Response to the Reserve Bank of Australia

Review of Payments System Regulation — Issues Paper June 2026

The Future of Payments Is About Choice

Preserving Competition, Transparency and Trust in Australian Payments

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Executive Summary

Australia's payments ecosystem is entering a new phase of evolution.

For many years, competition in payments was largely shaped by the characteristics of payment rails, networks and financial institutions. Increasingly, however, influence is shifting toward digital wallets, tokenisation frameworks, integrated commerce platforms and emerging AI-driven payment systems.

These developments offer significant benefits in security, convenience and technology evolution. However, they also raise an important question:

How do we preserve meaningful choice in the future payments ecosystem?

The relevant policy question is not which technologies gain adoption, but whether those technologies preserve choice, competition, transparency, trust, inclusion and resilience.

Historically, consumers and merchants played the primary role in determining payment outcomes. Consumers selected payment methods. Merchants selected payment providers. Networks competed to facilitate transactions.

Increasingly, decisions are being influenced by technology platforms, tokenisation frameworks, wallet providers and, potentially, AI-enabled and delegated commerce systems operating between consumers, merchants and payment providers. The industry therefore faces a new challenge: ensuring that technological change does not unintentionally reduce choice, weaken competition, diminish transparency or undermine trust.

Digital wallets are particularly important because they can shape payment defaults, influence which payment methods are presented or preferred, and obscure the cost, routing or commercial logic behind those choices.

This submission argues that the Reserve Bank should place particular emphasis on three principles when considering future regulatory priorities:

1. Preserving customer and merchant choice.
2. Promoting portability and competition.
3. Building long-term trust and resilience into future payment ecosystems.

While much of the current policy discussion focuses on competition and security, future payment systems must also remain transparent, explainable and accessible to the customers and organisations that depend on them.

1. The Future of Payments Is Not About Technology

It Is About Choice

Many of the issues raised within the Issues Paper appear distinct. Tokenisation, digital wallets, payment routing, AI-enabled commerce and interoperability are often discussed as separate challenges. Viewed collectively, however, they raise a broader question: as payments become increasingly digital and automated, do these developments strengthen or weaken the ability of customers and merchants to make informed choices?

Competition, transparency, trust and resilience all depend upon preserving meaningful choice throughout the payments ecosystem.

Historically, competition in payments was largely shaped by payment rails, financial institutions and network economics. Increasingly, outcomes are influenced by digital credentials, tokenisation frameworks, wallet providers, commerce platforms and emerging delegated commerce models. While the technologies continue to evolve, the public-interest principles that underpin a successful payments ecosystem remain unchanged. Customers and merchants have always benefited from choice, competition, transparency and trust. The challenge is ensuring these outcomes are preserved as influence increasingly shifts from traditional payment infrastructure to the layers that sit above it.

For decades, the industry focused primarily on the infrastructure used to move payments. The next decade is likely to be shaped by the layers that increasingly influence how payments are initiated, selected, routed and authorised:

- Tokens
- Digital wallets
- Commerce platforms
- Digital identity frameworks
- Emerging AI-enabled and delegated commerce models

These technologies matter only because they may influence who chooses, who competes, who understands the payment outcome, and who bears the consequences when something fails.

In the case of digital wallets, the policy concern is not the wallet itself, but whether wallet design, default settings, acceptance rules or user experience influence payment choice in ways that customers, merchants or policymakers cannot easily see.

This distinction is important. The future debate is not simply about how payments are processed. It is about whether evolving payment ecosystems continue to support meaningful choice, fair competition and transparency for all participants.

Technology changes. The principles that sustain a healthy payments ecosystem do not. Customers and merchants have always benefited from choice, competition, transparency and trust. The challenge is ensuring these outcomes are preserved as influence increasingly shifts from traditional payment infrastructure to the layers that sit above it.

The Reserve Bank therefore has an opportunity to establish principles that preserve these outcomes before future market structures, commercial incentives and technology dependencies become deeply embedded.

2. Customer Choice Must Remain the Foundation

Much of the discussion surrounding competition in payments focuses on merchants.

Merchant choice is important.

However, customer choice is equally important and should remain the foundational principle of Australia's payments ecosystem.

Customers should be able to:

- Choose how they pay.
- Choose where they pay.
- Choose which payment providers they use.
- Move between providers without undue friction.
- Understand the implications of those choices.

Technological developments should expand customer choice rather than narrow it.

The greatest risk associated with emerging payment ecosystems may not be that consumers lose access to payment methods.

Rather, it may be that consumers retain apparent choice while important decisions are increasingly made on their behalf by platforms, wallets or AI systems.

Wallets may preserve the appearance of choice while subtly influencing payment outcomes through default payment methods, ordering of options, credential presentation, incentives, or user-interface design. Where those design choices affect which payment methods customers use, they become relevant to competition, transparency and consumer agency.

A future in which a platform determines preferred providers, payment methods or payment routing based primarily on commercial incentives could reduce the competitive benefits that customer choice traditionally delivers.

Competition is strongest when customers remain genuinely free to choose.

3. Merchant Choice Is Essential for a Competitive Ecosystem

Customer choice and merchant choice are complementary rather than competing objectives.

Merchants should retain meaningful control over:

- Payment service provider selection.
- Credential portability.
- Routing choices.
- Acceptance strategies.
- Future payment technologies.

The Issues Paper identifies concerns regarding token portability, switching costs, integrated platforms and payment routing. These issues are fundamentally connected because they influence the ability of merchants to move between providers and respond to competitive market offerings.

The Australian payments system has generally benefited from contestability.

Future technology developments should strengthen this principle rather than weaken it.

No merchant should become effectively locked into a provider because of technical barriers associated with credentials, tokens or platform dependencies.

4. Tokenisation Has Become Strategic Infrastructure

Tokenisation has delivered substantial security benefits, but its public-interest value depends on whether it also preserves portability, transparency, inclusion and competition.

It is increasingly becoming a strategic component of payment infrastructure that influences portability, switching costs and competition. The Issues Paper acknowledges ongoing concerns regarding token portability and merchant migration between payment providers.

The success of tokenisation should therefore be measured against two equally important outcomes:

- Security: Reducing fraud risk and protecting customer credentials.
- Portability: Allowing credentials and payment relationships to move efficiently between providers.

Security without portability can create concentration.

Security with portability can strengthen both competition and technology developments.

The latter outcome should be the policy objective.

4A. Network Tokenisation and the Transparency Deficit

Discussion regarding tokenisation has largely focused on security benefits, token portability and merchant switching costs.

While these issues are important, they overlook another challenge that is becoming increasingly evident as tokenisation adoption grows.

Operational transparency.

Today, merchants operating recurring payment models typically receive meaningful information when a payment fails.

Examples may include:

- Expired card.
- Insufficient funds.
- Closed account.
- Lost or stolen card.
- Transaction declined by issuer.

This information allows merchants to:

- Retry transactions where appropriate.
- Explain failures to customers.
- Support customer enquiries.
- Maintain ongoing customer relationships.

For charities and subscription-based organisations, this information is particularly important because recurring payments often represent long-term customer relationships.

Tokenisation introduces a different operating model.

Where a network token is suspended, deactivated or deleted, merchants may only observe that the token is no longer available for use.

The reason is often opaque.

In practice, merchants may be unable to determine:

- Whether the action was initiated by the cardholder.
- Whether it was triggered by issuer risk controls.
- Whether it resulted from a device change.
- Whether it was associated with suspected fraud.
- Whether it was generated by automated token lifecycle processes.

This creates a significant transparency gap.

Impact on Customer Experience

The consequences extend beyond operational inconvenience.

When recurring payments fail due to token lifecycle events, merchants may be unable to provide customers with a meaningful explanation.

The result is often:

- Failed recurring payments.
- Customer confusion.
- Merchant frustration.
- Increased support costs.
- Reduced payment recovery rates.

For charitable organisations, the impact may be particularly significant.

- A charity can explain an expired card.
- A charity can explain insufficient funds.
- A charity can explain a closed account.
- A charity cannot explain an unknown token deletion.

The customer receives poor support from the merchant, while anecdotal evidence suggests issuers themselves are often unable to provide meaningful explanations regarding token lifecycle decisions.

This creates a situation where no participant in the payments ecosystem can adequately explain why a previously functioning recurring payment has stopped working.

That should be viewed as a systemic design concern.

Transparency Should Be Treated as a Public Interest Outcome

The industry's focus to date has been on the security benefits of tokenisation.

However, payments systems must also remain understandable.

Consumers should be able to understand why payments fail.

Merchants should be able to understand why payment credentials become unusable.

A future payments ecosystem cannot rely on black-box lifecycle decisions that materially affect customers and merchants without providing meaningful explanations.

The Reserve Bank should therefore consider whether tokenisation frameworks provide sufficient transparency regarding token lifecycle management, particularly where token actions result in the interruption of recurring payments.

4B. Financial Inclusion and the Elimination of FPANs

A second issue that warrants consideration is the impact that future tokenisation strategies may have on customer accessibility and inclusion.

A number of industry participants have articulated a vision in which Primary Account Numbers (PANs) are progressively removed from direct customer interaction and ultimately replaced by token-based credential management.

While this may improve security outcomes, it raises important questions regarding usability.

Not all consumers engage with payments technology in the same way.

Older Australians, vulnerable customers and less digitally confident users often prefer:

- Physical cards.
- Simple payment experiences.
- Familiar payment credentials.
- Low-complexity payment processes.

For these consumers, the ability to read a card number and provide it directly to a merchant remains important.

Future payment models that assume every customer will be able to use a banking application, generate tokens, manage digital credentials and understand token-based identities may not reflect the needs or capabilities of all Australians.

Inclusion Must Be Considered Alongside Security

Australia is already transitioning away from a number of traditional payment methods.

The planned withdrawal of cheques represents one example.

As payment systems continue to evolve, care should be taken to ensure that security improvements do not unintentionally exclude customers who are less digitally confident.

The objective should not be to force customers toward increasingly complex credential management models.

The objective should be to provide secure payment options while preserving accessibility and customer choice.

From a public-interest perspective, consumers should retain access to payment mechanisms that are:

- Understandable.
- Inclusive.
- Secure.
- Widely accessible.

5. Agentic Commerce Changes the Nature of Choice

The Issues Paper correctly identifies AI agents as an emerging area of interest.

Much current discussion emphasises convenience.

Less attention has been given to how AI agents may influence competition.

Historically:

- Consumers selected products.
- Consumers selected merchants.
- Consumers selected payment methods.

Future AI systems may increasingly:

- Recommend products.
- Select merchants.
- Optimise purchases.
- Determine payment methods.
- Initiate transactions.

As a result, competition may increasingly occur between algorithmic decision-makers rather than directly between payment providers.

Today's industry discussion frequently describes AI systems as "agents".

However, many emerging implementations appear closer to delegates than agents.

A true agent exercises independent judgement and acts within broad objectives.

A delegate acts on behalf of a customer within constraints defined by that customer.

The distinction matters because future payment systems may increasingly involve delegated purchasing decisions, product selection and payment initiation activities.

As these models evolve, preserving customer intent and customer choice may become as important as preserving merchant choice and competition.

If payment decisions are increasingly delegated to technology platforms, questions will inevitably arise regarding:

- Whose interests are being represented.
- How decisions are prioritised.
- How payment methods are selected.
- How customer intent is preserved.

These questions sit at the intersection of competition, trust and future payments regulation.

This creates an important public-interest question.

How can customer and merchant choice be preserved when payment decisions are delegated to autonomous systems?

The policy issue is not whether AI systems initiate payments. The issue is whether delegated payment decisions continue to reflect customer intent, competitive neutrality and transparent decision-making.

The Reserve Bank should consider establishing an early principle that AI-enabled payment ecosystems must remain competitively neutral and transparent in their treatment of payment methods and providers.

6. Trust Will Matter More Than Authentication

The payments industry has become highly effective at authentication.

Increasingly sophisticated technologies exist to authenticate:

- Users
- Devices
- Credentials
- Transactions

Future challenges may increasingly involve something different: **trust**.

Authentication asks whether a credential is valid. Trust asks whether a transaction should be relied upon.

This distinction becomes particularly important in the context of increasingly delegated commerce. Historically, authentication was performed by the individual initiating the transaction. Future commerce models may involve software systems acting on behalf of consumers. In those environments, trust extends beyond verifying credentials or devices.

Participants may need confidence that:

- Customer intent has been accurately represented.
- Delegated authority remains within agreed boundaries.
- Recommendations and purchasing decisions are aligned with customer interests.
- Payment outcomes remain transparent and explainable.

Trust may therefore evolve beyond authentication to encompass intent, authority, transparency and accountability.

This distinction will become increasingly important as digital identity systems, delegated decision-making and AI-driven commerce mature.

Future fraud and consumer harm may increasingly arise from:

- Authorised scams
- Social engineering
- Synthetic identities
- Fraudulent delegation
- Misaligned AI incentives

These risks are not fully addressed through stronger authentication alone.

The long-term success of Australia's payments ecosystem may depend on its ability to embed trust into payment experiences rather than continually increasing authentication complexity.

7. Resilience Through Diversity

Resilience is often discussed in terms of infrastructure.

However, diversity is also a form of resilience.

A healthy payments ecosystem should support:

- Multiple payment rails.
- Multiple providers.
- Open standards.
- Interoperability.
- Credential portability.
- Competitive alternatives.

The Issues Paper highlights the importance of interoperability, competition between payment methods and reducing barriers to participation. These objectives should be viewed not only through a competition lens but also through a resilience lens.

Systems that preserve choice are typically more resilient.

Systems that support portability recover more effectively from disruption.

Systems that encourage competition are less vulnerable to concentration risk.

8. Structural Competition and Pricing Transparency in Australian Payments

Structural Competition Warrants Further Examination

The RBA has focused appropriately on competition between schemes, wallets, tokens and emerging payment technologies. However, there may also be value in examining whether structural incentives within vertically integrated issuing and acquiring models influence competition outcomes in ways that are not always visible to merchants, consumers or policymakers.

Australia's major banks operate simultaneously as:

- Card issuers
- Acquirers
- Payment service providers
- Participants in payment infrastructure

This integrated model delivers efficiencies and scale benefits. However, it can also create circumstances where commercial incentives across issuing and acquiring businesses are not always aligned with the objective of promoting competition between payment methods.

In particular, there may be situations where decisions affecting acceptance, routing or network participation have implications beyond a single business line.

The Reserve Bank may therefore wish to consider whether the degree of vertical integration within Australia's payments ecosystem influences competition between payment methods and whether additional transparency would assist in identifying potential conflicts between issuer and acquirer incentives.

Competition Between Networks Should Be Assessed Using Real-World Outcomes

A useful example is public transport ticketing.

Australia has invested significantly in supporting contactless payments across public transport systems. However, not all payment networks enjoy equivalent acceptance outcomes in practice.

More broadly, there may be circumstances where decisions regarding network participation, acceptance rules, risk settings or commercial arrangements influence whether specific payment methods are able to compete on equal terms.

The question for policymakers is not whether any individual decision was reasonable.

Rather, it is whether the payments ecosystem consistently creates opportunities for all payment networks to compete fairly based on cost, functionality, security and customer preference.

From a public-interest perspective, competition should be assessed by actual customer and merchant outcomes, not simply by theoretical availability.

Pricing Transparency Is Equally Important

The industry frequently argues that simplified and blended pricing assists merchants in understanding payment costs.

There is merit in simplicity.

Most merchants do not want highly complex acquiring statements or detailed interchange analysis.

However, simplicity and transparency are not the same thing.

A pricing model can remain simple while still providing meaningful visibility into the cost of different payment methods.

Today many merchants remain unaware of the true cost differences between payment networks.

As a result, they are often unable to make informed decisions regarding:

- Acceptance strategies
- Routing preferences
- Customer incentives
- Cost optimisation opportunities

This weakens the competitive signals that efficient markets rely upon.

Simplicity and Transparency Are Compatible Objectives

One potential approach would be a simplified network-based pricing model.

For example:

- One clearly disclosed eftpos rate
- One clearly disclosed Visa rate
- One clearly disclosed Mastercard rate

This type of pricing model is already familiar to merchants, as it is commonly used for schemes such as American Express and China UnionPay.

Such a model would remain simple for merchants while improving transparency regarding the relative costs of different payment methods.

Importantly, transparency itself can influence behaviour.

Merchants who clearly understand acceptance costs are better positioned to:

- Evaluate payment choices
- Discuss payment preferences with customers
- Make informed commercial decisions
- Encourage lower-cost payment methods where appropriate

Competition functions most effectively when market participants can easily understand the economic consequences of their decisions.

Choice Relies on Transparency

A recurring theme throughout this submission is that competition depends upon informed choice.

Customers cannot make informed choices if payment options become opaque.

Merchants cannot make informed choices if payment costs become opaque.

Similarly, policymakers cannot accurately assess competition if market incentives and pricing outcomes lack transparency.

The Reserve Bank should therefore consider whether greater transparency regarding payment acceptance costs, network economics and market structure could strengthen competition without materially increasing complexity for merchants.

Recommendations

The Reserve Bank should consider the following principles when prioritising future regulatory work:

1. Preserve Customer Choice

Ensure emerging technologies expand rather than constrain meaningful customer choice.

2. Preserve Merchant Choice

Promote the ability of merchants to switch providers, retain credentials and maintain routing flexibility.

3. Prioritise Token Portability

Treat portability as a foundational competitive principle alongside security.

4. Encourage Interoperability

Support open standards that reduce barriers to switching and reduce concentration risk.

5. Maintain Competitive Neutrality

Ensure wallets, platforms and future AI agents do not unfairly influence payment method selection through opaque defaults, preferential presentation, commercial incentives, acceptance rules or user-interface design.

6. Begin a Strategic Dialogue on Trust

Recognise that future payments challenges may increasingly involve trust, identity and intent rather than authentication alone.

7. Improve Transparency, Explainability and Inclusion within Tokenisation Frameworks

Tokenisation initiatives should be assessed not only against security and portability objectives, but also against:

- Customer understanding.
- Merchant transparency.
- Explainability of token lifecycle events.
- Accessibility for older and less digitally confident Australians.
- Financial inclusion outcomes.

8. Improve Competition Through Transparency

The Reserve Bank should examine whether:

- Structural incentives within vertically integrated issuing and acquiring models influence competition outcomes.
- Existing pricing practices provide merchants with sufficient visibility of payment costs.
- Greater pricing transparency could improve competition, customer choice and merchant decision-making without increasing operational complexity.

Conclusion

Australia's payments ecosystem has benefited from decades of technology change, competition and regulatory stewardship. New technologies such as tokenisation, digital wallets and AI-enabled commerce have the potential to improve security, convenience and efficiency across the payments system.

However, the next challenge is not simply improving how payments are processed.

It is ensuring that future payment ecosystems continue to preserve customer choice, merchant choice, competition and trust as control increasingly shifts from payment rails to tokens, wallets, platforms and intelligent systems.

As the industry evolves, equal attention should be given to transparency and inclusion. Payment systems should not become so complex that customers, merchants and even issuers are unable to understand why payment credentials succeed or fail. Nor should the pursuit of security unintentionally reduce accessibility for older Australians and other consumers who rely on simple, familiar and easy-to-understand payment experiences.

Payment technologies should not be judged by adoption alone, but by whether they improve outcomes for the people and markets that depend on them.

The most successful payment systems of the future will not necessarily be those that process transactions fastest or authenticate credentials most effectively. They will be those that best preserve choice, portability, transparency and trust while remaining inclusive, accessible and resilient.

By focusing on these principles today, the Reserve Bank can help ensure that Australia's next generation of payment infrastructure remains open, competitive and aligned with the long-term public interest.