Review of Payments System Regulation – Issues Paper

August 2026

Westpac Submission

Overview

Westpac welcomes the opportunity to provide a submission to the Reserve Bank of Australia's (RBA) Review of Payments System Regulation Issues Paper.

Australia's payments system is undergoing a significant structural transformation. Over the past two decades, payments regulation has focused primarily on promoting competition between payment schemes. Reforms such as dual-network debit card issuance and least-cost routing have improved competition, reduced merchant costs and increased transparency across the payments ecosystem. The RBA's own research demonstrates that merchants with least-cost routing enabled experience debit acceptance costs that are nearly 20 per cent lower than comparable merchants without least-cost routing enabled, highlighting the benefits that competition can deliver where implementation costs are proportionate to the outcomes achieved.

The structure of competition is now changing.

Consumers increasingly access payment services through mobile wallets, tokenised payment credentials, e-commerce platforms and emerging AI-enabled commerce channels. The RBA notes that approximately 45 per cent of card payments are now conducted through mobile wallets and that online payments continue to account for a growing share of consumer spending. As a result, competition is increasingly determined before a transaction reaches a payment network. Mobile operating systems, wallet providers, tokenisation platforms and emerging AI ecosystems are becoming critical gatekeepers that influence how consumers access payment methods and how merchants access customers.

Westpac believes the next phase of payments regulation should focus on preserving competition, transparency and customer choice at the payment initiation layer. The first phase of payments regulation focused on competition between payment rails. The next phase should focus on payment initiators, payment facilitators, payment technology providers and broader digital ecosystems. These entities increasingly sit between consumers, merchants and underlying payment systems and determine how payments are initiated, authenticated and routed.

As payments become increasingly digital and platform-based, regulatory frameworks should evolve so that similar activities are subject to broadly comparable oversight regardless of where they occur within the payments value chain. Competitive outcomes may become distorted where regulation remains focused on traditional participants while newer intermediaries increasingly control customer access, payment initiation and transaction routing.

This principle of regulatory neutrality should become increasingly important as the payments ecosystem evolves. Mobile wallets, payment facilitators, payment initiators, tokenisation providers and emerging technology platforms are assuming a greater role in how payments are initiated, authenticated and routed. Regulatory frameworks should therefore focus on promoting competition, transparency and customer choice across the payments value chain, rather than concentrating solely on traditional payment participants.

In our view, the RBA should prioritise five issues:

- First, the RBA should support open, fair and non-discriminatory access to mobile wallet infrastructure, including Near Field Communication (NFC) functionality, on terms that are commercially viable and functionally equivalent to those available to native wallet providers.

- Second, the RBA should seek to ensure that equivalent regulatory standards apply across four party and three-party card schemes, promoting competitive neutrality. The RBA should also require robust reporting from three-party schemes to monitor transaction share, merchant fees, fee dispersion, and differences between consumer and commercial products.

- Third, regulatory frameworks should preserve merchant choice and competition in tokenised, wallet-based and emerging AI-enabled payment ecosystems, while avoiding premature or prescriptive interventions where the cost-benefit case has not been established.

- Fourth, the RBA should consider greater transparency of wallet, tokenisation, scheme, digital enablement and emerging AI-related fees.

- Finally, future regulatory frameworks should recognise the increasing importance of concentration, resilience and payments sovereignty as critical payment infrastructure becomes increasingly controlled by a small number of global technology firms.

Payments regulation

Recommendation - Refocus payments regulation beyond payment rails to promote competition, transparency and customer choice across the broader payment ecosystem.

Australia's payments regulatory framework has historically focused on competition between payment rails. This reflected the structure of the market at the time.

Consumers generally chose between payment cards, merchants selected acquiring providers, and competition occurred primarily between payment networks.

That approach delivered material benefits. Least-cost routing is a strong example. The RBA estimated that merchants with least-cost routing enabled experienced debit card acceptance costs that were nearly 20 per cent lower than merchants without least-cost routing enabled. This demonstrates the value of competition between payment networks where policy intervention is targeted, proportionate and supported by a clear cost-benefit case.

The success of these reforms should not obscure a more fundamental shift occurring within the payments ecosystem. Consumers increasingly interact with payments through digital wallets, tokenised credentials, embedded commerce solutions and online platforms. The payment experience is increasingly shaped by technology providers sitting above the payment rails themselves. Mobile operating systems, wallet providers, tokenisation services and emerging AI-commerce platforms increasingly determine how consumers access payment services and which payment methods are available at the point of transaction.

As a result, many of the most significant competition issues no longer arise solely between payment networks. They increasingly arise at the payment initiation layer and among the entities that enable, facilitate and control access to payment services. This includes payment initiators, payment facilitators and payment technology providers, which increasingly influence how consumers and merchants access payment services, how transactions are authenticated and how payment choices are presented and exercised. The next phase of payments regulation should therefore focus on preserving competition, transparency and choice across this broader payments ecosystem, particularly where access to critical infrastructure, technical standards or commercial terms is concentrated among a relatively small number of global platforms and technology providers.

Open access to digital wallets infrastructure

Recommendation - Support fair, commercially viable and non-discriminatory access to wallet infrastructure, including NFC functionality.

Westpac considers access to wallet infrastructure one of the most significant competition issues currently facing the Australian payments system.

Digital wallets have evolved beyond their original function as digital substitutes for physical cards. They increasingly determine how consumers authenticate transactions, how payment credentials are stored and which payment methods are presented to customers. With mobile wallets now representing approximately 45 per cent of card transactions, wallet providers have become critical components of Australia's payments infrastructure.

The growth of mobile wallets has delivered significant benefits. Consumers have benefited from improved convenience, stronger authentication and enhanced security through tokenisation and biometric technologies. These developments should continue to be encouraged.

At the same time, growing reliance on wallet infrastructure creates important competition challenges. The RBA's Issues Paper identifies industry concerns regarding access to NFC functionality, wallet-related fees and contractual arrangements that may affect competition and innovation. These issues are becoming increasingly important because control of wallet infrastructure influences which payment methods can reach consumers and how future payment innovations will be delivered.

The relevant policy objective should be effective access, not merely nominal access. A technical pathway that is commercially unviable, functionally inferior or subject to materially different conditions from those applying to the native wallet is unlikely to support genuine competition. Access must be capable of enabling a credible competing wallet experience, including the ability to provide a comparable consumer journey, authentication process and transaction experience.

International experience demonstrates how these concerns can be addressed. In the European Economic Area, Apple made legally binding commitments to provide third-party wallet developers with access to NFC functionality on fair, objective and non-discriminatory terms. Those commitments were designed to enable third-party wallets to compete more effectively with Apple Pay by providing access to core contactless payment functionality and related user experience features.

Australia should pursue similar outcomes. The objective should not be to disadvantage any provider or technology. Rather, it should be to ensure critical payments infrastructure remains accessible on terms that support genuine competition. Open NFC access would increase competition between wallet providers, support innovation in account-to-account payments, facilitate future domestic payment solutions and reduce dependence on a small number of technology platforms. It would also help ensure that the payments ecosystem remains open and contestable as wallet providers, payment initiators, payment facilitators and payment technology providers assume an increasingly important role in how payments are initiated, authenticated and processed. This is particularly important given the potential for highly integrated or closed-loop payment ecosystems to emerge over time, which could limit transparency, increase cost, reduce competitive pressure and constrain choice for consumers, merchants and payment providers.

This issue is broader than digital wallets alone. It concerns whether the future payments ecosystem remains open, innovative and contestable.

Competitive neutrality across three-party schemes

Recommendation - Apply consistent regulatory standards and reporting obligations to economically equivalent payment products.

A central principle of payments regulation should be competitive neutrality. Where payment products compete for the same transactions and perform substantially similar economic functions, regulatory settings should be broadly aligned.

This issue becomes increasingly important following the RBA's decision to remove the regulatory prohibition on no-surcharge rules for designated card schemes, enabling Visa, Mastercard and eftpos to prohibit merchant surcharging through scheme rules from 1 October 2026. The RBA's Issues Paper identifies concerns regarding existing asymmetries between designated card networks and non-designated schemes. These concerns relate to merchant acceptance costs, incentive structures, commercial card competition and broader competitive dynamics. The Paper also notes that merchant fees associated with three party schemes are generally higher than those associated with Visa and Mastercard products.

Westpac believes future reforms should be applied consistently across economically equivalent products. Maintaining materially different frameworks for competing payment products creates opportunities for regulatory arbitrage and may undermine the effectiveness of broader reforms. Competition should be driven by innovation, service quality and efficiency rather than regulatory structures.

This issue is particularly important in commercial payments, where three party schemes compete directly with four-party schemes for significant spending volumes. Three party schemes combine the roles of scheme, issuer and acquirer, and therefore operates under a different model to four-party card schemes. However, that structural difference should not obscure the economic reality that these products often compete for the same transactions and can influence the same merchant payment costs.

The key policy question should not be whether a scheme operates under a three-party or four-party model. The key question should be whether competing products perform the same economic function.

Westpac welcomes American Express' voluntary commitment to cease card payment surcharging from 1 October 2026, aligning with the broader surcharging reforms. Consistent with the expanded scope of the Payment Systems (Regulation) Act 1998 and to ensure a level playing field across the payments ecosystem, Westpac supports the application of consistent regulatory standards across three-party schemes and four party schemes. Consistent treatment should be accompanied by equivalent reporting obligations, requiring card networks to provide greater transparency of wholesale payment costs through enhanced fee reconciliation, pricing disclosure and quarterly reporting of interchange fees, scheme fees and rebates.

This information is essential to allow the RBA to assess whether regulatory asymmetry is distorting competition, whether merchant costs are being shifted toward higher-cost payment products, and whether changes to the regulation of four-party schemes are accelerating migration toward less regulated or higher-cost alternatives.

Improved reporting would also support more informed policy decisions over time. Without consistent and comparable data, it will be difficult to determine whether three-party schemes are operating as effective competitors on their merits or benefiting from differences in regulatory treatment. Better transparency would strengthen the evidence base, improve regulatory oversight and help ensure future policy settings remain competitively neutral.

Buy Now, Pay Later (BNPL)

Recommendation - Promote competitive neutrality by bringing major BNPL systems within an appropriate and proportionate payments regulatory framework.

The principle of competitive neutrality should extend beyond traditional card schemes and emerging payment infrastructure to other payment methods that increasingly compete for retail transactions. As consumers are presented with a growing range of payment options at the point of sale, regulatory settings should seek to ensure competition is driven by customer outcomes, innovation and efficiency rather than differences in regulatory treatment.

BNPL has evolved into a mainstream payment option and increasingly competes with card-based and account-to-account payment methods within the retail payments ecosystem. As payment functionality converges across different payment types, regulatory settings should promote competitive neutrality by ensuring that payment products performing similar economic functions are subject to comparable regulatory frameworks.

As the payments system evolves, there is a strong case for considering whether major BNPL payment systems should be designated under the PSRA and brought within the broader payments regulatory framework. Where payment products compete directly for the same transactions, materially different regulatory settings can distort competition and create opportunities for regulatory arbitrage. Consistent regulatory treatment would help ensure competition is driven by efficiency, innovation and customer outcomes rather than differences in regulatory obligations.

The RBA's broader reforms are intended to improve transparency and strengthen competitive pressure across the payments system. These objectives are best supported where comparable payment methods are subject to consistent regulatory expectations, including in relation to merchant pricing and acceptance arrangements.

Westpac also supports greater transparency of BNPL fees and merchant acceptance costs to support informed policy development and enable more meaningful comparisons across payment methods.

Tokenised payments ecosystem

Recommendation - Preserve routing flexibility, portability and interoperability while allowing industry-led tokenisation solutions to continue evolving.

Tokenisation is one of the most important developments in modern payments. The migration from primary account numbers to tokenised credentials has strengthened payment security, reduced fraud exposure and enabled the continued growth of digital commerce. Westpac strongly supports continued migration toward tokenised payment credentials.

However, tokenisation also raises important competition considerations. The RBA's Issues Paper identifies concerns regarding token portability, merchant switching and routing flexibility. While tokenisation delivers significant security and efficiency benefits, the increasing use of tokenised credentials means that competition outcomes may increasingly be influenced by technical architecture, interoperability and routing arrangements rather than solely by pricing and service quality.

In particular, tokenisation has implications for routing flexibility and the effectiveness of competition initiatives such as Least-Cost Routing (LCR). Australia has invested heavily in promoting competition between debit networks through dual-network debit cards and LCR, generating measurable benefits for merchants. As tokenised payments become more prevalent across eCommerce, mobile wallets and stored credential environments, tokenisation frameworks should support rather than undermine merchants' practical ability to exercise routing choice and access competing payment networks. The evolution of tokenisation should reinforce, not diminish, the benefits that competition between payment networks has delivered.

The RBA's concerns in this area are primarily relevant to scheme tokenisation. While scheme tokenisation provides significant security and efficiency benefits, the implementation of tokenisation frameworks should continue to support competition between payment networks and preserve merchants' ability to benefit from competitive routing outcomes. As tokenised transactions become an increasingly important share of payment volumes, maintaining routing flexibility will become increasingly important to preserving competition and merchant choice. Token portability is also an important consideration. For merchants with substantial card-on-file portfolios, switching providers may require customer re-engagement, credential updates and extensive re-tokenisation activities. Where token migration is difficult, costly or operationally disruptive, switching costs can increase and competitive pressure between providers may weaken. Similarly, proprietary tokenisation arrangements may increase merchant dependence on individual providers where stored credentials cannot be transferred efficiently between platforms. Preserving portability and minimising unnecessary migration friction will therefore remain important as digital commerce continues to expand.

While competition considerations are increasingly relevant to tokenisation, tokenisation frameworks remain subject to active industry development and ongoing improvements to portability, interoperability and routing capability. Unlike wallet infrastructure, where access to critical functionality may be controlled by a relatively small number of providers and where concerns regarding effective access have already emerged, tokenisation arrangements continue to evolve through industry collaboration and established governance processes. Although the RBA should continue to monitor developments closely, the case for prescriptive regulation has not yet been established.
Tokenisation involves complex issues including security controls, fraud risk, liability allocation, customer consent and differing technical architectures across schemes and payment service providers. Additional regulatory requirements should not be imposed without clear evidence that existing industry processes are failing to address a material and persistent problem.

Westpac supports continued industry-led work on routing flexibility, token portability, token synchronisation and merchant switching. The RBA should monitor implementation of existing tokenisation expectations and industry standards and only consider further regulatory intervention where there is clear evidence of a market failure that existing arrangements cannot address.

The objective should therefore be to ensure tokenisation improves security without unnecessarily reducing routing choice, portability, merchant flexibility or competition. Routing flexibility, interoperability and merchant choice should become increasingly important considerations as tokenised payments continue to expand, but any further regulatory intervention should remain evidence-based and proportionate.

Least cost routing

Recommendation - Continue expanding online least cost routing through improved transparency, interoperability and industry-wide implementation.
Westpac strongly supports the continued expansion of least-cost routing (LCR) in online payments and is actively investing to increase LCR availability across its eCommerce ecosystem. Competition

between payment networks has delivered significant benefits for merchants, and LCR remains an important mechanism for promoting competition, reducing acceptance costs and preserving merchant choice.

Unlike card-present environments, online payments operate through a more complex ecosystem involving gateways, payment service providers, acquirers, tokenisation providers, payment networks and merchant platforms. As a result, the availability of online LCR is often dependent on gateway providers developing, prioritising and certifying the necessary functionality. While acquirers play an important role, end-to-end availability requires coordinated investment and implementation across multiple participants in the online payments value chain.

To support broader adoption of online LCR, the RBA could consider measures that encourage interoperability, transparency and industry-wide participation. This could include encouraging gateway providers, payment service providers and payment networks to prioritise and support online LCR capability; promoting consistent technical standards and certification requirements to reduce implementation complexity and cost; increasing transparency regarding online LCR availability across participants in the ecosystem, not only acquirers, to enable merchants to make informed provider choices; supporting industry coordination to address barriers within the online payments value chain; and ensuring merchants can readily identify providers that support online LCR functionality.

Continued industry investment, coordination and technical enablement will be important to extending online LCR availability across the broader ecosystem.

Agentic commerce – lessons from the LCR experience

Recommendation - Establish interoperable and competitive foundations for agentic commerce early to support customer choice and avoid future concentration risks.
Agentic commerce has the potential to become one of the most significant developments in digital payments over the coming decade. AI agents may increasingly assist consumers with product discovery, merchant selection and payment initiation. These developments could improve efficiency, reduce transaction friction and transform digital commerce.

They also raise important questions regarding competition, liability and market concentration. Australia’s experience with online least-cost routing demonstrates the importance of addressing competition issues early. Once technical standards, commercial arrangements and ecosystem structures become established, introducing competition becomes significantly more difficult and more expensive.

As previously highlighted in Westpac's submissions, payment services are increasingly being embedded within broader digital commerce ecosystems. For example, ecommerce platforms often integrate a default payment provider while imposing additional fees or friction on merchants seeking to use alternative providers. This has the potential to influence merchant payment choices and reduce effective competition between payment service providers.

Agentic commerce has the potential to further strengthen these dynamics. As AI agents increasingly sit between consumers, merchants and payment systems, the infrastructure that enables agentic transactions may become a critical point of competition within the payments ecosystem. If payment credentials, tokenisation infrastructure, merchant connectivity and payment acceptance become concentrated within a small number of proprietary ecosystems or global technology firms, there is a risk that competition, merchant choice and payment service provider access may be diminished over time.

Australia's experience with least-cost routing highlights the value of considering competition and access issues early as payment ecosystems evolve. As technical standards, commercial arrangements and ecosystem structures mature, changes can become more complex and costly to implement.

Westpac therefore supports early industry and regulatory work to establish trusted and interoperable frameworks before transaction volumes scale. Future AI-enabled ecosystems should support multiple payment methods, routing options and domestic payment capabilities. The objective should be to ensure competition is built into these ecosystems before market structures become entrenched.

Agent involvement should also be identifiable across the payment chain. Payment providers should be able to determine whether a transaction was directly initiated and confirmed by a consumer, initiated by an agent within a tightly defined mandate, or initiated by an agent acting with broader autonomy. These scenarios present different fraud, authentication and dispute risks. Treating them as equivalent could weaken the ability of issuers, acquirers and merchants to apply appropriate controls.

Transaction data should therefore indicate whether an AI agent participated in the transaction, the responsible platform, whether the consumer confirmed the final transaction and the nature of the authority granted to the agent. An appropriate audit trail should preserve evidence of consumer instructions, relevant limits, the agent’s decision-making process and the basis on which the payment was initiated.

Liability arrangements should also be resolved early. Responsibility should sit with the party best placed to manage the relevant risk. Agent and platform providers should carry appropriate responsibility where losses arise from an agent acting outside its mandate, a failure to preserve evidence of authority, compromise of the agent or platform, or conduct outside the control of issuers, acquirers or merchants. Issuers should not become the default bearer of losses arising from external agent activity over which they have no practical control.

Large global payment providers are already addressing many of the technical challenges associated with agentic commerce including authentication, liability allocation and delegated authority. However, these solutions are increasingly being built around proprietary and scheme tokenisation infrastructure. This creates the risk that future innovation becomes dependent on network-controlled token ecosystems, with potential implications for competition, merchant choice, payment service provider access and payment sovereignty. As discussed earlier in this submission, the RBA should consider whether the proposed regulatory settings by the large global payment providers around tokenisation, portability and open access are fit for purpose and supports the development of a competitive, interoperable and efficient agentic payments ecosystem.

The RBA should also monitor the emergence of agentic commerce fees. AI-enabled commerce could add another cost layer above acquiring, scheme, wallet and e-commerce platform fees. Particular scrutiny is warranted where a platform controls material consumer traffic and merchants have limited practical ability to avoid its terms.

Payment costs require transparency

Recommendation - Increase transparency of wallet, tokenisation, scheme and AI-related fees to strengthen competition and informed decision-making.

One of the most significant changes in the payments ecosystem over the past decade has been the emergence of new categories of fees outside the traditional interchange framework.

Historically, discussions regarding payment costs focused primarily on merchant service fees, interchange fees and scheme fees. While these costs remain important, the payments value chain has become significantly more complex. As payments become increasingly digital, tokenised and platform-driven, participants are now exposed to a growing range of additional fees that sit above the underlying payment transaction itself. These include mobile wallet fees, tokenisation fees, digital enablement fees, authentication fees, network fees and, increasingly, fees associated with emerging AI-enabled commerce models.

Many of these services undoubtedly create value. Mobile wallets have improved convenience and accelerated the adoption of digital payments. Tokenisation has improved payment security and reduced fraud risk. Digital commerce platforms have simplified integration and improved customer experiences. Innovation should continue to be encouraged and supported.

However, market participants are increasingly required to absorb these costs with limited visibility of the underlying cost drivers, the commercial rationale for the fee or the extent to which claimed benefits are realised in practice. In many instances, participants have limited negotiating leverage, limited alternatives and limited transparency over how fees are determined. This creates the risk that new layers of payments costs emerge without sufficient competitive scrutiny.

This issue is particularly relevant because many of these fees arise in parts of the ecosystem characterised by significant concentration. Wallet providers, tokenisation services, schemes and emerging AI-commerce platforms increasingly operate as critical intermediaries between consumers, merchants and payment providers. As competition shifts away from payment rails toward the platforms that control access to those rails, transparency becomes increasingly important in ensuring market discipline remains effective.

Westpac believes the RBA should consider whether additional transparency obligations are warranted for emerging categories of payment-related fees. Such measures would not require direct price regulation and would not impede innovation. Rather, they would help ensure that merchants, payment service providers, acquirers and issuers can make informed decisions, assess value and compare competing services.

There may be merit in considering periodic disclosure or reporting requirements for material categories of wallet, tokenisation, scheme, digital enablement and AI-related fees. Similar to the transparency measures introduced through the RBA's recent Merchant Card Payment Costs and Surcharging Review, greater disclosure could improve comparability between providers and strengthen competitive pressure across the ecosystem.

Scheme fees should also remain an active part of this transparency agenda. Reductions in interchange will not translate into lower end-to-end merchant costs if economic value is recovered through higher network, processing, tokenisation or other mandatory fees. The RBA should therefore continue to monitor scheme fees, including the level and growth of mandatory network, processing, tokenisation and digital enablement charges. If transparency and process reforms prove insufficient, a more targeted action to support efficiency and competition should follow.

The need for transparency becomes even more important as agentic commerce develops. Many early AI-enabled commerce models contemplate introducing additional orchestration, identity verification, authentication and transaction-processing layers between merchants and payment providers. While these services may create genuine value, they may also create multiple layers of fees that are not readily visible to participants. Australia has already experienced how difficult it can be to address competition and pricing concerns once ecosystems become established. Transparency from the outset is likely to support better outcomes than attempting to correct them later.

Ultimately, transparency should not be viewed as a substitute for competition. It is a prerequisite for effective competition. Participants cannot make informed choices, compare alternatives or exert competitive pressure if they do not understand the costs they incur. Greater transparency of emerging payment fees would strengthen market discipline, support more informed decision-making and help ensure that innovation continues to deliver benefits to merchants and consumers rather than simply creating additional layers of opaque cost.

Account-to-Account payments

Recommendation - Support industry-led development of A2A payments while maintaining competitive neutrality across payment systems.

Westpac supports continued innovation in account-to-account (A2A) payments and welcomes the ongoing development of PayTo and the New Payments Platform. A2A capability can play an important role in supporting competition, innovation, resilience and payments sovereignty within Australia's payments ecosystem. As a domestically governed payments infrastructure, the NPP provides an important complement to international card schemes and contributes to the diversity and resilience of Australia's payments landscape.

A2A payments have the potential to deliver meaningful benefits for consumers, businesses and government through improved payment experiences, greater efficiency and increased competition. Westpac supports efforts to promote awareness, adoption and continued capability development across the ecosystem. Innovation should continue to be encouraged through industry collaboration, investment and the delivery of customer-focused solutions that address genuine market demand.

At the same time, account-to-account payment systems and card payment systems have evolved to meet different customer needs and use cases. While PayTo represents a significant advancement in account-based payments and is well suited to a range of recurring and authorised payment scenarios, card systems continue to provide functionality, acceptance models, consumer protections, dispute resolution frameworks and established customer experiences that remain important across many retail commerce environments.

The objective of policy should therefore not be to favour one payment system over another. Rather, it should be to promote innovation, interoperability and competitive neutrality while allowing payment methods to compete on their merits. Different payment systems should succeed based on the value they provide to consumers, merchants and businesses, including security, functionality, convenience, reliability and cost.

Westpac supports the A2A Payments Roundtable as the appropriate forum for considering access, capability, consumer protection and commercial model questions in a coordinated manner. The RBA should continue to support industry-led development of the A2A ecosystem while reserving regulatory intervention for circumstances where a clear and demonstrable market failure has been identified. Consistent with broader payments policy objectives, future reforms should focus on fostering innovation, interoperability, competition and customer choice while strengthening the resilience and sovereignty of Australia's payments infrastructure.

Competition, resilience and sovereignty

Recommendation - Ensure future payments regulation promotes competition and efficiency while strengthening the resilience and sovereignty of Australia's payments infrastructure.
Taken together, the issues outlined in this submission point to a broader strategic challenge for Australia's payments system.

Increasingly, critical elements of the payments ecosystem are controlled by a relatively small number of global technology platforms, payment schemes and digital infrastructure providers. Mobile wallets, tokenisation providers, AI-enabled commerce ecosystems, payment credentials, digital identity services and payment initiation platforms are becoming core components of the infrastructure through which Australians access and use payment services.

The PSRA exists to enable the RBA to regulate payment systems in the public interest, including to promote competition, efficiency and financial safety. As critical elements of the payments value chain become increasingly concentrated among a small number of global providers, the ability to achieve these objectives may become more challenging. Competition is increasingly shaped at the payment initiation and infrastructure layers rather than solely between payment rails and schemes. At the same time, concentration of critical functions may create new dependencies, increase resilience risks and reduce Australia's influence over the future development of its payments ecosystem.

Australia's first phase of payments regulation focused primarily on competition between payment rails and schemes. The next phase must also consider competition, resilience and sovereignty at the payment initiation and infrastructure layers. Control over critical payments infrastructure can influence access, competition, merchant choice, token portability, routing flexibility and the ability to implement Australian-specific initiatives such as Least-Cost Routing, PayTo and future account-to-account payment capabilities.

Payments sovereignty is becoming an increasingly important public policy consideration. Sovereignty is not about excluding international participants or mandating local ownership of infrastructure. Rather, it is about ensuring Australia retains meaningful influence over the infrastructure, standards, access arrangements and technological capabilities that underpin the domestic payments system. A sovereign payments ecosystem is one in which Australian regulators and industry participants retain the ability to promote competition, support innovation, implement public policy objectives and respond effectively to emerging risks.

Without appropriate attention to sovereignty, there is a risk that key decisions affecting the Australian payments system become increasingly determined by commercial, technical or governance arrangements established outside Australia's regulatory framework. Over time, this may reduce Australia's ability to influence access arrangements, technical standards, routing outcomes and the future direction of payment innovation. Domestic reforms intended to promote competition, efficiency or consumer outcomes may become more difficult to implement where critical infrastructure and customer access channels are controlled by a small number of global providers.

There are also important resilience considerations. As payment initiation, authentication, credential storage and transaction enablement become increasingly concentrated, operational incidents, outages or strategic decisions by a small number of providers may have broader consequences across the payments ecosystem. Concentration can reduce substitutability, increase dependency on external infrastructure and limit the range of practical alternatives available to consumers, merchants and payment providers.

Sovereignty is also closely linked to competition and innovation. Australia's domestic payment infrastructure, including the New Payments Platform and PayTo, contributes to competition, resilience and consumer choice. However, the ability of domestic payment solutions to scale and compete effectively may increasingly depend on access to customers through wallets, tokenisation frameworks, digital platforms and emerging AI ecosystems. Maintaining open, interoperable and contestable infrastructure will therefore be critical to ensuring Australian innovations can compete on their merits and that future competition is not constrained by concentrated control of customer access and payment initiation.

This is not an argument for protectionism or localisation. Rather, it reflects the need to ensure Australian regulators retain appropriate oversight of critical payments infrastructure and that key platforms remain open, transparent, interoperable and contestable. A payments ecosystem characterised by open standards, interoperability, transparency and genuine competition will be more innovative, more resilient and better positioned to support Australia's long-term economic growth. Future payments regulation should therefore continue to promote competition and efficiency while also recognising the growing importance of resilience and sovereignty as critical elements of a well-functioning payments system.