



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

Delivered by email to: pysubmissions@rba.gov.au

26th August 2025

To Whom it May Concern,

Re: Review of Merchant Card Payment Costs and Surcharging – Consultation Paper

Change Financial Payment Services Pty Ltd (“Change Financial”) is an Australian listed company (ASX: CCA) and established principal Mastercard Issuer in Australia (and New Zealand), providing card issuance and transaction processing services to a range of corporate clients. Since launching our first BIN sponsorship programs in December 2023, we have become the largest non-bank Issuer of Debit cards in NZ, as well as achieving a growing customer base in Australia for Prepaid and Debit. We are additionally licensed for Credit card programs in Australia.

Change Financial’s origins trace back to GFG Group Limited in New Zealand (acquired by Wirecard in 2014, which was subsequently acquired by Change Financial in 2020), where for the past 30 years we have provided technology and support to several banks globally, including three domestically in Australia, for card issuance and transaction processing across all schemes and product types.

Given our long-standing expertise in the payments industry, and in particular domestic knowledge of the Australian payment landscape, challenges faced by participants, and the range of participants looking to enter the market, we are well placed to respond to some of the issues identified in the Consultation Paper, **Review of Merchant Card Payment Costs and Surcharging**.

Our responses to the questions within the Consultation Paper are provided below.

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.

Yes. We agree with the Preliminary Assessment and that public interest is best met through cost reduction for the Consumer, and simplicity in definition and enforcement for the payment network. In considering the three options, Option 2 has merit in differentiating between Credit and other payment methods but lack of enforceability with the merchants is likely to be problematic and not achieve the desired outcomes for the Consumer. Option 3 achieves the outcomes of cost reduction for Consumers and simplicity for the payment network. We acknowledge that Option 3 comes at a greater cost for merchants to absorb, but do not see a difference of that compared to other business overheads such as rent, utilities or indeed the cost to carry and process cash, none of which are passed on as fees to the Consumer.

We do not believe that there should be an exemption of the surcharges for Commercial Credit, or small merchants – again, on the basis of enforceability for the merchant, we see this as potentially undermining simplicity and price signalling for the Consumer, potentially with a greater dis-benefit overall of driving them away from small merchants.

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

No. Simply, a reduction in interchange will only counter competition and efficiency, removing a cost off-set for challengers in the Credit, Debit and Prepaid markets – larger players can absorb the costs, challengers cannot. We have observed a decrease in competition and innovation over recent years, although reducing interchange will only serve to ensure this trend exists longer term.

For Credit specifically, we see interchange as a reflection of a higher ‘cost to serve’ in terms of credit underwriting and fraud risk, particularly around the higher prevalence of card-not-present transactions. Arguably, a reduction in interchange would be offset through an increase in other fees, such as monthly fees, but there is a direct correlation of fraud risk to number and value of transactions, so a transaction-aligned fee best delivers efficiency in a cost to serve model, logically pointed towards the merchant/acquirer. Furthermore, the Credit proposition is of direct value to the merchant through encouraged spend – whilst the Consumer can often make decisions between using Credit vs Debit, inherently a Credit product promotes spend that otherwise would not occur.

In the Prepaid market, participants are more representative of innovation and R&D activities (rather than incumbent banks and large providers), or otherwise services that represent a direct tangible benefit to consumers i.e. gift, rewards and incentives. Again, interchange reform in this sector will only serve to stifle innovation and alternatives within the payment network.

We agree a reduction in foreign interchange on the basis of global benchmarks, and a comparative lower card not present risk for domestic merchants compared to foreign merchants overall.

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

Smaller issuers, such as us, typically represent a broader range of card products and services compared to larger issuers. That spectrum of card programs is typically representative of alternatives to banks, large brands and large credit providers. Interchange revenue is either a pass-through benefit to the card program manager (our client) or otherwise represents a cheaper transactional pricing in the value chain. This delivers efficiency, viability and competition within the card payment industry. A reduction in interchange revenue will directly impact viability of challengers, and steer consumers back to the large providers.

A middle ground may be a different consideration for interchange of smaller issuers compared to larger issuers, to foster innovation and competition, we acknowledge however that measurement and enforcement would be a challenge. We therefore do not support a reduction on domestic interchange.

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?

This topic falls outside the scope of Change Financial’s business activities and expertise, so we have not provided a response.

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?

No. Publishing wholesale fee data would identify revenue for the card network and issuers, and align that to transaction type, but does not identify the underlying costs for those parties to carry the transaction. Ultimately, a large cost of the transaction is representative of the acquirer’s total cost in the form of merchant service fees, and that aligns to the value to the merchant for accepting a card-based transaction. Publishing part-costs of the payment chain does not in itself balance the market or consumer needs.

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?

This topic falls outside the scope of Change Financial’s business activities and expertise, so we have not provided a response.

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

Yes. Whilst we see an incrementally higher cost per transaction relating to higher fraud over time, it is reasonable to expect scheme fees to remain roughly in line with transaction values given the proportional investment of interchange revenue into fraud mitigation.

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?

This should only be considered with a greater understanding of the reasoning behind the level and value of scheme fees. Regulatory measures in themselves tend to stifle competition and efficiency, and we recommend against such measures without understanding the cause and benefit of such fees.

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.

Yes. Acquirers operate on a more level playing field with regards to cost-to-serve, with less complexity than issuers, especially if it is measured as an average cost of acceptance per card type. It seems logical and pragmatic to have transparency over their fees, to promote competition and better value for merchants.

This approach also seems cost effective to implement and easily monitored, especially compared to Option 4 that would come at greater cost with minimal incremental benefit to the merchant. We do however challenge the size threshold for triggering the requirement – and acquirer's measurement against the threshold may be subjective and difficult for the RBA to monitor. Furthermore, we would not expect small acquirers to have difficulty in measuring their average costs on a quarterly basis, as they will already be doing this to an extent to understand profit margins. We would support the proposal be in place for all acquirers.

Finally, on the basis that acquirers will already be consuming and understating cost data, we would expect the requirement to be enforceable within a six-month period

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?

Yes, on the basis that different merchant types have different demographics on customers – understanding the cost of international cards will be of great importance to some, no importance to others. For the same reason, the average cost by product type for an acquirer could be skewed up or down based on the blend of domestic and international, so it makes sense to split them out for the merchant to be able to make informed decisions.

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?

Yes. In line with acquirers publishing average merchant cost per card type, we would recommend they provide information on whether LCR is supported, is opt-in/opt-out, and whether that is managed through dynamic LCR. Transparency on LCR is an extension of transparency on pricing, which would promote competition and informed choices for merchants. We would expect this to be low cost to implement and monitor.

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?

Not entirely. We disagree on the remediation plans for interchange, as per Policies 2, 3 and 4, on the basis of disbenefit to new entrants to the card market, who ultimately drive innovation competition and therefore value to consumers.

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

The proposed timelines seem reasonable.

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?

Yes, the draft standards achieve the policy objectives.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Nick Beach', with a stylized flourish at the end.

Nick Beach
Senior Vice President - Payment Solutions