



ACCC submission

Review of merchant card payment costs and surcharging – Consultation Paper

August 2025

Acknowledgement of country

The ACCC acknowledges the traditional owners and custodians of Country throughout Australia and recognises their continuing connection to the land, sea and community. We pay our respects to them and their cultures; and to their Elders past, present and future.

Australian Competition and Consumer Commission

Land of the Ngunnawal people

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Introduction

The Australian Competition and Consumer Commission (ACCC) welcomes the opportunity to comment on the Reserve Bank of Australia's (RBA) Consultation Paper on the review of merchant card payment costs and surcharging.

The ACCC is an independent Commonwealth statutory agency that promotes competition, fair trading and product safety for the benefit of consumers, businesses and the Australian community. The ACCC's primary responsibilities are to enforce compliance with the competition, consumer protection, fair trading and product safety provisions of the *Competition and Consumer Act 2010* (CCA), regulate national infrastructure and undertake market studies. The CCA also contains the Australian Consumer Law (ACL) which is enforced by state and territory ACL regulators alongside the ACCC under a one law, multiple regulator model.

The ACCC generally supports the package of reforms proposed by the RBA in the Consultation Paper. We consider the proposed reforms, as a package, achieve the overarching objectives that we outlined in our [December 2024 submission](#) to the RBA's Issues Paper, namely prioritising simplicity and transparency, and enabling competition. The package of reforms holistically addresses the interconnected nature of the retail payment system, and if enacted, would embed greater efficiency and competition in the payment ecosystem. We acknowledge that many business practices will need to change, if the proposals are implemented, and some businesses may be more greatly impacted than others. However, as a whole, we consider the RBA's proposals will mean a greater 'user-pays' approach and would result in a more equitable distribution of costs across the payments system.

We note the RBA has considered a transition period, taking into account the need for businesses to have a reasonable amount of time to implement the necessary changes, and clear communication with affected businesses about the changes. However, with respect to the removal of card surcharging, if this is the Government's preferred approach, the ACCC considers that the Government legislating a ban on payment surcharging (with an appropriate transition period) would be the better way to implement this change. This approach would provide more clarity and certainty across the economy, than the RBA's proposal to remove its prohibition on 'no surcharge' rules for all designated card systems, which it expects would be followed by the designated card networks reimposing 'no-surcharge' rules.

Since the surcharging framework was introduced in 2003, there have been significant changes in market and consumer behaviour, technological advancements, and an increasing prevalence of 'simple' plans being offered by payment service providers (PSPs). It is apparent that many merchants, particularly small business merchants, consider the surcharging framework to be complex and are seeking out simple solutions involving low effort from them. However, this has conversely led to greater compliance challenges, particularly with respect to disclosure of card surcharges.

As the Consultation Paper notes, while many businesses may pass their payment processing costs onto consumers through higher prices if surcharging is removed, consumers are already paying these costs now through payment surcharges, which in many cases, they only become aware of at the end of the ordering or payment process.

The removal of card surcharging, in combination with the other measures the RBA proposes, is likely to reduce the complexity and compliance burden for merchants, incentivise them to seek out lower-cost payment service plans, and lead to more clarity upfront for consumers about the prices they will need to pay.

Reforms to address upstream costs in the payment sector are critical to implement alongside the proposed removal of surcharging. The ACCC welcomes the RBA's proposal to lower interchange costs, as small businesses disproportionately bear the current costs of interchange fees. We consider that the proposed greater transparency measures in relation to wholesale fees (interchange and scheme fees) and merchant service fees, would improve competition. The current complexity and opacity in the payments system is not leading to efficient outcomes. Greater transparency measures would enable merchants and PSPs to more easily make comparisons and choose a payment arrangement that serves their needs.

As outlined in our submission to the Issues Paper, the ACCC also supports the proposed amendments to the *Payment Systems (Regulation) Act 1998* (PSRA), which is currently before the Parliament.¹ These amendments would modernise Australia's regulatory framework and would ensure that all entities in the payments sector, including digital wallet services, are captured in the RBA's regulatory remit. This is especially important as an increasing number of Australians are purchasing products and services through newer forms of payment methods that are not yet captured within the RBA's existing jurisdiction.

Surcharging

The ACCC welcomes the RBA's holistic approach to the proposed reforms. Many small business stakeholders have raised concerns that removing surcharging, without addressing the significant disparity in the fees paid by small and large merchants, and the opacity in merchant pricing, would significantly disadvantage smaller merchants. The ACCC considers that the RBA's proposed package of reforms addresses these concerns, prioritises simplicity and transparency, and better enables competition.

Since the ACCC's submission to the Issues Paper, the ACCC has [announced](#) that addressing misleading surcharging practices and other add-on costs is a compliance and enforcement priority for the 2025-26 financial year. In April 2025, the ACCC [commenced](#) an education and compliance campaign to inform businesses, particularly small businesses, of their obligations regarding card surcharges and help them to comply with the relevant laws.²

As part of this campaign, the ACCC updated its website guidance relating to card surcharges, with a focus on providing practical guidance supported by visual examples. A simplified version of this guidance was translated into Vietnamese, Korean, Simplified and Traditional Chinese. The ACCC also developed a [quick guide](#) for businesses who charge card surcharges to help them comply. Paid advertising was used to reach small business owners, including those from culturally and linguistically diverse communities, with information about their obligations and links to the updated web content.

Observations from the ACCC's work

The ACCC has also engaged with various stakeholders, including small business industry representatives, to share the updated guidance material and discuss issues affecting their small business members relating to card surcharging. Various issues have been raised throughout this engagement and the ACCC's broader work, highlighting that many small businesses perceive the current surcharging framework as complex and are making choices that prioritise simplicity over cost efficiency.

¹ Treasury Laws Amendment (Payments System Modernisation) Bill 2025

² On 15 October 2024, the Government announced \$2.1 million in new funding, up until the end of the 2025-26 financial year, for the ACCC to target excessive surcharging and promote business compliance and consumer education.

Developments in technology and payment services plans

Small business merchants are typically seeking out simple plans that allow them to recoup their payment processing costs, with minimal effort and involvement required. Whereas larger merchants often look to more complex, individually negotiated plans that provide differentiation between merchant fees charged for different card types and schemes.

As technology has advanced, merchants now have more options to simplify card surcharging. For example, many PSPs now offer dynamic surcharging, which involves the payment terminal automatically applying the relevant surcharge amount to a customer's transaction, based on the card type that is used. This makes the process of applying a card surcharge much simpler for merchants, when compared to manual surcharging.

In addition, the introduction of simple, blended or single-rate plans, which involve the PSP charging merchants one single rate for all card transactions, or a blended rate for certain card types, has arguably further simplified merchants' ability to comply with the excessive surcharging law. However, this has also resulted in lower-cost debit card holders bearing part of the higher costs of processing credit card payments – meaning that those who are not receiving the benefits of higher-cost credit cards (for example, reward points) are partly funding them for those that do.

The excessive surcharging laws were first introduced in 2016 with the stated object of ensuring that payment surcharges are not excessive and reflect the cost of using the payment methods for which they are charged. However, as the Consultation Paper notes, due to the increased prevalence of these simple and blended rate plans, card surcharges do not always reflect the underlying upstream costs of each payment method (for example, interchange and scheme fees charged to PSPs). Yet those surcharges are not 'excessive' under the law if they reflect the cost charged by the PSP to the merchant.

The ACCC agrees with the RBA that these plans have eroded the effectiveness of the price signal to consumers that allowing card surcharging was intended to bring, and consumers that use lower-cost payment methods such as debit cards are partly funding the cost of processing higher-cost credit cards.

The ACCC has also observed an increasing prevalence of plans being advertised by PSPs as 'fee-free' or 'zero-cost'. These plans typically involve the full merchant fee being passed directly onto the merchant's customers by way of a card surcharge, which is set and implemented by the PSP. These plans are popular with small business merchants due to their simplicity for the merchant, as it ensures their customers pay all card processing costs upfront, instead of the merchant paying the costs and then taking further steps to recoup those costs from their customers. However, as noted by the RBA, this reduces the incentive for merchants to seek out lower-cost payment processing services because they are not ultimately directly bearing any of these costs.

The uptake of simple and 'fee-free' plans, combined with dynamic surcharging, has led to confusion among some merchants, who feel they do not have any control over surcharges applied by their business, with the PSP being completely in control of the surcharge. This is despite many of these plans allowing merchants the flexibility to choose whether the surcharging feature is enabled or not, and if so, whether surcharges are applied automatically, manually or in a customised way. Where their existing plan does not offer this flexibility, merchants can usually switch to a plan that does.

This has also resulted in merchants being less engaged in understanding their payment processing costs. While PSPs are required under the RBA Standard No.3 of 2016 to provide regular information to merchants about their average cost of acceptance for each relevant

card type, typically doing so through statements and/or online portals, it appears that many merchants are not checking this information. This has flow on impacts in terms of merchants' disclosure of surcharges to their customers (discussed further below).

It has also led to a situation where some merchants do not appear to understand that, even under these plans, they are still responsible for complying with the excessive card surcharging law under the CCA, and the ACL requirements regarding disclosure of card surcharges and ensuring price representations are not misleading.

The removal of card surcharging should incentivise merchants to seek out lower-cost plans, prioritising cost efficiency instead of simple surcharging solutions. This would also remove a current regulatory burden on businesses.

As noted by the RBA, merchants could still recover their payment costs by factoring them into their overall product or service pricing, like any other business costs. While this may not be a straightforward task for all businesses, they are already doing this with the other costs of running their business, such as energy costs, supply input costs, rental costs, and the costs of handling cash.

Disclosure of card surcharges

In circumstances where small business owners are also focussed on running their business and complying with a range of other laws, there is generally a low level of awareness about their ACL obligations in relation to:³

- displaying card surcharge amounts, and
- pricing displays in circumstances where the business does not offer a surcharge-free payment method to customers.

The ACCC's engagement with stakeholders has indicated that many merchants with physical stores are either not disclosing card surcharges at all, or only when the payment terminal displays the surcharge amount (or the surcharge-inclusive price) as the customer is tapping or inserting their card to pay. Some stakeholders suggested that many small business merchants are simply not aware of the surcharge amounts being charged to their customers because their PSP sets the surcharge amount for them, and they consider disclosure by the payment terminal is sufficient.

Inadequate disclosure of card surcharges is also an issue for online stores. In a small business survey conducted on behalf of the ACCC⁴, 32% of the participants with online trading said that they only notify customers of card surcharges when customers enter their payment details at the end of the online transaction, compared to only 23% who said they disclose card surcharges at the start of the online transaction. Others said that they disclosed card surcharges on their website, invoices, quotes or confirmation emails.

The ACCC agrees with the RBA that inadequate merchant disclosure of card surcharges has also undermined the efficacy of the price signal to consumers and impacted their ability to make informed decisions, including about which payment method to use. Removing surcharging would mean consumers would be provided with a more complete price of

³ More detail on the relevant ACL obligations can be found in the ACCC's [December 2024 submission](#) to the RBA's Issues Paper.

⁴ The survey took place between May and June 2025 and involved 302 small businesses (<20 employees) who accept transactions with credit or debit cards. The survey participants included a mix of businesses of differing sizes (although still under the <20 employees threshold), turnover and length of time in business, and across various industries, including those with physical and/or online store trading, franchisees, and those with culturally and linguistically diverse business operators.

products and services upfront, enabling them to more easily understand the total amounts they need to pay, and more efficiently compare the pricing of products and services.

Many businesses consider card surcharging to be the standard approach

As noted in the ACCC's submission to the Issues Paper, card surcharging appears to be more commonplace in certain sectors, particularly the food and beverage services sector. Responses to the ACCC's recent small business survey affirmed this, with some businesses observing that card surcharges are an increasingly standard and accepted part of doing business and are more widely accepted in hospitality than retail.

In fact, the ACCC's discussions with industry stakeholders have indicated that many smaller merchants have not even considered that they are currently able to choose to factor their payment processing costs into their overall product or service pricing, instead of surcharging. Instead, surcharging is seen as a standard way of running their business, given that other businesses in their sector also surcharge.

Additionally, some merchants were not aware that they could opt-out of the automatic surcharging that is offered on many PSPs' plans, either by turning off the surcharging function on their payment terminal for individual or all transactions, or by changing to a different payment services plan which provides this functionality. This appeared to be a primary reason why some merchants continue to surcharge, despite finding it challenging to understand and comply with their legal obligations regarding card surcharges.

If the RBA's proposed package of reforms is implemented, the ACCC considers it will be important to ensure that affected merchants receive clear and timely information about the transition. This should include any practical steps they may need to take, for example instructions on how to switch off surcharging on their payment terminal.

Implementation of a ban on card payment surcharging

The ACCC understands why the RBA proposes to implement this reform by removing its prohibition on 'no surcharge' rules for all designated debit, prepaid and credit card systems. The RBA notes that it is unlikely that it could directly impose an effective ban on card payment surcharging.

The ACCC acknowledges that the RBA is constrained by the powers it is granted under the PSRA. However, we are concerned about an approach that would rely on an expectation that the designated card networks reimpose 'no-surcharge' rules.

This approach has the potential to create uncertainty for businesses and consumers alike. For example, if merchants continued to surcharge after the RBA revoked its prohibition, the relevant card networks would then be responsible for enforcing any 'no surcharge' rules they may introduce. This may also lead to confusion among consumers about whether they should still be paying card surcharges or not, and any available recourse.

Noting our comments above about the need for merchants to receive clear and timely guidance, and for there to be an appropriate transition period, there is potential for complications to arise for merchants understanding their obligations if the designated card networks do not respond in the way the RBA expects.

In addition, the proposed amendments to the RBA's Standards could pose challenges for the ACCC regarding its role under Part IVC of the CCA. Currently, an excessive payment surcharge under section 55B of the CCA is defined by reference to "permitted surcharge" in

the RBA Standard No.3 of 2016.⁵ The RBA's proposed amendments to that Standard (as set out in the Consultation Paper) would remove any references to "permitted surcharge". This would make it unlikely that the ACCC could take enforcement action under section 55B of the CCA, as there would no longer be a framework to determine what payment surcharge amount would be 'excessive'. However, the continued existence of Part IVC would then lead to confusion for business and consumers.

The ACCC supports the RBA's recommendation to remove card payment surcharging, as part of the proposed package of reforms. However, if accepted, we consider it would be preferable for the Government to implement this recommendation by legislating a ban on payment surcharging and repealing the excessive payment surcharge provisions of the CCA, alongside the RBA's proposed amendments to its Standards. This would provide greater certainty for businesses and consumers, and clarity regarding enforcement of the relevant legislation, which will help minimise the compliance burden for businesses.

Relatedly, if a ban on payment surcharging is implemented, the ACCC considers that no exemptions should apply. Any exemptions to a general ban on payment surcharging would likely undermine the RBA's stated objective of achieving simplicity, and would instead increase confusion for consumers, compliance burden for merchants and PSPs, and enforcement challenges for regulators.

Merchant card payment costs

Interchange fees

The ACCC welcomes the RBA's proposal to lower interchange costs for merchants as part of the broader package, as it will help the position of smaller merchants. Without this proposed reform, smaller merchants who have been bearing higher costs than larger merchants for the same service will remain at a competitive disadvantage.

Disproportionately high payment costs for small merchants is an issue raised with the ACCC through our ongoing engagement with small business stakeholders. The Consultation Paper notes the significant gap between interchange fees paid by larger (strategic) merchants and smaller merchants, where on average smaller merchants (that are not eligible for strategic interchange rates) pay approximately 13 basis points more per debit transaction than large merchants and 36 basis points more on credit transactions.

The ACCC notes the RBA's assessment that:

- the extent of the gap is not justified by the argument that there is additional cost to issuers because the fraud risk associated with processing transactions for small merchants is higher than larger merchants, and
- the difference in processing costs between small merchants and strategic merchants is "unlikely to be significant".

It is an inefficient and undesirable market outcome that smaller merchants are paying significantly more in interchange fees than large merchants. We consider the reduction of interchange caps for debit and credit transactions, the reduction of the weighted-average debit benchmark, and the removal of the weighted-average credit benchmark would have the likely effect of reducing this gap for merchants. We consider this would be an equitable

⁵ [RBA Standard No.3 of 2016](#): Scheme Rules Relating to Merchant Pricing for Credit, Debit and Prepaid Card Transactions

outcome for small businesses, which disproportionately bear the current costs of interchange.

In addition, the ACCC supports the proposal to introduce interchange fee caps for foreign-issued cards. We note the RBA's figures that foreign cards account for 3% of transactions in Australia, yet account for approximately 20% of interchange fees paid by merchants in Australia. The current arrangements mean that the high interchange fees associated with processing foreign-issued cards, which are not subject to interchange caps or benchmarks, are being borne by merchants in Australia, particularly smaller merchants. This increases merchant costs, which ultimately results in Australian consumers paying higher prices for products and services.

In general, the ACCC considers a user-pays approach is preferable to the current practice of merchants and ultimately consumers (including users of lower-cost cards) bearing the cost of processing higher-cost cards. That is, foreign card holders, or card holders benefiting from rewards associated with credit cards, should be the ones paying higher individual fees (or experiencing a reduction in card benefits), rather than the costs being borne by merchants and ultimately all consumers, including consumers that do not use credit cards, via higher prices for products and services.

As the Consultation Paper notes, such regulation of interchange fees aligns with comparable jurisdictions including the European Union and the United Kingdom. We also note that since the Consultation Paper was published, the New Zealand Commerce Commission has announced it will also introduce interchange fee caps for foreign-issued debit cards (including prepaid cards) and foreign-issued credit cards.⁶

For similar reasons outlined above (i.e. that a user-pays model is preferable), the ACCC supports the RBA's position that commercial cards should not be exempted from the proposed reforms to interchange fees, or if included, should not be allowed higher interchange fees and caps than consumer cards. We agree with the RBA's assessment that interchange fees for commercial cards do not warrant different treatment to interchange fees for consumer cards, and that commercial card holders should bear the costs of commercial card programs, rather than merchants, and ultimately consumers.

Transparency of wholesale fees

The ACCC agrees with the RBA that wholesale fees and the way they are communicated to merchants and PSPs are complex, which hinders competitive dynamics and efficient outcomes. This can result in higher costs for merchants, which are ultimately borne by consumers. As the RBA's paper notes, simplicity in relation to wholesales fees is possible, with eftpos only having 2 scheme fees, compared with over 100 fee categories for the card networks.

As such, we welcome the RBA's proposal that would require card networks to publish quarterly aggregate interchange and scheme fee data. We consider this can help improve competition, providing merchants and PSPs with more information that can help them to more effectively compare, negotiate and decide.

The ACCC also agrees with the RBA that there are benefits to competition from this wholesale fees transparency measure, with the risks mitigated by the fact that the data would be aggregated. As noted in the Consultation Paper, generally price coordination that is

⁶ New Zealand Commerce Commission, [Retail Payment systems: Interchange fee regulation for Mastercard and Visa Networks – Final Decision and Reasons Paper](#), 17 July 2025, pp 60-65

the result of cooperation, rather than independent business behaviour, will raise competition concerns including under section 45 of the CCA.

We note the RBA's proposal that it would set an expectation that card networks work with PSPs to reduce the complexity and improve the transparency of their scheme fee schedules. Payment sector participants may need to seek authorisation with the ACCC if there is a risk that their activities in implementing this expectation may otherwise potentially breach the CCA (such as coordinated conduct between competitors). Authorisation is a process that removes the risk of legal action for the activities, where the likely public benefits outweigh the likely public harm.⁷

Transparency of merchant service fees

The ACCC agrees with the findings of the RBA's paper that the complexity and opacity of information on merchant service fees makes it difficult for merchants to meaningfully choose the payment offering that serves their needs.

As outlined in our submission to the Issues Paper, these concerns have been raised in our engagement with small business stakeholders. The recent small business survey commissioned by the ACCC (referenced earlier) showed that many of the small businesses surveyed struggled with the complexity of different card types and rates, which made it a challenge for them to manage the varying costs across different payment methods.⁸

The ACCC supports the RBA's proposals to increase the consistency of cost of acceptance information, and require reporting on domestic and international transactions, in the merchant service fees information that PSPs are required to provide to their merchant customers. We agree that these measures could help merchants to shop around for a better deal, and note the RBA is conscious to balance the challenges that may arise from information overload, with requiring PSPs to provide useful information to merchants.

In order for the full benefits of these proposals to be realised, we also encourage the RBA to consult further around implementing this reform to better understand how the RBA Standard could ensure merchant service fee information is provided to small merchants in a manner, and at a timing, in which they will actually use it. From our stakeholder engagement, the ACCC is aware that many small businesses are not currently actively engaging with the merchant fee information that PSPs are currently providing to them. For example, where PSPs provide this information through an online portal, small business stakeholders have reported to the ACCC that while they are aware this information is accessible through their PSP's online portal, many small businesses do not have the time to access this information.

The ACCC also welcomes the RBA's proposal to require acquirers that process more than \$10 billion in card payments annually to publish their merchants' average cost of acceptance, broken down by merchant size and card type on a quarterly basis on their website. As outlined in the above section on wholesale fees, we consider that such a measure can encourage competition by better informing merchants in their decision making on payment processing arrangements, and incentivising acquirers and PSPs to compete more on merit. We also agree with the RBA that there are benefits to competition from this merchant service fee transparency measure, with the potential risks mitigated by the fact that the data would be aggregated. As noted in the Consultation Paper, generally price coordination that is the result of cooperation, rather than independent business behaviour, will raise competition concerns including under section 45 of the CCA.

⁷ ACCC, 2025, [Authorisation](#)

⁸ See footnote 4 above for details on the survey conducted.

Scheme fees

The ACCC shares the RBA's concerns about the current high levels of scheme fees and the high rate of scheme fees growth over recent years. We also note that there has been significant concern about schemes fees in the European Union, with some retailer associations suggesting that scheme fees have risen 7.6% on average between 2018 and 2022, "on top of inflation, without a corresponding improvement in service for EU merchants and consumers".⁹ Additionally, it was reported in May 2025 that the European Commission is investigating the scheme fees charged by Visa and Mastercard, and assessing whether the card networks may be abusing a dominant market position.¹⁰

The ACCC welcomes the proposal that the RBA will set an expectation that scheme fees should not increase relative to transaction values without clear explanation from card schemes, with reference to the specific cost or quality of services provided. In setting this expectation, it will be important for the RBA to ensure there is some rigour and form around the information that the card networks will need to give when providing these explanations. Vague or overly broad explanations provided by the card networks would diminish the effectiveness of the proposal.

The ACCC agrees with the RBA's assessment that there is a risk that card networks may seek to increase schemes fees if competitive pressures were to lessen following a removal of surcharging and a reduction in interchange fees. It is critical that the RBA continues to closely monitor scheme fees, and consider stronger measures to address high scheme fees should the RBA's expectation approach not produce the desired effect.

Least-cost routing

The ACCC considers that least cost routing (LCR) is an important mechanism to help lower payment processing costs for merchants and ultimately lower costs for consumers.

We understand the RBA's reasoning for not recommending that LCR for card present transactions nor dynamic LCR be mandated. We also note the RBA's observation that the increase in LCR from the RBA's industry expectation has placed downward pressure on wholesale costs for card present transactions more generally. We consider there is still merit in the RBA continuing to encourage take up of LCR, and monitoring how the proposed reforms to increase the transparency and simplification of merchant and wholesale fees may facilitate more PSPs implementing some form of LCR.

While outside the scope of this consultation, the ACCC supports the RBA's efforts to increase the use of LCR for mobile wallet transactions. We consider this would have significant benefits to merchants and consumers by lower payment costs for mobile wallet transactions. As outlined in the introduction, we support the passage of amendments to the PSRA, which would mean digital wallet services are captured in the RBA's regulatory remit.

⁹ Coalition statement, 2025, "[Ten years after the Interchange Fee Regulation, we need new action to tackle new wholesale price increases](#)"

¹⁰ Reuters, 2025, [Visa, Mastercard fees probe widens as EU antitrust regulators look into market power](#). Note that the misuse of market power provisions in the CCA differ from the EU's abuse of dominance provisions.