Public Submission to the Reserve Bank of Australia

Response to Consultation Paper – Review of Merchant Card Payment Costs and Surcharging

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1. Executive Summary

Archa welcomes the opportunity to contribute to the Reserve Bank of Australia's review of retail payments regulation.

Interchange is not simply a merchant fee. It is a core economic mechanism that supports the underwriting, fraud prevention, card-management technology, and integration services required for commercial credit cards to operate viably. As detailed in this submission, commercial credit cards are not substitutes for cash. Their realistic alternatives are invoicing and employee reimbursements, which are slower, less transparent, and more costly for businesses and merchants.

As such, Archa opposes the introduction of a uniform 0.30 per cent credit interchange cap for four-party schemes. While intended to reduce merchant costs, such a measure is not guaranteed to achieve that outcome and risks material long-term consequences: reduced competition, increased market concentration, diminished innovation, and a migration of activity to unregulated models.

The proposal is not competitively neutral. By removing one of the few sustainable funding mechanisms available to smaller issuers, it would disproportionately impact their viability while having only marginal effect on large, diversified incumbents. For major banks, interchange is not a critical revenue stream: they can rely on multiple profit centres and deep balance sheets to absorb costs. For small issuers, by contrast, interchange is one of the few reliable and scalable income lines to bridge the funding gap in early years. The proposed changes will make it substantially harder for local fintechs to raise capital, scale and compete.

The predictable outcome is the exit of smaller players, further market concentration, and the entrenchment of the existing oligopoly. This is an outcome driven by the fact that identical regulatory settings have very different consequences depending on an issuer's size and funding profile.

This paper is structured to build a comprehensive case for calibrated reform. Following a short introduction to Archa, we explain the distinct nature of commercial credit cards, outline the competition issues raised by the proposed cap, and present economic analysis of the likely impacts. We then review international precedents in the European Union, United Kingdom, New Zealand and United States, before setting out our recommendations and responses to the consultation questions.

Our analysis demonstrates three core points. First, a uniform cap would have a disproportionately negative impact on smaller issuers, further entrenching the dominance of the major banks. Second, the economic structure of commercial credit cards is materially different from consumer cards, both in cost drivers and in competitive dynamics, meaning that applying the same cap is unsound. Third, capping only four-party schemes while leaving three-party schemes outside scope would create a regulatory asymmetry and distort competition.

To address these concerns, Archa recommends three measures:

1. A carve-out for commercial credit cards, consistent with international practice, recognising their distinct role in the B2B economy;
2. A small-issuer exemption, defined by an annualised domestic dollar volume threshold, or equivalent percent category market share, to preserve competition from new and smaller entrants; and

3. Deferral of final settings until the RBA's expanded powers under the amended PSRA are in force, ensuring a competitively neutral framework across both four-party and three-party schemes.

This submission provides the economic rationale, supporting data, and international precedent to underpin these recommendations, with further evidence and detailed modelling provided in Archa's private submission to the Reserve Bank of Australia. Evidence includes concentration data showing the four major banks control more than 70 per cent of issuing; cost modelling that illustrates the higher unit costs of smaller issuers; analysis of reimbursement float and productivity losses absent commercial credit cards; and regulatory precedent demonstrating how comparable jurisdictions have calibrated interchange to preserve competition while maintaining merchant cost discipline.

2. Introduction to Archa

Archa Limited (**Archa**) is a fast-growing Australian commercial credit card issuer, founded in Melbourne in 2018. Our platform enables businesses, from small cafes to multinational firms, to issue physical and virtual cards to staff, manage working capital, and streamline expense management.

For too long, Australian businesses have relied on outdated solutions: employees paying company expenses on personal cards, finance teams processing manual reimbursements, and suppliers waiting on long-dated invoices. These frictions tie up capital, erode transparency, and slow productivity. Archa addresses this gap by providing configurable card controls, automated reconciliation, and real-time reporting — ensuring staff can do their jobs without bearing personal financial risk.

The benefits extend beyond individual firms. Faster settlement, stronger controls, and more efficient working capital management improve outcomes for merchants, employees, and the broader economy. By reducing reliance on reimbursements and invoices, commercial credit cards directly lift national productivity through lower administrative burden and greater transparency.

Archa's business model is built on a simple, all-inclusive monthly platform fee. This provides customers with access to a 30-day line of credit, multiple card types (including single-use and temporary virtual cards), dynamic limits, data insights, and expense management tools. Today, our revenue comes from a mix of subscription fees and interchange, and we expect the balance to shift toward subscriptions as our business scales.

We are a principal issuing member of the Mastercard network, having chosen a direct route to market to ensure we were able to offer the commercial credit cards customers were asking for. Card economics remain challenging at small scale, and we detail this in our submission. For new entrants like Archa, interchange is a critical revenue stream that allows us to offset higher costs and supports investment while growing to sustainable scale. Without access to meaningful interchange, smaller issuers face significant barriers to viability, limiting competition and innovation in the market.

3. Commercial Credit Cards are Different

Commercial credit cards play a distinct role in the payments system that is not comparable to consumer credit. They enable businesses to manage working capital, streamline expense management, and provide merchants with faster, guaranteed settlement. Their realistic substitutes are invoicing, employee reimbursements, or invoice factoring — all slower, more costly, and less efficient.

At the same time, issuing commercial credit cards entails higher structural costs: underwriting complex business credit, higher funding costs for larger credit lines, managing elevated fraud and misuse risk, supporting multiple cardholders, and integrating with business systems. These features are not optional “add-ons” but essential to enabling B2B spend on card rails. Interchange helps fund this functionality, which delivers value to cardholders, merchants, and the broader economy. Applying a uniform cap without recognising these differences risks undermining competition, reducing efficiency, and reversing progress toward a more modern business payments system.

3.1. Comparable payment methods

For consumers, the natural alternative to paying with a debit card is paying with cash. Merchants may face handling costs, security risks, and slower reconciliation with cash, but the functional outcome is broadly similar: immediate payment from the customer’s funds to the merchant. This substitutability underpins the logic of low interchange caps for debit (though we note the considerable hidden costs of cash acceptance).[1]

By contrast, commercial credit cards are not substitutes for cash, they are a B2B payment mechanism with realistic alternatives that are slower, less transparent, and more costly for both merchants, businesses, and employees, such as:

- **Invoicing** on extended terms, which delays settlement for suppliers, increases receivables risk, and ties up working capital;
- **Business debit cards with limited functionality**, which lacks working capital benefits, controls, and integration for day-to-day B2B spend, or;
- **Employee reimbursements**, which force employees to pay out-of-pocket shifting liquidity burdens onto staff, and imposes heavy administrative overheads on finance teams.

These inefficiencies are precisely what commercial credit cards are designed to solve — providing working capital, automated controls, real-time reporting, and faster settlement for merchants.

It is also structurally more expensive to serve commercial credit card customers than consumer cardholders.[2] Issuers must underwrite multi-entity business structures, assess variable cash flows, and manage concentrated exposures. Fraud risks are higher, both from external actors and internal misuse, requiring stronger controls. A single business customer often requires multiple subcardholders with different limits and approval hierarchies, necessitating card-management platforms that integrate with ERP/accounting systems.

These costs cannot be captured by looking only at the marginal cost of processing a transaction. They are fundamental to enabling B2B spend, and their benefits flow directly to merchants in the form of faster, guaranteed settlement. Treating commercial credit cards as if they were consumer cards therefore applies the wrong regulatory lens and risks driving businesses back to slower, more costly methods.

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[1] Boston Consulting Group, *The Hidden Cost of Cash and the True Cost of Electronic Payments in Australia, Europe, New Zealand and the UK – Addendum* (August 2024), found that indirect and back-office costs constitute the majority of merchants’ total payment acceptance costs, and that cash acceptance in Australia incurs higher end-to-end costs than most electronic methods. See BCG (2024) for a breakdown of cost components across multiple markets.

[2] Payments Europe, *Position Paper on the Upcoming Revision of the Interchange Fee Regulation (IFR)*, 2020 — notes commercial card products carry higher risk and complexity compared to consumer cards.
Available at: https://www.paymentseurope.eu/wp-content/uploads/2020/04/Payments-Europe-Position-Paper-IFR.pdf

3.2. Commercial Credit Card Acceptance Directly Benefits Merchants

Merchants are not passive payers of interchange, they are direct beneficiaries of commercial credit card acceptance. They receive guaranteed payment, faster settlement, lower fraud risk, and reduced reconciliation costs. Interchange is the mechanism that prices this shared value.

Published research confirms these benefits:

1. A 2022 Forrester Total Economic Impact study found merchants realised net benefits equivalent to 357 basis points per transaction, driven by faster collections, better cash flow, reduced fraud, and efficiency gains.[3]
2. In Mastercard's 2025 supplier survey, merchants accepting commercial credit cards were 14 percentage points more likely to report they were "very efficient" in managing working capital, citing faster processing, better visibility, and lower payment-processing costs.[4]
3. The Payments Association has highlighted that guaranteed payment, backed by the issuer, allows suppliers to negotiate better terms and reduces receivables risk.[5]

Invoice factoring provides a useful benchmark. It offers merchants immediate liquidity, but typically at 3 – 8% of invoice value plus financing charges.[6] By comparison, merchant service fees on commercial credit cards are a far more efficient way of delivering the same results without additional financing costs.

Additional analysis in Section 6 and our private submission on the economic impact of commercial card alternatives.

4. The True Costs for Small Issuers

The Reserve Bank's 2025 cost study provides important insights but does not capture the economics of smaller issuers. Its methodology aggregated data from 11 institutions, covering slightly over 90% of transaction volume, inevitably skewed toward the largest banks. The findings reflect this bias:

- Eligible costs for non-major banks were reported at ~0.54% (including interest-free days, 0.25% excluding them).
- Commercial credit card issuer costs were reported at only 0.19%.
- 'Other' costs excluded from the "eligible" definition added 0.77 – 1.11% on top.

The average of the 11 issuers in the study would have scale that bears little resemblance to the operating realities of smaller or newer entrants. To illustrate the point, APRA's July credit card loans data[7] shows that after the smallest of the majors (ANZ, 15.7% market share), the next largest ADI is HSBC with < 2%. The cost profile of the long tail of smaller participants is not visible in the RBA study, yet they are the most exposed to changes in interchange caps.

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[3] Forrester Consulting, *The Total Economic Impact™ of Accepting Visa Commercial Cards*, 2022, commissioned by Visa, available at: https://www.ecisolutions.com/blog/forrester-report-reveals-positive-impact-of-commercial-credit-processing.

[4] Mastercard, *Why Commercial Card Acceptance Matters to Suppliers*, 2025, available at: https://www.mastercard.com/us/en/news-and-trends/stories/2025/commercial-card-acceptance.html

[5] The Payments Association, *The Payments Association's Guide to Corporate Payment Cards*, January 2022, available at: https://www.thepaymentsassociation.eu/sites/default/files/2022-01/The-Payments-Associations-Guide-to-Corporate-Payment-Cards-final.pdf

[6] Lend.com.au, *Invoice and Debtor Finance for Small Businesses in Australia*, 2023. Available at: https://www.lend.com.au/invoice-finance-factoring.

[7] APRA, *Monthly Authorised Deposit-taking Institution Statistics – Credit Card Loans, July 2025*. Available at: https://www.apra.gov.au/statistics/monthly-authorised-deposit-taking-institution-statistics

4.1. Costs at Small Scale – Archa Case Study

Unlike the major banks or larger international players, small issuers face significantly higher per-unit costs due to fixed processing and scheme fees, and high minimums relative to scale.

These dynamics can be illustrated by plotting fixed and variable costs against scale. At the current 0.80% cap, interchange is not enough to offset eligible costs until issuers reach billions in annualised transaction volume. Lowering the threshold to 0.30% pushes this breakeven out by an order of magnitude to tens of billions in annualised volume. In practice, neutral unit economics arrive only at very large annual volumes, and even still these "eligible" cost categories exclude other necessary costs that all issuers must carry.

These dynamics mean uniform reductions risk making early-stage issuing uneconomic before scale is reached, discouraging new entry and reducing competitive pressure further.

Further evidence and detailed modelling are available in Archa's private submission.

4.2. Cost of Funds and Interest Free Days

There has been debate around which costs should be deemed 'eligible' in the RBA's issuer cost study. An important point is the cost of funds associated with interest-free days. In practice funding costs represent a genuine and unavoidable part of issuing a credit product.

For large banks, these costs are almost invisible: they fund card portfolios at or close to the RBA cash rate, effectively absorbing the cost of providing interest-free periods to customers. For smaller issuers and fintechs, the picture is entirely different because they do not have access to cheap retail deposits or the balance sheet advantages of an ADI. Their cost of funds is instead determined by wholesale facilities and capital markets, with inaugural wholesale facilities typically running at 11-14% above the bank rate depending on scale and portfolio performance. These costs will reduce with maturity and growth, but they remain structurally higher and more volatile than those faced by the majors.

Smaller issuers frequently rely on subscription fees or platform charges to offset funding costs, reflecting the reality that interchange alone does not bridge the gap at early scale. In other words, what the RBA may consider an 'ineligible' cost still directly shapes product design and pricing for small issuers. The distinction between eligible and ineligible costs is therefore academic: both categories are real, both must be absorbed by the issuer, and both are fundamentally linked to the provision of a competitive credit card product.

Figure 1: Cost of Funds and Interest-Free Days – Large vs Small Issuers

Factor	Large Issuers	Small Issuers
Funding source	Retail deposits and balance sheet advantages (ADI status)	Wholesale facilities and capital markets
Funding cost	Close to RBA cash rate (~4-5%)	11–14% plus the bank rate at early scale
Example: Cost of 45-day interest-free period on $1,000 transaction	~$5.50	~$20–25
Ability to absorb costs	Spread across multiple profit centres (lending, deposits, wealth)	Must recover directly via interchange, subscription fees, or other platform charges
Role of interchange revenue	Peripheral, not critical to viability	Foundational, one of few scalable income levers
Competitive pressure	Lower, due to scale and cross-subsidisation	Higher, costs must be passed on or absorbed

The simple table above illustrates this divide. On a $1,000 transaction with a 45-day interest-free period, a major bank funding at close to the cash rate (say ~4.5%) bears an effective cost of roughly $5.50. A smaller issuer funding at 12–14% above the bank rate faces a cost closer to $20–25 for the same transaction. Both issuers are offering the same feature to the customer, but the economic burden is several times higher for the smaller player. Without interchange revenue to offset this, the smaller issuer is forced to pass on costs through higher fees which limit its ability to compete at all. The same is true of transaction-related costs at a small scale.

Interchange plays a fundamentally different role for participants depending on the type of issuer and the type of product. For large incumbents and their consumer card portfolios, it is peripheral. For small issuers and commercial credit card programs, it is foundational. Policy that treats these use cases as equivalent risks entrenching major-bank dominance while undermining precisely the areas of the payments system where innovation, efficiency, and competition are most needed.

For large banks, interchange is not a critical revenue stream for absorbing these costs; they have multiple other profit centres and deep balance sheets to rely on. For small issuers, by contrast, interchange is one of the few reliable and scalable income lines available to help bridge the funding gap in early years. This creates a structural divide in the market: the same regulatory settings have very different effects on viability depending on the issuer's size and funding profile.

A one-size-fits-all approach to interchange caps will create an inherently unfair competitive landscape. The outcome of this dynamic is that:

- A radically different economic profile exists for an identical product feature – such as an interest-free period – depending on the size of the issuer; and
- Small issuers risk becoming uncompetitive as they increase prices (subscription fees and platform costs) to recover such funding costs.

Interchange is one of the only scalable levers that enables smaller issuers to partially offset such costs and remain competitive during their early years. By contrast, larger issuers can spread costs across a diversified set of profit centres, largely insulating them from the pressures faced by new entrants.

To promote competition, efficiency, and innovation in the payments system, we urge the RBA to more directly acknowledge this divide with finely calibrated policy settings. It is critical that the RBA design and implement a framework around the economics of the entire issuing market, not just the incumbent banks which stand to be further entrenched in the absence of scale-up challengers.

5. Competition Issues

5.1. The Current Competitive Landscape

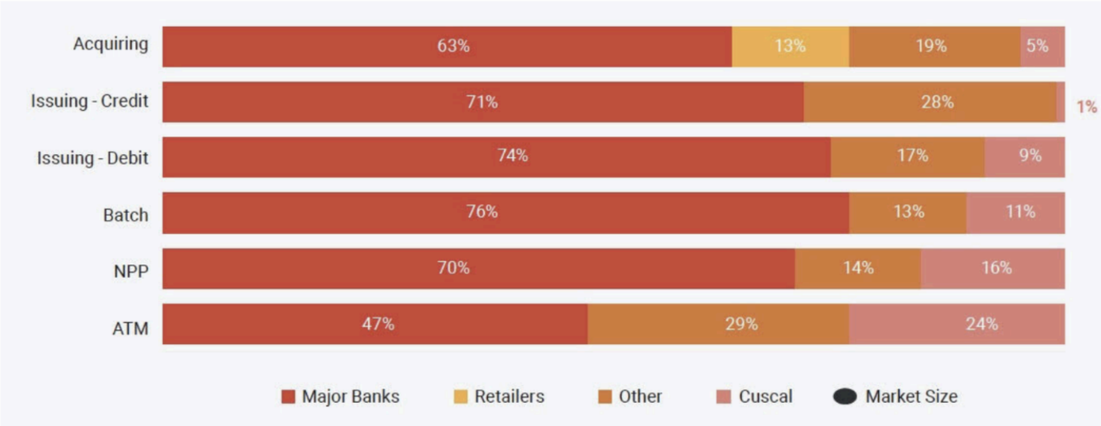
Australia's issuing market is highly concentrated. The four major banks process more than 70% of all credit card issuing volume, which is 8% higher than their already dominant share of the acquiring market.[8]

The dominance of incumbents is reinforced by numerous barriers to entry for small issuers,

[8] Cuscal, *Cuscal lodges Prospectus with ASIC in relation to an Initial Public Offering and ASX Listing*, November 2024, available at: https://www.cuscal.com/newsroom/press-releases/cuscal-lodges-prospectus-with-asic-in-relation-to-an-initial-public-offering-and-asx-listing/

which cannot match the majors' scale, their access to low-cost funding, or their ability to cross-subsidise card portfolios with highly profitable lending (consumer and commercial) businesses.

Figure 2: Total Market Transaction Volume by Payment Type - FY24



5.2. Market Consolidation and Adverse Impacts on Access and Choice

A flat, low interchange cap is not competitively neutral. It would disproportionately impact smaller issuers by removing one of the few sustainable funding mechanisms they have, while having only marginal effect on the large, diversified incumbents. The predictable outcome is the exit of smaller players, further concentration of the market, and entrenchment of the existing oligopoly.

The distributional consequences will be most severe for those segments that are already underserved and underinvested in by the major banks:

- SMEs: Rely on modern commercial card and expense tools to manage working capital and reconcile spend. A blunt cap risks fewer provider options and slower product improvement.
- Regional Businesses: disproportionately affected because they depend on smaller, digital-first providers that have been the primary source of modern commercial credit card solutions. By contrast, the major banks have many offerings still requiring in-branch enrolment and manual account administration, which is increasingly impractical: APRA data show that more than a third of bank branches have closed in the five years to June 2023, with regional areas bearing the sharpest decline.[9]
- Younger businesses and other underserved segments: often screened out by major bank underwriting, will also see diminished availability of tailored solutions.

We stress that unlike consumer debit cards, paper-based alternatives are still the reality for commercial credit cards, and further reduced interchange caps will further erode major banks incentives to invest in improved offerings. The combined effect is that a flat cap would consolidate the market while forcing customers into inferior alternatives, ultimately weakening key parts of the Australian business landscape.

5.3. Impact on Fintech Investment and Innovation

[9] APRA, *Authorised Deposit-taking Institutions Points of Presence Statistics, June 2023*. Data show a decline of 34 per cent in regional and remote bank branches, and a 37 per cent decline nationally, between June 2017 and June 2023. See: https://www.brokerdaily.au/regulation/18462-apra-confirms-bank-branch-closure-trend.

The proposed cap would not only reduce competition today, it would also choke the pipeline of future competitors. Investment momentum in Australia is already narrow – capital is still flowing into Australian Fintech, but it is concentrated in a handful of large, later-stage companies[10] and is underrepresented by Australian venture capital investment. Triple Bubble, the first dedicated Australian Fintech fund, describes the imbalance in the market today: "Fintech startups face additional challenges compared to other sectors. They require more capital, operate in regulated environments, and need specialised due diligence expertise".[11]

Early-stage challenger firms – those players most likely to bring new ideas to SMEs, regional businesses, and the Australian market generally – are already struggling to raise funding. Over the last two years of Fintech funding, less than 20% of fintech deals had Australian Venture Capital funding on their cap table[12]. Global comparability compounds the problem: with interchange lower in Australia than in peer markets, a comparatively smaller market size, and over 70% of issuing revenue captured by the big four banks, Australia is already a marginal choice for international capital.

If early-stage challengers cannot grow, the issuing market will stagnate. Over time, this leads to a less dynamic system, weaker competitive pressure on incumbents, and fewer modern solutions for SMEs.

The consequence is not just issuer exits, but lasting damage to Australia's fintech investment climate, which is "in danger of regulatory overreach that could entrench legacy players and stall innovation".[13] When margins are cut further by blunt policy changes, the sector becomes unpredictable and unattractive. There should be no doubt that the RBA's policy approach to interchange has a real bearing on whether new entrants can raise capital, both enough of it and fast enough. If the economics of small card issuing do not stack up, it's not unrealistic that capital will simply flow to other sectors or larger geographies. This is an important consideration for the RBA's approach to interchange settings.

5.4. Concentration Risk and System Stability

The concentration catalysed by the proposed interchange caps will create systemic vulnerabilities: credit card issuance risks becoming more concentrated among a few large banks. Consequently, the system becomes more exposed to correlated shocks and operational risks within only a handful of large institutions. A more diverse issuer base mitigates these risks and should remain a priority for the RBA in safeguarding system stability.

We therefore urge the RBA to more cautiously approach changes that would undermine the viability of issuers, particularly smaller issuers and those issuing commercial credit cards. In these cases, instability will not only be driven by a meaningful reduction in income, but also by forced price increases that render market participants non-viable in competition with major banks (for small issuers) and three-party schemes (for commercial credit card issuers).

6. Economic Impact Analyses

Archa has assessed the likely economic impacts of a uniform 0.30% interchange cap on commercial credit cards. While the policy is intended to lower merchant costs, our analysis shows that the broader consequences would be adverse: entrenching the dominance of major

[10] Cutthrough's THE STATE OF VENTURE CAPITAL, 2024 see: https://2024.australianstartupfunding.com/
[11] Triple Bubble on Substack, see: https://triplebubblefintechfund.substack.com/p/rethinking-institutional-fintech
[12] Triple Bubble on Substack, see: https://triplebubblefintechfund.substack.com/p/what-the-new-government-needs-to
[13] Ibid.

banks, undermining innovation, and increasing costs for employees, businesses, and the wider economy. A calibrated approach is required.

Further modelling, data and sensitivity analysis are contained in Archa's private submission.

The case for intervention should rest on evidence of market failure. We have not identified clear evidence of market failure in the commercial segment. On the contrary, these products deliver clear efficiency benefits relative to alternatives such as invoicing, reimbursements or factoring: faster settlement, guaranteed payment, richer data, and automated controls.

Treating interchange as a standalone "cost" ignores the broader cost savings that merchants and businesses realise. When indirect costs such as administration, reconciliation, fraud loss, and delayed settlement are considered, alternatives are demonstrably more expensive. A blunt cap would reduce the very funding that enables these benefits, weakening competition and efficiency across the system.

6.1. Impacts on Employee and Household Budgets

For many workers, commercial credit cards mean they no longer need to use their own funds for business expenses. Under reimbursement models, the burden falls directly on employees:

- **Employees fronting expenses**: ABS employment data shows ~14.7 million employed persons.[14] With 46% reporting out-of-pocket spend,[15] this equates to ~6.7 million people.
- **Annual out-of-pocket per employee**: International benchmarks (UK/European research) suggest A$12,000–15,000 per employee per year is a reasonable range.[16]
- **Reimbursement lag**: Surveys report an average of ~10–14 days, with many cases stretching beyond two weeks.[17]

Depending on which assumptions on outlays and reimbursement lags are used, Australian workers are functionally floating between $1.3 – $14 billion to employers at any one time. This "float" reduces household liquidity and compounds cost-of-living pressures, particularly for low and middle-income households. Commercial credit cards directly alleviate this strain by shifting costs from employees back into efficient, system-wide payment channels while guaranteeing fast settlement to merchants (as opposed to B2B invoicing).

Granular data and analysis is provided in Archa's private submission.

6.2. Broader Productivity Consequences for the Australian Economy

Commercial cards also underpin significant productivity gains for employers and the economy at large:

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[14]Australian Bureau of Statistics, *Labour Force Survey, July 2025*. ~14.7 million employed persons. Available at: https://www.abs.gov.au/statistics/labour/employment-and-unemployment/labour-force-australia/latest-release

[15] DiviPay / Weel survey of 1,000 Australian employees (2022) — reported that 46% regularly pay for work expenses personally.

[16] No Australian data available, so benchmarked against internationally comparable markets (UK, EU). Pleo research into SME employee expenses found that staff front an average of £7,437 per year for work-related costs, equivalent to ~A$14,000 at current exchange rates. See: Pleo, *UK employees spend £7,437 a year out of pocket on work expenses* (2022), available at: https://www.pleo.io/en/blog/work-expenses-survey-2022. We have used this as a reasonable proxy range for Australian employees.

[17] Multiple sources reviewed, including SAP Concur: ~9 days average processing time for expense claims, then included in next payroll; DiviPay / Weel: 30% of employees wait more than 2 weeks for reimbursement. We have included these data points as different inputs to conservative and aggressive ends of the comparison table.

- Manual expense claims cost $25–30 each and take ~20 minutes on average,[18] compared with $5 and under 5 minutes through automated card-based solutions.
- For a mid-sized firm with 250 staff, eliminating manual reimbursements saves 60–80 staff hours each month.
- At the national scale, this equates to around 80 million manual claims annually, consuming 27 million hours, equivalent to more than 13,000 full-time jobs lost to unproductive administration.

These estimates are conservative: they exclude the liquidity cost of delayed reimbursements, the additional burden on finance teams to audit and correct claims, and the negative impact on employee morale.

Commercial credit cards fund features such as receipt capture, spend controls, and real-time reporting; tools that make SMEs more efficient and compliant. Reducing interchange would undermine investment in these capabilities, forcing SMEs back to outdated reimbursement and invoicing practices.

Competition, concentration and systemic risk

A uniform 0.30% cap would fall most heavily on smaller issuers, who face structurally higher costs at low scale. The predictable result is:

- **Market consolidation**: smaller players exit, leaving SMEs and regional customers with fewer choices and less access to modern digital solutions.
- **Shift to higher-cost alternatives**: volumes migrate toward three-party schemes such as American Express, which are more expensive for merchants, or back to reimbursement models that shift liquidity burdens onto employees.
- **Increased systemic risk**: issuance concentrated in a handful of major banks reduces system resilience and increases vulnerability to shocks.

In short, a one-size-fits-all approach would entrench incumbents while pushing smaller challengers out of the market — exactly the opposite of the RBA's competition and efficiency objectives.

6.3. Summary

The economic impacts of a flat 0.30% cap extend well beyond merchant service fees. They include:

- Billions of dollars in employee funds tied up awaiting reimbursement.
- Tens of millions of hours lost annually to manual expense processing.
- Reduced access to modern credit solutions for SMEs and regional businesses.
- Greater concentration of issuing within major banks and three-party schemes.

Absent evidence of market failure, further compression of commercial interchange is not justified. A calibrated framework recognising the distinct economics of commercial credit cards and the costs faced by smaller issuers is required to preserve competition, efficiency, and resilience in Australia's payments system.

Further evidence and detailed modelling are available in Archa's private submission.

[18] Global Business Travel Association (GBTA) research, cited by SAP Concur, finds that completing a single expense report manually takes an average of 20 minutes and costs approximately US$58, with a further 19% of reports requiring correction that adds an additional 18 minutes and US$52 in costs. See: Global Business Travel Association, *How Much Do Expense Reports Really Cost a Company?* (2015), available at: https://www.gbta.org/how-much-do-expense-reports-really-cost-a-company.

7. International Precedent

Our proposals in later sections are informed by an assessment of international regulatory frameworks and their observed outcomes. Across relevant jurisdictions commercial credit cards are consistently treated differently from consumer cards, with policy reasoning including common themes: competition dynamics, differences in use case, and alternative payment methods inconsistent with consumer cards and debit cards generally.

We have provided sources and commentary for the policy rationale in each jurisdiction below. Together, they help inform considerations around both commercial credit card carve-outs and small issuer exemptions in Australia.

Figure 3: International Comparisons

Jurisdiction	Scope of caps	Policy comments	Outcomes / evidence
European Union	Consumer debit (0.2%) and consumer credit (0.3%) only. Commercial cards excluded.	Commercial credit cards deemed not a substitute for consumer cards, and have differing competitive dynamics.[19]	2020 and 2024 EC reviews confirm: caps reduced MSCs for consumer cards; no systematic substitution into commercial cards.[20]
United Kingdom	Consumer debit (0.2%) and credit (0.3%) only. Commercial credit cards excluded.	Adopted from EU and retained post Brexit..	PSR cross-border review in 2024; domestic commercial cards remain uncapped.[21]
New Zealand	Commercial credit cards remain uncapped. Caps tightened for consumer cards.	Not sufficient information to support reduced caps.[22]	2025 Final Decision confirms commercial carve-out.[23]
United States	Debit only: Durbin caps for issuers >US$10bn assets. Small-issuer exemption (<US$10bn).	Not regulated.	Caps reduced large-bank debit revenue; small-issuer exemption widely used.

The EU has left commercial credit cards uncapped, recognising the differing competitive dynamics, and commercial credit cards are a different B2B use case non-substitutable with

[19] Payments Europe, *Position Paper on the Upcoming Revision of the Interchange Fee Regulation* (April 2020): "The decision to exempt commercial cards … was made primarily because they have a very limited market share and were not reasonably expected to serve as a substitute for consumer cards. The commercial cards market was also deemed to have a different competition dynamic …"
Available at: https://www.paymentseurope.eu/wp-content/uploads/2020/04/Payments-Europe-Position-Paper-IFR.pdf

[20] European Commission, *Report on the application of Regulation (EU) 2015/751 on interchange fees for card-based payment transactions* (Staff Working Document, SWD(2020) 118 final), 29 June 2020, § II.d ("Commercial cards scope and definitions"). The report states: "There is no evidence that the implementation of the IFR has led to a systematic substitution of consumer cards by commercial cards – whose interchange fees are not capped – … stable and limited market share around 3% in volume and 7% in value." See pages 20–21.
Available at: https://competition-policy.ec.europa.eu/system/files/2021-10/IFR_report_card_payment.pdf

[21] The PSR's Market Review of UK-EEA consumer cross-border interchange fees (Final Report, December 2024, MR22/2.7) confirms that the UK Interchange Fee Regulation (UK IFR), which caps domestic consumer debit and credit card interchange fees at 0.2% and 0.3% respectively, does not apply to commercial cards. Available at: https://www.psr.org.uk/media/vrcimoxw/mr22-27-xbif-final-report-dec-2024-v3.pdf.

[22] New Zealand Commerce Commission, *Retail Payment System – Interchange Fee Regulation for Mastercard and Visa Networks: Final Decision and Reasons Paper*, 17 July 2025.

[23] Ibid.

consumer cards.[24] The UK has adopted and endorsed this policy position recently.[25] In the United States (noting the context is debit-focussed), policy-makers use targeted interchange settings to avoid degrading competition for smaller players; we further note that commercial credit cards are also carved out of these caps. Most recently, New Zealand's 2025 review kept commercial credit cards outside of caps.[26]

Post-implementation reviews by the European Commission (2020, 2024) have validated this approach, finding "there is limited evidence that commercial cards have been used as a substitute for consumer cards following the introduction of the IFR." [27]

Australia will stand out against other OECD economies

Australia would be an outlier among comparable economies if it were to adopt a flat cap without exemptions. Relevant comparable jurisdictions have consistently opted to carefully calibrate interchange regulation with direct efforts to address competitive asymmetries (e.g. four-party vs three-party schemes, commercial card carve outs), and to ensure small issuers are able to compete.

This international consensus demonstrates that policymakers can successfully lower consumer payment costs without undermining the business case for small issuers and commercial card specialists.

8. Recommendations

8.1. Recommendation 1: Commercial Credit Card Carve Out

Commercial credit cards are specialised B2B tools that help businesses manage expenses, streamline procurement, and optimise cash flow. The features that enable these benefits – such as multi-entity underwriting, fraud controls, and integration with accounting systems – create a higher cost base when compared with consumer cards. The proposed one-size-fits-all cap would strip funding from these essential capabilities, ultimately harming the businesses and merchants that rely on them.

We recommend the RBA establish a specific carve-out for commercial credit card products. We believe that implementation is straightforward under the existing frameworks. We would welcome a chance to discuss this process with the RBA.

Regulators in various jurisdictions have chosen to leave commercial credit cards uncapped, recognising their distinct role in the economy. A carve-out for commercial credit cards is required to preserve a critical B2B product, protect merchant outcomes, and foster a more competitive market.

8.2. Recommendation 2: Small Issuer Exemption

Small issuers face structurally higher costs at low scale, making it difficult for them to compete with established institutions. Without a pathway to viability, innovation is stifled, and the market risks becoming less dynamic.

To address this, **we recommend the RBA adopt a targeted small-issuer exemption to**

[24] Payments Europe, *Position Paper on the Upcoming Revision of the Interchange Fee Regulation* (April 2020). Available at: https://www.paymentseurope.eu/wp-content/uploads/2020/04/Payments-Europe-Position-Paper-IFR.pdf
[25] PSR's Market Review of UK-EEA consumer cross-border interchange fees (n 30).
[26] New Zealand Commerce Commission (n 31).
[27] European Commission (n 29).

support these participants until they reach a sustainable scale, defined as either an annual domestic volume threshold, or equivalent percent of category market share.

8.3. Recommendation 3: Defer the current consultation until the PSRA reforms are implemented, now that they have passed Parliament

Regulating interchange for four-party schemes while leaving three-party schemes untouched will create a regulatory asymmetry that will distort the competitive landscape. This could lead to a migration of commercial credit card portfolios to less-regulated, often higher-cost, three-party schemes, which would not lower the overall cost of payments to the economy. A holistic assessment will allow for the design of a competitively neutral framework, avoiding market distortions and ensuring a level playing field for all participants.

Given the recent passage of the PSRA reforms, the RBA now has clear designation powers over a broader range of payment systems, including three-party schemes. **We recommend the RBA to defer final interchange settings and integrate this consultation into a single, comprehensive process that includes all competing products and schemes.**

9. Responses to Questions for Consultation

Archa has provided responses to the below questions for consultation, together with the information and perspectives shared in the balance of this submission.

9.1. Response to Question *2*

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

No. A uniform 0.30% credit interchange cap applied to four-party schemes would not promote the public interest as it would not improve competition and efficiency in the payments system.

The proposal is not competitively neutral and would disproportionately affect commercial credit card issuers and smaller issuers that face higher unit costs at low scale, entrenching major-bank dominance and narrowing choice (see Sections 5.1 and 5.2).

Ongoing investment and adoption is particularly important in the case of commercial credit cards, which remain meaningfully underdeveloped in the Australian market and are still difficult for many businesses to access. Unlike consumer cards, commercial credit cards are not substitutes for cash; the practical alternatives are invoicing and employee reimbursements, which are slower, less transparent and more costly for merchants, employees and businesses (see Section 3). Interchange funds the core functionality that delivers efficiency, namely underwriting, fraud controls, real-time limits, receipt capture and ERP integrations, without which the product becomes non-viable and activity migrates to unregulated, often higher-cost models (see Sections 3 and 4).

Our economic analysis shows material negative spillovers: increased reimbursement “float” on household balance sheets and significant administrative overhead from manual expense processing (see Section 6). International precedent supports calibrated treatment of commercial cards to avoid these outcomes (see Section 7).

In this submission we provide the economic rationale, supporting data, and international precedent to demonstrate why a one-size-fits-all cap is the wrong tool for the commercial credit card market. We have made recommendations in relation to a commercial credit card carve out, and a small issuer exemption as means of mitigating these risks. Our position is that a more nuanced approach to reform is required if the RBA is to achieve its objectives without undermining key components of the system that drive innovation, competition and efficiency.

9.2. Response to Question *3*

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

Yes. The proposed interchange cap would fall disproportionately on smaller issuers, and this has direct implications for competition and efficiency. As detailed in Section 4 (and in our private submission), unit costs for smaller issuers are materially higher than those of the major banks. Eligible costs only converge towards current cap levels once an issuer reaches multi-billion-dollar annual volumes. The RBA's own cost study, which drew on data from 11 issuers representing ~90 per cent of market volume, is skewed toward the economics of the largest institutions and does not reflect the structural realities of smaller participants or new market entrants.

Without sensitively-calibrated policy settings, smaller issuers will be unable to achieve scale and risk exiting the market, further entrenching major-bank dominance and reducing the competitive tension that drives innovation (see Section 5.1 and 5.2). This is particularly relevant in the commercial card segment, where smaller issuers have led the development of digital, configurable products that support SMEs, regional businesses, and underserved customer segments (see Section 3).

To address this, we recommend a targeted small-issuer exemption, as set out in Section 8.2. We have made suggestions as to the thresholds and how such an exemption may be implemented and administered in the private submission.

Such an exemption would ensure that smaller issuers remain viable long enough to reach efficient scale, maintaining competitive pressure, fostering innovation, and protecting system resilience. This outcome is consistent with international practice, where exemptions or carve-outs have been adopted to avoid damaging competition while still delivering discipline on merchant costs (see Section 7).

9.3. Response to Question 13

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

Archa is not supportive of the proposed implementation timeline, speaking specifically to interchange caps. Issuers have built their portfolios, debt facilities, and commercial agreements — not to mention secured external investment — on the basis of the current regulatory settings. To alter these rules with only six months' notice does not provide sufficient time to make the necessary adjustments, particularly for smaller issuers and new entrants without the structural advantages and negotiating leverage of the major banks.

A compressed timeline will create undue pressure on issuers to re-price, renegotiate contracts, and adapt business models at speed, with a real risk of disorderly outcomes. These reforms represent a material shift in the economics of card issuing, and implementing them without sufficient lead time risks exacerbating the already problematic consequences, by undermining competition and innovation by entrenching the position of larger incumbents.

Archa submits that a longer transition period is essential should the RBA's interchange proposal remain unchanged. This would give issuers the opportunity to adjust in an orderly fashion, maintain service continuity for customers, and preserve system stability. Without such an approach, the reforms will impose disproportionate costs on smaller issuers, damaging the very competition and efficiency the reforms are intended to promote.

Archa submits that any proposed changes to interchange caps be effective no earlier than 1 July 2027, giving issuers sufficient time to adapt their models and foundational business settings.

10. Conclusion

The proposed 0.30 per cent uniform cap on four-party schemes does not address any demonstrated market failure. Instead, it risks undermining both smaller issuers and the already limited commercial credit card segment, where products are more costly to deliver and critical to SME productivity. In a market that is already concentrated and lagging peer jurisdictions, such a step would reduce competition, stifle innovation, and weaken system resilience.

Our submission brings four strands of evidence to the RBA's decision:

1. **Competition and market structure:** A single, low cap is not competitively neutral in a market where majors enjoy scale funding, incentives and cross-subsidies. Modelled outcomes show smaller issuers bearing disproportionate impact, accelerating exit and consolidation, and exacerbating market concentration in the issuing market.

2. **Total cost of acceptance, not just the fee:** Focusing solely on interchange as a merchant "cost" ignores material indirect costs of the alternatives (administration, reconciliation, fraud, delayed settlement). Commercial credit cards reduce these frictions, so the introduction of blunt caps risks removing precisely the funding that sustains such productivity gains.

3. **Household liquidity and reimbursements:** When businesses cannot access viable commercial credit card solutions, costs shift to employees. Our float analysis shows billions of dollars of business spend sit on personal balances at any point in time as employees await reimbursement. Blunt interchange caps will drive the payments system backwards, increase the burden on employees and meaningfully suppress household liquidity.

4. **System-wide productivity:** Manual expense management consumes tens of millions of hours annually. Cutting back the capabilities funded by interchange (real-time controls, automated matching, receipt capture) raises administrative overheads for employers and employees, reduces transparency and weakens compliance, all of which is at odds with Australia's productivity agenda.

These factors are critical for the Australian economy. A policy that narrows the field to a handful of large institutions makes the system less resilient and less dynamic, with higher long-run costs for merchants and customers alike.

A better path is available. We recommend a calibrated, competitively neutral framework that preserves competition while meeting the RBA's objectives: a commercial card carve-out, consistent with the EU, UK and NZ, recognising the distinct economics and system value of commercial credit cards; a small-issuer exemption based on domestic card volume with clear anti-avoidance provisions; deferral of final settings until PSRA reforms take effect, ensuring scheme-neutral rules across four and three-party models; and an orderly implementation timeline, with any changes commencing no earlier than 1 July 2027 to allow issuers to adjust contracts, funding and operations without destabilising the system.

By adopting a targeted exemption or a commercial carve-out (and sequencing final decisions with reform to the PSRA) the RBA can achieve durable merchant cost discipline **and** preserve the competition, innovation and resilience Australia needs in its business-critical payments infrastructure.