# Review of Payments System Regulation

Xero Submission

Aug 20, 2026

## Overview

Xero is a global small business platform serving 5 million customers across more than 180 countries, [including 2.1 million subscribers in Australia](). Our purpose is to make life better for people in small business, their advisors, and communities around the world, and we deliver on that purpose by bringing together the three jobs that matter most to a small business's financial health: accounting, payroll and payments.

That comes down, in practice, to a business being able to get paid and to pay others without leaving the platform. A café owner in suburban Melbourne closes out a Friday afternoon: she has paid this week's supplier invoices by bank transfer, run payroll and paid superannuation for her three baristas, and watched an invoice she sent a catering client reconcile itself against the bank feed the moment it was paid by card. Xero customers get paid by card, bank transfer, digital wallet, buy now pay later and other methods, and pay their own bills, payroll and suppliers by bank transfer, card or direct debit, all reconciled automatically inside the one platform rather than stitched together across several.

That two-way flow is the vantage point this submission brings to the RBA's Payment System Review: not a general observer of payments regulation, but a platform that connects small businesses to the banks and fintechs that move their money, providing the workflow, visibility and reconciliation that make those connections useful.

Two recent developments explain why account-to-account (A2A) payments are the most pressing issue in this Review for small business right now. In December 2025, the industry shelved the June 2030 target date for retiring BECS, once it became clear the NPP was not yet ready to take on everything BECS still does. Then, from 1 July 2026, Payday Super turned the reliability of those same rails into a live compliance obligation for every employer, not a background modernisation project. Between them, these developments turn a long-run infrastructure question into one small businesses are living through now.

This submission focuses on those two issues. Our key points are:

- **Any date for retiring BECS should be conditional on demonstrated readiness, not set in advance of it.** Xero is agnostic about the mechanism industry lands on, but bulk payment capability, universal coverage, resilience, affordable pricing and a liability and dispute framework all need to be demonstrated first, not promised.
- **A liability and dispute framework is the one condition that unlocks the rest.** Banks default to conservative account eligibility and transaction limits because there is no clear answer to who bears a loss when a PayTo mandate is misused. Resolving liability is what gives banks the confidence to widen access, not a downstream consequence of it.

- **Bundling payments with software reduces the operational burden on small businesses; it does not by itself reduce their choice.** Fee transparency, not structural intervention in bundling itself, is the tool that serves the RBA's objectives without removing that value.
- **Token portability is a genuine, practical switching cost, and it is close to being resolved.** The RBA's tokenisation expectations and the AusPayNet porting Standard are recent enough that Xero would rather see them tested than ask for more before there is evidence more is needed.

## 1. Account to account payments

Small businesses rely on A2A payments for payroll, superannuation, tax and supplier payments: workflows that depend on bulk processing, universal reach and predictable timing, not on a single transaction going through. Two developments raise the stakes on getting this right. In December 2025, AusPayNet removed the June 2030 target end-date for decommissioning BECS, leaving Australia's largest retail payment system by value without a transition date. And Payday Super has applied since 1 July 2026, turning the reliability of real-time rails into a live compliance question for every employer, not an efficiency nice-to-have.

The industry has already set the bar for what should replace BECS. The A2A Payments Roundtable — AusPayNet, AP+, the RBA and Commonwealth Treasury — published its A2A Payments Vision on 8 July 2026, defining five outcomes the system must deliver: that it is safe, reliable, affordable, easy to use and inclusive.

Xero agrees with that destination. Getting there means meeting five practical conditions:

- **Bulk payment capability:** A business processing payroll, a supplier run or a batch of superannuation contributions needs to submit those payments together and get one predictable outcome, the way BECS and ABA files allow today. The NPP does not yet offer this. Until it does, moving off BECS means losing functionality, not gaining it, which is why Xero sees this as the single most critical condition for a viable transition.
- **Universal coverage:** Every account type and institution needs to be reachable on the replacement rail, including trust and other legacy business account structures that are not yet consistently supported across the NPP ecosystem. A transition that leaves categories of business accounts behind just pushes those businesses onto manual workarounds.
- **Resilience and availability:** The replacement needs to match or exceed what BECS delivers today, including under stress, not just in normal operation. For a small business, a failure here now carries a compliance exposure it didn't before. For example, an outage risks a missed Payday Super obligation, not just a delayed payment.
- **Affordable, scalable pricing:** Small business payment activity is high-frequency and low-value: payroll runs, supplier payments, tax remittances. Pricing calibrated for large,

one-off transactions rather than that pattern will slow adoption regardless of how capable the underlying rail is.

- **Clear liability and dispute framework:** Card schemes give merchants and customers a well-understood answer to who bears a loss when something goes wrong. Account-to-account payments in Australia do not yet have an equivalent, and that gap is what keeps banks cautious about account eligibility and transaction limits. Resolving liability is not the last piece of the puzzle; it is what unlocks the rest.

### 1.1. How Xero's small business customers use A2A payments today

For a Xero customer, the accounts payable workflow starts well before a payment is made: bills are captured, coded and approved inside Xero, batched together, and reconciled against the ledger once payment lands. Increasingly, the payment step itself happens inside that same workflow rather than in a separate banking portal, with the business connecting a bank account and paying suppliers directly from Xero. Payroll runs the same way: wages, PAYG withholding and superannuation are calculated in the platform and paid out through the same connected banking rails.

The value for the small business is a single place to see what has been paid, what is outstanding and what is coming up, rather than reconciling activity across a banking portal, a batch file and a set of spreadsheets. How reliably the payment step performs is entirely a function of the rails underneath it, which is why the conditions above matter as much to Xero's product experience as they do to any bank or payment provider.

### 1.2. Bulk payment capability is still the central gap

Without a bulk capability, businesses that move to real-time rails lose functionality they currently rely on. The practical effect is that they stay on BECS longer than the transition intends, or fall back to manual, file-based processes that carry more error and fraud risk than the automated batch they replaced.

Xero is agnostic about the specific mechanism: line-by-line processing with service level agreements, or intermediate grouping and redistribution, would both work. The A2A Payments Vision is now settled, but the roadmap that will turn it into deliverables and timelines is still being developed. Xero's ask is that when that roadmap is finalised, it names one of these mechanisms as a dated deliverable, rather than leaving bulk payment capability as an open design question industry continues to work through indefinitely.

### 1.3. PayTo is not yet reliable enough for the business payments it needs to replace

Xero's own experience delivering bill payments in Australia illustrates why. Authorisation is the single biggest point of failure in the journey from linking a bank account to completing a payment, and it fails differently depending on the bank. Some authorisations do not complete online at all and require a phone call to the bank to resolve. There is no consistent, self-service way to recover from a failed or expired authorisation once it occurs.

Where authorisation succeeds, the transaction limit that applies is set by the business's own bank, as a blanket institutional policy, rather than calibrated to that business's own risk profile. These limits are typically applied the same way to retail and business customers, despite very different transaction needs, and they vary enormously between institutions; in practice they can be lowered but not raised without manual intervention. The effect is that legitimate, high-value business payments, a tax remittance or a large supplier run, are pushed back onto manual bank transfers or ABA exports: precisely the workaround this transition is meant to retire.

Confirmation of Payee checks also produce false rejections against valid bank details in some cases, a consequence of strict name-matching rules inherited from the BECS rail rather than a design choice any single participant has made. None of this reflects badly on any one bank or provider. It reflects a coordination problem across a networked system that no single participant has the incentive or the standing to resolve alone.

### 1.4. A liability and dispute framework is a precondition for confidence, not a downstream detail

Card schemes provide clear, well-understood frameworks for liability, chargebacks and dispute resolution. A2A payments in Australia do not, and recent incidents involving the misuse of PayTo mandates show this is a live risk rather than a theoretical one. This gap has been raised consistently by industry participants without being resolved through voluntary coordination.

Adjacent reforms add pieces to the picture without resolving it. The Scams Prevention Framework extends obligations beyond banks to telecommunications providers and digital platforms, and AFCA's expanded jurisdiction from March 2026 lets it consider scam complaints against receiving banks even where the complainant isn't their own customer. Useful as far as they go, but neither creates a clear liability standard for PayTo mandate misuse specifically — if anything, there are now more overlapping regimes touching the problem, not a settled answer for who bears the loss.

Until liability is clear, banks have every reason to keep defaulting to conservative account eligibility and low transaction limits, because the alternative is carrying risk with no settled basis for allocating it. Resolving liability is what gives banks the confidence to widen access and raise limits. It is not something that can wait until adoption is already underway.

### 1.5. Coverage, resilience and cost are still live conditions

Account-type coverage gaps persist, particularly for trust and other legacy business account structures that are not consistently supported across the NPP ecosystem. Resilience and availability need to match or exceed what BECS currently provides, given the consequences of an outage now include a missed Payday Super obligation rather than an inconvenience. And pricing needs to scale in a way that does not penalise small, frequent transactions, which is the payment pattern that describes most small business payroll and supplier activity.

### 1.6. What this means for the RBA's role

The A2A Payments Vision is settled; the roadmap that will turn it into deliverables and timelines is not, and that roadmap is where most of the five conditions above need to be resolved, not this Review. What Xero is asking of the RBA here is narrower: use its position as one of the roadmap's four conveners to make sure that, when it lands, it treats demonstrated delivery of these conditions as the test of readiness for retiring BECS, rather than a date set ahead of that delivery.

The RBA already holds industry accountable this way in other contexts, publishing data on least-cost routing enablement so progress is visible rather than assumed. The same discipline, applied to bulk payment capability, PayTo reliability and account coverage as the roadmap develops, would give small businesses, and the RBA, real visibility on whether it is landing.

Liability is the condition Xero thinks needs the most attention as the roadmap takes shape. It has been raised consistently through industry discussion without being resolved, which suggests voluntary coordination alone will not get it done. Xero's ask is for the RBA to treat a liability and dispute framework as a named priority for the roadmap, and to keep its own standard-setting powers in reserve if the roadmap does not produce a resolved framework within a reasonable timeframe.

## 2. Integrated platforms and bundling of payment services

Xero has focused on the three jobs that matter most to a small business's financial health — accounting, payroll and payments — and built a single platform around them, so a business can run its books, pay its people, get paid by its customers and pay its suppliers all in the same place, connected and reconciled automatically. Xero's vision is to eliminate the friction that comes from a small business having to leave that platform to complete a financial task, so that it increasingly is the operating system a small business runs on. That is core to why over 5 million businesses worldwide, including 2.1 million in Australia, run their finances on Xero.

The Issues Paper is right to ask whether integrated platforms constrain merchant choice or obscure the cost of payment services, and for some large integrated platforms, that concern is well placed. Xero's own customer research points to a different picture for accounting and payroll platforms specifically: integration is what merchants value, not what limits their choice, and the RBA's objectives here are better served by transparency of fees and switching costs than by structural intervention in bundling as a practice.

### 2.1. Integration reduces the operational burden the Issues Paper is concerned bundling increases

Small businesses that manage payments across separate, disconnected systems consistently describe the fragmentation itself, not the presence of an integrated option, as the source of friction. Xero's own customer research on how small businesses pay bills finds that visibility scattered across multiple banks, cards and standalone providers is what drives the time cost and error risk businesses report, and that the appeal of paying suppliers without leaving their accounting platform is the reduction of exactly that fragmentation. Removing the option does not remove the burden; it just brings the fragmentation back.

This is consistent with the Issues Paper's own observation that new entrants in acquiring have gained share because merchants value integrated offerings, and it shows up in Xero's own customer outcomes: Xero customers who use Xero Payments end more months cash-positive than those who don't.[1] A business that gets paid faster and can see its cash position in real time makes better decisions about what it can afford to pay out, and when. That is the efficiency case for integration, and it is why regulatory action directed at bundling as a structural matter risks removing the source of that value rather than addressing the concern that motivates scrutiny of it.

### 2.2. The evidence points to a disclosure problem, not a structural one

Where Xero sees switching and cost concerns play out in practice, they are concerns about clarity, not about the existence of bundling itself. Fee structures for payment services are not always presented in a way that lets merchants compare them at a glance, and the dissatisfaction that follows tracks back to that lack of clarity across the industry, not to integration as such.

Xero's position is that the RBA should require clear, comparable disclosure of payments-related fees and switching costs, provided at onboarding and kept current afterwards, rather than intervening in bundling itself. That gives merchants what they are actually missing today, the ability to compare providers on price, without stripping out the efficiency that integration delivers.

This is also where the law is already heading more broadly. The Competition and Consumer Amendment (Unfair Trading Practices) Bill 2026, which commences 1 July 2027, introduces an economy-wide prohibition on unfair trading practices aimed squarely at subscription traps, hidden fees and drip pricing, with stronger disclosure obligations attached. A payments-specific rule on bundling would be layering a second regime over conduct a general consumer law reform is about to address directly.

[1] Xero payments are provided by third-party payment providers

### 2.3. Token portability is a real switching cost, and it is close to being resolved

A merchant who wants to switch payment service providers can be forced to ask every customer to re-enter their card details, because network tokens and proprietary tokens are typically tied to the merchant or provider that first created them. That is what actually locks a merchant in once they have chosen a provider, and it compounds the fee-disclosure gap above: a merchant who could not compare providers on price upfront then finds it hard to leave even once they realise they should.

Australia is already addressing the underlying problem through the RBA's tokenisation expectations and the AusPayNet Standard for porting merchant payment-related data, whose compliance date has only recently passed. It is too early to draw firm conclusions about its effectiveness, and Xero's position is that the RBA should allow a further period of implementation experience before considering additional intervention. The indicator worth watching is the continued retention of PANs by merchants and PSPs as a workaround to portability constraints: while that persists, the security benefits tokenisation is meant to deliver are only partially realised.