Head of Payments Policy Department
Reserve Bank of Australia
GPO Box 3947
Sydney NSW 2001

Via email: pysubmissions@rba.gov.au

Dear Sir/Madam

Adyen Australia's submission to Merchant Card Payment Costs and Surcharging Consultation Paper - 15 July 2025

Adyen Australia Pty Limited ABN 55 162 682 411 (**Adyen Australia**, **we** or **us**) welcomes the opportunity to provide a submission in response to the Reserve Bank of Australia's Consultation Paper on Merchant Card Payment Costs and Surcharging.

Our submission responds to select aspects in the Consultation Paper and we have focused our input on surcharging, transparency of fees and least cost routing.

<u>About Adyen</u>

Adyen (AMS: ADYEN) is the financial technology platform of choice for leading companies. By providing end-to-end payments capabilities, data-driven insights, and financial products in a single global solution, Adyen helps businesses achieve their ambitions faster. With offices around the world, Adyen works with the likes of Meta, Uber, H&M, eBay, and Microsoft. Adyen continuously improves and expands its product offering as part of its ordinary course of business.

Adyen is committed to the Australian market, and Adyen Australia holds an Australian Financial Services Licence with the Australian Securities Investments Commission and is also registered as a reporting entity with the Australian Transaction Reports and Analysis Centre.

We look forward to your continued engagement.

Yours faithfully,

SIGNED

Hayley Fisher
Country Manager, Australia and New Zealand
Adyen

Q1: Would removing surcharging on designated card networks best support the RBA's objectives to promote the public interest through improving competition, efficiency and safety in the payments system? In particular, the RBA welcomes feedback on whether there are additional public interest considerations that should be taken into account for each policy option.

Adyen acknowledges the RBA's objectives to promote the public interest through improving competition, efficiency and safety in the payments system. Under the current framework, the RBA's data indicates 10% of merchants currently impose payment surcharges. We further recognise this fairly small cohort of merchants has an estimated impact to Australian consumers in the sum of around $1.2 billion in payments surcharges each year. In Adyen's experience, merchant flexibility to surcharge in a transparent, cost-reflective, and compliant manner is fundamental to ensuring those 10% of merchants who do surcharge, utilise (and prioritise) safe, secure and efficient payment service providers (**PSPs**), helping to maintain the integrity and security of the Australian payments system. As such, Adyen supports retaining the surcharging framework in its current form.

While the proposal aims to eliminate an estimated $1.2 billion in consumer surcharges, the RBA acknowledges that merchants may raise base prices to recover lost surcharge revenue. This could lead to less transparent pricing for consumers, as the true cost of payments may become embedded in the base price to allow merchants to recover payment costs. Sectors like hospitality, travel, and food services, where margins are tight and surcharges are commonly used, could ultimately pass costs to consumers by increasing the base price with less transparency.

Further, the proposed policy places significant weight on the assumption that merchants will respond to cost pressures by switching to lower-cost acquirers or PSPs. In practice, switching can involve commercial and operational friction, resulting in significant implementation costs. While technical migration may be straightforward, bundled services such as tokenisation, terminal provision, and integrations can make a change of acquirer or PSP more complex.

In addition to significant implementation costs associated with switching acquirers or PSPs, in Australia's highly competitive acquiring market, selection decisions are rarely based on cost alone. Merchants also consider factors such as service quality (including authorisation rates and global capabilities), security, uptime, data insights, speed of settlement, and fraud prevention capabilities, alongside price. These factors are fundamental to ensuring merchants select strong-performing acquirers or PSPs who can help maintain the integrity and security of Australia's payments system.

Q2: Do the proposed changes to interchange regulation promote the public interest by improving competition and efficiency in the payments system?

Under Adyen's Interchange++ (**IC++**) pricing model, the merchant service fee charged to the merchant per transaction is itemised into three components:

- Interchange fee (set by the schemes and paid to the issuer)
- Scheme fee (charged by the scheme and paid to the scheme)
- Acquirer margin (agreed with the merchant and represents Adyen's margin)

Because these components are transparent, any regulated interchange reduction will be passed through in full to Adyen's merchants. Adyen's model is designed to ensure that any benefits of the RBA's reforms can flow directly to merchants, transparently.

Adyen believes a more impactful approach involves increased efforts by the participants in the payments system to educate merchants as to how interchange fees operate and strategies for managing interchange costs may be more effective at improving competition and efficiency in the payments system. Adyen's approach to its pricing model reflects its commitment to ensuring merchants understand the various components, empowering them to make informed decisions, thus increasing competition and efficiency in the Australian payments system.

Q9: Does the proposed requirement for acquirers to publish their merchants' cost of acceptance enhance competition and efficiency by helping merchants search for a better plan? In particular, the RBA welcomes feedback on:

- **whether the size threshold for acquirers is appropriate;**
- **whether the category breakdowns (merchant size and card type) are likely to be useful to merchants without compromising commercial sensitivity;**
- **whether the quarterly frequency of publication is appropriate;**
- **what an appropriate implementation timeline would be.**

Adyen acknowledges the RBA's objective of improving merchant choice through quarterly cost of acceptance (**COA**) publication. We support publishing useful information but question the value of devoting significant resources to preparing, reviewing and approving COA reports if the publication itself does not produce significant benefits for competition and efficiency. We see this policy (Proposed Policy 10) as having limitations due to:

1. **Merchant choice is driven by multiple factors**

Many merchants select acquirers or PSPs based on a broader set of factors such as product differentiation, service quality (including global capabilities and authorisation rates), security, uptime, data insights, speed of settlement, and fraud prevention capabilities — in addition to price. The published average COA does not reflect these considerations.

2. **Potential exposure of commercially sensitive information**

Publishing average COA figures by merchant size and card type would reveal commercially sensitive pricing strategies and negotiated terms. This may discourage acquirers from offering tailored pricing or innovative bundled services, ultimately reducing competition, flexibility, innovation and efficiency, rather than enhancing them. In addition, merchants often prioritise other factors, such as higher authorisation rates or enhanced service levels, which are not reflected in average COA data.

3. **Significant compliance cost and reporting burden**

Experience from similar regulatory initiatives globally such as the Payment System Regulator's (**PSR**) consultation in 2024 on card scheme and processing fees in the United Kingdom shows that frequent and detailed disclosures often require system enhancements, complex data mapping, validation, and reconciliation to ensure accuracy and consistency. In response to the PSR's consultation (see: here), UK Finance submitted that adopting an approach that focuses on merchant costs may be too narrow, as there are many other factors that need to be considered, including ensuring payment providers facilitate convenient and fast payments both in store and online, that are safe and secure from fraud, manage technology and cyber risks, and deliver consumer protection. More recently, we have seen the PSR's operations absorbed into the Financial Conduct Authority, in the UK Government's efforts to cut red-tape and drive economic growth.

COA reporting will require additional processes to segment and compile data in ways that are not part of standard operations. This would increase the time and resources needed to produce accurate disclosures, adding to compliance costs.

These requirements would add measurable compliance costs and operational effort, which could, in turn, be passed on to merchants or hinder further opportunities for innovation. As a result, potentially creating additional cost pressures for those the policy seeks to support.

Q10: Does the proposal to amend the cost of acceptance reporting on merchant statements to include a breakdown for domestic and international cards promote competition by helping merchants receive more information about the fees they pay? Is there a public interest case to exempt taxi fares from this requirement?

Adyen supports transparency measures that help merchants make informed decisions. We recognise the intention behind providing a domestic versus international card cost breakdown on merchant statements. However, based on our experience, the benefits of such a measure may be limited relative to the cost and complexity of implementation.

For small to medium sized merchants, this information is unlikely to be a primary factor in acquirer or PSP selection. In practice, merchant decisions are shaped by a broader set of considerations, including service quality (including global capabilities and authorisation rates), settlement speed, fraud prevention capabilities, and technical integration, alongside overall cost.

Q11: Are there any changes that should be made to the RBA's existing industry expectation on LCR implementation to improve competition and efficiency in the debit card market?

We support maintaining the status quo on LCR implementation and do not support a prescriptive or mandated approach. In our view, allowing acquirers and merchants flexibility in how LCR is implemented is beneficial to long-term competition and efficiency.

Adyen has LCR available for both in-person and online transactions. Adyen offers merchants a choice to enable this feature as Adyen's merchants are large and sophisticated enough to make their own commercial decisions about LCR, taking into account cost efficiencies without compromising on technical performance.

In addition to LCR, Adyen also offers "intelligent payment routing" which is an AI-assisted tool which combines LCR with authorisation rate optimisation, enabling cost savings of up to 47% for those merchants.

In our view, the current approach to LCR delivers the intended policy benefits, whilst allowing for further competition and efficiencies in the Australian payments system.

Further regulatory intervention in mandating LCR is unlikely to effectively capture the significant progress made in merchant cost optimisation in Australia, or achieve the RBA's desired policy objectives.

Q12: Does the PSB's preferred package meet its objectives of competition, efficiency and safety in the payments system? Are there any variations to the package that the PSB should consider that would yield higher net public benefits? Is there any additional evidence that the RBA should consider before finalising its decision?

Adyen Australia supports the RBA's objectives of promoting competition, efficiency, and safety in the payments system, and recognises the intent behind the preferred package of reforms. However, when considered collectively, the proposals carry the risk of not fully delivering on these objectives unless the practical realities for merchants, acquirers, and PSPs are addressed.

1. **Competition**

Several proposed measures, particularly the proposed ban on surcharging and COA disclosure requirements, may narrow the basis of competition to price alone. As highlighted in our earlier responses, merchants choose providers based on a combination of factors, including service quality (including global capabilities and authorisation rates), platform stability, fraud prevention capabilities, and value-added integrations. Policies that reduce flexibility or impose uneven regulatory burdens (e.g., acquirer thresholds for COA publication) risk distorting the competitive landscape and discouraging service-led innovation.

2. **Efficiency**

The proposed policy package places significant weight on merchants switching acquirers or PSPs as a driver of efficiency. In practice, changing payment providers is not frictionless: it involves technical integration, commercial renegotiation, and operational adjustments that go beyond cost considerations. When not implemented in a careful and measured way, risks to payment security and integrity may be overlooked. Further, measures that increase reporting complexity such as frequent COA publication may divert resources away from innovation and service improvements, ultimately offsetting any efficiency gains.

3. **Safety**

Adyen submits that the PSB's preferred package may be too narrowly focussed on merchant costs, without regard to other critical elements that are fundamental to payment processing, such as authorisation rates, protection from cyber-security risks and the availability of consumer protection in the event of fraud, scams or merchant insolvency.

To better achieve the RBA's stated objectives, we recommend a more targeted approach: strengthening enforcement of existing cost-reflective surcharging rules, standardising fee terminology and disclosure formats to improve clarity, and ensuring that transparency measures are proportionate to their likely competitive benefit. We would welcome the opportunity to work with the RBA and industry stakeholders to refine the package to maximise benefits while avoiding unintended adverse impacts.

Q13: What is your feedback on the proposed implementation timeline for these reforms?

Based on feedback gathered, we are of the view that the proposed implementation timeline does not provide sufficient lead time for the industry to operationalise the changes. In particular, the proposed data publication by acquirers (Proposed Policy 10) and additional merchant-level disclosure (Proposed Policy 11).

For Adyen, this would require a clear merchant communication plan with sufficient lead time, re-prioritisation of engineering resources, and coordinated planning across operational teams. For our merchants, sufficient time is needed to adapt internal systems and processes, and where applicable, align with their own customer communication cycles.

Further, if the proposed amendments to interchange regulation (Proposed Policies 2-5) proceed, these changes will require notices and communication updates amongst participants in the payments system.

We recommend that the RBA consider a longer lead time, including a staged roll out of the various proposed policies, to allow both acquirers and merchants to implement these changes in a way that minimises disruption, ensures accuracy, allows for all relevant parties to be informed in a timely manner, and supports the intended policy outcomes.

Q14: Do the draft standards in Appendix D achieve the intended policy objectives? Are there factors that have not been properly addressed or considered in the drafting of the proposed standards?

In considering whether the draft standards in Appendix D achieve the intended policy objectives, we refer to our response to Q9 in which we question the value of committing significant resources to preparing, reviewing and approving COA reports if the publication itself does not produce significant benefits for competition and efficiency. While large acquirers may be required to publish aggregated COA data, the format and level of granularity may not support meaningful comparisons for merchants of different sizes or sectors.

In relation to the draft definitions of “Average Cost of Acceptance” and “Cost of Acceptance Elements” in the draft standards, we believe further clarification is required to ensure consistent interpretation and implementation across the industry.

We encourage the RBA to provide supplementary guidance to support uniform understanding and accurate implementation, including:

- worked examples demonstrating COA calculations across various billing models and merchant profiles, and illustrating cost apportionment methods; and

- sample reporting templates for monthly merchant statements to enhance clarity, transparency, and comparability.

We welcome the opportunity to work with the RBA to ensure such guidance is fit for purpose.