NATIONAL AUSTRALIA BANK SUBMISSION

RBA Review of Payments Systems Regulation

August 2026

Introduction

National Australia Bank (NAB) welcomes the opportunity to respond to the Reserve Bank of Australia's (RBA) Review of Payments System Regulation Issues Paper (Issues Paper). Australia has a strong, innovative low-cost payments system for Australian businesses and consumers.

NAB's response is guided by the questions in the RBA's Issues Paper. As a member of the Australian Banking Association (ABA), NAB has also contributed to and supports its response.

Executive summary

A healthy payments ecosystem must be easy for end-users, efficient, safe and secure. Australia's payments ecosystem has historically met these expectations, supported by strong innovation.

The ecosystem is undergoing significant transformation driven by digitisation, modernisation, rising complexity and investment requirements. Digitisation continues to accelerate as consumers adopt new payment options such as real-time account-to-account (A2A) transfers and contactless card payments via mobile wallets.

Modernisation is reshaping the landscape as volume shifts from legacy systems to more contemporary platforms. While this shift is essential for the future needs of the economy, it introduces new risks and operational challenges that require sustained attention. Ongoing investment is critical to maintaining the efficiency, safety and security of Australia's payments system. It is critical to ensure all entities who benefit directly from the established, resilient and efficient Australian payments infrastructure also contribute fairly to system infrastructure maintenance and upgrade requirements.

As expectations for resilience increase, so too does the level of investment required to keep pace. However, the ecosystem has become progressively more complex, with Australians now using a broad range of payment methods and providers.

NAB welcomes the RBA's engagement with industry, including seeking views on prioritisation of issues, and whether regulatory action may be warranted.

As the RBA considers which issues should be prioritised to promote competition, efficiency and safety in payments, NAB reinforces the importance of the following:

- Competitive neutrality – participants performing equivalent payment functions should be subject to equivalent regulatory expectations, including card networks, digital wallets, platforms and emerging payment providers. This is essential to provide confidence to end users.
- Targeted and proportionate regulation – regulatory intervention should be evidence based, address clearly identified market barriers and avoid adding significant cost or complexity for limited benefit. The cost of regulation is typically borne by a small number of participants and disproportionate regulation can create real uncertainty and friction costs to the system. A highly efficient, well-functioning payment ecosystem has a balanced cost-benefit framework to guide incremental regulation.

- Merchant and consumer choice – the payments system should preserve routing choice, access to alternative payment methods and providers, and transparent information about costs, protections and implications related to switching providers.
- Interoperability and portability – common standards for token portability, data migration and interoperability are needed to reduce switching barriers and support competition across card, account-to-account and digital payment ecosystems.
- Security, resilience and consumer protection – continued investment in fraud prevention, authentication, cryptographic uplift and resilience is essential, particularly as AI-enabled payments, agentic commerce and new digital payment models evolve.
- Sustainable innovation and investment – regulation should support innovation and modernisation while maintaining appropriate incentives for investment in secure, efficient and resilient payments infrastructure. Regulation should also seek to balance protections with ensuring sustainable long-term economics of the industry.

In NAB's view, the following items should be prioritised.

- The need for merchants to have greater transparency on switching costs, migration timeframes, data portability limitations and any fees associated with changing payment service providers (PSPs) or unbundling payment services.
- Clear industry expectations or standards to improve interoperability, transparency and routing capability, provided they prioritise customer experience and preserve security and resilience.
- Consideration of stronger controls for high-risk overseas card-not-present (CNP) transactions, including Strong Customer Authentication.

NAB looks forward to further engagement with the RBA on these important topics.

2. Merchant Choice in Payments

2.1. Competition across debit card networks

Q1: What are the impediments to competition between debit card networks for merchants' transactions on DNDCs across mobile and/or online environments?

Are there practices by industry participants that limit competition, efficiency or financial safety in relation to debit card transactions?

NAB supports competition across debit networks where it delivers demonstrable benefits for merchants and customers without compromising reliability, security or customer experience.

Competition between debit card networks in mobile and online environments is constrained where Dual-Network Debit Cards (DNDC) functionality, merchant choice and least-cost routing (LCR) capability are not consistently supported across digital wallets, online platforms and emerging e-commerce payment flows. Key impediments include inconsistent support for DNDCs in digital wallets, uneven enablement of acquirer or merchant-driven LCR, and new e-commerce capabilities that may initially support only single debit network cards. These issues may limit merchant choice, reduce the effectiveness of LCR, and weaken competitive pressure between debit card networks.

Digital wallets do not consistently support acquirer or merchant-controlled network choice for LCR, which can reduce the practical effectiveness of DNDCs. Where wallet configurations or issuer settings determine network routing, merchants may have limited ability to influence routing outcomes despite holding a DNDC acceptance capability.

At present, it is unclear who is responsible for resolving issues relating to LCR across the ecosystem, which includes wallet providers, issuers, acquirers, schemes and terminal hardware and software providers. Resolution of issues can be slower where wallet providers require individual acquirers and terminal vendors to implement fixes, rather than addressing configuration or enablement issues at an ecosystem level.

NAB is well progressed in enabling acquirer and merchant-driven LCR capability, with LCR available to 100 per cent of NAB terminals and enabled for 73 per cent.[1] However, as noted in the Issues Paper, online LCR capability is more complex to implement than terminal-based LCR and requires substantial coordination, development and investment across acquirers, gateways, third-party platforms and merchants, which is ongoing. This need for multi-party coordination can cause delays in implementation and creates inconsistent availability of LCR across platforms. It also highlights the fragmented regulatory landscape, where some players are not subject to the same rules and obligations as others.

Emerging e-commerce capabilities, including card scheme "Click to Pay", may initially support only a single debit network. Early design decisions (e.g. new payment experiences are launched without dual-network support or merchant routing choice) may create long-term competitive impacts if single-network models become embedded before LCR and DNDC functionality are fully supported.

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[1] Update on availability and enablement of least-cost routing for merchants - Data as at December 2025 (published March 2026) | RBA

In mobile and online environments, the practical impediments to DNDC competition include inconsistent enablement of dual-network tokenisation, differences in mobile wallet capabilities, acquirer/gateway readiness, merchant integration complexity and that many newer digital payment experiences were initially designed around international card network rails.

For online transactions, the presence of additional intermediaries such as gateways, payment service providers (PSPs), digital wallets and stored credential providers increases implementation complexity and can reduce incentives for all participants to enable effective routing choice.

Issuers have already invested materially to support DNDCs and tokenisation. Any further obligations under consideration should be targeted at specific barriers, rather than applying broadly across all participants to ensure effective and efficient outcomes.

Q2: Is there a public interest case for the RBA to take further action to support competition across debit card networks in mobile and/or online environments?

NAB believes any further regulatory action should be proportionate and evidence based. It should focus on removing avoidable technical or commercial barriers to incentivise competition, rather than mandating outcomes that may impose significant cost or operational complexity for limited incremental benefit.

NAB supports clear industry expectations or standards where these improve interoperability, transparency and routing capability, provided they prioritise customer experience and preserve security and resilience, and avoid unintended outcomes, such as driving commercial activity to structurally unsustainable levels.

The RBA should avoid interventions that may inadvertently undermine the efficiency of debit cards, which remain a low-cost and highly effective retail payment method for consumers and merchants, with high usage and adoption rates.

2.2. Integrated platforms and bundling of payment services

Q3: How difficult is it for merchants to switch away from their existing integrated platform services provider to access their preferred PSP? To what extent do merchants receive clear and sufficient information from integrated platform providers prior to joining about potential challenges in switching PSPs, and are there areas where greater transparency could help them better understand potential costs and risks?

Merchant ability to switch from an integrated platform provider varies significantly. It can be constrained by technical dependencies, commercial arrangements, data/token migration complexity and limited upfront information about future switching costs and risks. Switching difficulty depends on the platform design, degree of integration, services bundled into the platform, and the size, capability and complexity of the merchant. Some integrated platforms allow easier PSP substitution. However, others create practical barriers where payments are embedded into proprietary software, workflows, reporting tools, APIs or merchant operating processes.

There are both technical and commercial barriers to switching. Technical switching barriers may include system redevelopment, integration changes, testing and certification, reporting changes, data migration, token extraction and token migration. Commercial barriers may include bundled service arrangements, higher fees for partial unbundling, termination fees, minimum contract terms, notice periods and migration charges.

Token portability can also be a switching issue, particularly where encrypted card data or tokens need to be extracted, transferred, re-tokenised or reconfigured across platforms, gateways or PSP arrangements.

The cost and complexity of switching varies by provider and may be passed on to merchants, creating a barrier to switching.

Although some risks may be disclosed in commercial terms, merchants may not receive clear, practical or sufficiently comparable information about the likely cost, operational impact and timing of switching before joining a platform. NAB agrees greater transparency would help merchants better assess switching risk, compare providers and understand whether the platform supports future choice of PSP.

Q4: Does the bundling of payments with other services, such as in integrated platforms, raise competition, efficiency and/or financial safety issues in the payments system? If so, should regulatory action be considered and what form should it take?

Integrated platforms can deliver benefits for merchants by simplifying onboarding, reducing integration complexity and supporting innovation. NAB notes the acquiring market is highly competitive and heavily regulated, with both domestic and international providers. Payment acceptance solutions have limited opportunities for differentiation beyond value-added services, customer service and pricing.

Bundled solutions can be appropriate when the following requirements are met:

- Merchants are free to choose the bundled solution but also have the ability to select a different payments provider or platform provider.
- Existing customers are not forced to adopt a bundled solution.
- Merchants are not disadvantaged for choosing the bundled solution.
- Merchants are not penalised for choosing an alternative solution.

Competition issues

Competition concerns may arise where access to a platform is conditional on using the platform provider's preferred PSP, gateway or acquiring solution. This may impact a merchant's ability to negotiate pricing, service levels or routing options where the PSP is embedded within the broader platform offering.

Proprietary interfaces, APIs, tokenisation frameworks, reporting tools or merchant data structures can create practical barriers to switching providers. Closed or tightly controlled platform environments may also limit the ability of competing PSPs to offer merchants alternative pricing, routing capabilities, fraud tools or other payment innovations.

Efficiency considerations

Bundled payment and business-management solutions can improve efficiency by simplifying merchant onboarding, reducing integration costs and providing a unified operating experience. However, the value of those efficiencies may be lessened where merchants cannot access the most suitable or cost-effective PSP for their business needs.

NAB acknowledges bundling may weaken competitive pressure on PSP pricing, service quality and routing innovation where merchants are unable to compare or adopt alternative providers. Alternative PSPs may also face barriers to reaching merchants operating within proprietary platform ecosystems, which could slow innovation over time.

Financial safety considerations

Bundling itself does not create material security concerns. Risks may emerge where payment activity becomes concentrated within a small number of integrated platforms. This can lead to greater operational dependency and may increase resilience risk if merchants have limited ability to migrate payment services quickly or safely.

Limited portability of payment credentials, tokenised payment information or merchant transaction data may also increase operational risk during migration or provider transition.

There is also a risk that reduced merchant choice could weaken incentives for providers to invest in resilience, security and service quality over time.

Regulatory considerations

NAB believes any further regulatory action should focus on preserving the efficiency and innovation benefits of integrated platforms while addressing practices that restrict merchant choice, portability or PSP competition.

NAB supports the need for merchants to have greater transparency on switching costs, migration timeframes, data portability limitations and any fees associated with changing PSPs or unbundling payment services. The RBA could consider mandating integrated platforms to offer alternative PSP choices as a way to ensure a level-playing field of competition and innovation access.

AusPayNet has published a standard and guidelines for token portability. However, this standard specifically excludes scheme tokens and token costs that inhibit and impact merchants when switching between PSPs.

NAB suggests RBA should monitor market developments to ensure platform-led distribution of payment services does not materially reduce competition between PSPs or restrict access to lower-cost and innovative payment options.

2.3. Tokenisation of card information

Q5: How do stakeholders assess the functioning and effectiveness to date of the RBA's tokenisation expectations? Is further regulatory intervention needed to promote the portability of tokens for payment cards, or to address other competition, efficiency or financial safety issues associated with implementing tokenisation across card payment systems? If so, what regulatory actions should be considered?

NAB supports the RBA's tokenisation expectations and the objective of reducing storage of primary account numbers (PANs) across the payments ecosystem. Tokenisation has delivered significant benefits for consumers, merchants and payment providers, including improved security, reduced exposure of sensitive card data, lower fraud risk and a more seamless digital payments experience.

NAB has made substantial progress toward meeting the RBA's expectations. However, implementation remains complex due to the large number of participants including acquirers, gateways, schemes, issuers, payment service providers, digital wallets and platform providers. The ongoing success of tokenisation will depend on adoption, but also on ensuring implementation supports competition, efficiency, merchant choice and operational resilience.

A key issue is token portability. Efficient token migration is critical where merchants change payment service providers, acquirers, gateways or platforms. If portability is limited, merchants may face additional cost, complexity and disruption, creating barriers to switching and weakening competitive outcomes. Portability challenges are both technical and commercial. Technical issues include differences in token types, migration specifications, token lifecycle management and interactions between scheme, gateway and digital wallet tokens. Commercial issues include migration, re-tokenisation and portfolio transfer costs, particularly for large token portfolios. These costs can be significant and may be passed on to merchants, reducing the incentive to switch providers.

Current migration approaches vary across schemes, gateways and platform providers, resulting in bespoke processes, inconsistent formats and operational complexity. As token adoption grows, these challenges are likely to increase, potentially creating additional operational risk, longer transition periods and inefficiencies.

NAB also notes that tokenisation is not equally achievable across all online merchant use cases. Real-time transaction flows, merchant operating models and technical dependencies may limit the ability to issue or apply scheme tokens consistently. These constraints should be recognised when assessing compliance expectations and associated scheme fee arrangements.

NAB is concerned that scheme behavioural fees for non-tokenised online transactions may penalise acquirers despite substantial investment in tokenisation capability and token migration initiatives. In some circumstances, the inability to tokenise transactions is outside the control of the acquirer or merchant. Where such fees arise from technical or ecosystem limitations, they may be inconsistent with the RBA's expectations regarding scheme fee outcomes and raise competition, efficiency and merchant cost concerns.

For DNDCs, NAB believes token lifecycle management should continue to support routing choice without creating unnecessary customer disruption or operational complexity. Tokenisation arrangements should not reduce merchants' ability to exercise routing choice or implement LCR effectively.

NAB suggests further work is required across the industry to improve portability, synchronisation and consistency across schemes, PSPs, gateways and merchants. This should include standards for token migration, digital wallets, merchant use cases, data formats and lifecycle management. Any standards should be technically feasible, maintain strong security outcomes and allocate responsibilities to the parties best placed to address relevant issues.

Regulatory considerations

NAB considers further regulatory intervention may be warranted should industry-led approaches not deliver timely and consistent outcomes. Any intervention should be targeted and proportionate, as opposed to prescriptive for all aspects of tokenisation.

The RBA could consider regulatory action to:

- promote standardised token portability across relevant token types, including scheme tokens, gateway tokens and digital wallet-related token arrangements;
- improve transparency of token migration processes, including roles, responsibilities, timeframes and operational requirements;
- provide greater clarity on what constitutes reasonable migration, re-tokenisation and portfolio transfer costs;
- support non-discriminatory access to token services and prevent tokenisation arrangements from being used to create barriers to switching;
- ensure token lifecycle management supports DNDC routing choice and does not create unnecessary customer disruption or operational complexity;
- assess whether scheme fees linked to tokenisation, including behavioural fees for non-tokenised online transactions, are consistent with the RBA's competition, efficiency and merchant cost objectives; and
- encourage industry standards for portability, synchronisation and implementation across schemes, PSPs, gateways, merchants and digital wallet providers.

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

Q6: Are there competition, efficiency and/or financial safety issues relating to the use of AI agents for payments in e-commerce? If so, are there any regulatory actions that the RBA should consider?

AI agents in e-commerce have the potential to deliver significant convenience, efficiency and innovation benefits for consumers and merchants. Agentic commerce may streamline product search, comparison, purchasing and payment processes, reducing friction in digital transactions and supporting new customer experiences. However, the use of AI agents to search, select, recommend, initiate or influence transactions on behalf of consumers also introduces a range of emerging competition, safety, authentication, liability and governance considerations.

Agent-initiated payments may alter traditional payment models by allowing automated systems to influence purchasing decisions and initiate transactions on behalf of consumers. As a result, payment frameworks, whether card or account to account (A2A), may need to evolve, including arrangements for payment method selection, authentication, fraud monitoring, dispute resolution, liability and evidencing consumer consent. AI agents may also influence whether transactions are routed through existing card and domestic payment networks or alternative payment mechanisms.

From a competition perspective, AI agents may increasingly influence which merchants, platforms, brands and payment methods are presented to consumers. Smaller merchants and new entrants may be disadvantaged if agents favour larger merchants, 'preferred' platforms or providers where there are established commercial relationships. Commercial arrangements between AI agent providers, merchants, schemes, platforms or PSPs could also affect product recommendations, merchant visibility, transaction routing and payment method selection. Maintaining merchant choice and competitive neutrality are important policy objectives as agentic commerce develops.

Agent-initiated payments may also create new fraud and consumer protection risks by introducing opportunities to exploit automated purchasing flows, delegated authority or trust in AI systems. Existing fraud-monitoring frameworks will need to adapt where transactions are initiated or influenced by autonomous systems. Strong customer authentication, verifiable consent and defined approval parameters will be critical where AI agents act on behalf of consumers. Industry frameworks may also need to clarify how consumer intent is established, evidenced and revoked as AI agents gain greater autonomy and access to payment functionality.

Agentic commerce may also create uncertainty regarding liability and governance. Responsibility for unauthorised transactions, mistaken purchases, disputed consent, fraud losses or agent errors may be shared or contested between consumers, merchants, PSPs, issuers, acquirers, schemes, digital platforms and AI agent providers. Clear governance arrangements will be important to maintain confidence in payment systems and ensure effective protections for participants.

NAB notes AusPayNet and other industry bodies are actively considering the implications of AI-driven commerce and opportunities for industry standards development and guidance. Given the early stage of market development, NAB considers that regulatory intervention is premature. Industry engagement and policy development will help avoid fragmented standards, inconsistent market practices and uncertainty regarding obligations, liability and consumer protections.

The RBA should continue to monitor agentic commerce as an emerging payments issue. In collaboration with industry and other regulators, consideration should be given to developing common principles and frameworks addressing:

- authentication standards for agent-initiated payments;
- methods for evidencing, limiting and revoking consumer consent;
- liability allocation for unauthorised transactions, agent error, fraud and disputed purchases;
- dispute resolution and chargeback treatment for agent-mediated transactions;
- transparency requirements relating to agent recommendations, merchant ranking and payment method selection;
- protections that support merchant choice and competitive neutrality; and
- governance standards for participants involved in agentic commerce ecosystems.

A core principle should be for agentic payments to be regulated such that the speed, efficiency and experience benefits of end users is amplified, while potential risks of market distortion and reduced confidence in the ecosystem are avoided.

3. Mobile Payments, Non-designated Card Networks and Buy Now Pay Later

3.1. Mobile payments

Q7: Are there competition, efficiency and/or financial safety issues relating to mobile payments? If so, are there any regulatory actions that the RBA should consider?

NAB recognises mobile payments deliver significant benefits for consumers and merchants, including convenience and security. However, competition, efficiency and financial safety issues can arise where wallet providers control access to payment credentials, routing functionality, device capabilities or alternative payment methods in ways that impact transparency, merchant choice and innovation.

Competition and efficiency issues

Currently, digital wallet providers may exercise significant control over payment initiation, credential presentation, routing functionality and access to device capabilities resulting in significant impact to competition, efficiency and innovation.

Wallet providers may influence which payment credentials, networks and payment methods are available, prioritised or most visible to consumers. New payment methods, domestic payment networks and lower-cost alternatives may also face barriers to integration where access to wallet ecosystems is restricted or controlled by wallet providers. Technical barriers, and limited support for in-person A2A payment propositions may also restrict the development of lower-cost alternatives to card transactions.

For merchants, mobile payment settings may impede transparency and increase costs. Where routing choice is unavailable or not enabled in mobile payment environments, merchants may have limited ability to influence routing outcomes or access lower-cost payment options. Merchant visibility of routing outcomes, payment method selection and associated costs can also be limited in mobile payment transactions.

NAB reiterates the following points, outlined in our January 2026 submission to the House Economics Committee's *Inquiry into Schemes, Digital Wallets and Innovation in the Payments Sector*[2]:

- While digital wallet providers derive significant benefit from established, resilient and efficient Australian payments infrastructure, they are currently not required to invest in the domestic payment ecosystem, unlike regulated issuing providers. This disparity is

[2] Inquiry into Schemes, Digital Wallets and Innovation in the Payments Sector Submissions – Parliament of Australia

heightened in the context of rising expectations of resiliency, safety and innovation by consumers, businesses, regulators and government.

- There has been exponential growth in the use of mobile wallet payments, however, charges imposed on issuers have not adjusted accordingly. For example, Apple Pay fee rates charged to NAB have remained unchanged since their introduction in 2015, as stipulated by Apple. Given the exponential growth in the volume and value of mobile wallet transactions, and pricing models associated, issuer costs to support this payment type continue to increase significantly which may lessen the net impact of reforms to lower the cost of payments overall.

Financial safety and user transparency issues

Consumers may be unaware of gaps or changes to protections that apply to mobile payments compared with card-based payments. This is particularly important for fraud, scam, dispute and chargeback protections, which may differ materially between card and non-card payment methods. The risk is heightened where an A2A wallet payment is linked to an account that also has an associated debit card, as consumers may assume card protections apply.

Regulatory actions

NAB suggests the RBA could consider the following regulatory actions and initiatives to support the dual aims of avoiding negative end-user impacts while protecting the benefits of digital payments:

- Ensure open access to device and wallet functionality, support for routing choice, transparency of payment method selection and associated impacts, and merchant cost outcomes.

- Enable free, open and non-discriminatory access to NFC payments capabilities on mobile devices so other payment providers (including banks) can fairly compete to offer secure and innovative payment experiences.

- Support innovation and competition by ensuring mobile wallet providers cannot leverage device or operating system control or NFC access to:

    - restrict merchant or consumer choice (e.g. favour their own wallet, restrict alternative payment networks/ experiences)

    - obscure financial security or cost implications associated with payment choice (for consumers or merchants) and/or

    - impose unjustified fees (including on Issuers).

- Ensure contracts do not impede transparency, competition and innovation (e.g. prevent disclosure of wallet fees or limit issuers' ability to develop, support or promote alternative payment methods).

- Encourage fairer and more equitable investment by payment ecosystem participants, including:

- Contributions from mobile wallet providers to the payments system infrastructure, maintenance and upgrade requirements.
- Reduce fees charged by mobile payment providers. These rents impede efficiency and reduce capacity to invest in enhancing payment propositions. This also recognises that issuers already bear costs that mobile payment providers do not contribute to (such as maintaining payment infrastructure, managing fraud, meeting regulatory obligations and issuing cards).

- Implement consumer disclosure standards supporting transparency of financial security considerations, in particular, where non-card payments are presented in a mobile wallet experience that closely resembles card-based payments.

3.2. Non-designated card networks

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

Three-party networks account for a significant share of the Australian market. The current regulatory context allows these networks to compete directly with regulated four-party scheme issuers while not being subject to the same interchange regime. This enables three-party networks to fund more substantial cardholder rewards and benefits from favourable treatment that is not available to issuers operating under regulated interchange caps. This creates significant competitive distortion. This distortion directly increases costs of acceptance for merchants. It also lessens the net impact of reforms with regards to the cost of card acceptance by merchants.

NAB supports regulatory action that addresses the current distortion and aligns the regulatory treatment of three-party and four-party schemes where they perform equivalent functions and compete for the same cardholder and merchant payment activity.

Q9: Does the current regulatory treatment of non-designated card networks such as JCB and UnionPay remain appropriate given their limited scale in Australia, or would formal regulation of these networks by the RBA better support competition, efficiency and financial safety in the payments system?

While JCB and UnionPay currently represent a relatively small proportion of payment activity in Australia, NAB believes that the underlying principle of regulation should apply consistently across networks that facilitate payment transactions in the Australian market. Payment systems performing broadly equivalent economic functions should be subject to broadly equivalent regulatory expectations while incentivising growth. This approach would most effectively support the RBA's objectives of competition, efficiency and financial safety.

Consistent regulation creates competitive neutrality, supports transparent market outcomes and reduces the risk that competition is influenced by differences in regulatory treatment rather than customer value, innovation or efficiency.

3.3. BNPL providers

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

NAB believes the risks associated with Buy Now Pay Later (BNPL) are amplified by the emergence of agentic commerce which creates a number of emerging financial safety risks. While both technologies can improve convenience and payment choice, together they may reduce the natural friction that helps consumers make considered spending decisions. Autonomous purchasing combined with embedded credit has the ability to accelerate spending and credit use beyond a customer's intent or capacity to repay.

NAB recommends the RBA consider if regulatory action is necessary to ensure BNPL is subject to strong controls around transparency, consent, spending limits, transparency, identity verification and consumer protection. These are critical as agentic commerce evolves.

4. Account-to-account Payments

4.1. Future of A2A payments

Q11: What are the challenges faced by participants and end-users in the A2A payments system? Do these limit efficiency, competition or financial safety in relation to A2A transactions?

NAB is a major participant in all Australian designated A2A payment schemes, including New Payments Platform (NPP), High Value Clearing System (HVCS), Bulk Electronic Clearing System (BECS), and BPAY, offering multiple A2A payment methods to consumer, small business, corporate and institutional customers. Payments are critical to enabling economic activity and these schemes provide secure and efficient nationwide systems for domestic payments.

A2A payments are transitioning from legacy infrastructure and messaging that is up to 50 years old to modern messaging and infrastructure more suited to digital enablement and customer expectations. For providers of A2A payments, these payments also need to be safe, secure, resilient, accessible and commercially viable.

Challenges mainly relate to balancing the competing demands posed by transition while ensuring end-user objectives and desired system characteristics are achievable. NAB supports transition of A2A payments to modern payment methods to ensure customers continue to have a range of payment types available on the interfaces and systems they use in their businesses – today and into the future.

The A2A Payments Roundtable work will assist this transition by clarifying a roadmap to achieving the A2A Vision. NAB considers it is too early to make assumptions or interventions in relation to A2A transactions while the transition is underway.

Q12: Is there a case for the RBA to take any regulatory action in relation to A2A payments to support efficiency, competition or financial safety, or control risk to the financial system? If so, what regulatory actions should be considered?

At this stage, NAB does not see sufficient evidence pointing to a need for further regulation. The A2A Vision emphasises collaborative stewardship and shared governance across industry and public sector stakeholders. While this is conceptually sound, NAB believes it could better identify how accountability will operate in practice. Potential challenges relate to:

- The absence of a clearly identified decision-maker for system-level risk acceptance, incident escalation and trade-off resolution;
- Potential overlap between industry-wide forums, scheme-level governance, and public sector oversight; and
- Unclear enforcement mechanisms for standards, service levels, and obligations.

To address these issues, NAB suggests there be clear principles for system-level accountability and escalation, interaction with regulators during systemic incidents and governance powers (including enforcement and compliance mechanisms).

The proposed industry roadmap involves coordinated action under Australian Competition & Consumer Commission (ACCC) authorisation. Reinforcing clear boundaries between permissible coordination and competitive conduct as part of the A2A Payments Roundtable process would encourage transparency and governance safeguards across the ecosystem.

Further consideration could be given to the trade-off between safety and friction, and principles related to data sharing, without duplicating obligations in other requirements or initiatives (e.g. ePayments Code and forthcoming obligations under the Scams Prevention Framework).

4.2. Competition between cards and A2A payments

Q13: What are the barriers to more seamlessly enabling A2A payments in the in-person and online environments through, for example, digital wallets, and do they warrant the RBA taking action to address them?

NAB anticipates enablement of A2A payments in API, wallet and integrated experiences will increase in the next three years. The primary barrier to enablement of A2A in online and in-person environments has historically been the latency in systems, such as BECS. NPP has largely addressed that barrier, although is still considered slower than card form factors. For retailers, the primary concern is ensuring a customer experience that feels seamless, simple and delivers the same customer outcome regardless of payment method. Payment providers and gateways are now delivering those customer experiences.

NAB believes fragmented standards or inconsistent treatment of identity, consent and data across systems could slow integration with emerging financial architectures (e.g. the inability for customers to seamlessly switch between stablecoin and fiat currency, or regulation that is not proportionate to risk). Additionally, while the A2A Vision supports broader participation, including non-ADI payment service providers, it leaves access frameworks largely to future regulatory reform.

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

Understanding the intended customer benefit of regulatory action is important when balancing standardisation and effective points of interoperability with space for innovation and competition to enable network effect and customer choice. There are different customer protections and costs between systems which should be reflected in interoperable system design.

NAB sees utility in providing further guidance on how system characteristics adapt as new settlement or value-type models mature, for example tokenised deposits or central bank digital currency. Project Acacia's report[3] highlights that without interoperability, tokenised ecosystems risk becoming fragmented and identifies synchronisation mechanisms as a potential model for linking traditional payment rails.

[3] Project Acacia – Exploring the role of digital money in wholesale tokenised asset markets, p.15

Without in-built review mechanisms for interoperability, near-term optimisation decisions risk inadvertently locking in assumptions that could hinder future integration. Further, when considering the demographic make-up of end users and how this will change over the next decade, NAB notes the migration to digitised and emerging payment options will likely increase.

5. Cryptography and Fraud Prevention

5.1. Cryptography in the payments system

Q15: How is the payments industry strengthening its cryptographic practices in response to evolving cyber threats? What initiatives or uplift programs are underway, whether led by individual participants, industry bodies, or international standard-setting groups, and how effective are these initiatives likely to be in delivering an appropriate and sustainable level of cyber security?

From an industry perspective, cryptographic uplift across the payments ecosystem is being driven by a combination of domestic payment industry requirements, government cyber guidance and international standards.

Key initiatives include Payment Card Industry and AusPayNet's Advanced Encryption Standard (AES) Migration Program, updates to Australian standards relevant to AES migration, guidance from the Australian Signals Directorate (ASD) and Australian Cyber Security Centre (ACSC) on preparing for post-quantum cryptography (PQC), and the National Institute of Standards and Technology (NIST) publication of PQC standards. These initiatives recognise that legacy cryptography, including Triple Data Encryption Standard (TDES/3DES) and traditional asymmetric algorithms such as Rivest–Shamir–Adleman (RSA) and elliptic curve cryptography (ECC), will not provide a sustainable long-term security posture. Industry responses also include the use of hybrid classical/PQC approaches, uplift to stronger Transport Layer Security (TLS) configurations, improved certificate lifecycle management and shorter certificate validity periods.

Within NAB, the transaction switch modernisation programme is expected to provide the foundation for migrating payment encryption keys and related cryptographic processes to AES, in line with the AusPayNet AES Migration Program and broader payment industry direction. This should be supported by alignment to NAB Cryptographic Standards, which require encryption schemes and solutions to meet at least 128 bits of cryptographic strength, prefer AES-256 for symmetric encryption to reduce future rework. Related payment ecosystem initiatives should also ensure new implementations adopt approved ciphers, avoid introducing new dependencies on legacy cryptography, and maintain clear migration paths for systems that remain temporarily dependent on restricted algorithms.

NAB also has an active focus on PQC readiness. NAB Cryptographic Standards already recognise NIST PQC standards, including Module-Lattice-Based Key-Encapsulation Mechanism (ML-KEM), Module-Lattice-Based Digital Signature Algorithm (ML-DSA) and Stateless Hash-Based Digital Signature Algorithm (SLH-DSA). They also emphasise crypto-agility so algorithms, certificates and keys can be changed without major redesign. In practical terms, this means identifying where quantum-vulnerable algorithms are used, prioritising long-lived sensitive data and critical payment services, strengthening certificate and key management practices, engaging suppliers on their PQC roadmaps, and embedding crypto-agile design into new systems, cloud migrations, APIs and technology modernisation activities.

The effectiveness of these measures will depend on coordinated execution across individual participants and the broader payments ecosystem.

Q16: What key barriers or challenges are participants facing in uplifting cryptography and broader cyber security practices within the payments system?

Challenges faced by organisations in uplifting cryptography and cyber security practices within the payments system include:

- Managing operational complexities in the payment environment, particularly for legacy infrastructure (e.g. older systems with embedded cryptography that is difficult and costly to uplift).
- Significant work required to coordinate the change (e.g. it can be a lengthy process involving many different parts of the bank with no single owner).
- Vendor readiness to support new ciphers.
- The substantial investment required to migrate technology to safer and stronger cryptography.

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

A mandate from the RBA would carry significant weight in supporting industry-wide cryptographic uplifts in the payments system (compared to a scheme or industry mandate). The RBA could also play an important role in raising awareness among industry leaders of the critical need to invest in cryptographic uplifts to achieve a genuinely quantum-safe payments system.

5.2. Card payments fraud overseas

Q18: Do current arrangements for addressing overseas card not present fraud raise competition, efficiency and/or financial safety issues? Should the RBA consider a regulatory response to these issues, and if so, what form should this response take?

NAB shares the concerns outlined by the RBA in the Issues Paper. NAB believes the current arrangements for addressing overseas card not present (CNP) fraud raise issues related to financial safety, efficiency and customer trust. NAB supports consideration of stronger controls for high-risk overseas CNP transactions, including Strong Customer Authentication. Any regulatory response should be risk-based and proportionate. For example, a blanket authentication requirement for all overseas CNP transactions could introduce unnecessary customer friction and lead to an increase in false declines for legitimate transactions. NAB suggests RBA consider a targeted framework that focuses on high-risk merchants, geographies, transaction types and behavioural indicators, while seeking to preserve low-friction experiences for lower risk transactions. The RBA could also consider how global scheme rules, merchant authentication practices and cross-border liability settings influence the level of fraud borne by Australian issuers and consumers.

6. Other Issues

Q19: Are there any other issues relating to payments that the RBA should consider prioritising to promote competition, efficiency and financial safety in the payments system? Are there regulatory options outside of the RBA's formal powers under the PSRA to address the issues outlined in this paper? Are there issues in the broader payments system that have implications for the design and implementation of the RBA's payments system regulation?

NAB considers that payment system regulation should continue to support transparency, competitive neutrality, resilience and the long-term sustainability of Australia's payments infrastructure. Competition depends not only on the number of participants in the market, but also on fair access, transparent pricing and regulatory settings that apply consistently across participants performing similar functions. Complex and opaque pricing structures can weaken competitive pressure, reduce comparability between providers and make it more difficult for merchants, particularly smaller businesses, to assess payment acceptance costs.

NAB notes the importance of maintaining appropriate incentives for continued investment in payments infrastructure. Secure, resilient and innovative payment systems require ongoing investment to support growing transaction volumes, evolving fraud risks and new payment technologies. Regulatory settings should, therefore, consider not only short-term pricing outcomes but also the long-term sustainability of investment across the payments ecosystem, and in particular ensure all entities benefiting from the established payments system in Australia are sufficiently contributing to the ecosystem.

NAB believes the RBA should consider whether existing transparency measures are sufficient to prevent fee increases or new fee structures from undermining the objectives of broader payments reforms. Additional oversight may be warranted where industry consultation identifies concerns that scheme fees are increasing payment acceptance costs, reducing merchant choice or weakening the competitive benefits expected from regulatory reforms. Consideration could also be given to providing industry participants with stronger mechanisms to engage on, challenge or negotiate fee structures that have significant competition or cost implications. The RBA could further support these objectives through ongoing monitoring of the timing, scale and rationale for scheme fee changes, particularly where new fee programs are introduced around implementation periods of other changes.

Overall, NAB considers that continued focus on scheme fees, behavioural fees, transparency, competitive neutrality and sustainable infrastructure investment will be important to ensuring that Australia's payments system remains competitive, efficient, innovative and financially safe.