

26 August 2025

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

By email: pysubmissions@rba.gov.au

**Submission to RBA's Review of Merchant Card Payment Costs and Surcharging
Consultation Paper dated 15 July 2025**

Dear Payment Systems Board,

We thank the Reserve Bank of Australia (**RBA**) for the steps it is taking to review its merchant card payment costs and surcharging framework to assess which regulatory actions would be best to support the public interest in line with the Payment System Board's responsibility to promote efficiency, competition and safety in the payments system.

Airwallex is focused on delivering great outcomes for Australian businesses.

Attachment 1 to this letter details Airwallex's enclosed submission on the various issues that we hope will be considered and addressed as part of the RBA's updates to its framework. Should you wish to discuss any element of this response, please contact Airwallex's Associate Director of Regulatory Legal (ANZ), Nick Alexander, at nick.alexander@airwallex.com.

Sincerely,

A handwritten signature in black ink that reads 'S Scott'.

Shannon Scott
General Manager - Australia and New Zealand
Airwallex

Attachment 1

CONSULTATION SUBMISSION

Introduction to Airwallex

Airwallex is a leading global financial platform for modern businesses, offering trusted solutions for global payments, treasury and expense management, and embedded finance.

With our proprietary global infrastructure, Airwallex removes the friction from global payments and financial operations, allowing businesses of all sizes to unlock new opportunities and grow beyond borders. Our aim is to support businesses beyond borders.

Founded in Melbourne in 2015, Airwallex has since grown to over 1,800 employees in 26 locations around the world. Airwallex has more than 200 staff in Australia and currently 30+ open roles across Melbourne and Sydney.

Airwallex supports over 150,000 businesses globally and is used and trusted by brands such as Brex, Rippling, Navan and SHEIN. They join our other customers from Australia and New Zealand including Qantas, Culture Kings, Stake, Mr Yum and Assembly Label.

Following its Series F funding round in May 2025, Airwallex reached decacorn status with a valuation of US\$6.2bn (AU\$9.46bn).

Specific submissions:

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.

As a leading Australian fintech company that has been widely embraced by Australia's small-to-medium-sized-enterprises (**SME**), we support the RBA's objectives of driving competition, innovation, efficiency and safety in the payments space for Australian businesses and consumers. We therefore support the removal of surcharging to reduce fees paid by customers and drive competition and innovation within the payments sector. However, while we appreciate the regulatory and historical context behind the exclusion of three-party schemes from these reforms, it's important to observe that this exclusion leads to unintended consequences, including: reduced competition, an ever-increasing concentration of market power in favour of three-party schemes, higher operating costs for Australian SMEs, and higher prices for Australian consumers.

This is because the current exclusion creates an uneven playing field for four-party schemes as well as Australian SMEs by increasing their cost base, ultimately resulting in higher costs for Australian consumers. It is also possible (if not likely) that some three-party schemes will ban their issuers from allowing merchants to add a surcharge onto their payments – ultimately leading to Australian merchants factoring this into their cost price with Australian consumers. Whilst we acknowledge that there is still a legislative reform process underway in respect of third-party schemes and we are supportive of those separate reforms, we note that any regulatory action against four-party schemes that continues to exclude three-party schemes will only lead to perverse outcomes for Australian SMEs and consumers by exacerbating the existing structural issues in the Australian market. We respectfully suggest

that any regulatory action against four-party schemes is therefore held over to a time when three-party schemes are also fully regulated because we believe that including them is also necessary in order to truly meet the RBA's objectives of driving competition and innovation in this sector.

To achieve the RBA's objectives, any regulatory action against four-party schemes should not be taken in isolation from action against three-party schemes, and we are eager to collaborate with the RBA and the broader Australian government to take a more holistic approach to these reforms.

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

While we are supportive of the RBA's objectives of improving competition and efficiency in the payments system, and we acknowledge the existing limitations of the RBA's powers to regulate three-party schemes, we disagree with the proposed changes in their current form because they:

- have the unintended consequence of unfairly rewarding three-party schemes by enabling them to continue to attract business customers by offering high rewards - conduct that will only be encouraged by these reforms (Qantas points are less valuable to other issuers that are covered by this regulation). Relevantly, we note that while one of the reasons provided for excluding three-party schemes in the early 2000s was their lesser adoption, we note that the Australian market share for commercial cards of one well-known three-party scheme is now approaching 50%, demonstrating their ever-increasing market dominance;
- limit Airwallex's ability to offer credit to SMEs, which are the bedrock of the Australian economy. By imposing interchange caps, our high cost of capital will limit us from profitably offering credit to smaller customers or customers with lower credit scores. If we withdraw from this segment:
 - Australian SMEs will have fewer options available and corporate banking power will further concentrate among the big banks and three party schemes, likely increasing the cost of doing business for Australian SMEs; and
 - There will be less innovation in the market, such as our market-leading spend management products, which we are increasingly equipping with AI capabilities to help Australian SMEs better manage their cash flow;
- undercut investment into product innovations that benefit Australian SMEs. For example, Airwallex has historically reinvested its interchange earnings into:
 - granular card controls that allow Australian SMEs more targeted control over how their funds are spent and assist with preventing unauthorised use; and
 - new spend management features that assist Australian SMEs with their financial processes,both of which are beneficial for Australian SMEs; and
- reduce fairness for end customers, as merchants are likely to factor higher costs of acceptance from three-party schemes into their cost base - which will ultimately be carried across to all Australian consumers.

Q3: Are there further considerations for smaller issuers that the RBA should take into account to enhance competition and efficiency in the payments system?

Yes. As an emerging issuer in the Australian fintech landscape, Airwallex has been able to grow our presence in the market by investing in market-leading technologies that enable small businesses to manage their finances more efficiently and transparently.

However, as an emerging high-growth fintech relative to incumbents, we face the following challenges:

- we are unable to access the low cost of capital that is accessible to banks;
- as an emerging operator, we have a smaller and less diversified pool of customers, increasing the risks we take on, and ultimately increasing our credit exposure compared to the larger players (such as banks), which have both larger, more diversified pools and more accessible to enterprise customers, which are typically lower risk;
- most of our earnings from card issuing are derived from card interchange, unlike banks which earn significant amounts from the heavy interest payments borne by their retail customer base; and
- due to the volume of card transactions we process relative to the bigger players, we have less bargaining power with the card schemes than our larger competitors, increasing our cost base even further.

If Airwallex has to offer credit and debit cards at significantly lower rates of interchange, we may have to consider exiting the market with the following consequences:

- less innovation in the Australian fintech landscape as we offer market-leading products, including the only combined credit card and expense management system in Australia;
- fewer competition; and
- Australian SMEs will have fewer options and ultimately be unable to compete in the global market.

Alternatively, we may look to increase interest rates or annual fees and charges on our cards, to offset the loss in interchange, which reduces the value for our customers.

For an approach that better supports new entrants, and drives more competition to the benefit of consumers, we recommend looking to other jurisdictions that have carved out provisions for fintechs or smaller issuers to encourage competition and innovation:

- **USA:** The Durbin Amendment of the Dodd Frank Act carves out an exemption for issuers with <\$10B in assets, improving the unit economics for smaller issuers;
- **UK:** The UK encourages fintechs' participation by imposing lower capital requirements and issuance rights for smaller E-Money institutions; and
- **Singapore:** The Payment Services Act regulates issuers on a graduated basis, based on risk and size. It also imposes differentiated tiers of interchange based on merchant categories, whereby merchants of essential services, such as food at hawker centres, receive a merchant discount rate (Source: [Enterprise Singapore 2025](#)).

To that end, the introduction of differentiated interchange caps for essential or non-discretionary goods and services would protect those businesses and address cost of living concerns, whilst permitting B2B merchants who are typically larger and better placed to absorb merchant fees to continue operating with surcharges.

As an additional alternative, the RBA could differentiate between commercial and consumer cards, which is the distinction made in New Zealand with interchange caps deliberately designed to carve out prepaid and commercial cards. For commercial cards, this encourages specialised business card programs, encourages smaller issuers in niche business segments, and assumes that these merchants have greater negotiating power than consumers.

Q4: Do the proposed changes to the net compensation provisions effectively achieve the RBA's objectives and promote the public interest? Will Australian issuers sponsored by overseas entities be able to comply with the changes?

Airwallex has no specific feedback to provide in response to this question.

Q5: Does the proposal for card networks to publish aggregate wholesale fee data achieve the RBA's objectives of improving competition and efficiency among the card networks? Does the proposal adequately balance the information needs of the market with commercial concerns?

Airwallex has no specific feedback to provide in response to this question.

Q6: Does the proposal for card networks to work with industry to reduce the complexity and improve the transparency of their scheme fee schedules enhance the competitiveness and efficiency of the card payments system?

Yes, we respectfully suggest that the RBA takes a more holistic approach in cooperation with other Australian government agencies to regulate multinational payment providers beyond just two card networks. In particular, global digital wallet providers should be captured by these regulations. Some global digital wallet providers charge card issuers unregulated fees to use their platforms, while issuers' rates of interchange are capped - further reducing card issuers' margins on lower interchange.

In addition, global digital wallet providers extract significant quantities of customer payment data in exchange for no fees, raising privacy concerns for our customers. There are no other real alternatives for global digital wallets from a customer experience perspective - and one objective of this regulation should be to continue to promote digital card adoption because they are cheaper, faster to provide, can be cancelled and replaced more quickly in the event of fraud, and are more environmentally friendly.

Q7: Does the proposed expectation on scheme fees achieve the RBA's objectives of competition and efficiency in the payments system?

Yes, we agree that the transparency around scheme fees will generally increase competition and efficiency. However, the RBA's proposals to ban surcharging and limit interchange caps without capping scheme fees that are imposed at each stage of the payment process have the reverse (unintended as they may be) consequences. These proposals are inconsistent and ultimately hurt and disincentivise smaller issuers from continuing to compete, resulting in a lack of innovation in the market. The limitations introduced by the RBA should be designed to continue to allow smaller card issuers to maintain profitable card businesses.

Q8: Should the PSB consider further regulatory measures in relation to the level of scheme fees to promote competition and efficiency in the payments system?

Airwallex has no specific feedback to provide in response to this question.

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.

Airwallex has no specific feedback to provide in response to this question.

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?

Airwallex has no specific feedback to provide in response to this question.

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?

The least cost routing data that is currently made available to merchants is relatively comprehensive and useful for merchants, so we do not believe that greater data availability is necessary.

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?

Airwallex has no specific feedback to provide in response to this question.

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

We respectfully request that the proposed effective date of the amendments to surcharging rules (being 1 July 2026) should be extended to 1 July 2027 to provide us additional time to adjust to the changes, including reviewing changes to our unit economics, our client base, risk pools and fees.

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?

Airwallex has no specific feedback to provide in response to this question.