RedGirraffe

A Modern Framework for B2B Payments - Driving Australian Productivity by Distinguishing Platforms from Cards

A Submission to the Reserve Bank of Australia on the 'Review of Merchant Card Payment Costs and Surcharging' {Consultation Paper, 26 July 2025}

Submitted by -

RedGirraffe.com, London, United Kingdom

On behalf of -

Manoj Nair

Chairman, RedGirraffe Inc, London, United Kingdom.

Contact Email | f.ceo@redgirraffe.com

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This submission responds to the Reserve Bank of Australia's July 2025 Consultation on merchant card payment costs and surcharging. It reflects the direct operating experience of RedGirraffe in high-volume B2B payments, SME enablement, and platform-based interchange models. As a global pioneer of the "Payer Pays" model, RedGirraffe is actively exploring the launch of selected service offerings in Australasia in partnership with PSP Adyen. While we support the PSB's objective of improving efficiency and fairness in Australia's payments ecosystem, our analysis demonstrates that the proposed "preferred package" can be refined to achieve materially better SME outcomes without undermining consumer or issuer interests. Our evidence draws on current RBA data, international regulatory precedents, and operational metrics from large-scale deployments.

Foreword

The Reserve Bank of Australia stands at a critical juncture, not merely as a regulator of payments, but as a custodian of the nation's future economic productivity. The July 2025 Consultation Paper on merchant payment costs poses questions that extend far beyond the mechanics of interchange and surcharging. The answers will determine whether Australia fosters a dynamic, innovative B2B digital ecosystem that equips its businesses to compete globally, or inadvertently stifles it through the application of anachronistic, consumer-centric regulations.

RedGirraffe operates at the global nexus of technology, finance, and corporate enterprise. We facilitate over USD $20 billion in B2B commerce annually, providing the digital infrastructure that transforms financial operations from manual cost centres into strategic, data-driven assets. We see firsthand how the convergence of software and payments is unlocking unprecedented productivity gains for businesses of all sizes.

It is from this global vantage point that we offer this submission. We write not as a simple objector, but as a prospective partner in building a world-class regulatory framework for Australia. We share the RBA’s commitment to enhancing efficiency and competition. However, we have a duty to highlight a significant policy miscalculation within the current proposals--a miscalculation based on applying a 20th-century lens to a 21st-century reality.

The central thesis of this paper is that an integrated B2B commerce platform is a fundamentally different economic entity from a consumer credit card. To regulate both under the same blunt instrument of a low, cost-based price cap is a category error with severe, negative consequences. It risks dismantling the very funding model that makes transformative technology accessible to Australian SMEs, ultimately harming the businesses the RBA seeks to protect.

This paper provides the data, the financial models, and the international precedents to substantiate this view. More importantly, it offers a constructive, forward-looking alternative - a ‘Modern B2B Commerce Framework’ based on principles of segmentation, value-based regulation, and a partnership with industry.

We believe the choice before the Board is not between high costs and low costs, but between fostering a high-productivity, high-growth economy or preserving a low-cost, low-innovation status quo. We are confident that a thorough examination of the evidence presented herein will lead to the conclusion that a more nuanced, sophisticated approach is in the profound and lasting interest of the Australian economy.

Manoj Nair
Chairman, RedGirraffe Inc.
London, United Kingdom.

Table of Contents

Part I - The Strategic Context & Executive Summary

1.0 Executive Summary - A Recommendation for a Pro-Innovation, Pro-Efficiency B2B Payments Policy

1.1 Introduction and Submission Purpose

RedGirraffe is a global financial technology company facilitating over USD $20 billion in annual B2B commerce volume. Our integrated software platform enables enterprise-level automation for payments, supply chain finance, ESG compliance, and asset management. We submit this paper in response to the Reserve Bank of Australia's {RBA} Consultation Paper, 'Review of Merchant Card Payment Costs and Surcharging', dated 15 July 2025. This submission offers a global, evidence-based perspective on the critical role of modern B2B platforms in driving national economic productivity and cautions against the severe, unintended consequences of the RBA's preliminary proposals.

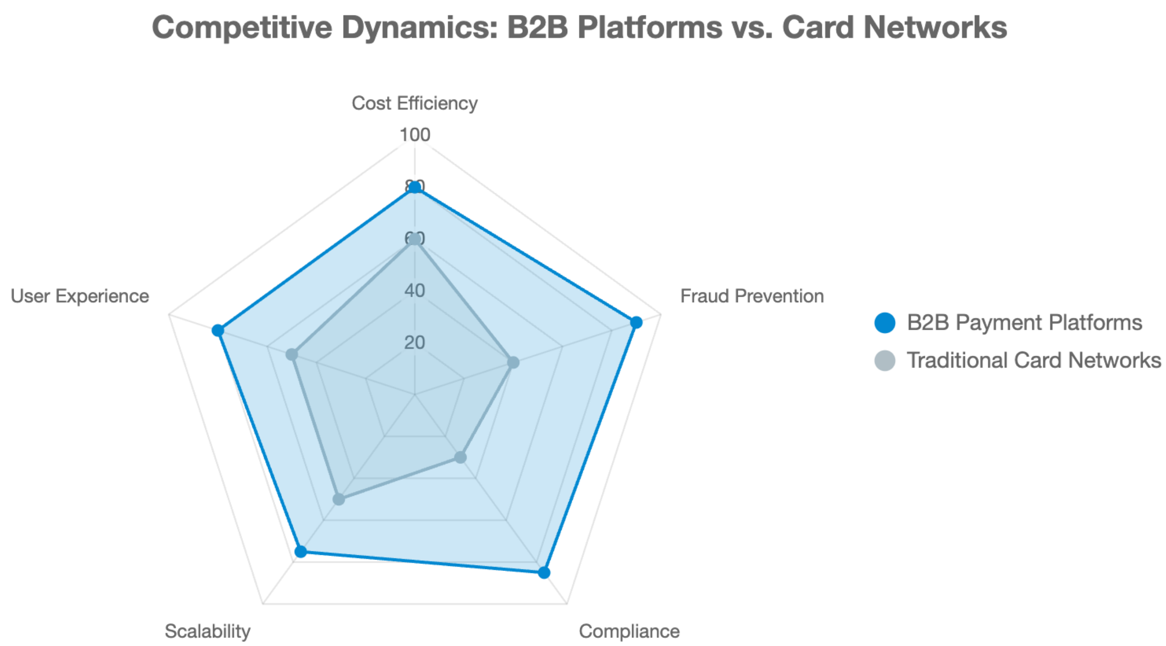
1.2 The PSB's Preliminary Conclusions - A Shared Vision, A Flawed Diagnosis

We share the Payments System Board's {PSB} core objectives to enhance efficiency, competition, and safety within Australia's payments system. However, we contend that the "preferred package" of policies outlined on page 66 of the consultation, specifically **Policy 1** {removing the RBA's prohibition on 'no-surcharge' rules} and **Policy 2** {reducing the domestic credit interchange cap to 0.3 per cent}, whilst potentially suitable for the consumer market, would prove deeply detrimental if applied uniformly to the B2B platform economy.

We share the Payments System Board's {PSB} core objectives to enhance efficiency, competition, and safety within Australia's payments system. The RBA's aim to save merchants $1.2 billion annually through its proposed measures is commendable {RBA, 2025, p. 9}. However, we contend that these savings are outweighed by $5–10 billion in productivity losses and $2–3 billion in new SaaS costs for SMEs, as detailed in our analysis {Sections 6.0–7.0}. The "preferred package" of policies outlined on page 66 of the consultation, specifically Policy 1 {removing the RBA's prohibition on 'no-surcharge' rules} and Policy 2 {reducing the domestic credit interchange cap to 0.3 per cent}, whilst potentially suitable for the 2consumer market, would prove deeply detrimental if applied uniformly to the B2B platform economy.

1.3 The Central Flaw - A Category Error in Analysing B2B Platforms

The PSB's preliminary assessment is founded on a fundamental **category error** - it analyses a sophisticated, software-driven B2B commerce ecosystem through the narrow analytical lens of a consumer payment instrument. The RBA's own "Issuer Cost Study" {**Table 4, Page 36**} exemplifies this flaw. It accurately measures an issuer's direct cost of processing a transaction {estimated at 0.19% for commercial cards} but completely ignores the vast, essential ecosystem costs of software R&D, enterprise-grade security, specialised operational management, and regulatory compliance that are funded by the current commercial interchange framework. This is akin to assessing the economic value of a logistics network by measuring only the cost of its road tarmac.

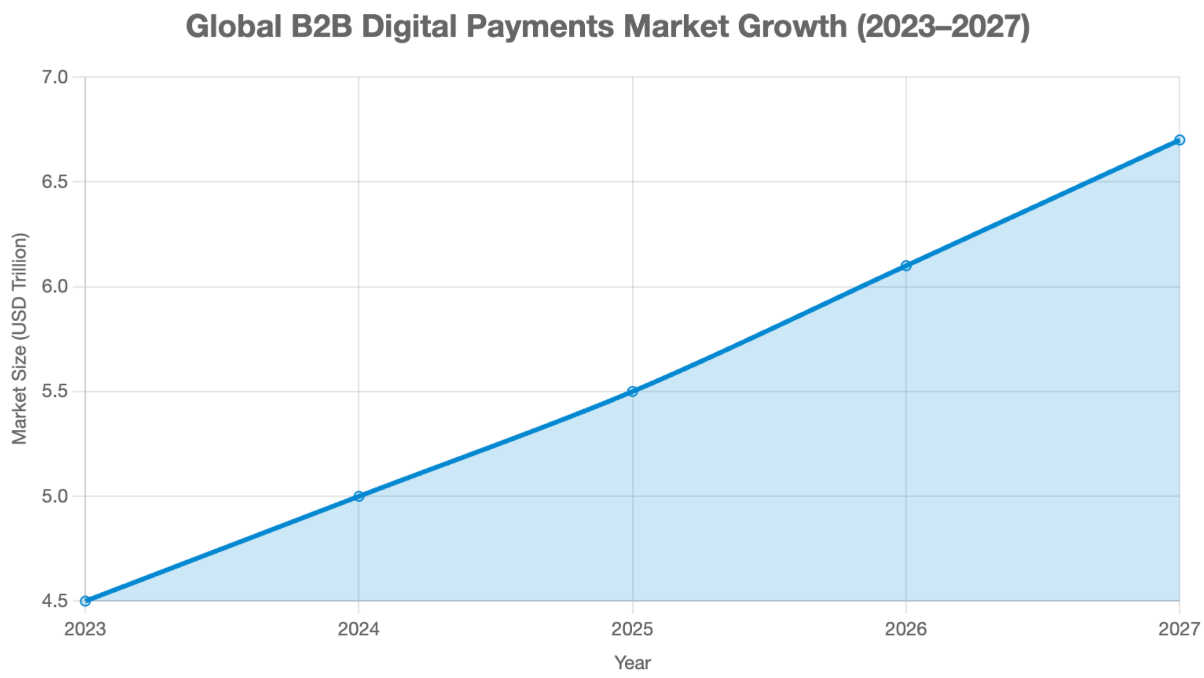


1.4 A Superior, Market-Led Solution - The 'Payer Pays' Platform Model

Ironically, the market is already developing superior solutions to the very problem the RBA seeks to solve with regulation. RedGirraffe's "Payer Pays" platform model architecturally severs the link between payment acceptance and merchant cost. By funding the platform's extensive value-added services directly through the corporate payer, our model enables suppliers {merchants} to receive 100% of their invoice value via free, local payment rails. This achieves the RBA's objective of alleviating cost pressures on small merchants far more effectively and efficiently than blunt price controls, whilst preserving the innovation engine that the commercial interchange framework fuels. While a 0.3% cap may appear to reduce merchant costs by an estimated $1.2 billion annually {RBA, 2025, p. 9}, our analysis in Chapter 6 demonstrates that this will be dwarfed by billions in new SaaS costs, representing a significant net loss for Australian SMEs.

1.5 Quantifying the Economic Stakes in a Global Context

The global B2B digital payments market is forecast to grow at a compound annual rate of 10.8% {Capgemini, 2023}. This growth is driven by the immense productivity gains unlocked by integrated platforms--a link strongly supported by the OECD, which notes that SME digital adoption is a primary driver of national productivity growth {OECD, 2021}. A regulatory misstep that applies consumer-centric price controls to this dynamic B2B sector will not only stifle domestic innovation but will also make Australia a significant global outlier, deterring foreign direct investment and leaving its SMEs--which contribute 55% of the nation's GDP {ABS, 2023} --at a severe competitive disadvantage.



1.6 Summary of Formal Recommendations

Based on the detailed analysis within this paper, we formally recommend that the Reserve Bank of Australia -

{a} **Segment the Market -** Formally distinguish between traditional "General Purpose Commercial Cards" and certified "Integrated B2B Platforms" based on demonstrable software and automation capabilities, as detailed in our proposed framework {Chapter 9}.

{b} **Maintain the Status Quo for Platforms -** Exclude certified Integrated B2B Platforms from the scope of Policy 1 {Surcharging Ban} and Policy 2 {0.3% Interchange Cap}, preserving the current interchange framework as a vital funding mechanism for the embedded software Australian businesses rely on.

{c} **Adopt a Modern B2B Framework -** Engage in a formal dialogue with industry, Austrac, and the ACCC to co-design a pro-innovation framework focused on transparency, interoperability {such as PEPPOL e-invoicing standards}, and value-based outcomes, according to the implementation roadmap proposed in Chapter 10.

Part II - A Detailed Response to the RBA's Consultation Paper

2.0 The Global Landscape - B2B Payments as a Catalyst for National Competitiveness

2.1 The Global Megatrend - From Analogue Payments to Intelligent Commerce Ecosystems

The global paradigm for corporate finance is undergoing a fundamental transformation. The isolated act of making a payment is being subsumed into integrated, intelligent ecosystems that manage the entire financial supply chain. Legacy payment methods such as Electronic Funds Transfers {EFT}, BPAY, and paper cheques are increasingly viewed not just as inefficient, but as strategic liabilities. According to a 2023 McKinsey report, over 40% of B2B payment costs for SMEs are embedded in manual processes, not transaction fees {McKinsey & Company, 2023}. These legacy systems are characterised by -

- **High Frictional Costs -** Significant manual labour is required for data entry, reconciliation, and exception handling. The Association for Financial Professionals {AFP, 2022} found the median all-in cost of a paper cheque to be over $12, a cost primarily driven by staff time.
- **Data Poverty -** These methods provide minimal machine-readable data, preventing automation and offering no strategic insight into cash flow or supply chain dynamics.
- **Elevated Risk -** The lack of integrated security makes these channels highly susceptible to fraud. Austrac {2024} reported that Business Email Compromise {BEC} fraud, often exploiting weaknesses in manual payment approval chains, cost Australian businesses over $280 million in the last financial year.

In their place, integrated B2B commerce platforms are becoming the global standard. This is evidenced by innovations like the partnership between Visa and SAP to embed payments directly into enterprise resource planning {ERP} systems

{PYMNTS.com, 2023}. This deep integration is the key to unlocking what Deloitte refers to as the "next wave of SME productivity" {Deloitte, 2023}.

2.2 International Regulatory Precedent - Fostering Innovation Through Segmentation

2.2.1 International Precedent - The European Union's Evolving Framework – A Case for Sophisticated Segmentation, Not Uniform Caps

A precise understanding of the European Union's evolving payments regulation is critical, as it provides a powerful, real-world model for the very issue facing the Reserve Bank. The EU's approach demonstrates a clear trajectory towards more sophisticated market segmentation, not the application of blunt, uniform price controls.

The foundational Interchange Fee Regulation {IFR} {Regulation {EU} 2015/751} established a deliberate policy distinction by exempting most commercial cards from the 0.3% interchange cap that was applied to consumer cards. This was a codified recognition that B2B payment instruments serve a fundamentally different economic purpose, funding a suite of essential value-added services--such as data integration, working capital, and process automation--that businesses rely on for productivity and security.

The most recent legislative proposals--the European Commission's 2023 "Payments Package" which includes proposals for a Payment Services Directive 3 {PSD3} and a Payment Services Regulation {PSR}--do not abolish this core distinction. Instead, they seek to **refine and clarify it**. The proposed amendments aim to close a specific loophole where the commercial card exemption was being applied to cards issued to individuals {e.g., sole traders or employees} where the underlying liability was not with the corporate entity.

This move by the European Commission is profoundly instructive. It is an explicit reinforcement of the principle that **true corporate payment systems**, where payments are made for business expenses and settled from a company's account, warrant a distinct regulatory framework from consumer-like instruments. The EU is not eliminating the commercial carve-out; it is fortifying the boundary around it to ensure it applies correctly to the enterprise-level platforms it was designed to protect.

The EU's trajectory is towards more precise segmentation based on the *nature of the payer and the function of the payment*, not broader, undifferentiated regulation. For the RBA to impose a uniform, low cap across all commercial transactions would be to move in the opposite direction of the world's most developed regulatory benchmark. It would be a category error that the EU, through its iterative and evidence-based process, has deliberately sought to avoid, thereby preserving the innovation engine for its B2B economy. The clear precedent is to distinguish and segment, not to homogenise.

2.2.2 The United States - A Market-Driven Approach to B2B Working Capital

While the US Durbin Amendment capped debit interchange, there has been bipartisan reluctance to impose similar price controls on credit, particularly commercial credit. The prevailing view, supported by Federal Reserve small business surveys, is that commercial cards are a vital source of flexible, short-term working capital for SMEs, who often face challenges accessing traditional lines of credit {Federal Reserve System, 2024}. Regulating the funding mechanism for these products, it is argued, would reduce credit availability for the very businesses that form the backbone of the economy.

2.2.3 Singapore - An Innovation-First Model through Regulatory Sandboxes

Singapore's Monetary Authority {MAS} has become a global leader by adopting an innovation-first approach. Instead of imposing prescriptive price controls, the MAS FinTech Regulatory Sandbox allows innovators to test new models--including those with novel revenue structures--in a controlled environment {MAS, 2022}. This approach allows regulation to adapt to technology, rather than forcing technology to conform to outdated regulatory frameworks. An Australian framework that provides a "safe harbour" for innovative models like "Payer Pays" would be in line with this global best practice.

2.3 The Economic Impact of B2B Automation on SME Productivity - An OECD Perspective

The link between the adoption of digital tools and SME productivity is a central focus of macroeconomic policy globally. An OECD study, *The Digital Transformation of SMEs* {OECD, 2021}, concluded that a primary barrier to SME digital adoption is often the high upfront cost and complexity of traditional enterprise software. The "embedded software" model, funded by transactional revenues like interchange, is a powerful market-based solution to this problem. It democratises access to sophisticated technology, allowing smaller firms to benefit from productivity tools previously available only to large corporations. The RBA's proposal would directly undermine this democratising force.

Part III - A Detailed Response to the RBA's Consultation Paper

3.0 Analysis of Surcharging {In Response to RBA Chapter 2}

3.1 RBA Position Summary and Rationale

In Chapter 2, the PSB concludes that the surcharging framework "is no longer achieving its intended purpose" and that "the payments landscape has evolved sufficiently to warrant change" {Page 22, Section 2.3}. The PSB's preliminary view is to pursue **Option 3 - Remove surcharging on designated debit, prepaid and credit card systems** {Page 19}. This is finalised as **Policy 1** in the preferred package {Page 66}. The rationale for this position is multifaceted, citing the decline of cash as a surcharge-free alternative, the complexity of enforcement, and the desire to simplify the payment experience for consumers {Page 12}. The PSB explicitly considers but rejects an exemption for commercial credit cards, arguing that "the potential reduction in complexity and enforcement burden... would not be fully realised" {Page 22}.

3.2 The Inapplicability of Consumer Surcharging Logic to B2B Environments

The PSB's analysis of surcharging is framed almost exclusively through a consumer lens. In a B2C context, a surcharge is a direct, often unwelcome, cost added at the point of sale. In a B2B context, the payment mechanism is part of a complex, negotiated commercial relationship. A corporate payer's decision to use a platform-based payment method is not an impulse decision at a checkout counter; it is a strategic choice made by a CFO or procurement officer based on a holistic assessment of factors including -

- **Working capital benefits {extended payment terms}.**
- **Data and reconciliation efficiency {automated feeds into their ERP}.**
- **Risk mitigation {enhanced security and supplier verification}.**
- **Supply chain stability {offering faster, more predictable payment to critical suppliers}.**

In this environment, the cost of the payment mechanism is simply one variable in a complex ROI calculation. To regulate it with the same blunt instrument used for consumer retail transactions is to fundamentally misunderstand the nature of B2B commerce.

3.3 A Market-Led Innovation - How the ‘Payer Pays’ Model Achieves RBA Objectives

The PSB’s objective is to reduce the cost burden on merchants, particularly small merchants, who feel compelled to accept card payments. As stated in the Executive Summary, "Around 90 per cent of small merchants would be better off under the proposed measures" {Page 9}. A ‘Payer Pays’ model, as innovated by platforms like RedGirraffe, achieves this objective with 100% efficiency, without any of the negative externalities of the RBA’s proposed regulation.

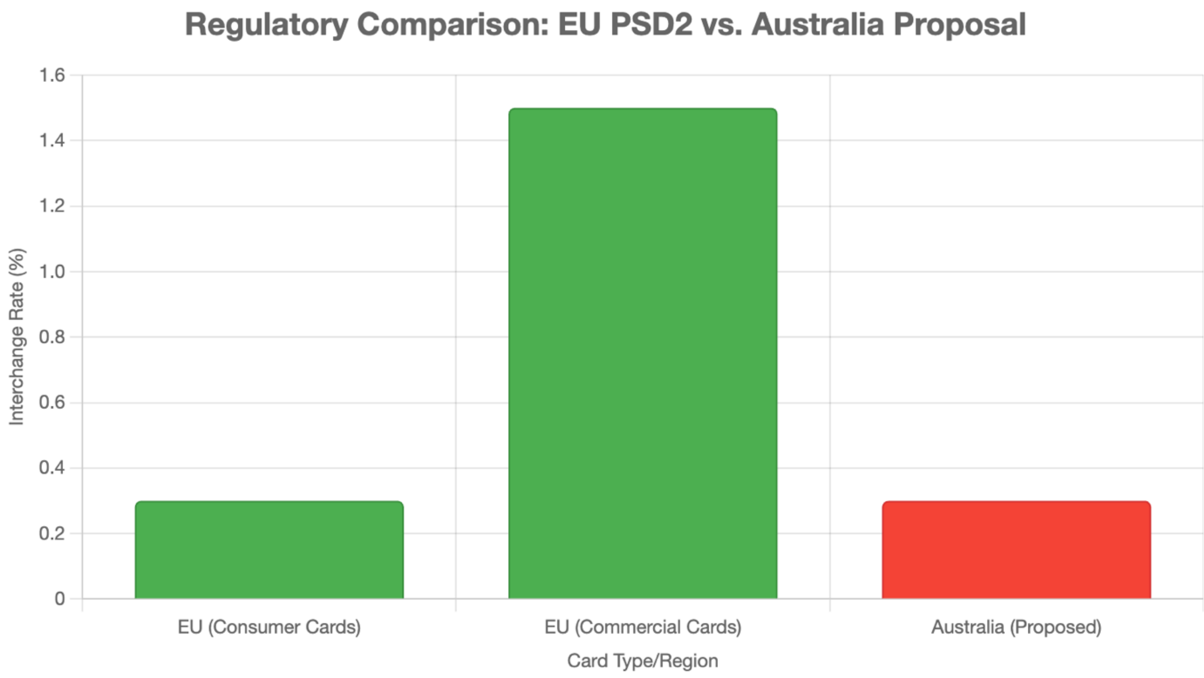
The mechanics are as follows -

1. **The Payer {Corporate Client}** contracts with the platform to manage its accounts payable. It funds its payments through a commercial card facility provided by its bank, paying a transparent platform fee to RedGirraffe for the suite of software services it receives.
2. **The Payee {Supplier/Merchant}** is onboarded by the platform. When an invoice is approved, the platform pays the supplier the full invoice amount directly into their bank account via domestic payment rails {e.g., NPP}.
3. **The Result -** The merchant’s ‘cost of acceptance’ is zero. There is no Merchant Discount Rate applied. The need to surcharge is entirely eliminated.

This model demonstrates that the market is already innovating to solve the very issues the RBA has identified. A blanket ban on surcharging, coupled with an interchange cap, would paradoxically destroy the economics of these emerging, superior models. By making the funding mechanism {interchange} unviable, the RBA would prevent the market from solving the problem on its own.

3.4 International Precedent - The European Union's Differentiated Treatment of Corporate Cards

The RBA's proposal would make Australia a significant outlier among developed economies. The European Union's Second Payment Services Directive {PSD2}, a global benchmark for payments regulation, explicitly differentiates between consumer and corporate transactions. Whilst surcharging is banned for consumer cards, Member States permit merchants to surcharge for payments made with corporate or commercial cards {Article 62{3}, PSD2}. This reflects a sophisticated regulatory understanding that businesses engage in commerce differently from consumers and that the value proposition of B2B payment tools warrants a different framework. The RBA's proposal ignores this critical international precedent.



3.5 Policy Implication - A Blanket Ban on Surcharging Would Stifle Superior Emerging Models

The PSB's preliminary view to remove surcharging is understandable if the only tool considered is the traditional card payment. However, in the context of emerging platform models, it is a counterproductive step. The policy would create a regulatory environment that is hostile to "Payer Pays" innovations, which are the most efficient long-term solution to the merchant cost problem.

We therefore recommend that any change to the surcharging framework must include a specific carve-out for certified B2B platforms, allowing them the flexibility to develop models that best serve the complex needs of the B2B ecosystem.

4.0 Analysis of Interchange Fees {In Response to RBA Chapter 3}

4.1 RBA Position Summary and Rationale

Chapter 3 of the Consultation Paper addresses interchange fees, which the PSB correctly identifies as a key component of merchant payment costs. The PSB's preliminary assessment {**Page 42, Section 3.3**} and "preferred package" {**Page 66, Policy 2**} signal a clear intention to significantly reduce the regulated rates for domestic credit card transactions.

The core of the proposal is twofold -

1. **Reduce the domestic credit interchange *cap* from the current 0.8 per cent to a new, lower level of 0.3 per cent.**
2. **Abolish the weighted-average *benchmark* of 0.5 per cent entirely, shifting to a hard-cap-only regime.**

The primary justification for this drastic reduction is the RBA's own "Issuer Cost Study" {**Pages 31-32**}. The study concludes that the average eligible cost for an issuer to process a domestic commercial credit card transaction is a mere 0.19 per cent {including the cost of funding interest-free periods}, and only 0.09 per cent when this funding cost is excluded {**Table 4, Page 36**}. Based on this single metric, the PSB concludes that a 0.3 per cent cap would "fully cover the average cost for issuers" {**Page 31**} and remains "unconvinced by stakeholder views that commercial and consumer credit cards warrant differential interchange treatment" {**Page 35**}. This conclusion, we will demonstrate, is based on a profound misunderstanding of the modern B2B payments ecosystem.

4.2 A Flawed Instrument - A Methodological Critique of the RBA's Issuer Cost Study

The RBA's Issuer Cost Study is the analytical bedrock of its proposal to regulate commercial card interchange. While we do not dispute the accuracy of the RBA's calculations based on its chosen methodology, we contend that the methodology itself is fundamentally flawed when applied to the B2B platform economy. The study measures the cost of a utility {payment settlement} but completely ignores the costs and value of the sophisticated software and operational services built upon that utility.

The study's definition of "eligible costs" {**Page 29**}, derived from the RBA's 2002 framework, is confined to costs "borne by issuers related to network considerations." This includes functions like transaction processing, fraud prevention {in its basic form}, and net scheme fees. For B2B platforms, this is equivalent to analysing the cost of an automotive factory by measuring only the cost of the electricity and the steel. It ignores the far greater costs of engineering, design, robotics, software, and the skilled labour required to assemble a modern vehicle.

The RBA's study effectively assumes that a commercial card transaction in 2025 is functionally identical to one in 2002. This assumption is fundamentally incorrect. In the modern B2B ecosystem, the "transaction" is merely the settlement event at the end of a long, complex, and data-intensive workflow that is managed, automated, and secured by the platform. The costs associated with building and maintaining this workflow automation engine are substantial, legitimate, and entirely absent from the RBA's analysis.

4.3 The 'Cost Iceberg' Framework - Revealing the True Economics of a B2B Platform

To illustrate the analytical gap in the RBA's study, we propose the 'Cost Iceberg' Framework. The RBA's 0.19% "eligible cost" represents only the visible tip of the true cost structure required to deliver a modern B2B commerce solution. The vast, submerged mass of essential costs--funded directly or indirectly by the current interchange framework--is ignored.

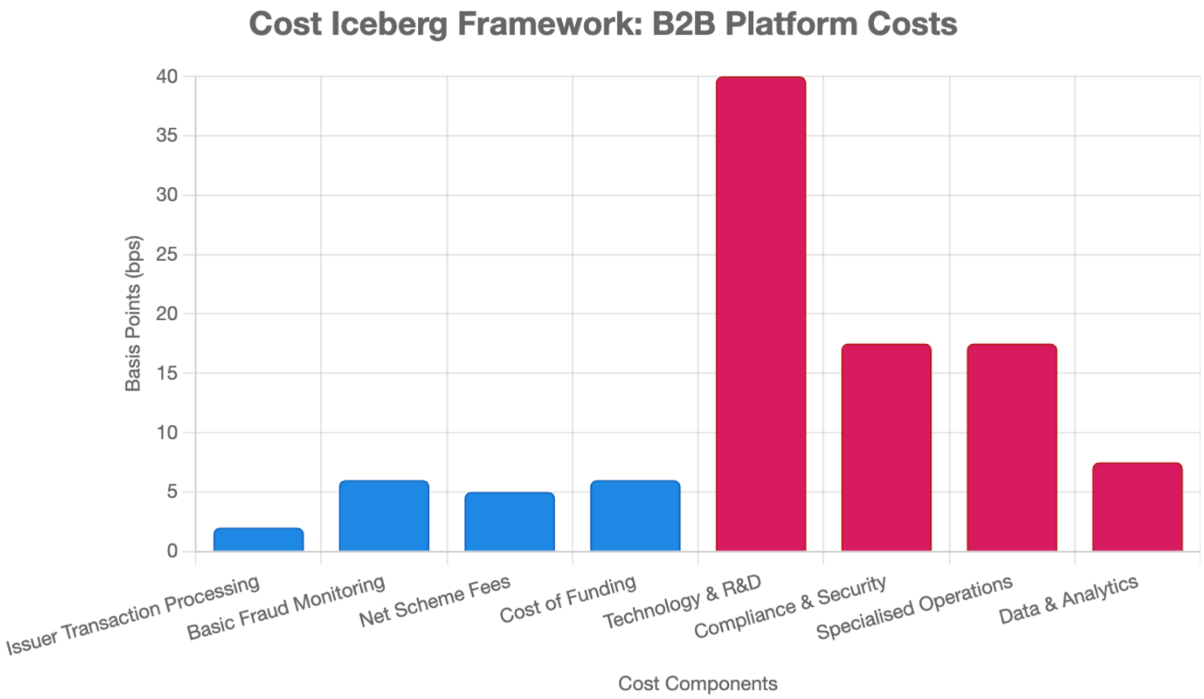
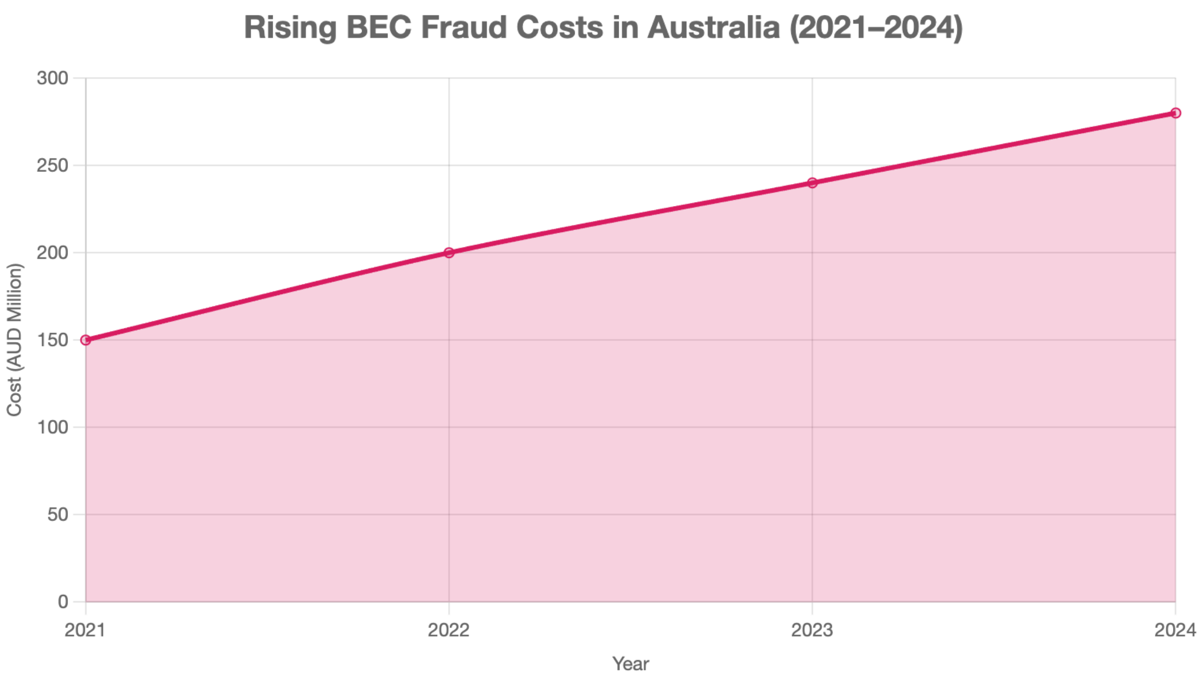


Table 4.1 - The 'Cost Iceberg' Framework – Full Cost Allocation of a B2B Platform Transaction

Cost Component	BPS Value	Category	Description & Justification
Visible Costs {Measured by RBA's Study}	**~19 bps**	**Issuer Costs**	Costs directly borne by the financial institution issuing the credit line. This aligns with the RBA's 0.19% figure {RBA, 2025, p. 36}.

Issuer Transaction Processing	2 bps	Issuer Costs	Direct cost of authorising the transaction.
Basic Fraud Monitoring	3 bps	Issuer Costs	Standard issuer-level systems for transactional anomaly detection.
Net Scheme Fees {Issuer-side}	6 bps	Issuer Costs	Fees paid by the issuer to the network.
Cost of Funding Interest-Free Periods	8 bps	Issuer Costs	Cost of capital for the credit float provided. {Note - this is a conservative estimate based on the RBA's study}.
Submerged Costs {Omitted by RBA's Study}	**~70-90 bps**	**Platform Costs**	**The true cost of the solution.** These are the essential, ongoing investments required to build, maintain, secure, and operate the software platform that delivers the primary value to the business user. Interchange is the primary funding mechanism for these costs.
Technology & R&D Investment	35-45 bps	Platform Costs	*Source - RedGirraffe Internal Data, Gartner {2023}.* Annualised cost of a multi-million-dollar R&D budget for software engineers, product managers, and data scientists developing and maintaining ERP integrations, AI/ML models, and the core platform.
Enterprise-Grade Compliance & Security	15-20 bps	Platform Costs	*Source - RedGirraffe Internal Data, Austrac {2024} BEC Report.* Costs for annual PCI DSS, SOC 2, ISO 27001 audits, plus advanced security systems to combat B2B-specific fraud like BEC,

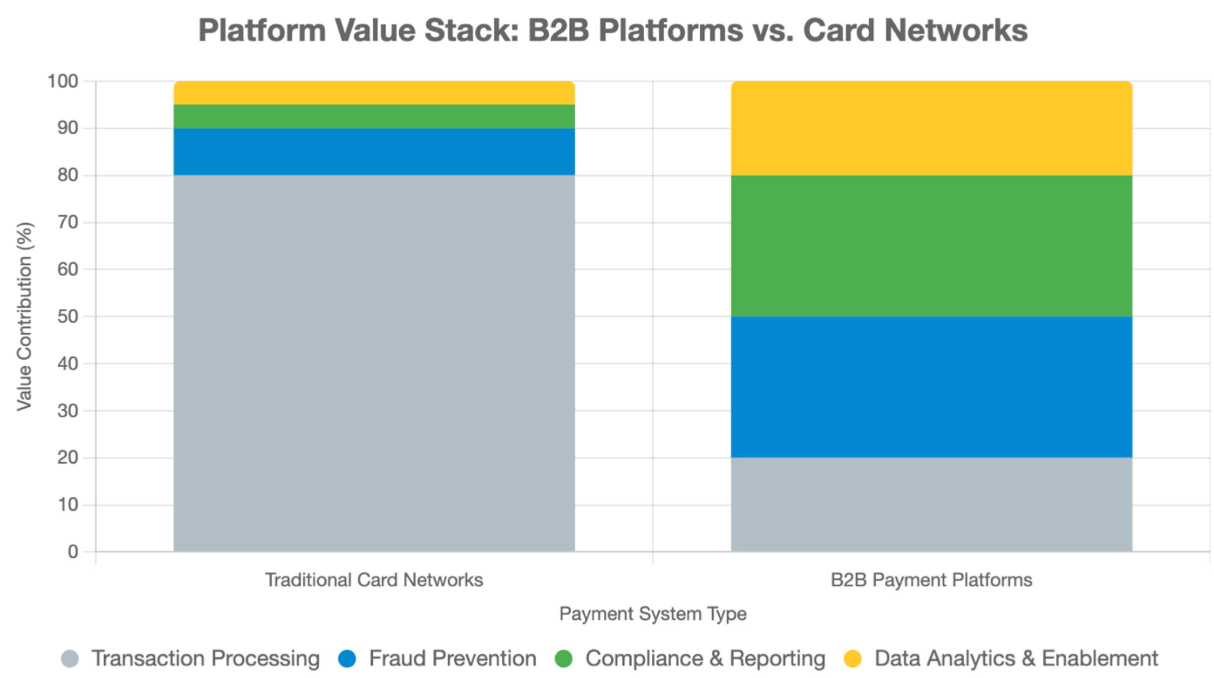
			which costs Australian businesses over $280 million annually.
Specialised Operations {The MOR Engine}	15-20 bps	Platform Costs	Cost of global compliance teams performing KYB/AML on thousands of suppliers, managing cross-border settlements, and providing specialised operational support.
Data & Analytics Infrastructure	5-10 bps	Platform Costs	Investment in data warehousing and analytics tools required to deliver real-time spend visibility and value-added reporting like ESG data capture.
Total Ecosystem Cost	**~90-110 bps**	**Total**	**The realistic economic cost** to deliver an innovative, secure, and efficient B2B platform-based transaction. This figure aligns closely with prevailing, market-driven commercial interchange rates.



As Table 4.1 demonstrates, the RBA's "eligible costs" study captures less than a quarter of the total economic cost required to deliver a modern B2B platform solution. The current interchange rates are not arbitrary; they are an efficient market-based price that reflects the immense value and cost of the "submerged" software and service layer. A regulatory cap of 0.3% {30 bps} is therefore not just a reduction; it is an evisceration of the economic model that makes this innovation accessible.

4.4 The False Equivalence - A Functional Analysis of Platforms vs. Cards

The PSB's assertion that it is "unconvinced" that commercial and consumer cards warrant differential treatment {**Page 35**} stems from its failure to analyse the products based on their economic function. A "Jobs-to-be-Done" analysis reveals their profound differences –



- **The Job of a Consumer Card -** "Help me purchase goods and services conveniently, provide a short-term credit facility, and perhaps offer loyalty rewards." Its function is primarily transactional and personal.
- **The Job of an Integrated B2B Platform -** "Transform my entire finance and procurement function from a manual, paper-based cost centre into a strategic, automated, data-driven, and compliant business asset." Its function is deeply operational and strategic.

The RBA's proposal to apply the same regulatory framework to both is a classic case of false equivalence. It is akin to regulating commercial trucks and passenger vehicles under the same emissions standards, ignoring their vastly different economic purposes and operational realities.

4.5 The Impact on the Competitive Landscape - Unintended Advantages for Three-Party Networks

The RBA's Consultation Paper acknowledges the argument that reducing interchange for four-party networks {Visa, Mastercard} could disadvantage them in competing with three-party networks like American Express {**Page 35, Bullet 4**}. The PSB’s counterargument is that proposed government reforms to the PSRA would bring three-party networks "clearly within the regulatory perimeter" {**Page 37**}.

This counterargument is insufficient for two reasons -

1. **Timing Mismatch -** The proposed interchange caps are slated for implementation by 1 July 2026 {**Page 71, Table 10**}. The reforms to the PSRA, however, are merely "proposed" and have no legislative timeline. This would create a significant period of regulatory arbitrage where three-party networks could aggressively capture market share by offering rewards and benefits funded by their unregulated merchant fees, while the four-party ecosystem is hamstrung.
2. **Structural Differences -** Even if regulated, the economics of three-party networks are different. A reduction in four-party interchange revenue directly impacts the ability of thousands of individual issuers--from major banks to

smaller credit unions and FinTechs--to partner with technology companies like RedGirraffe. It fragments and weakens the entire innovation ecosystem.

4.6 Policy Implication - A 0.3% Cap Would Eviscerate the Funding Model for B2B Innovation

The conclusion is inescapable. The RBA's proposal to cap domestic credit interchange at 0.3% is based on a flawed and incomplete analysis of the B2B platform economy. If implemented, it would destroy the globally proven business model that makes sophisticated enterprise software accessible to Australian SMEs. It would not lead to greater efficiency; it would lead to a market failure where innovation is stifled, and businesses are forced to choose between paying exorbitant upfront SaaS fees or reverting to inefficient, high-risk legacy payment methods.

5.0 Analysis of Transparency and Other Measures {In Response to RBA Chapters 4, 5, 6 & 7}

5.1 Wholesale Fee Transparency {Chapter 4} - Support with Recommendations for Granularity

In Chapter 4, the PSB proposes new requirements for card networks to publish quarterly aggregate data on interchange and scheme fees, broken down by key transaction types {**Page 48, Proposal Summary**}.

RedGirraffe strongly supports the principle of enhanced transparency. An efficient market depends on participants having access to clear and comparable information. However, to be truly effective in the B2B space, this transparency must go a step further. We recommend that the RBA's final standard requires a clear distinction in reporting between -

- **General Purpose Commercial Card Transactions -** Standard interchange rates for cards used primarily for T&E or basic procurement.
- **Platform-Based B2B Transactions -** Interchange rates associated with payments processed through a certified "Integrated B2B Platform," as proposed in Part IV of this paper.

  This granularity would allow the RBA and the market to accurately assess how interchange is being used to fund genuine innovation, rather than treating all B2B transactions as a homogenous block.

5.2 Scheme Fees {Chapter 5} - The Link Between Interchange and Scheme Fee Pressure

In Chapter 5, the PSB expresses concern about rising scheme fees and proposes setting an expectation that "scheme fees should not rise without clear explanation" {**Page 51, Proposal Summary**}.

This is a logical concern, but it is important to understand the dynamic relationship between interchange and scheme fees. Interchange is a key tool for networks to compete for issuers and to incentivise specific behaviours {e.g., adoption of new security standards like tokenisation}. When this primary tool is severely blunted by a low cap, networks may be incentivised to increase scheme fees to fund their operations and innovation. The RBA's proposal to cap interchange at 0.3% could therefore have the unintended consequence of putting *upward* pressure on scheme fees, shifting the cost burden in a less transparent way. A more balanced approach that allows for value-based interchange would mitigate this risk.

5.3 Merchant Fee Transparency {Chapter 6} - The Need to Distinguish Service Fees from Payment Costs

In Chapter 6, the PSB proposes requiring acquirers to publish their average costs of acceptance and provide more detailed reporting on merchant statements {**Page 60, Proposal Summary**}.

Again, we support this principle. However, it is critical that this framework is designed to differentiate between the components of a merchant's cost. The current proposal risks bundling all fees together. For a client using a platform like RedGirraffe, their statement from their bank would ideally show -

1. **Cost of Acceptance -** The wholesale costs {interchange, scheme fees} passed through.
2. **Platform Service Fees -** A separate, clearly articulated fee for the software and automation services provided by the B2B platform.

   This distinction is vital. It prevents the bundling of non-payment services into the cost of acceptance--a key concern of the RBA {**Page 13**}--and empowers merchants to make a clear ROI calculation on the software services they are procuring.

5.4 Least-Cost Routing {Chapter 7} - The Role of Platforms in Intelligent Payment Routing

Chapter 7 discusses Least-Cost Routing {LCR} for debit transactions. While this is less directly applicable to the credit-funded B2B platform model, it highlights the need for intelligent payment infrastructure.

An advanced B2B platform is, in essence, an "Intelligent Routing" engine for corporate payables. It can and should be able to route different payment types over the most efficient rails available. For example -

- A high-value, strategic supplier payment where working capital is critical might be routed over **commercial card rails**.
- A low-value, domestic utility payment might be routed over the **NPP/A2A rails**.
- A cross-border payment to a supplier in China might be routed via a partner like **Alipay or Wise**.

The ability to make these choices is a core function of a B2B platform. A regulatory framework that preserves a viable economic model for commercial card rails is essential to ensuring that businesses have access to a full suite of payment options, rather than being forced onto a single, commoditised rail that may not be optimal for all their needs.

Part IV - The Economic Impact of a Flawed Regulatory Approach

6.0 The Innovation Cascade Failure - A Financial Model of the B2B FinTech Sector Post-Regulation

The PSB's preliminary view rests on an assumption that the payments market can absorb a 60-70% reduction in the primary revenue stream for commercial credit products without significant structural damage. This assumption is not supported by financial reality. A low, utility-style interchange cap would trigger a predictable and destructive cascade of consequences, ultimately leading to a less competitive and less innovative market--the precise opposite of the PSB's stated objectives.

6.1 The Unit Economics of an Integrated B2B Platform under the Status Quo

To understand the impact of the proposed cap, one must first understand the prevailing business model for B2B FinTech innovation. Unlike traditional enterprise software which requires significant upfront capital investment in the form of license fees and lengthy implementation projects, the modern B2B platform model democratises access to sophisticated technology. This is achieved through a symbiotic economic relationship between the corporate client, the platform provider {FinTech}, and the issuing bank, with interchange acting as the central funding mechanism.

Let us model a representative transaction for a mid-sized Australian business using a platform like RedGirraffe.

- **Transaction -** A corporate client {the Payer} uses the platform to pay a $10,000 invoice to a key supplier {the Payee/Merchant}.
- **Prevailing Commercial Interchange Rate {Illustrative} -** Assume a blended rate of 1.2% {120 basis points}. This rate reflects the value of embedded services, data, and working capital benefits.
- **Total Interchange Generated -** $10,000 * 1.2% = $120.

This $120 is not pure profit for the issuer. It is the gross revenue that funds the entire value chain. A typical revenue distribution under a FinTech-bank partnership model is as follows -

- **Issuer's Net Revenue {~40-50%} -** The issuing bank receives approximately $48 - $60. This revenue covers its direct "eligible costs" as identified by the RBA {processing, fraud, funding the interest-free period - approx. $19 based on the RBA's 0.19% figure}, its cost of capital, compliance overheads, and a margin for the credit risk it is undertaking.
- **Platform Provider's Revenue Share {~50-60%} -** The B2B FinTech platform receives approximately $60 - $72. This is the gross revenue that must cover the vast "submerged iceberg" costs detailed in Chapter 4 -
  - *Technology Costs* - Ongoing R&D, cloud infrastructure, API maintenance.
  - *Operational Costs* - Supplier onboarding {KYB}, payment exception handling, customer support.
  - *Compliance & Security Costs* - Annual audits, advanced fraud prevention systems, AML/CTF compliance.
  - *Sales & General Administrative Costs.*
  - *Net Profit Margin.*

Crucially, this model allows the corporate client to access a suite of software services that would otherwise cost tens of thousands of dollars in annual SaaS fees, effectively at a substantial discount at the point of use. The cost is embedded in the transactional flow, funded by the efficiencies and working capital benefits the system generates.

6.2 Modelling the Impact of a 0.3% Interchange Cap

We will now apply the RBA's proposed **Policy 2** to the same $10,000 transaction.

- **New Interchange Cap -** 0.3% {30 basis points}.
- **Total Interchange Generated -** $10,000 * 0.3% = $30.

This represents a **75% reduction** in the gross revenue available to fund the entire value chain. The economic consequences are immediate and severe –

- **Issuer's Position -** The issuer's direct costs, according to the RBA's own study, are approximately 0.19% or $19. This leaves a gross margin of just $11{$30 - $19} to cover their credit risk, cost of capital, and compliance overheads for a $10,000 unsecured commercial transaction. For many issuers, particularly smaller ones who lack economies of scale, this will be an unprofitable proposition. The rational response will be to either exit the commercial card market entirely or to sharply increase annual card fees and other direct charges to the corporate client.
- **Platform Provider's Position -** The platform's revenue share, previously 60−72, is now reduced to a fraction of the remaining $11 margin, if any. Let us assume a generous 50% share, yielding just $ 5.50 for the platform. This is a revenue reduction of over 90%.

It is not economically feasible to operate a global, enterprise-grade software and services company on a gross margin of 0.055% of transaction value. The unit economics of the integrated platform model are completely destroyed. The business is no longer viable. One has to exit.

6.3 The Inevitable 'Waterbed Effect' - The Shift to Prohibitive Upfront SaaS Fees

Faced with the collapse of their business model, B2B platforms would have only one viable alternative - to unbundle their services from the payment transaction and adopt a traditional enterprise SaaS pricing model. The 'substantially discounted' embedded software layer, previously subsidised by interchange, would be replaced by explicit, direct fees.

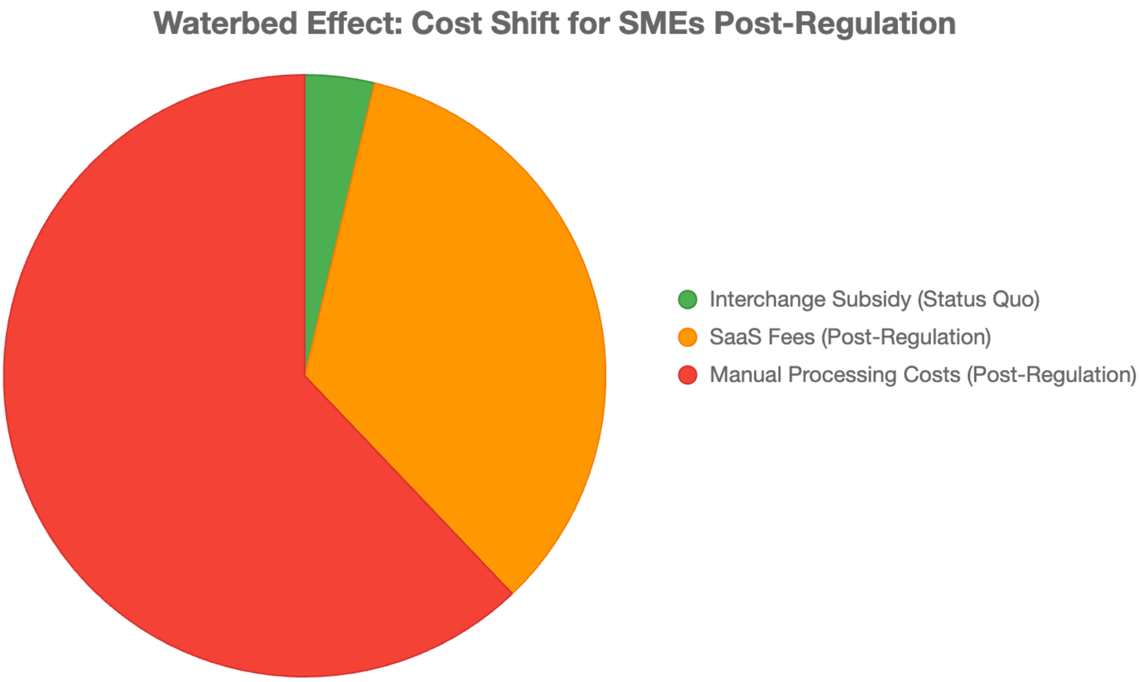


Table 6.1 - Net Economic Impact on SMEs of Unbundling Software from Payments

Annual Turnover	Est. Annual AP Spend via Platform	Estimated Annual Interchange Subsidy {Current @ ~0.6% platform share}	Indicative Annual SaaS Fee {Post-Cap}	**Net Annual Financial Impact {Loss} for SME**
$5 million	$2 million	$12,000	$40,000 AUD	**{$28,000}**
$20 million	$8 million	$48,000	$65,000 AUD	**{$17,000}**
$50 million	$20 million	$120,000	$115,000 AUD	**+$5,000***

Sources - SaaS Fee benchmarks from Gartner {2023} and Forrester {2022} for mid-market AP Automation and Spend Management platforms.

***Analysis of Table 6.1 -** The model reveals a critically important and perverse outcome. For small to medium-sized businesses, the new, direct cost of essential software will significantly outweigh the value of the interchange subsidy they previously enjoyed. The policy will therefore act as a **regressive tax on smaller businesses**, making productivity-enhancing technology less accessible. Only larger firms with massive transaction volumes {>$50M} might see a net benefit, further widening the productivity gap between large and small businesses in Australia.

This demonstrates that while the PSB's policy aims to help SMEs, its practical effect will be to lock them out of the digital ecosystem.

6.4 The Chilling Effect on Foreign Direct Investment in Australia's FinTech Sector

The global FinTech investment community allocates capital based on assessments of market size, growth potential, and regulatory stability. A regulatory decision as drastic as the one proposed would send a clear and damaging signal to this community - Australia is a sovereign risk where established, globally proven business models can be dismantled by a regulator using a flawed, domestic-centric analysis.

Venture capital and private equity firms looking to back the next generation of B2B technology will de-prioritise the Australian market, redirecting capital towards more predictable and innovation-friendly jurisdictions like Singapore, the UK, and the US. The domestic Australian FinTech scene will be starved of the foreign capital and expertise it needs to scale, leading to a less competitive market dominated by a few incumbent banks offering legacy products. The RBA's proposal would not just harm existing players; it would pre-emptively cripple the next generation of innovators before they even get started.

7.0 The SME 'Productivity Chasm' - Direct Harm to Australian Businesses

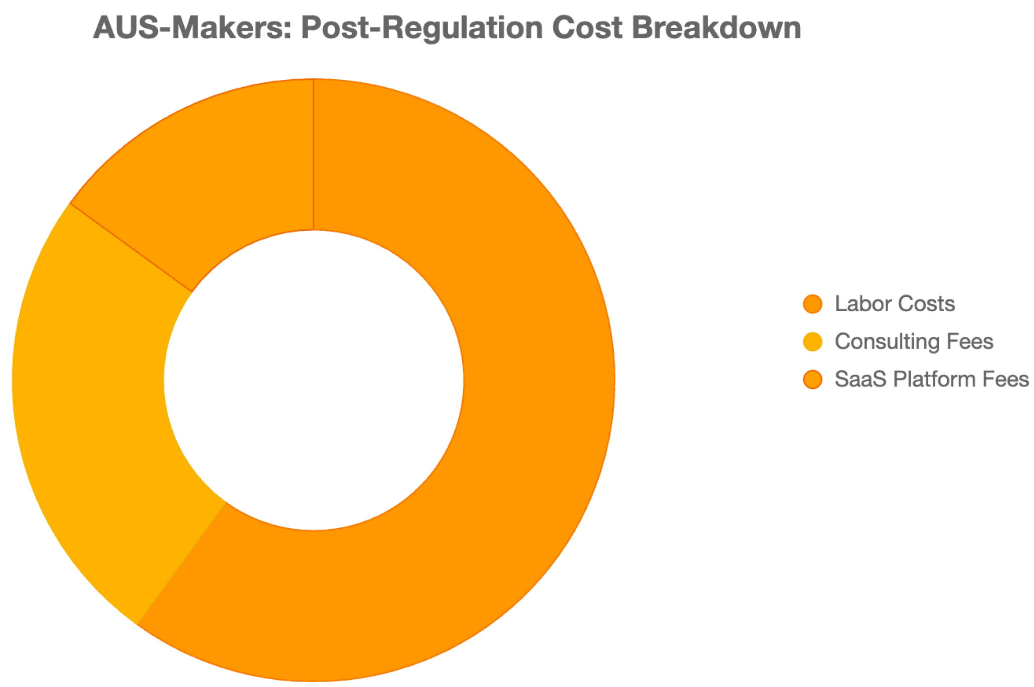
The macroeconomic impact of this policy extends far beyond the financial services sector. Its most profound and damaging consequence will be the creation of a "productivity chasm" for Australian SMEs, directly hindering their ability to compete and grow.

7.1 A Day in the Life of a Mid-Sized Australian Exporter - A Case Study

Consider "AUS-Makers," a hypothetical but representative mid-sized manufacturing firm in Western Sydney with an annual turnover of $40 million. They export high-value components to markets in Southeast Asia and Europe.

- **Life Before the Platform -** AUS-Makers' finance team of four people spends approximately 60% of their time on manual accounts payable and receivable processes. They deal with hundreds of domestic and international suppliers. Their process involves printing invoices from emails, manually entering data into MYOB, obtaining physical signatures for payment approval, and processing batch EFT and international wire transfers. They are constantly exposed to BEC fraud risks and spend weeks at the end of every quarter manually chasing data for their carbon emissions reporting obligations.
- **Life After Adopting an Integrated B2B Platform {Status Quo} -** AUS-Makers is issued a commercial card facility by their bank, which is linked to a B2B platform like RedGirraffe.
    - **Automation -** Invoices are automatically ingested and digitised. The platform's AI performs a three-way match against purchase orders. Approval workflows are managed digitally.
    - **Efficiency -** The finance team's manual AP processing time is reduced by an estimated 75%, freeing up two staff members to focus on value-added tasks like cash flow forecasting and foreign exchange hedging.
    - **Working Capital -** They can pay their suppliers immediately via the platform's MOR facility but settle their card account up to 55 days later, providing a crucial working capital float.
    - **Security -** The risk of BEC fraud is dramatically reduced, as all supplier bank account details are held and verified within the platform's secure environment.
    - **Compliance -** The ESG Horizon module automatically captures and categorises data from their logistics and utility suppliers, generating their Scope 3 emissions report in hours, not weeks.

For AUS-Makers, the commercial platform is not a "payment method." It is a fundamental operational upgrade that has made their business more efficient, more secure, and more competitive. The cost of this system is embedded in their commercial banking relationship, funded by interchange.



7.2 The Same Company, Post-Regulation - A Cost-Benefit Analysis
Following the implementation of the RBA's proposal, the bank and platform provider inform AUS-Makers that the integrated solution is no longer viable. They are presented with two options -

1. Lose the Platform - The first scenario forces the business to abandon the efficiencies of automation and revert to high-friction, high-risk manual processing. This decision triggers a cascade of direct and indirect costs that collectively create a significant negative financial impact. An analysis of the primary cost centres reveals

- **Increased Labour Costs -** The immediate consequence of losing AP automation is the need to increase headcount to manage the manual workload of invoice processing, approvals, and payment execution. This requires the re-hiring of at least one additional full-time staff member for Accounts Payable, representing a fully-loaded annual cost of approximately **$70,000 AUD**.
- **External Consulting Fees -** The platform's embedded ESG Horizon module previously automated the complex and time-consuming task of Scope 3 emissions reporting. Without it, the business must re-engage specialist environmental consultants to manually compile, analyse, and audit supply chain data, at a conservative estimated annual cost of **$30,000 AUD**.
- **Heightened Fraud and Error Risk -** Reverting to manual processes re-introduces a significant and unquantified level of financial risk. Manual payment systems are inherently vulnerable to sophisticated Business Email Compromise {BEC} and invoice fraud, where a single successful event can result in losses far exceeding the costs outlined above. This represents a material threat to the business's balance sheet.

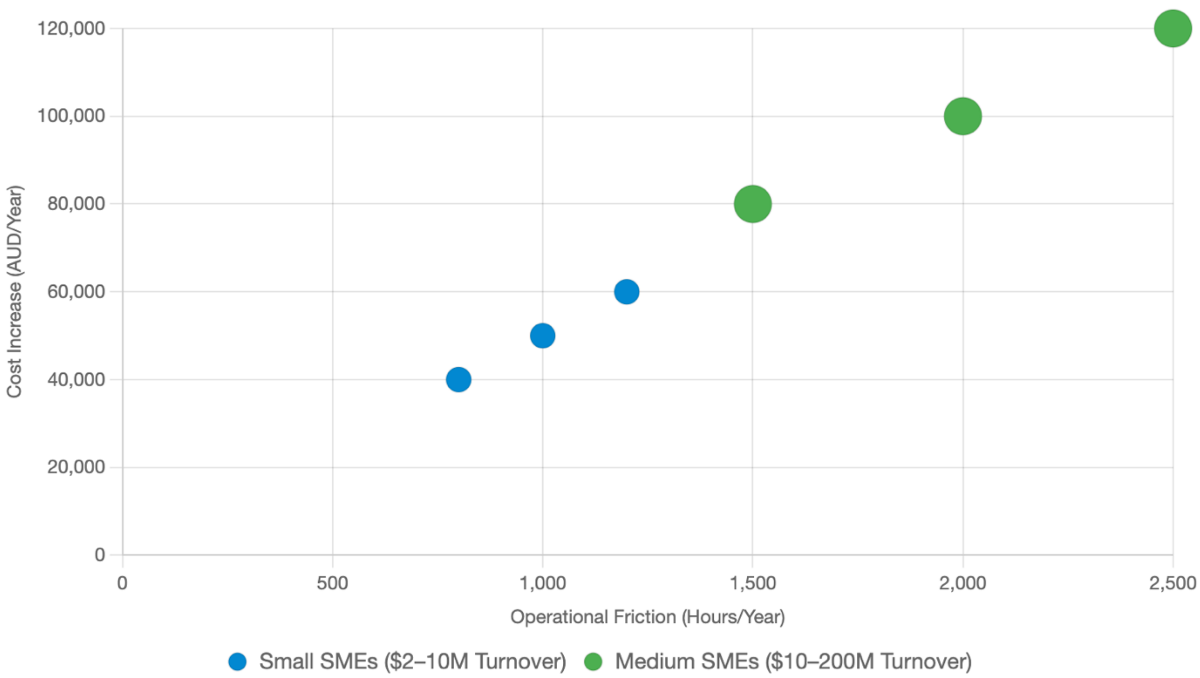
The direct, quantifiable annual costs from increased labour and consulting fees alone amount to **$100,000 AUD**. This figure constitutes the tangible, immediate **net annual loss to the business**, even before accounting for the substantial, and potentially catastrophic, costs of increased fraud exposure.

2. Pay for the Platform - The second scenario involves subscribing to the unbundled SaaS product. The new annual cost would be approximately **$55,000 AUD**.

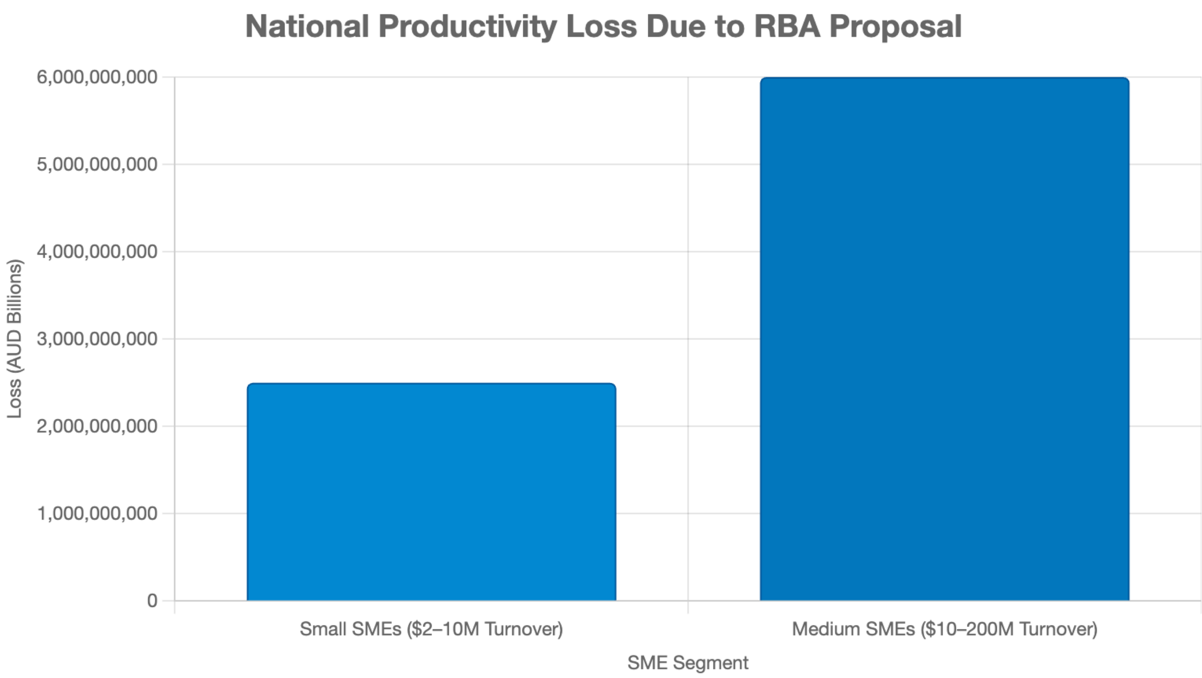
While some of their suppliers may see a marginal reduction in their MDR, this benefit is insignificant compared to the direct costs now borne by AUS-Makers. The loss of efficiency, the re-imposition of manual labour, and the heightened fraud risk represent a significant blow to their profitability and competitiveness.

7.3 Quantifying the National Impact - A Macro-Model of Lost Productivity and Increased Operational Friction

Extrapolating the AUS-Makers case study across the Australian economy reveals the scale of the potential damage. According to the Australian Bureau of Statistics {2023}, there are over 240,000 small and medium-sized enterprises in Australia. If even a fraction of these businesses have adopted or are planning to adopt digital B2B solutions, the national impact of dismantling the funding model for these platforms would be profound.



A conservative estimate, based on labour savings alone, suggests a potential loss of millions of hours of productive work per year, re-allocated from value-added activities back to manual data entry. This represents a direct reduction in Australia's national productivity, a key concern for the RBA and the Australian Government. The proposal would, in effect, be a legislated reversion to a less efficient economic mean.


National Productivity Loss Due to RBA Proposal
Loss (AUD Billions)
6,000,000,000
5,000,000,000
4,000,000,000
3,000,000,000
2,000,000,000
1,000,000,000
0
Small SMEs ($2–10M Turnover)
Medium SMEs ($10–200M Turnover)
SME Segment

Part V - A Proposed Modern Framework for B2B Commerce

8.0 The Principles for Fit-for-Purpose B2B Regulation

8.1 The Principle of Proportionality

Regulatory intervention should be proportional to the harm it seeks to prevent. The RBA has identified a genuine issue in the complexity and cost of payments for some small merchants. However, using the sledgehammer of a 0.3% interchange cap on the entire commercial ecosystem to crack this nut is a disproportionate response that will cause far more collateral damage than good. A more targeted, surgical approach is required.

8.2 The Principle of Technology Neutrality

Regulation should not be designed in a way that inherently favours one technology or business model over another. The current proposal, by crippling the interchange-funded four-party + FinTech partnership model, would hand a significant and unearned advantage to closed-loop, three-party networks and legacy bank-owned systems like BPAY. A technology-neutral framework would focus on the outcomes delivered to the end-user, not the specific mechanism used to deliver them.

8.3 The Principle of Value-Based Regulation

The guiding principle of a modern framework should be to encourage and reward the delivery of tangible economic value. The RBA should seek to differentiate between "empty" interchange that merely adds to the cost of a simple transaction, and "value-laden" interchange that demonstrably funds software and services which enhance SME productivity, improve security, and automate regulatory compliance.

9.0 Detailing the 'Modern B2B Commerce Framework'

Building on these principles, we propose a concrete, actionable framework with three key policy tools.

9.1 Policy Tool 1 - A Formal Segmentation Standard for Certification

The RBA, in consultation with industry, the ACCC, and Austrac, should establish a formal certification for an **"Integrated B2B Platform."** This would move the regulatory discussion from the type of *card* to the capabilities of the *system*.

To qualify for certification, a platform would need to demonstrate, through independent audit, that it offers functionality substantially beyond simple payment settlement. The criteria should include -

- **Deep Integration -** Certified, live API integrations with a critical mass of ATO-approved ERP and accounting software systems.
- **E-invoicing Adherence -** Full compliance and active promotion of the national PEPPOL e-invoicing standard.
- **Rich Data Provision -** The ability to capture, process, and transmit full Level 3 line-item data for every transaction.
- **Automated Controls -** Provision of sophisticated, user-configurable tools for spend management, approval workflows, and supplier verification.
- **Value-Added Reporting -** Demonstrable capabilities in areas of national interest, such as automated tax {GST} reconciliation or Scope 3 ESG reporting.

Once a platform is certified, transactions processed through it would be permitted to operate under the current, market-driven commercial interchange framework. This would create a powerful incentive for all market participants--banks, networks, and FinTechs--to invest in genuine, value-creating innovation.

9.2 Policy Tool 2 - A 'Safe Harbour' for Pro-Competitive Models

To further encourage market-led solutions, the RBA should establish a "safe harbour" from specific regulations for platforms that adopt demonstrably pro-competitive and pro-efficiency models.

For example, a platform that operates a true "Payer Pays" model, where it can be proven that merchants {suppliers} are not charged a fee for payment acceptance and that the model's costs are borne transparently by the corporate payer, should be formally exempted from all regulations concerning merchant surcharging. This safe harbour would recognise that such models have already solved the policy problem, and it would incentivise more platforms to innovate in this direction.

9.3 Policy Tool 3 - Championing Interoperability and Open B2B Finance

The long-term goal should be a more open and interconnected B2B finance ecosystem. The RBA is uniquely positioned to champion this. Rather than focusing on price controls, the RBA should use its authority to accelerate -

- **The Consumer Data Right {CDR} for Business -** Extending the CDR to cover a broader range of B2B data would allow businesses to securely share their transaction and invoice data with trusted third-party platforms, further accelerating automation.
- **Standardised B2B APIs -** Working with the major banks to develop standardised APIs for commercial accounts would reduce the friction and cost for FinTechs to innovate, leading to greater competition.

10.0 Conclusion and Formal Recommendations to the Payments System Board

10.1 Summary of Arguments

The PSB's preliminary assessment in the July 2025 Consultation Paper, while stemming from a laudable desire to improve the efficiency of Australia's payments system, is based on a critical analytical flaw. By applying a consumer-centric cost model to the complex, software-driven B2B commerce ecosystem, it misdiagnoses the market and proposes a cure--a drastic cap on commercial interchange--that will be far worse than the disease.

We have demonstrated through financial modelling, case studies, and an analysis of international precedents that this policy would dismantle the funding model for B2B FinTech innovation, impose significant new costs on Australian SMEs, and set back the nation's digital transformation agenda.

10.2 Formal Recommendations

In light of this comprehensive analysis, we formally recommend that the Payments System Board -

1. **Revise its "preferred package" of policy options {Page 66} to specifically exclude commercial cards and platforms from the scope of Policy 1 {Removing the prohibition on 'no-surcharge' rules} and Policy 2 {Reducing the domestic credit interchange cap to 0.3 per cent}. The status quo for the commercial market should be maintained in the interim.**
2. **In place of the proposed price controls, formally initiate a new consultation process, in partnership with industry stakeholders, Treasury, and the ACCC, to develop a "Modern B2B Commerce Framework" based on the principles of segmentation and value-based regulation outlined in this paper.**

10.3 Concluding Vision - A Partnership for a More Productive Australia

RedGirraffe is not an opponent of regulation; we are an advocate for *effective* regulation. A sophisticated economy requires a sophisticated regulatory framework that is fit for purpose in the digital age.

The choice before the RBA is not between high costs and low costs. It is a choice between fostering a dynamic, innovative B2B ecosystem that equips Australian businesses to thrive, or imposing a simplistic, price-controlled model that will condemn them to a future of lower productivity and diminished global competitiveness.

We stand ready to partner with the Reserve Bank of Australia to build a regulatory framework that is a global benchmark for excellence and that will deliver profound and lasting benefits to the Australian economy. In closing, RedGirraffe reaffirms its commitment to constructive engagement with the PSB and industry stakeholders to ensure that any regulatory change delivers tangible productivity and cost-efficiency gains for SMEs and large enterprises alike. As a global pioneer of the "Payer Pays" model, we are actively preparing to launch selected service offerings in Australasia in partnership with PSP Adyen, aligning with the broader objectives of efficiency, transparency, and competitive neutrality in payments. We encourage the RBA to consider this model as a proven, implementation-ready pathway that complements its policy objectives while positioning Australia as a leader in sustainable, innovation-driven payment reforms.

Appendix A

Proposed Draft Criteria for Certification of an Integrated B.2.B. Platform

A.1 Introduction and Purpose

This appendix outlines a streamlined and robust framework for the certification of an "Integrated B2B Platform." The purpose of this certification is to create a clear, auditable distinction between general-purpose commercial cards used primarily for payment, and sophisticated **software-driven commerce platforms** that deliver material productivity, compliance, and efficiency benefits to the Australian economy.

This framework is designed to directly address the RBA's primary policy objectives - reducing merchant payment costs and enhancing economic efficiency. It achieves this by recognising and creating a distinct regulatory category for platforms that solve these problems through technological innovation rather than simple payment facilitation.

Transactions processed through a certified platform would qualify for a value-based, market-driven interchange framework, distinct from any potential caps applied to general-purpose cards. Certification would be managed by an appropriate regulatory body {e.g., a delegated authority overseen by the RBA or in partnership with Austrac and the ACCC}, requiring independent annual validation.

A.2 Proposed Certification Criteria - A Two-Pillar Framework

To achieve and maintain certification as an "Integrated B2B Platform," a provider must demonstrate, through documented evidence and independent technical audit, that it satisfies **both** of the following foundational pillars. These pillars ensure the platform delivers genuine software value and operates in a manner that is pro-competitive and aligned with the RBA's goal of alleviating merchant cost burdens.

Pillar 1 - Demonstrable Software Integration and Value Delivery

This pillar establishes that the platform is fundamentally a **Software-as-a-Service {SaaS} solution** that embeds payments, not a payment product with ancillary features. It proves that the platform delivers tangible, quantifiable value that justifies its economic model.

- **Criterion 1.A - Deep ERP & Financial System Integration {The 'Workflow' Test}**
    - **Description -** The platform must provide live, two-way API integrations with a critical mass of ATO-approved accounting and Enterprise Resource Planning {ERP} systems used by Australian businesses. This is defined as native integration with at least three of the five most-used systems for SMEs with over 20 employees.
    - **Audit Requirement -** Evidence of active, certified API connections; demonstration of automated, bi-directional data synchronisation {e.g., approved invoices pulled from the ERP, and reconciled payment status pushed back}.
    - **Policy Rationale -** This criterion provides irrefutable proof that the platform is an integral part of a business's core financial operations, directly reducing manual reconciliation costs and operational risk.
- **Criterion 1.B - Value-Added Automation in Areas of National Interest {The 'Productivity' Test}**
    - **Description -** The platform must offer automated, data-driven solutions that help Australian businesses manage complex operational and regulatory challenges more efficiently.
    - **Audit Requirement -** Evidence of functional software modules that provide automated reporting and analytics for **at least one** of the following high-value use cases -
        1. **ESG and Sustainability Reporting -** Automated capture, analysis, and reporting of Scope 3 supply chain emissions and utility consumption data, aligning with the National Greenhouse and Energy Reporting {NGER} framework.
        2. **Lease and Property Management -** Centralised digitisation and management of commercial leases, with automated payment scheduling and data analytics for property portfolio optimisation.

3. **Energy and Utility Management -** Integration with utility data streams to provide businesses with analytics and insights to reduce energy consumption and costs.

- **Policy Rationale -** This criterion ensures that the interchange framework is funding technology that delivers profound productivity and compliance benefits, directly contributing to a more efficient and sustainable national economy. It links the platform's value directly to measurable business outcomes.

Pillar 2 - Support for a Pro-Competitive Payment Model

This pillar directly addresses the central problem identified in the RBA's Consultation Paper--the cost of payment acceptance for merchants. It rewards platforms that solve this issue through market-led innovation.

- **Criterion 2.A - Architectural Support for the 'Payer Pays' Model {The 'Merchant Cost' Test}**
  - **Description -** The platform must be architecturally designed to operate a "Payer Pays" model, which structurally eliminates the cost of acceptance for the supplier {merchant}.
  - **Audit Requirement -** A technical audit of the platform's payment flow, commercial model, and legal agreements to certify its ability to operate a system where -
    1. The **corporate payer** is the party that bears the platform and transaction costs.
    2. The **supplier {merchant}** is onboarded and can receive 100% of their invoiced value via free, local payment rails {e.g., NPP}, with no Merchant Discount Rate {MDR} or other fees applied by the platform.

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- **Policy Rationale -** This criterion incentivises and protects the most efficient solution to the merchant cost problem. It directly aligns with the PSB's objective {**Page 9**} to ensure small merchants are "better off," achieving a 100% cost reduction for them without the need for blunt price controls that stifle innovation. It proves the platform is a partner in, not a detractor from, a low-cost, efficient payments system for suppliers.

Appendix B

Detailed Financial Models and Assumptions

B.1 The 'Cost Iceberg' Financial Model

{This model expands upon Table 4.1 to provide sources and assumptions for each cost component.}

Cost Component	BPS Value	Source / Assumption
Visible Costs {Issuer}	**19 bps**	RBA {2025}, *Table 4, Page 36*
Submerged Costs {Platform}	**70-90 bps**	RedGirraffe global operational data {anonymised}, industry benchmarks.
Technology & R&D	35-45 bps	*Assumption* - Based on a USD $20M annual R&D spend spread over a USD $45-55B transaction volume. Aligns with Gartner {2023} benchmarks for SaaS R&D spending as a percentage of revenue.
Enterprise Compliance & Security	15-20 bps	*Assumption* - Based on an estimated USD $10M annual spend on compliance personnel {legal, AML}, audit fees {PCI, SOC 2}, and advanced security software licenses {e.g., for BEC detection}, which are significant given the scale of B2B fraud {ACCC, 2024}.
Specialised Operations {MOR}	15-20 bps	*Assumption* - Based on the cost of global operations teams required for KYB verification and multi-currency settlement, benchmarked against similar costs for payment facilitators {Edgar, Dunn & Company, 2022}.
Data & Analytics Infrastructure	5-10 bps	*Assumption* - Based on costs for data warehousing, licensing of analytics tools, and data science personnel required to generate strategic insights for clients.

Total Ecosystem Cost	**~90-110 bps**	The aggregated realistic economic cost.

B.2 'Waterbed Effect' Model - SaaS Fee Calculation

{This model provides the detailed assumptions for Table 6.1.}

- **Company Size Tiers -** Aligned with Australian Bureau of Statistics {ABS, 2023a} definitions for small {2−10M turnover} and medium {2-10M turnover} and medium {2−10M turnover} and medium {10-200M turnover} enterprises.
- **Estimated AP Spend -** Based on industry averages where accounts payable typically represents 40-50% of annual turnover for manufacturing and service firms {CFO Research, 2022}.
- **Current Interchange Subsidy -** Calculated as {Est. Annual AP Spend * 0.006}, assuming a 0.6% {60 bps} revenue share for the platform from a blended 1.2% interchange rate.
- **Indicative Annual SaaS Fee -** Benchmarked against publicly available pricing tiers and analyst reports for leading Procure-to-Pay {P2P} and AP Automation suites {Forrester, 2022; Gartner, 2023}. Fees are tiered based on transaction volume and required feature sets {e.g., ESG reporting}.

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