LCR savings in the first place.

Implementation of LCR and dynamic LCR has been recommended by many other stakeholders, including the ACCC, ASBFEO, The Black Economy Taskforce and The Productivity Commission.[2]

Recommendations:

1. Scheme fees should be regulated and capped, and card schemes should be compelled to collectively bargain with SMEs on scheme fees and rebates.
2. Mandate dynamic LCR (with savings flowing to merchants) on debit cards to drive competition on interchange and scheme fees, and increase resilience. The same principle to credit and A2A payments.
3. Set clear and actionable deadlines for implementation of LCR in online and mobile, with serious consequences for non-compliance.
4. Mandate that PSPs must offer an interchange ++ pricing option to all merchants.
5. Debit interchange should be capped at close to zero and surcharging should be allowed on corporate cards.
6. Fund and develop an online comparison tool to help small merchants better compare pricing plans, similar to those currently available for financial lending products in Australia.
7. Require publication of new interchange rates at least 90 days ahead of implementation.

IPF also strongly supports recommendations from the Standing Committee on Economics Inquiry Report on the inquiry into schemes, digital wallets and innovation in the payments sector including:

- That the Treasurer direct the Australian Competition and Consumer Commission to commence an inquiry into the card payments market in Australia, in relation to card acceptance costs. This inquiry should consider:
  - the relationship between the parties at different levels of the card payments market
  - the level and nature of the competition between parties involved, including operators of card schemes
  - whether the current Mastercard and Visa duopoly is negatively impacting on small business and its customers.

[1] Dobie B., Watson B, 2024, 'The Effect of Least-cost Routing on Merchant Payment Costs', RBA Bulletin, April 2024, retrieved from: https://www.rba.gov.au/publications/bulletin/2024/apr/the-effect-of-least-cost-routing-on-merchant-payment-costs.html

[2] Australian Competition and Consumer Commission, 2024, *ACCC submission: Merchant card payment costs and surcharging review – Issues Paper,* p.12, Australian Small Business and Family Enterprise Ombudsman, 2024, *Submission on Merchant Card Payment Costs and Surcharging Issues Paper,* Treasury, 2017, Black Economy Taskforce – Final Report, Retrieved from: https://treasury.gov.au/sites/default/files/2019-03/Black-Economy-Taskforce_Final-Report.pdf, p.63, Productivity Commission, 2018, Competition in the Australian Financial System, Productivity Commission Inquiry Report, No. 89, Retrieved from: https://www.pc.gov.au/inquiries/completed/financial-system/report/financial-system.pdf, p.31.

- That the Reserve Bank of Australia consider working with stakeholders to propose streamlining and rationalising the increasing number of scheme fees that exist in the Australian payment card networks, to promote a simpler and more transparent fee structure and better contain cost growth.
- That the Reserve Bank of Australia, as part of its planned monitoring of implementation of decisions from the Review of Merchant Card Payment Costs and Surcharging, consider focusing its review on smaller merchants and the effectiveness of measures intended to reduce payment acceptance costs for merchants who can no longer surcharge.
- That the Reserve Bank of Australia, as part of its planned monitoring of implementation of decisions from the Review of Merchant Card Payment Costs and Surcharging, consider evaluating the effectiveness of new transparency requirements being introduced in the card payments sector, especially whether fee reductions to small business have been passed through successfully and thoroughly.
- That Treasury, the Reserve Bank of Australia and the payments industry consider co-funding the development of independent information programs about payments processing options for small businesses to support decision-making when choosing a payment service provider.

Account-to-account payments

Addressing Questions 11, 12, 13 and 14 of the Issues Paper.

The transition to the NPP has a long way to go, with the NPP today processing only 30% of the volume of account-to-account (A2A) payments. As outlined in IPF's 2025 submission to AusPayNet and Australian Payments Plus, the NPP needs to address a number of significant issues before it can compete with the card networks effectively.

Due to the ubiquitous nature of card payments in Australia, A2A payments across the NPP are currently not a viable alternative to ubiquitous retail card payments in Australia. At the time of writing, NPP has just 10% of the value of A2A payments.

If implemented properly, A2A has the potential to add much needed competition to retail payments in Australia but this will take significant industry commitment. However, there would be very long lead times and significant investment required to convince consumers to move to A2A from cards in retail payments. After more than 40 years of card payments in Australia, the system is a ubiquitous and embedded habit that would need to be broken.

It is not unfounded, however, to question whether as an industry it is willing to compete against its own domestic cards network, eftpos, run by the same company that runs the NPP Australian Payments Plus (AP+). Many of the scheme members of AP+ gain lucrative returns through the card schemes networks and the roles they play in the card payments industry.

According to industry sources, understanding the costs of utilising the NPP in a retail setting is an exhausting and time-consuming process that may deter fintechs and PSPs in investing in retail A2A solutions. In fact, under current pricing, using the NPP for smaller transaction amounts may not be a viable option. Greater transparency around pricing and the benefits of A2A should work as an incentive for adoption and innovation in the A2A space.

Issues to be addressed include:

- Low-cost, regulated fees to provide certainty
- Appropriate and transparent processes and contingency arrangements for incidents and outages, including standard customer notifications.
- Implementation of a regulated access regime designed to encourage competition and efficiency

A2A technology could also support retailers with other issues, such as providing an alternative to cash-based lottery payouts. Lottery agents face specific challenges with cash handling and float management, including security concerns. A compliant account-to-account payment method that enables retailers to pay lottery prizes directly into customer bank accounts, would begin to build momentum and consumer take up of A2A but needs to low-cost and highly regulated.

While AP+ publishes wholesale NPP pricing on its website, current pricing for end users of the NPP is not well understood or regulated. Even a small increase in fees across BECS current volume of 3.5 billion payments worth $17.4 trillion will represent a significant cost impost for governments and business, and potentially consumers. Further clarity and transparency are urgently needed, as is appropriate regulation.

Outside of retail payments, the closure of BECS must have caveats – ubiquity, interoperability, batch payments and reliability.

Further migration to NPP should be driven by deliberate decision-making by end users, informed by transparent information regarding costs, benefits and potential risks.

Recommendations:

- Regulating A2A to ensure certainty around fees and outages, including RBA regulation of NPP wholesale fees.
- AP+ members invest in the development of a ubiquitous low-cost alternative to card payments for online and POS which can been easily adopted by industry participants and fintechs, including an opt-in consumer protection mechanism for large purchases.
- Introduction of standards and guidelines for terminal manufactures and online providers to enable ubiquitous retail payments solution for POS and digital, including opt in consumer protections. These standards would include defining standards or guidelines for the existing terminal manufactures (as they do with eftpos card acceptance) allowing for standardised adoption of "NFC launched" App based payments, utilising the likes of "bank on file" via PayTo Agreements (recurring). This would open the door for innovation in the App payment space.
- Implementation of a framework for industry to develop a consistent customer experience for NPP users.
- Implementation of a regulated access regime to encourage competition.
- An appropriately priced solution for low value transactions is agreed and implemented.
- In addition to data on value and volume currently available, the RBA publish monthly information on: NPP merchant fee data, as they do for cards, including PayID, PayTo and Osko; Number of PayTo agreements; Number of bank accounts (%) reached.
- AusPayNet and AP+ keep a register of commitments it has made on key issues and regularly report on and publish progress.
- BECS should not be closed until:
    i. NPP services are standardised to ensure interoperability and portability
    ii. NPP has equivalent bank account coverage to BECS
    iii. A ubiquitous batch service is available for all payments (industry should consider
    iv. ceasing batch use case migrations or debulking projects until this is achieved)
    v. A reliable contingency network is identified and tested
    vi. Given the uncertainty around closure & timing, BECS upgrades should continue.

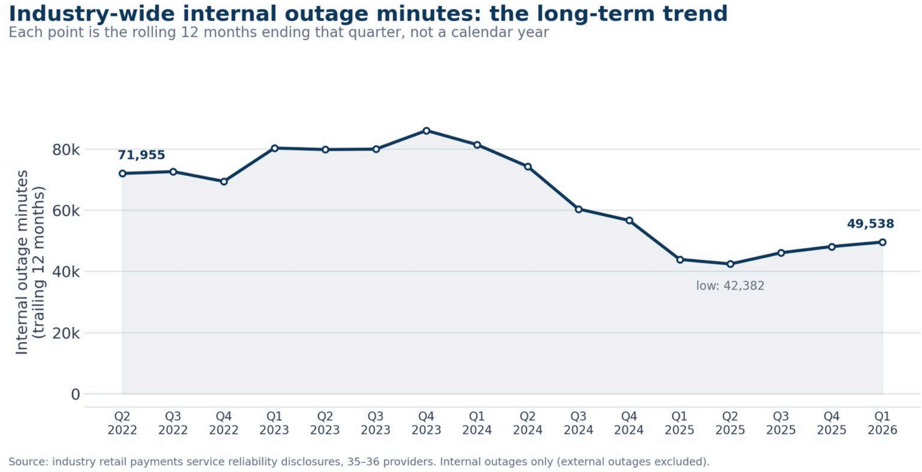
2. Outages continue to plague the payments system

In. recent months Australia has seen more major outages negatively impact the Australian payments system, when Mastercard and Telstra went down and tens of thousands of merchants couldn't accept card payments, with customers left with cash as the only option to pay for goods and services.

The most recent statistics do not include the Mastercard or Telstra outages as they are only available to March 2026, and only if you have the time and resources to search individual websites. IPF's data analyst Peter Drennan was able to compile the available data for the year to March 2026 below:

Payments reliability update: year to March 2026, overall industry trends (internal outages)

Internal outage minutes, outages caused by providers themselves rather than by external third parties, rose 13% in the year to March 2026 compared with the year before, from 43,869 to 49,538 minutes. This is a step backward after three years of improvement: internal minutes are still down 38% since the year to March 2023 (80,257 to 49,538), but the latest year moved in the wrong direction.



Internal outage events tell a similar mixed story:

- Fell slightly this year, from 158 to 153
- Down 31% over four years, from 223 to 153
- But each outage lasted longer on average this year, up from about 278 minutes to about 324

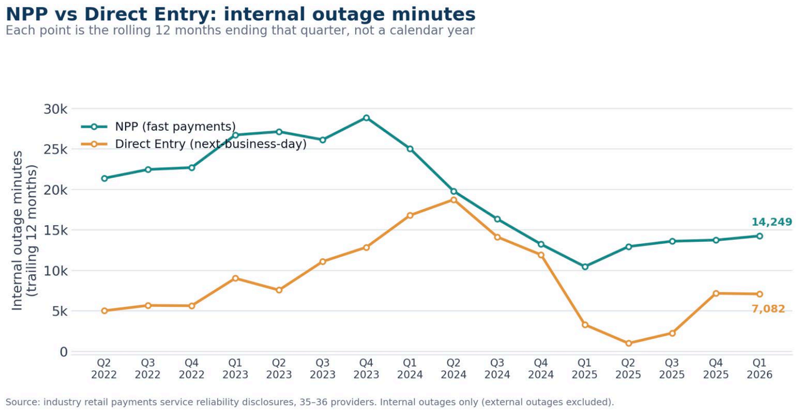
This year's rise in internal minutes was driven mainly by three services: next-business-day payments (Direct Entry, up from 3,294 to 7,082 minutes), fast payments (NPP, up from 10,462 to 14,249 minutes), and card payments (up from 2,761 to 6,422 minutes). Online banking moved the other way, improving from 23,408 to 19,434 minutes, which partly offset the increase elsewhere.

External outages, caused by third parties such as telcos, cloud providers, and payment schemes, fell sharply this year, from 15,913 to 1,885 minutes. These have swung a lot from year to year (9,425, then 1,549, then 15,913, then 1,885), so they're best read as a separate, more volatile figure rather than combined with the internal trend above.

NPP versus direct entry (internal outages)

Fast payments (NPP) internal outage minutes rose 36% in the year to March 2026, from 10,462 to 14,249. Over four years, though, NPP internal minutes are still down 47% (26,722 to 14,249), the larger long-run improvement of the two rails.

Share of total internal downtime: 33% four years ago, dipped to 24% last year, now 29%
Internal outage events: 47 to 60 this year, still below the 73 recorded four years ago
External minutes: none this year, down from 3,684 the year before.



Direct Entry (next-business-day payments) internal outage minutes rose 115% in the year to March 2026, from 3,294 to 7,082. This follows a low around mid-2025 (as low as 988 minutes in the year to June 2025), and remains well below the 2023–2024 highs, which peaked at 18,740 in the year to June 2024. Over four years, Direct Entry internal minutes are down 22% (9,019 to 7,082), a smaller improvement than NPP's.

- Share of total internal downtime: 8% to 14% this year
- Internal outage events: 7 to 9 this year
- External minutes: 390 this year, down from 1,290 the year before
- All outages, including external

On an all-cause basis (internal plus external), NPP total outage minutes were flat this year (14,146 to 14,249) and down 61% over four years (36,147 to 14,249). Direct Entry total minutes rose 63% this year (4,584 to 7,472) and are down 17% over four years (9,019 to 7,472).

NPP: 36,147 → 25,352 → 14,146 → 14,249 minutes (Mar 2023 to Mar 2026)
Direct Entry: 9,019 → 16,793 → 4,584 → 7,472 minutes (Mar 2023 to Mar 2026)

<u>All outages, including external</u>

On an all-cause basis (internal plus external), NPP total outage minutes were flat this year (14,146 to 14,249) and down 61% over four years (36,147 to 14,249). Direct Entry total minutes rose 63% this year (4,584 to 7,472) and are down 17% over four years (9,019 to 7,472).

- NPP: 36,147 → 25,352 → 14,146 → 14,249 minutes (Mar 2023 to Mar 2026)
- Direct Entry: 9,019 → 16,793 → 4,584 → 7,472 minutes (Mar 2023 to Mar 2026)

Recommendations:

- Resilience should have a higher priority in Australian payments regulation
- A coherent and low-cost cash option is essential
- Statistics on outages must be centralised, release regularly and easy to understand

3. Integrated platforms and bundling of payment services

Addressing Questions 3 and 4 of the Issues Paper.

Global payment service providers (PSPs), fintech acquirers and integrated commerce platforms are becoming an increasingly significant part of Australia's payments ecosystem, particularly in the fast-growing online segment. Companies such as Square, Stripe, Shopify, WooCommerce, PayPal, Shift4 and Zeller now provide payments as part of broader business platforms that combine acquiring with accounting, payroll, inventory management, e-commerce, customer relationship management and business analytics. For many small and medium-sized businesses, these integrated platforms have become the primary gateway into the payments system.

While these platforms have delivered significant innovation and convenience, they also present emerging competition and interoperability challenges that sit outside the traditional scope of payments regulation. Small businesses increasingly purchase a bundled operating platform rather than selecting individual providers for payments and other business services. As these ecosystems deepen, the practical ability for merchants to switch payment providers without disrupting their wider business operations is diminished.

The Reserve Bank has correctly identified this issue in its Payments System Regulation - Issues Paper, noting that integrated platforms may favour their own payment services, impose additional charges when merchants select competing providers, or create switching costs that discourage merchants from moving to alternative acquirers. These concerns extend beyond pricing and into the broader issue of interoperability. Where payment functionality cannot be easily separated from other core business software, competition between payment providers is weakened, even if merchants are technically free to change providers.

This issue is particularly important given the rapid growth of online commerce. Reserve Bank data shows that online shopping, bill payments and subscription services accounted for more than 83 per cent of total card spending growth over the past year. These are precisely the segments where integrated global platforms have established the strongest market positions. Without appropriate oversight, an increasing proportion of Australian merchant payments may occur within largely closed commercial ecosystems that operate beyond the reach of many existing regulatory settings.

Many of these providers also apply blended pricing models that make it difficult for merchants to understand the underlying cost of payment acceptance or to benefit fully from future reductions in interchange or scheme fees. If significant volumes of merchants remain inside bundled pricing arrangements, regulatory reforms intended to lower payment acceptance costs may not be fully transmitted to small businesses.

The challenge for policymakers is therefore no longer limited to payment systems themselves but increasingly extends to the software platforms through which payments are initiated and managed.

Recommendations:

- Integrated commerce platforms and payment service providers should be brought within the Reserve Bank's regulatory framework to ensure payment reforms apply consistently across the market.
- Regulatory settings should also encourage interoperability, minimise barriers to switching payment providers, and prevent integrated platforms from using bundled business services to restrict competition or limit merchant choice.
- Mandate that PSPs must offer an interchange ++ pricing plan to all merchants, along with transparency of pricing for additional services such as business software.
- Mandate dynamic least-cost routing (with savings flowing to merchants) on debit cards to drive competition on interchange and scheme fees. The same principle to credit and A2A payments.

4. Use of AI agents for payments in e-commerce

Addressing Question 6 of the Issues Paper.

While AI is the flavour of the year, IPF submits that it also poses biggest risk to efficiency/costs and safety facing payments systems if it continues to be implemented with what we would describe as indecent haste.

It is heartening to see Australian institutions like CBA developing clear guidelines for the implementation of these technologies, by embedding risk assessments and human accountability into every stage of its AI lifecycle, but there is still a lot of work to do.

There is also a risk associated with operational failures from autonomous decision-making, "black box" decisions that lack transparency, heightened financial cyber threats from criminal deepfakes, strict data privacy challenges, and systemic market vulnerabilities driven by over-reliance on a few third-party tech providers.

Clumsy implementation of AI is likely to result in risks including:

- Merchant choice of payments eroded.
- Increasing costs for merchants and their customers with additional fees.
- Liability issues associated with confusion around who is responsible for payments initiation.
- Increasing use of virtual corporate cards with high interchange rates with impacts on efficiency.
- Operational & Accuracy Risks False Positives: Over-automated fraud filters can mistakenly block safe, legitimate user transactions.
- Black Box Decisions: Complex machine learning models often cannot explain why they declined a specific payment or flagged an account.
- Autonomous Errors: Advanced AI payment agents can malfunction, loop, or make unintended high-value transfers without human intervention.

Recommendations:

- Mandate the technology-agnostic principle of dynamic least-cost routing (with savings flowing to merchants) on debit cards across all platforms to drive competition on interchange and scheme fees. (We believe the same principle to credit and A2A payments).
- Establish an Australian standards body to oversee the introduction of technologies in critical payments systems and ensure they do no lockout competitors and provide both merchants and consumers with adequate protections.
- Monitor the use of AI and virtual cards (including virtual corporate credit cards) to ensure they are not being adopted in AI systems simply to lift interchange revenue and increase fees.

5. Tokenisation of card information, cryptography and fraud prevention

Addressing Questions 5, 15, 16, 17 and 18 of the Issues Paper.

Tokenisation of card information, cryptography and fraud prevention should not be seen by the industry as a mechanism to lock out competitors, increase prices (Stripe example above) or simply shift liability to merchants.

Their implementation should also not expose merchants and consumers to financial risk as seen with tokenisation and where network tokens can remain valid after a card expires or is replaced even though the user believes a card has been cancelled.

They may also limit merchants' ability to choose a debit network to route online payments.

As raised in the Issues Paper, tokens are also creating portability issues, as they are often specific to that PSP or gateway, creating difficulties when a merchant seeks to change their PSP and create complications for switching/routing.

New technologies like Click To Pay have also reduced the ability for merchants to route transactions.

Disputes and chargebacks are broken

While digital commerce has evolved rapidly, dispute frameworks have not. Payment disputes were built for a much simpler payments ecosystem. They were designed around straightforward card purchases between a consumer and a merchant.

Today, the same dispute processes are expected to deal with BNPL instalments, marketplace purchases, subscriptions, digital services, professional services and real-time account-to-account payments.

So-called "friendly fraud" has become pervasive and unfair disputes are too often won by issuers and consumers at the expense of merchants (and their consumers through pricing).

The result is an inconsistent system that creates unnecessary costs and uncertainty for all participants. Merchants often absorb losses because the cost of challenging a dispute outweighs the value of the transaction, while consumers can receive inconsistent outcomes depending on how a claim is assessed.

At the same time, organised first-party fraud has become increasingly sophisticated, with criminals exploiting weaknesses in the process to obtain both goods and refunds.

Current dispute data also provides an incomplete picture.

A chargeback that goes uncontested is recorded as resolved, even though the merchant may simply have concluded that pursuing the case was uneconomic. This masks the true scale of abuse and makes it difficult to identify systemic issues.

As payment methods continue to diversify, Australia needs a more consistent, transparent and technology-neutral approach that delivers fair outcomes, reduces fraud and provides greater certainty for consumers, merchants and financial institutions alike.

Liability in Agentic Commerce: Disputes and Chargebacks

Agentic commerce introduces a new layer of complexity into payment disputes by inserting an AI agent between the consumer and merchant. While technologies such as 3D Secure (3DS), network tokenisation, passkeys and digital wallet authentication provide the foundations for AI-enabled commerce, they were designed for traditional four-party card transactions, not autonomous purchasing agents.

Current frameworks from Google, OpenAI, Mastercard and Visa continue to treat the merchant as the merchant of record. Although AI agents may be onboarded and verified, they are not part of the formal dispute liability chain. This means merchants and issuers remain responsible for disputes even when an AI agent causes the problem.

The result is likely to be a significant increase in the complexity of chargebacks, particularly for goods and services disputes. Unlike digital wallets, which strengthen the link between consumers and their payment credentials, AI agents make purchasing decisions on behalf of consumers, creating new opportunities for misunderstanding and error.

Consumers may not recognise merchants selected by an AI agent, despite authorising the original shopping request, while agents may exceed their mandate by purchasing products outside agreed price or preference limits. More significantly, goods and services disputes become harder when the AI agent summarises or interprets product information. If an agent omits key conditions or misrepresents features, consumers may believe goods were "not as described", even though the merchant's original information was accurate.

The problem is amplified when one instruction results in purchases across multiple merchants or when agents execute transactions days or weeks after receiving instructions, leaving consumers with little recollection of the original mandate.

Resolving these disputes will require evidence well beyond today's chargeback process, including the consumer's original prompt, the AI agent's interpretation, the purchasing mandate and the product information presented by the agent. None of this currently forms part of standard dispute evidence.

Without changes to liability frameworks, issuers and merchants will continue carrying the financial burden for AI-driven errors, despite having limited visibility or control over the decisions made by autonomous agents.

Recommendations:

- Conduct an urgent review of disputes and chargeback processes and implement change that provides fair and equitable outcomes for all parties.
- Mandate the technology-agnostic principle of dynamic least-cost routing (with savings flowing to merchants) on debit cards across all platforms to drive competition on interchange and scheme fees. (We believe the same principle to credit and A2A payments).
- Establish an Australian standards body to oversee the introduction of technologies (include fraud and scam tools) in critical payments systems and ensure they do no lockout competitors and provide both merchants and consumers with adequate protections.

6. The mobile illusion

Addressing Question 7 of the Issues Paper.

In Australia, mobile payments are card payments via a different form factor and suffer from the same issues as discussed in sections above. These are the important issues to be addressed by regulators e.g. cost, least-cost routing, scheme fees, blended rates and technology lock out.

It is true that consumers have embraced mobile card payments in recent years. Preference for mobile over physical cards already seen among debit users is now showing up in credit, with more than half of all contactless in-store credit card transactions now being made with a mobile device.

Mobile wallets offer a range of benefits for consumers and merchants, including the convenience of contactless payments without needing to carry physical cards and enhanced security (through 'tokenisation' and biometric authentication).

However, mobile payments are also subject to a whole new set of undisclosed fees – charged to issuing banks by wallet providers like technology giants Apple and Google – that add cost to the payments system.

With such a large share of the market, SMEs and their customers are exposed to higher fees. That's because mobile wallet transactions usually attract higher fees than standard card transactions, due to higher interchange (and possibly scheme) fees.

According to the most recent RBA retail payments data, contactless credit mobile value rose 8.5% over the past six months to June 2026, while contactless credit card value fell 4.8% over the same period. Value hasn't crossed 50% yet, but the shift in transaction count shows mobile has already overtaken cards as the more frequent way credit users tap to pay.

Debit is following a similar trajectory on value. Contactless mobile value grew 8.7% over six months against a 2.2% fall in contactless card value, with debit having crossed the 50% by value mark last month and remaining the larger overall contactless channel.

Across both card types combined, contactless mobile now accounts for 49.3% of total contactless value, closing in on cards for the top spot. By transaction count, mobile is already dominant, making up 55% of all taps, though each tap tends to be for a lower average value than a card swipe. A similar growth trajectory is also being seen in online.

With the new powers under the Payment Systems (Regulation) Act 1998 now passed there are a number of key issues that need to be dealt with quickly:

- Accelerating and mandating Dynamic least-cost routing in mobile wallets.
- Regulating undisclosed fees charged by technology companies.
- Access to the Apple's iPhone NFC chip to enable competition.
- Payments competition in app stores - freeing up other networks and payments businesses to access that platform.

Least-cost routing in mobile

While most of these issues as adequately prosecuted by big banks, least-cost routing within mobile wallets is not well understood.

The ability to least-cost route in wallets was not enabled until last year. The capability does not apply to "back book" cards until they are re-provisioned in wallets.

Put simply that means that least-cost routing is only available on new cards provisioned in wallets and will take up to four years to fully implement across the market. This process needs to be accelerated.

In-app transactions from mobile wallets should also be routed to the lowest cost scheme to encourage competition and efficiency.

Recommendations:

- Mobile wallets should be regulated as designated payment systems.

- All mobile wallet fees pricing, including those to industry participants, should be transparent and regulated.
- Mobile pricing should be the same as standard cards.
- Mandate dynamic least-cost routing for mobile and online digital wallets (as above).
- Accelerate "back book' implementation of least-cost routing.
- The iPhone's NFC chip should be open to competition.
- App stores should be open to payments competition.

7. The AMEX exemption and BNPL

Addressing Questions 8 and 10 of the Issues Paper.

While not the biggest issue facing most small businesses in card payments, credit options such as American Express and Buy Now Pay Later (BNPL) should be subject to similar payments regulation as designated schemes eftpos, Visa and Mastercard.

American Express transactions are pervasive in some small and medium business types.

According to IPF data and member feedback, these cards account for large volumes of corporate and charge card transactions in areas such as restaurants, travel, hardware and fuel.

As such, the fees charged by American Express can significantly skew costs for small and medium businesses.

According to information published by its competitors, American Express is accepted at 95% of retail outlets in Australia and accounts for about 20% of transaction value.

Third party schemes such as American Express have around 10% market share of personal credit cards in Australia, and around a 50% share of corporate/charge cards.

BNPL, while small in value and volume, is a credit payments product and should be regulated as a payments system.

Surcharging

American Express, despite being unregulated, is introducing a "no-surcharge rule" on 1 October in line with the regulated schemes. This will force merchants and their customer to "absorb" the unregulated costs associated with its high-cost transactions.

Similarly, currently under rules imposed by BNPL companies like Zip and AfterPay "rules", merchants are prohibited from applying surcharges despite the high costs associated with those transactions.[3]

Recommendations:

- American Express and BNPL should be regulated like other card schemes, including fee caps, or unregulated schemes should not be able to impose "no-surcharge" rules. (If they want to do that they should be regulated and capped like Visa, Mastercard and eftpos).

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[3] Afterpay, *Afterpay Merchant Agreement (Australia)*, retrieved from: https://get.afterpay.com/merchant-agreement-au-static.html#:~:text=(e)%20Surcharges.,Afterpay%20as%20a%20payment%20mechanis

- American Express and BNPL platforms should be compelled to collectively bargain with SMEs on fee rates.

8. Other Issues – Cash

Addressing Question 19 of the Issues Paper.

While not included in this review, we remain very concerned about ad hoc policies regarding cash, with the potential for additional costs and regulatory burdens placed on small businesses, rather than the banks whose responsibility it is to ensure their customers can access their own money. The essential nature of cash and its distribution needs to be addressed in an overarching way that ensures accessibility for all, and that cash users are not disadvantaged because of where they choose to live and work.

We strongly recommend the RBA launch a separate, urgent consultation on the future of cash to canvas the views of ordinary Australians.