

26 August 2025

Mr Ellis Connolly  
Head of Payments Policy Department  
Reserve Bank of Australia  
GPO Box 3947  
Sydney NSW 2001  
**By email: [pysubmissions@rba.gov.au](mailto:pysubmissions@rba.gov.au)**

Dear Ellis,

**RE: Proposed Surcharging and Interchange Reforms (Confidential)**

I am writing to you on behalf of Indue Ltd in response to the recently released proposed interchange and surcharging reforms and appreciate the opportunity to provide feedback on these important changes.

Indue acts as a payments and fraud services aggregator, as well as providing cards management platform services and sponsorship of financial products. These services are provided to community banks, fintechs, government and corporates. Indue's mission is to aggregate common payment services, to achieve better economies of scale for the tier 2 and tier 3 banks and new market entrants, to enable them to compete more effectively with the major established banks. Indue's clients are an important part of the Australian financial services landscape in terms of diversity, competition and choice.

Indue supports regulatory efforts that promote transparency, competition, and efficiency in Australia's payments ecosystem and that promote a level playing field.

Given our expertise in this segment of the market our primary focus in our submission is on 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?'*

**Interchange Fee Reductions – Policy Options**

Indue does not support the reduction in interchange fees as proposed. Indue has significant concerns with the proposed approach, and the disproportionate impact on non-major and emerging players in the market.

1. **Disproportionate Impact on Non-major & Emerging Players:** Macro changes to card scheme economics, such as those proposed by the RBA, proportionally favour larger players against Non-major and Emerging Players who are already at a competitive scale disadvantage under the current policy settings. The changes as proposed will negatively impact competition and innovation, and introduce greater systemic imbalances and barriers to competition.

**Fixed cost disadvantage:** Most notably, Non-major and Emerging players have a higher proportion of fixed costs per transaction, making the impact of these changes much greater on the non-major banks and emerging segments of the market. This is evidenced in the RBA's own Issuer Cost Study, dated 19 August 2025, showing the disparity between large and small. For

non-major and emerging players, the interchange earned is substantially less than the 'eligible' costs [REDACTED]

Aggregate data masks the impact on these segments and common benchmarks do not fairly represent the Non-major players.

**'Issuer Side' Emerging Players Economics:** Indue also represents Emerging Players notably Fintech's that seek to disrupt and provide competition to established players, benefiting all Australians and the richness of capability across the payments ecosystem. These players (*especially those that seek to disrupt on the Issuing side of the market*), are unable to gain access to an economic model that supports competitive innovation, resulting in a continuity of the oligopoly model in respect of Issuance offerings. There has been significantly more innovation on the Acquiring side of the market since the last interchange reduction than there has been on the Issuing side, evidencing the imbalance in the economic and regulatory policies supporting Issuer-side innovation. Such Emerging Players are constrained in the economic models they can deploy and therefore the policy settings limit competition which should not be an outcome supported by the RBA given their mandate.

Emerging players often attempt to innovate in a single vertical, limiting their access to interchange to a single channel, typically pre-paid, which is at the lower end of the interchange earn. They cannot share fixed costs across other higher interchange verticals within a portfolio, putting them at a disadvantage.

We note international evidence in support of this assertion published recently by the Commerce Commission of New Zealand in the Retail Payment System Interchange Fee Regulation for Mastercard and Visa Networks Final Decision and Reasons Paper, published in July 2025. In New Zealand this resulted in Prepaid Cards not being regulated for two reasons, quoted as follows, *'First, to support competition and innovation in the card issuing market as prepaid cards are often gateway products for fintechs, new entrant banks and the underbanked. Secondly, we consider the very low volume and value of prepaid card transactions does not yet warrant regulation. We consider the possible detrimental impact on competition and innovation outweighs the benefits of more efficient interchange fees for these products'*.

[REDACTED]

**Limited pricing, product and cost levers for non-major and emerging players:** Larger institutions, which offer both merchant acquiring services and card issuer services, have a broader range of pricing, cost and product levers at their disposal. In contrast, smaller institutions, which typically only offer card issuing services, do not have the same breadth of options. As a result,

smaller players are disproportionately impacted by these reforms, reducing competition and innovation in the market.

A reduction in interchange proportionally promotes the competitiveness of the four major banks over Tier 2, Tier 3 and New and Emerging Market Entrants, which limits competition and choice for Australian consumers over time.

2. **Impact on Product Benefits and Investments:** More generally for smaller issuers, a reduction in interchange will absolutely result in the direct reduction of product benefits to consumers. Beyond the removal of product benefits, a reduction in interchange then places direct pressure on investment in critical areas such as fraud prevention, cybersecurity, and innovation. These are all areas that have significantly increased in investment in recent years with the need to keep pace with the shift to the digital economy, offering real time, data rich, 24 x 7 x 365 payment capabilities. Reducing interchange fees will directly impact the quality and security of card products available to consumers over time.

We would ask the RBA to consider the above matters carefully when balancing their overall position and finalising their policy position. In particular, we urge the RBA to consider different or additional policy settings (such as carve-outs for smaller players and products heavily utilised by market innovators) that address the systemic imbalance and negative impacts on competition. These non-major players play an important role in the current and future competitive landscape of financial services in Australia.

## Other Matters

### Regulation of Like Networks

One of the significant costs associated with the provision of a card payment, are the fees charged by some mobile wallet providers for every transaction. These fees are priced similar to other international card network arrangements, as they directly impact the cost of every transaction and are ultimately borne by the consumer. Such fees are already being regulated overseas, and Australia's regulatory framework is at risk of falling behind if such fees are not similarly regulated.

We also ask the RBA to ensure a level playing field is maintained, ensuring that all interchange-like markets, are included in this review.

### Surcharging Ban

Indue supports the proposed ban on surcharging. We believe that this measure will enhance consumer pricing transparency. Historically, there has been a significant challenge in regulating surcharging levels in such a manner that is fair and consistent for consumers. By banning surcharging, merchants will recoup their costs through the pricing of goods and services, which is clearly disclosed to

consumers prior to the time of purchase, rather than through additional fees at the point of sale, which is a better consumer experience.

Thank you for considering our submission and look forward to the opportunity to discuss these matters further.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Derek Weatherley', is located below the 'Yours sincerely' text.

Derek Weatherley  
**Chief Executive Officer**