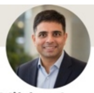

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SUBMISSION TO THE RESERVE BANK OF AUSTRALIA
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Enabling Competition Between Banks and Non-Bank Innovators Should Be the RBA's Guiding Principle.

Australia's payments debate has become dominated by merchant surcharging, account-to-account payments, digital wallets, BNPL, card competition and fraud prevention. These are important policy questions, but they are not the objective of payments policy. They are instruments.

The objective should be to create a payments market that attracts entrepreneurs, private capital and innovation. Innovation is how economies improve productivity, lower costs, expand consumer choice and build globally competitive industries. Get the market design right, and many of today's regulatory debates become outcomes of competition rather than subjects of continual intervention.

Australia's payments ecosystem remains overwhelmingly dependent on incumbent banks. Banks have built a safe and resilient financial system, but they also have rational commercial incentives to protect existing business models and revenue pools. At the same time, entrepreneurs and non-bank innovators face significant barriers to accessing the infrastructure needed to compete. This creates a classic coordination problem: those best placed to reshape the market have the least incentive to disrupt it, while those with the strongest incentive to innovate face the greatest barriers to entry.

India (UPI), Brazil (Pix) and Singapore (PayNow) demonstrate a different approach. By establishing open, interoperable infrastructure with clear governance, their central banks created a market that entrepreneurs and investors wanted to enter. Startups emerged, venture capital followed, competition intensified and innovation accelerated.

Australia has no shortage of entrepreneurial talent, technical capability or investment capital. What it lacks is a payments market that consistently gives innovators fair, predictable access to compete. Too many promising businesses spend their time negotiating access, finding sponsors and navigating gatekeepers instead of building products for customers. Every company that gives up, relocates overseas or never gets funded represents lost competition, productivity and future economic growth.

RBA's role is to govern the market by ensuring open access, interoperability and technology-neutral rules that allow banks and non-bank innovators to compete on equal terms.

A practical way to achieve this is to separate **innovation from settlement**.

- **Banks** should safeguard customer funds, manage settlement, liquidity and financial stability.
- **Non-bank innovators** should compete on customer experience, payment software, fraud prevention, identity, data, value-added services and new commercial models. They should be able to initiate, authenticate, orchestrate and enrich payment messages without needing to become banks or hold customer deposits.
- **The Reserve Bank** should govern the market by setting the rules, access arrangements and interoperability standards that allow both to compete fairly.

This requires four principles:

- **Open Access by Rule, Not Permission –** Access to core payments infrastructure should depend on meeting transparent regulatory standards, not on obtaining commercial permission from an incumbent competitor.
- **Interoperability by Design –** Shared standards and infrastructure should make participation the default rather than the exception.
- **Technology-Neutral Regulation –** Regulate outcomes rather than technologies, allowing cards, account-to-account payments, digital wallets and future innovations to compete on equal terms.
- **Competition as the Measure of Success –** Judge policy by whether it attracts investment, enables new entrants, expands merchant and consumer choice, and produces globally competitive Australian payments businesses — not by which payment rail gains market share.

Australia has spent the past decade building payments infrastructure. The next decade should be about building the competitive market that sits on top of it.

Let banks safeguard and settle the money. Let non-bank innovators compete for customers. Let the Reserve Bank govern the market so competition can flourish.

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