Visa response to the Reserve Bank of Australia's Merchant Card Payment Costs and Surcharging Consultation Paper

Table of Contents

Group Country Manager Letter

9 September 2025

Mr Ellis Connolly
Head of Payments Policy Department
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Via email: pysubmissions@rba.gov.au

Dear Ellis,

Visa's submission to the Reserve Bank of Australia's Review of Retail Payments Regulation – Merchant Card Payment Costs and Surcharging – Consultation Paper

Visa welcomes the opportunity to respond to the Reserve Bank of Australia's (RBA, the Bank) Consultation Paper on Merchant Card Payment Costs and Surcharging (the Consultation Paper) as part of its Review of Retail Payments Regulation (the Review).

Since the early 2000s, we have appreciated the ongoing dialogue with the Bank on Australia's digital payments ecosystem and Visa's role to promote safe, secure and convenient payments that benefit all Australians. Visa has engaged with the RBA on a wide range of reviews and consultations during this period.

As with each previous occasion, we are grateful for the opportunity to share our perspectives, emphasising the importance of approaching digital payments with a focus on the guiding principles of consumer choice and protection, balanced economics, security and continuous innovation, within the framework of a level playing field.

In finalising our response to the RBA's latest Consultation Paper, in addition to the principles above, we have focused on the Payments System Board's (PSB) mandate "to contribute to promoting efficiency and competition in the payments system and the overall stability of the financial system."[1] To support this mandate, sustainable economics in the Australian payments ecosystem are essential, particularly in light of new and emerging payment technologies and the ever-changing fraud landscape.

As part of our consultation response, Visa commissioned independent economists, Charles River Associates (CRA), which has decades of experience and a particular strength in data analytics. In so doing, we identified key areas where the Consultation Paper's preliminary assessments risk

[1] Reserve Bank of Australia (2025), Payments & Infrastructure.

harm and adverse consequences that we assess are inconsistent with the PSB's responsibilities regarding risk, efficiency and competition.[2]

Visa remains strongly committed to working collaboratively with the RBA and we would welcome engaging further with the Bank ahead of the Review's conclusion – in the spirit of joint effort in continuing to build a digital payments system that supports Australia's economic ambitions and delivers secure, efficient and inclusive outcomes for all.

Yours sincerely,

Alan Machet
Group Country Manager, Australia, New Zealand and Pacific Islands

[2] Reserve Bank of Australia, The Role of the Payments System Board | RBA

Executive Summary

- **Visa supports the RBA's ambition of improving competition, efficiency and safety** in the payments system. However, we submit that the proposed changes to interchange regulation do not achieve these outcomes.

- Visa encourages the RBA to **maintain the current domestic interchange benchmarks and caps for both debit and credit** and not proceed with further reductions that are unwarranted.

- **Additional compression of regulated interchange caps on commercial transactions would further disrupt competition and have a significant negative impact on the small business community**. Reducing interchange caps on domestic commercial cards would be contrary to the RBA's objectives since it could constrain access to credit for small businesses or drive merchants toward higher-cost, unregulated alternatives such as three-party networks. This shift risks undermining competition and increasing merchant costs – which, in turn, adversely impacts small- and medium-sized businesses' (SMBs) working capital. Preserving the current framework will better support long-term economic resilience, innovation and choice.

- **Introducing regulated interchange caps on foreign-issued card transactions – including foreign-issued commercial cards – will not promote the public interest** through greater competition, efficiency, or safety in the payments ecosystem. Rather, such a policy would risk hindering Australia's economic growth and ability to attract foreign investment – key drivers for international competitiveness.

- **Australia will be more tightly regulated with regard to debit and commercial credit than most of the world, including the United Kingdom (UK) and European Union (EU).**[3] This could result in reduced investment in Australia's payments ecosystem, with consumers and businesses using these products at a disadvantage with regard to security, accessibility and innovation compared to their counterparts in less regulated markets.

- **Visa supports the RBA's proposal to remove the prohibition on 'no-surcharge' rules on designated debit, prepaid and credit card networks**.

- **Visa recognises the importance of transparency and is committed to ongoing engagement with the RBA to ensure the scheme fees framework remains robust and effective.** We believe the current approach continues to achieve strong outcomes in supporting competition and innovation and are open to constructive dialogue, balancing

[3] Charles River Associates (2025), RBA Review of Merchant Card Payment Costs and Surcharging: Response to the RBA's Consultation Paper (Sep 2025), p29, paragraph 88.

the inherent complexity in avoiding unintended consequences that negatively impact competition, innovation and growth.

- Visa agrees with the RBA that additional regulatory intervention is not warranted to improve competition and efficiency with respect to debit cards. As the RBA notes, **significant progress has been made in enabling Least Cost Routing (LCR) for in-person transactions without formal mandates. Visa supports preserving this approach** without the need to reduce interchange fees for debit transactions.

- **On variations to the preferred package outlined in the Consultation Paper, Visa would encourage the PSB to give consideration to a more targeted and sustainable approach to supporting small merchants, rather than broad regulatory caps that risk unintended consequences**. An example is Visa's Small Merchant Interchange Program in Canada, which supports small merchants processing less than AUD334,000[4] annually. In alignment with this approach, Visa launched a refreshed Acquirer SMB Program in Australia in May 2025, offering preferential interchange rates for domestic debit transactions to acquirers who support SMB growth on the Visa network. We encourage the RBA to consider frameworks that balance affordability, innovation and competitive neutrality. Such programs also allow for dynamic adjustments based on merchant needs and market conditions, ensuring long-term viability and effectiveness for all stakeholders.

- **Should the RBA proceed to implementation regarding the 'no-surcharge' rules and domestic interchange reforms proposed in the Consultation Paper, Visa recommends a minimum period of nine months from publication of the Conclusions Paper to implementation. In the event of any changes to foreign-issued card transactions, Visa recommends a minimum period of 12 months from publication to implementation due to the significant and widespread impact on clients globally.**

Finally, it is crucial to reiterate that the Review is taking place when the payments landscape is evolving, with **the playing field increasingly uneven** and imbalanced. This negatively impacts competition. **It is, therefore, critical that any regulatory outcomes resulting from the Review do not further exacerbate the imbalance within Australia's digital payments ecosystem.** In this regard, Visa strongly encourages the RBA to consider delaying the release of the Review's conclusions until after the Bank is able to give full and thorough consideration to a comprehensive pathway forward on regulating entities such as Visa that are already regulated and those payment providers that may now be considered for designation. As the RBA does so, we wish to express our concern that any changes arising from implementation of the PSRA reforms will be drawn out and likely be incomplete with regard to competitive neutrality, including due to the specific characteristics of three-party networks. As a result, in our response, we reference this imbalance on several occasions.

[4] All figures converted at rate of 1 CAD = 1.11 AUD (Aug 2025).

Overview

Australia's global reputation as a payments leader is not just a point of pride – it is a strategic economic asset. In the inaugural *A Strategic Plan for Australia's Payments System* (the Plan), Treasury outlines a bold vision for a "modern, world-class and efficient payments system that is safe, trusted and accessible".[5] Central to this vision is ensuring that Australia remains at the forefront of the global payments landscape, driving productivity, innovation and competition across the economy. The Plan makes it clear: a high-performing payments system is foundational to Australia's digital economy.[6] In particular, it fuels economic growth and attracts foreign investment. The Plan underscores this point, stating that "With so many payments made daily, even relatively small inefficiencies can have significant implications for the broader economy."[7]

As a global leader in digital payments, Visa shares the Government and the RBA's ambition to build a robust, innovative and forward-looking digital economy. To date, Visa and its partners in Australia have contributed to building the country's advanced digital economy by rolling out secure and seamless technologies, thereby delivering real benefits to consumers and merchants. We have also invested in technology and infrastructure to improve critical processes, such as dispute handling, which, among other things, utilises AI-driven solutions to resolve disputes faster. We consider the work undertaken by the RBA and this consultation process to be a pivotal opportunity to shape the future of payments in Australia in a way that further strengthens competition, enhances efficiency and ensures long-term resilience.

Against this backdrop, Visa strives to ensure our systems are safe and secure and can meet the needs of consumers and businesses in Australia and around the globe. Interchange is a client-to-client fee that, amongst other things, supports issuers and acquirers in making investments that ensures a reliable, secure and innovative ecosystem that in turn supports Australia's economic growth, today and tomorrow. Put differently, every time Australians use their Visa card, the small interchange fee helps fund not only seamless acceptance worldwide but also sophisticated security systems that protect their transactions. Visa also makes significant investments to protect the safety and security of the transactions we have the privilege to process on our network. In a single year, Visa Advanced Authorisation (VAA), Visa's AI-based real-time payment fraud monitoring solution, helped Australian financial institutions prevent AUD714 million in fraud from disrupting the nation's businesses.[8] These measures are increasingly vital in the context of an increasing and rapidly evolving threat environment – and will remain even more so in the future.

Visa approaches our response to the Consultation Paper and policy proposals therein not simply as a stakeholder, but as a committed partner to the RBA and the Government. Visa's

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[5] Treasury (2023), A Strategic Plan for Australia's Payments System, p1.
[6] Ibid, p5.
[7] Ibid, p5.
[8] Visa (2024), Visa prevents more than $700 million in fraud from disrupting Australian businesses.

recommendations herein are intended to support policy decisions that deliver broad-based value – not just targeted relief – and position Australia's payments ecosystem for long-term success, in a way that is also adaptable to evolving developments and the needs of the market. Our recommendations are grounded in a desire to support Australia remaining a global payments leader – not just today but into the future. We would also note that regulatory intervention that is prescriptive and definitive should be considered only as a last resort, and less interventionist policies that permit competitive market dynamics to prevail can often be more effective.

This is crucial because the world is entering a transformative phase driven by Artificial Intelligence (AI), which Treasurer Jim Chalmers has called a "game-changer,"[9] and which the Productivity Commission (PC) estimates could add over AUD116 billion to the Australian economy in the next decade.[10] This shift is bringing forward new capabilities, such as agentic commerce, next-generation authentication and advanced fraud prevention tools to keep pace with fraudsters becoming more sophisticated. These innovations are not theoretical; they are already being developed and deployed globally and they were only possible because of the significant investments made by, among others, payment networks and issuers in the digital payments ecosystem.

In addition, the Government is clear about its desire to address Australia's productivity challenges,[11] and the RBA also recognised this issue's importance for the nation's future.[12] Increasingly, digital payments are seen not just as a convenience, but as a key driver of productivity. For example, a new study found that increasing digital payment card terminals is linked to higher worker productivity.[13] The study shows that a 10 per cent increase in terminals per employee results in at least a 0.5 per cent rise in output per worker.[14] It also demonstrates that ongoing expansion of technological adoption delivers substantial economic returns, while fortifying a country's reputation as a digital economy leader with a modern, world-class payments system. Where terminal technology advanced the Australian payments landscape during the past few decades, the next generation of payment technologies like Tap to Phone, Visa Accept and agentic commerce[15] also require substantial investment to unlock the next level of productivity for Australian businesses and consumers.

For Australia to lead in the future of commerce, issuers must be enabled to invest in the infrastructure and innovation required to support these advancements. Interchange revenue plays a critical role in enabling that investment. As we have seen in the past, a regulatory environment that supports sustainable issuer economics unlocks the deployment of cutting-edge technologies, safeguards consumer trust and ensures that small businesses can thrive in

[9] Treasury (2025), The Hon Dr Jim Chalmers MP - Press conference, Canberra.
[10] Productivity Commission (2025), Interim Report - Harnessing data and digital technology.
[11] Treasury (2025), Economic Reform Roundtable – Productivity.
[12] Reserve Bank of Australia (2025), Why Productivity Matters.
[13] Cormier et al. (2025), Digital Payments, Output, and Productivity: An Empirical Exploration. Preliminary Working Paper, subject to revisions. Available upon request.
[14] Ibid.
[15] Visa (2025), Explore the Visa 2025 Global Product Drop.

both domestic and global markets. For example, contactless payments was one of the stepping stones that paved the way for lower-risk and seamless tokenised mobile payments - to the benefit of Australian consumers and merchants. Together with tokenisation, CRA estimates the benefit of this shift at AUD4.8 billion for consumers and merchants in Australia.[16] **However, if the RBA's proposed changes are implemented, Australia will be more tightly regulated with regard to debit and commercial credit than most of the world, including the UK and EU.**[17] This could result in reduced investment in Australia's payments ecosystem, with consumers and businesses using these products at a disadvantage with regard to security, accessibility and innovation compared to their counterparts in less regulated markets.

Visa supports the RBA's ambition of improving competition, efficiency and safety in the payments system. However, we submit that the proposed changes to interchange regulation will not achieve these outcomes. For the reasons outlined below, Visa believes that the RBA's proposed changes in Section 3.3 of the Consultation Paper[18] present significant risks and consequences to the digital payments ecosystem that run counter to the RBA's goals and objectives. These include but are not limited to:

- **Limiting future investments leading to an inferior and less innovative Australian digital payments ecosystem, thereby reducing economic growth and impacting global competitiveness:** The proposed significant reduction in commercial and consumer interchange rates would significantly reduce the ability of Australia's digital payments ecosystem to invest in and develop critical future-proofing payments innovation and adapt to the transformation resulting from AI.
- **Further distorting competition and imposing higher costs on merchants as consumers shift to more expensive alternatives:** The proposed significant reduction in commercial and consumer interchange rates across domestic and cross-border transactions would exacerbate the competitive advantages provided to unregulated three-party networks, such as American Express, relative to four-party model networks, with implications regarding higher costs to merchants (among other things).
- **Increasing barriers to entry for issuers of four-party model payment solutions:** The RBA's proposed interchange reforms would make it harder to sustain viable card portfolios across smaller issuers, in particular, where they are more reliant on interchange revenue. This includes fintechs, with Australia having several large fintechs that rely on the four-party model to accelerate their growth, which, in turn, drives the growth of Australia's digital economy. Whether from Australia or elsewhere, some fintechs will need to reconsider their service offerings, thereby reducing competition and in some cases harming foreign investment, if the RBA's proposed interchange reforms proceed.

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[16] Charles River Associates (2025), RBA Review of Merchant Card Payment Costs and Surcharging: Response to the RBA's Consultation Paper (Sep 2025), p2, paragraph 4.
[17] Ibid., p29, paragraph 88.
[18] Reserve Bank of Australia (2025), Review of Merchant Card Payment Costs and Surcharging Consultation Paper, p42-43.

- **Putting providers of four-party model commercial payments solutions at risk:** The proposed introduction of commercial rate caps would make commercial card portfolio operations loss-making on a fully loaded cost basis, impacting credit provisioning to SMBs in particular.
- **Negatively impacting economic growth linked to inbound commerce in the form of tourism and e-commerce:** Regulating cross-border interchange rates would impact the availability, efficiency and quality of foreign-issued four-party model payment solutions.

In this spirit, Visa encourages the RBA to maintain the current domestic interchange benchmarks and caps for both debit and credit and not proceed with further reductions that are unwarranted. As is noted in the Consultation Paper, competitive forces are already driving down the weighted-average domestic debit interchange rates,[19] demonstrating that the market is functioning as intended and delivering outcomes aligned with policy objectives. Additional regulatory intervention to artificially lower rates risks disrupting Australia's thriving digital payments ecosystem and undermining its outlook for a dynamic, inclusive and competitive digital future.

In particular, proposals to reduce the domestic credit interchange cap from 0.8 per cent to 0.3 per cent – more than a 60 per cent reduction in interchange – represent a significant and prescriptive regulatory intervention that would materially alter issuer incentives. Evidence from other jurisdictions shows that when interchange caps are lowered, issuers often seek to recoup lost interchange revenue through higher cardholder fees.[20] Artificially lower caps risk unintended consequences: reducing and inhibiting competition, limiting the use of interchange as a dynamic efficiency tool and slowing the adoption and development of next generation technologies. Consumers and small issuers – two stakeholder groups Visa and the RBA are mutually committed to supporting – can be expected to bear the burden of such policy decisions. For instance, the widespread rollout of biometric card authentication requires significant upfront investment by issuers, which interchange revenue currently supports. Furthermore, there is no consistent evidence showing that interchange caps lead to significant pass-through savings from acquirers to merchants and then from merchants to consumers in the form of lower prices.[21]

Additional compression of interchange caps on commercial transactions would further disrupt competition and have a significant impact on the small business community. The RBA's proposed lowering of interchange caps across consumer and commercial credit cards to the same level does not reflect the reality that commercial cards serve distinct and specialised functions that benefit both commercial cardholders and merchants.[22] Commercial cards deliver significant value to the ecosystem by facilitating larger transactions, enable expense

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[19] Reserve Bank of Australia (2025), Review of Merchant Card Payment Costs and Surcharging Consultation Paper, p27.
[20] Kay, Benjamin S., Mark D. Manuszak, and Cindy M. Vojtech (2021), Bank Profitability and Debit Card Interchange Regulation: Bank Responses to the Durbin Amendment.
[21] For examples of discussions on this see Edgar, Dunn (2020), Interchange Fee Regulation Impact Study and Morris, Julian and Sperry, Ben (2021), 'Reverse Robin Hood' is a myth and capping interchange fees would hurt the poor.
[22] Charles River Associates (2025), RBA Review of Merchant Card Payment Costs and Surcharging: Response to the RBA's Consultation Paper (Sep 2025), p28, paragraph 87.

management and integrate with business systems – capabilities especially valuable to small businesses. These features come with higher operational costs and deliver unique value and economic benefits. Reducing interchange caps on domestic commercial cards could constrain access to working capital for small businesses, thus driving them to seek that capital from higher-cost, unregulated alternatives such as three-party networks. This shift risks undermining competition and increasing merchant costs – which, in turn, adversely impacts SMBs' working capital – contrary to the broader goals of efficiency and inclusivity in Australia's payments ecosystem. Preserving the current framework will better support long-term economic resilience, innovation and choice.

Furthermore, introducing regulated interchange caps on foreign-issued card transactions – including foreign-issued commercial cards – would not promote the public interest through improving competition, efficiency, or safety in the payments ecosystem. Cross-border transactions differ fundamentally from domestic ones – they span multiple jurisdictions, involve multiple regulatory frameworks and carry significantly higher fraud and operational costs. Regulating these transactions risks hindering Australia's economic growth and ability to attract foreign investment – key drivers for international competitiveness.

In Australia, fraud rates on cross-border transactions are more than five times the fraud rates on domestic transactions, requiring substantial investment in fraud prevention, cybersecurity and infrastructure. As technology evolves, including through advances with AI, so too do the tactics of fraudsters — becoming more sophisticated, adaptive and harder to detect. Staying ahead of these tactics requires continuous investment in advanced tools like AI-driven risk analytics, biometric authentication and dynamic transaction monitoring. This is especially critical in the cross-border context, where the complexity and risk profile of transactions are elevated. Interchange revenue plays a critical role in funding these protections and ensuring that Australian merchants can securely accept payments from international consumers.

Moreover, introducing caps on foreign-issued card transactions can be expected to have minimal impact on overall merchant fees, while risking unintended consequences, such as reduced issuer participation, lower authorisation rates and migration to higher-cost alternatives, such as unregulated three-party networks. These outcomes could ultimately increase merchant costs and reduce consumer choice. Preserving the current framework would better support Australia's long-term goals of fostering a resilient, innovative and globally competitive digital payments ecosystem.

Visa supports the RBA's proposal to remove the prohibition on 'no-surcharge' rules on designated debit, prepaid and credit card networks. This position reflects Visa's longstanding view that surcharging undermines consumer experience and merchant clarity and ultimately distorts competition and efficiency in the payments ecosystem. We agree with the RBA's assessment that the current framework does not serve its intended purpose, thereby contributing to excessive fees, inconsistent merchant practices and confusion among consumers.

The RBA proposes that card networks reduce the complexity and improve the **transparency of scheme fee schedules**, including setting an expectation that future fee increases are adequately justified and that networks work with industry to simplify fee structures. **Visa recognises the importance of transparency and is committed to ongoing engagement with the RBA to ensure the scheme fees framework remains robust and effective.** We believe the current approach continues to achieve strong outcomes in supporting competition and innovation and are open to constructive dialogue, balancing the inherent complexity in avoiding unintended consequences that negatively impact competition, innovation and growth.

At its core, scheme fees are anchored in the deep value proposition Visa provides its ecosystem participants and that is intended to support their growth and that of the ecosystem in which they operate. Visa's fees cover a broad spectrum of services and solutions, including the core Visa Net processing capability that is available globally 24/7 and delivered across a set of geographically separated, synchronised, state-of-the-art data centres capable of processing up to 83,000 transactions per second.[23] Visa's fees also cover a range of value-added services that enables ecosystem participants to offer a more robust value proposition to their end customers, be they merchants or consumers. These include dynamic risk solutions supported by integrated global cyber command hubs that handle 24/7 security monitoring, incident response and investigations capable of protecting ecosystem participants from increasingly advanced, AI-powered and scaled fraud attacks that in 2023 alone helped prevent AUD62 billion in attempted fraudulent transactions globally.[24]

Visa acknowledges that the RBA recognises that additional regulatory intervention is not warranted to improve competition and efficiency regarding debit cards. As the RBA notes, significant progress has been made in enabling LCR for in-person transactions without formal mandates. Visa supports preserving this approach without the need to reduce interchange fees for debit transactions, which allows merchants to consider factors such as authorisation rates, platform technology, value-added services, data and analytics capabilities, system resilience, innovation and convenience when making routing decisions. This flexibility will become even more important as the payments ecosystem enters the next stage of commerce and innovative technologies. Preserving the current approach – without imposing a formal LCR mandate – aligns with the RBA's objectives by encouraging payment schemes to compete through service quality rather than regulatory compliance. The LCR environment has led networks to set strategic merchant rates across both large and small merchants, including market-level programs focused on SMBs, to provide optimised economics to drive economic growth. In the competitive environment for debit routing, which has already been successful in bringing debit rates down across merchant sizes, Visa recommends maintaining current debit interchange caps while preserving the current LCR arrangement.

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[23] Visa (2025), The future is here at the Visa Payments Vault.
[24] Visa (2025), Visa Unveils its Scam Disruption Practice, Helping Protect Consumers and the Financial Ecosystem Globally. All figures converted to AUD at rate of 1 USD = 1.55 AUD (Aug 2025).

Regarding variations to the preferred package outlined in the Consultation Paper, Visa would encourage the PSB to give consideration to a more targeted and sustainable approach to supporting small merchants, rather than broad regulatory caps that risk unintended consequences. An example is Visa's Small Merchant Interchange Program in Canada, which supports small merchants processing less than AUD334,000[25] annually. In alignment with this approach, Visa launched a refreshed Acquirer SMB Program in Australia in May 2025, offering preferential interchange rates for domestic debit transactions to acquirers who support SMB growth on the Visa network. We encourage the RBA to consider frameworks that balance affordability, innovation and competitive neutrality. Such programs also allow for dynamic adjustments based on merchant needs and market conditions, ensuring long-term viability and effectiveness for all stakeholders.

Finally, it is crucial to reiterate that the Review is taking place when the payments landscape is evolving, with **the playing field increasingly uneven** and imbalanced. This negatively impacts competition. It is, therefore, critical that any regulatory outcomes resulting from the Review do not further exacerbate the imbalance within Australia's digital payments ecosystem. In this regard, Visa strongly encourages the RBA to consider delaying the release of the Review's conclusions until after the Bank is able to give full and thorough consideration to a comprehensive pathway forward on regulating entities such as Visa that are already regulated and those payment providers that may now be considered for designation. As the RBA does so, we wish to express our concern that any changes arising from implementation of the PSRA reforms will be drawn out and likely be incomplete with regard to competitive neutrality, including due to the specific characteristics of three-party networks. As a result, in our response, we reference this imbalance on several occasions.

Visa provides detailed perspectives on each of the points above in the response that follows. As has been the case since Visa's designation, we stand ready to work with the RBA to ensure that the conclusions reached reflect the shared ambition to build a digital payments ecosystem that is secure, efficient and future-ready.

[25] All figures converted at rate of 1 CAD = 1.11 AUD (Aug 2025).

Issues for Consultation

Surcharging

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.

Visa supports the RBA's assessment that removing both debit and credit surcharging on designated card networks would best support the Bank's objectives to promote the public interest through improving competition, efficiency and safety in the digital payments ecosystem.[26] This is in line with Visa's longstanding global position that surcharging has a negative impact on both consumers and merchants. In Australia specifically, as the RBA states, the payments landscape has evolved and the current surcharging framework does not best support competition and efficiency in the payments ecosystem.[27]

The reasons the RBA identifies for why surcharging is not effective are worth calling out in this regard, including that merchants are surcharging all card types at the same rate, excessive surcharging is occurring, and there are deficiencies in merchant disclosure of surcharging.[28] These factors collectively undermine the intended purpose of surcharging as a price signal, as consumers cannot meaningfully avoid card fees through alternative payment methods or informed merchant selection. In support of the RBA's position, we also note the Bank's view that "**removing surcharging on designated card networks would increase competition and efficiency** [bolding included by the RBA] in the card payments system by *focusing the incentive to make efficient payment choices on merchants via their choice of payment plan rather than consumers* [italics included by Visa]".[29]

These are among the reasons that Visa supports the Consultation Paper's preferred option – Option 3[30] – which it expects will enhance competition and efficiency in the card payments system.[31] As the RBA states, there a range of benefits associated with this option, several of which

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[26] In this regard, Visa notes the RBA's statement in the Consultation Paper that submissions in response to the Issues Paper "broadly agreed that the surcharging framework has become less effective in achieving the public interest in recent years", including because the cost of accepting card payments "may now be lower than the cost of accepting cash". Reserve Bank of Australia (2025), Review of Merchant Card Payment Costs and Surcharging – Consultation Paper, p12.
[27] Ibid., p12.
[28] Ibid., p22.
[29] Ibid., p21.
[30] Ibid., p14.
[31] Reserve Bank of Australia (2025), Review of Merchant Card Payment Costs and Surcharging – Consultation Paper, p22.

Visa has identified previously.[32] These include substantially reducing payment surcharges for consumers (estimated by the RBA to be around AUD1.2 billion a year)[33] and less confusion about surcharging among both merchants and consumers.[34] In previous submissions, Visa has also outlined additional public interest considerations that support Option 3. These considerations include that maintaining surcharging would limit competition by disincentivising investment in crucial innovation that ensures that digital payments keep pace with, and support, the ever-evolving commerce ecosystem to the benefit of consumers and merchants.

Furthermore, the removal of surcharging has additional public interest benefits in that it would be consistent with the principle in Australia that the price displayed or communicated prior to the purchase of goods or services should be consistent with the price that will be charged to consumers[35] and the requirement to display prices and applicable fees and charges upfront is codified in various Australian laws.

Australia's departure from its current setting on permitting surcharging – through Option 3 – would bring the country in line with best practice in other key jurisdictions. For example, in 2013, the European Commission (EC) limited surcharging to the cost of acceptance for consumer cards.[36] Moreover, when the Second Payment Services Directive (PSD2) went into effect, surcharging was banned in the EU, including the UK. The Economic Secretary to the UK Treasury, Stephen Barclay, noted in 2017 that [surcharges] "have no place in modern Britain."[37] In addition, New Zealand has recently announced a ban on most in-store surcharges for Visa and Mastercard debit and credit card transactions, which is expected to come into force in May 2026.[38]

The RBA also notes in its FAQs[39] that only 10 per cent of merchants choose to impose a surcharge. **While agreeing with the position on surcharging outlined in the Consultation Paper, Visa considers that there is no clear evidence to condition the revoking of the prohibition on 'no-surcharge' rules for each of the designated card schemes on the reduction of interchange fee caps, given that it seeks to compensate the 10 per cent of merchants that surcharge.** This is to say that lifting the prohibition on 'no-surcharge' rules for each of the designated card schemes and further reductions in interchange fee caps should not be interdependent concepts. This is supported by CRA's analysis that removing the prohibition on 'no-surcharge' rules would be beneficial, but it does not see a basis to make this removal subject to further reductions in interchange fees. The view is reached because merchant surcharging generates costs and inefficiencies and the market conditions in Australia at prevailing interchange rates are such that there is no realistic scope for surcharging to generate benefits that justify these costs and

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[32] Visa (2024), Visa response to the Reserve Bank of Australia's (RBA) Merchant Card Payment Costs and Surcharging Issues Paper, p29.
[33] Reserve Bank of Australia (2025), Review of Merchant Card Payment Costs and Surcharging – Consultation Paper, p19.
[34] Ibid., p19-20.
[35] Australian Competition and Consumer Commission (2025), Pricing.
[36] European Commission (2013), Impact Assessment, p25.
[37] Chappell, Bill (2017), UK Bans Credit Card Surcharges, Calling them a Rip Off.
[38] New Zealand Government (2025), Scrapped surcharges a win for New Zealanders.
[39] Reserve Bank of Australia (2025), FAQs: Review of Merchant Card Payment Costs and Surcharging.

inefficiencies.[40] As further elaborated in the CRA Report, the limited incidence of surcharging in Australia reflects the fact that four-party network card payments are one of the lowest-cost payment methods for merchants to accept, and so merchants may opt not to impose a surcharge on four-party network card payments in particular so as to encourage consumers to use this form of payment.[41]

In addition, in order to successfully remove surcharging Visa considers that the RBA needs to apply its regulation pertaining to interchange caps equally across all ecosystem participants, including three-party networks. Most Australian acquirers offer blended MSFs or fixed simple pricing plans and, in doing so, acquirers set MSFs considering all payment schemes they offer, including three-party networks, while blending to the highest level of interchange fees and interchange equivalent fees. Based on the RBA's data, over 60 per cent of merchants processing less than AUD100,000 a year are on fixed or blended pricing plans.[42] While removing the prohibition on 'no-surcharge' rules for debit, prepaid and credit is an important step, both surcharging and the overarching regulatory framework needs to be applied beyond currently designated schemes to successfully deliver the reduction in merchant fees and consumer cost that the RBA seeks.

Interchange Fees

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

As Visa noted in its submission responding to the RBA's Issues Paper in December 2024,[43] interchange plays a critical role in supporting an innovative, secure and resilient Australian digital payments ecosystem. When calibrated properly and determined by competitive market dynamics, not only does interchange act as a tool that encourages adoption of next generation innovative solutions, the proceeds from interchange that flow between acquirers and issuers supports the viable operation of payment solutions that reduces friction and enables a more efficient economy. Interchange also supports sustainable credit provisioning critical to economic growth. Moreover, it supports investment in foundational infrastructure that will drive the next generation of payments and commerce in Australia.

Determining the appropriate levels of interchange is a process that must strike the right balance of economics between issuers and acquirers, which, in turn, creates value for cardholders and merchants and results in a competitive and efficient marketplace. Setting appropriate levels of interchange helps to balance the costs, value and risks that each participant in the digital

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[40] Charles River Associates (2025), RBA Review of Merchant Card Payment Costs and Surcharging: Response to the RBA's Consultation Paper (Sep 2025), p1, paragraph 3.
[41] Ibid., p6, paragraph 19.
[42] Reserve Bank of Australia (2022), The Cost of Card Payments for Merchants, Graph 6.
[43] Visa (2024), Visa response to the Reserve Bank of Australia's (RBA) Merchant Card Payment Costs and Surcharging Issues Paper, p8.

payments value chain bears and delivers. In Visa's experience, allowing interchange to be set based on specific and unique ecosystem dynamics contributes to achieving balanced economics and benefits all participants.

The calibration of interchange is a detailed process which Visa takes very seriously. In setting interchange, Visa is focused on driving simultaneous growth of issuance and acceptance, encouraging the use of digital payments and promoting investment in innovation, which ultimately supports the growth of the digital payments ecosystem and the economy more broadly. Setting interchange too high discourages merchants from accepting payments. Setting it too low removes support for issuance and investment in security and innovation.

Visa supports the RBA's ambition of improving competition and efficiency in the payments system. However, we consider that the proposed changes to interchange regulation do not achieve these outcomes. In Section 3.3 of the Consultation Paper,[44] the RBA proposes (1) reduced interchange caps on domestic debit (and prepaid) card transactions; (2) reduced interchange caps on domestic credit card transactions; and (3) the introduction of caps on foreign-issued card transactions. Additionally, the RBA has done so against the backdrop of three-party networks being excluded from the regulatory framework and interchange caps to which four-party networks are subject.[45]

For the reasons outlined below, Visa believes that the RBA's proposed changes in Section 3.3 of the Consultation Paper carry significant risks and unintended consequences for the digital payments ecosystem in a way that runs counter to the RBA's goals and objectives. These include, but are not limited to:

1. **Limiting investments driving an inferior and less innovative Australian digital payments ecosystem, thereby reducing economic growth and impacting global competitiveness:** The proposed significant reduction in commercial and consumer interchange rates will significantly reduce the ability of Australia's digital payments ecosystem to invest in and develop critical future-proofing payments innovation. These include cybersecurity solutions that power and support agentic commerce, economic growth and Australia's long-term global competitiveness.
2. **Further distorting competition and introducing higher costs to merchants as consumers shift to more expensive alternatives:** The proposed significant reduction in commercial and consumer interchange rates across domestic and cross-border transactions will exacerbate the competitive advantages provided to unregulated payments providers in comparison to four-party networks. To compensate for lower interchange revenue, issuers will need to increase customer fees and reduce benefits, resulting in a shift to

[44] Reserve Bank of Australia (2025), Review of Merchant Card Payment Costs and Surcharging Consultation Paper, p42-43.
[45] Visa notes that RBA could take regulatory action on three-party networks only if efficiency or competition issues arise but otherwise are not subject to proposed interchange regulations. Reserve Bank of Australia (2025), Review of Merchant Card Payment Costs and Surcharging – Consultation Paper, p37.

higher-cost three-party model alternatives. CRA in its critical loss analysis estimates that a further 16.7 percentage point share shift[46] across domestic consumer credit will completely erode the value of the reduction in four-party model consumer interchange fees proposed by the RBA.

3. **Increasing barriers to entry for issuers of four-party model payment solutions:** The RBA's proposed interchange reforms would make it harder to sustain viable card portfolios across smaller issuers, in particular, where they are more reliant on interchange revenue. This includes fintechs, with Australia having several large fintechs that rely on the four-party model to accelerate their growth, which, in turn, drives growth of Australia's digital economy. Whether from Australia or elsewhere, some fintechs will need to reconsider their service offerings, thereby reducing competition and in some cases harming foreign investment, if the RBA's proposed interchange reforms proceed.
4. **Putting providers of four-party model commercial payments solutions at risk:** The proposed introduction of commercial rate caps risks making commercial card portfolio operations loss-making on a fully loaded cost basis and negatively impacting credit provisioning to SMBs in particular. A further shift to three-party networks will result in higher costs to SMBs, impacting their working capital and, over the longer term, cash flow.
5. **Negatively impacting economic growth linked to inbound commerce in the form of tourism and e-commerce:** A reduction in cross-border interchange rates will impact the availability, efficiency and quality of foreign-issued four-party model payment solutions. It will also disincentivise foreign investment and other inbound capital flows into Australia.

We explore each of these points below.

1. **Limiting investments driving an inferior and less innovative Australian digital payments ecosystem, reducing global competitiveness**

Visa and CRA have identified that lowering interchange on commercial and consumer credit portfolios in the manner the proposed in the Consultation Paper will significantly impact the ability of four-party networks to operate viable card portfolios when accounting for the full set of costs required to run credit and debit card portfolios. Both domestic consumer and commercial credit portfolios are expected to become loss-making.[47] This will likely cause issuers to increase fees to cardholders, lowering adoption of four-party model credit cards, potentially in favour of higher-cost alternatives. This means that payment solution providers will not have the revenue essential for the significant costs associated with ensuring that Australia remains at the forefront of digital payments innovation, equipped with advanced commerce tools and cybersecurity solutions, which are essential to support economic growth over the next decade.

Based on historical public reports from providers of payments solutions in Australia and a forward-looking perspective of the requirements posed by the rise of agentic commerce, next-

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[46] Charles River Associates (2025), RBA Review of Merchant Card Payment Costs and Surcharging: Response to the RBA's Consultation Paper (Sep 2025), p44, paragraph 153.
[47] Ibid., p32, Table 4; p46, Table 5.

generation authentication and security enhancements in light of evolving threats, **Visa estimates conservatively that at least AUD2 billion a year**[48] **worth of investment will be required over the next two to three years alone**. This investment will be required to support the Australian payments ecosystem, and by extension, the country's commerce ecosystem and broader economy. **CRA combines the RBA's reported cost data with estimates of issuers' revenue streams to estimate the impact of the proposals on profitability. CRA's estimates imply that the proposed reduction in commercial credit interchange will result in the market for commercial credit issuance being loss-making at the aggregate on a fully loaded cost basis at AUD419 million a year** before accounting for cost of providing value-added services.[49] **CRA's estimates also imply that the reduction in consumer credit interchange rates will result in the sector being loss-making at AUD313 million a year at market level.**[50] **This is insufficient for issuers to undertake the investment required for foundational and critical technology infrastructure, while also ensuring sustainable and viable business operations**.

In a significant respect, the need for innovation is also driven by regulatory developments that require issuers to do more to protect cardholders from frauds and scams. For example, while many issuers voluntarily subscribe to Australian Securities & Investments Commission (ASIC)'s ePayments Code,[51] which provides consumer protections for certain unauthorised transactions, proposals to make it mandatory would require additional investment in systems, processes and controls. Compliance with these requirements would require significant upfront capital outlays, which if not recovered via interchange will need to be recouped directly from cardholders by way of increased interest, fees and charges or reduced benefits (as discussed below). Furthermore, the recently enacted Scams Prevention Framework[52] will similarly require significant investment by issuers to protect consumers. As the sophistication of scammers and fraudsters grows, the ecosystem must invest and adapt to stay one step ahead.

Importantly, with commercial credit portfolios becoming loss-making, issuers of consumer debit and credit product will need to carry the entire innovation investment burden for the market as a whole. With less income for issuers, Visa assesses that the reduction in interchange does not leave adequate proceeds to cover both viable running of operations and ensure sufficient investment into the future of payments and commerce in a way that is in line with Australia's standing and requirements. While Australia is at the forefront of digital payments and digital commerce enablement today, this does not mean it will be so in the future without the right level of support and investment.

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[48] Aggregated investment cost estimate derived from consideration of publicly disclosed major issuer card payments technology expenses. Key examples (not exhaustive) include Commonwealth Bank Australia (CBA)'s over $900 million investment in fraud protection and NAB's over $1.6 billion investment to improve technology capabilities, including ongoing refinement of biometrics technology and fraud prevention. See: CBA (2025), Press release; NAB (2024), Investor presentation.

[49] Charles River Associates (2025), RBA Review of Merchant Card Payment Costs and Surcharging: Response to the RBA's Consultation Paper (Sep 2025), p32, Table 4. Note: This analysis focuses on domestic transactions.

[50] Ibid., p46, Table 5. Note: This analysis focuses on domestic transactions.

[51] Australian Securities & Investments Commission (2025), ePayments Code.

[52] Treasury (2025), Scams Prevention Framework – Protecting Australians from scams.

Visa considers the areas below to present paradigm-shifting opportunities and challenges for digital payments globally, including Australia. While the future of innovation is still to be determined, we assess that it is critical that the Government and regulators in Australia ensures a foundation and regulatory framework that allows for significant, strategic and deliberate investment:

- **Agentic commerce:** Enables AI-powered digital "agents" to support customers and businesses to evaluate purchase decisions and execute transactions on behalf of customers, streamlining commerce. This technology which is expected to rapidly proliferate will require enhancements to payments infrastructure, especially in areas like digital authentication, fraud protection and security.

- **Stablecoins:** The use of stablecoins is expected to proliferate globally in coming years changing the way payments work. Stablecoins have started to become integrated into existing fintech wallets and payment service providers (PSPs) across the world. Visa is a strong proponent of stablecoins and expects them to become more integrated into the payments ecosystem, requiring investments from across ecosystem participants which interchange supports.

- **Credentials of the future and next-generation acceptance:** While contactless is prolific in Australia today and e-commerce payment solutions deeply embedded, the future of commerce will require both CP and CNP payment solutions to evolve. An example is Visa's Credential of the Future initiative (the Initiative), which is redefining digital payments through advanced, adaptable credentials that enhance security and convenience. The Initiative includes Visa Flexible Credential, which allows a single payment credential to support multiple account types – such as debit, credit or instalments – selectable at the point of purchase. More broadly, the innovations under the Initiative utilise tokenisation, dynamic data and biometric authentication to protect sensitive information and reduce fraud. These credentials are designed for use across devices, Internet of Things (IoT) environments and embedded finance platforms and will require broad investments across the ecosystem, which interchange supports.

- **Next-generation authentication:** Visa envisions the next generation of payment authentication as frictionless, intelligent and layered, combining advanced security with seamless user experiences. Central to this vision is the integration of biometric verification – including fingerprint, facial and voice recognition – into digital payment flows, enabling fast, intuitive and highly secure identity confirmation. These methods, reinforced by device intelligence, behavioural analytics and tokenisation, create adaptive authentication that responds to transaction context and risk. By reducing reliance on passwords and static credentials, Visa aims to combat fraud while minimising user friction. Again, these advances will require broad investments across the ecosystem which interchange supports.

While the success of Australia's digital ecosystem will depend on investments in next-generation technology and solutions, considering historical paradigm shifts in payment technology is helpful. Contactless payments is one of the key stepping stones that paved the way for more seamless, frictionless and lower-risk tokenised mobile payments to the benefit of Australian consumers and merchants alike. Together with tokenisation, **CRA estimates the benefit of this shift at AUD4.8 billion for consumers and merchants in Australia.**[53]

Crucially, the investments needed to make the migration from swipe to chip, as well as contactless payments a success in Europe occurred before the introduction of interchange regulation. Furthermore, research has shown that investment in product innovation has slowed since the implementation of the Interchange Fee Regulation (IFR) in the European Economic Area (EEA). Issuers reported that investment in innovation has slowed because of the reduction in interchange and the resulting challenge to generate a return on investment.[54] Investments were a key enabler and, as the CRA Report outlines: "While issuers had made significant investments in the rollout of contactless technology before the Interchange Fee Regulation (IFR) was introduced, such as in contactless payments infrastructure, wearable payment devices, self-service checkout, terminalisation supporting contactless payments and introduction of Near Field Communication (NFC) payments through smartphone devices (including in the Transport for London (TfL) network), since the IFR, no further industry-wide investments in innovation of the same scale as contactless payment technology have been observed."[55]

In short, the proposed new caps significantly reduce the ability to run viable portfolio operations, in particular as they relate to commercial credit portfolios. **In addition, the reduction and corresponding profit and loss (P&L) impact will likely result in insufficient and delayed investment in the critical and foundational technology infrastructure required to power the next generation of agentic commerce and cybersecurity in Australia.**

2. **Further distorting competition and higher costs to merchants as customers shift to more expensive alternatives**

The RBA's current regulatory framework, before even considering the preliminary assessments, has created an unlevel playing field between four- and three-party networks, allowing American Express to grow strongly through the offering of richer rewards and benefits to customers funded by higher unregulated economics.

Visa and CRA have identified that lowering interchange in the manner proposed by the RBA will further exacerbate the distortions to competition in Australia's digital payments ecosystem for

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[53] Charles River Associates (2025), RBA Review of Merchant Card Payment Costs and Surcharging: Response to the RBA's Consultation Paper (Sep 2025), p2, paragraph 4.
[54] Edgar, Dunn & Company (2021), Interchange Fee Regulation Impact Assessment Study, p3.
[55] Charles River Associates (2025), RBA Review of Merchant Card Payment Costs and Surcharging: Response to the RBA's Consultation Paper (Sep 2025), p19, paragraph 59.

products, including but not limited to commercial credit. Contrary to the RBA's longstanding principle to maintain competitive neutrality and not unfairly advantage unregulated three-party networks, Visa and CRA believe that the RBA's proposed changes will have the opposite effect, incentivising the further expansion of unregulated schemes such as American Express.[56]

Faced with lower interchange revenue with which to cover both costs related to the operation of viable card portfolios and forward-looking investments, providers of four-party model payment solutions are likely to be required to further reduce the value provided to cardholders. This is especially so from credit cards in the form of reduced benefits and the introduction or increase in fees, driving customers to competing and unregulated three-party networks. These cuts may include reducing the length of interest-free periods, which provide critical working capital funding, particularly for SMBs.

Evidence from jurisdictions that have regulated interchange has shown that faced with lower interchange caps, issuers typically seek to recoup the lost interchange revenue through higher fees to cardholders further exacerbating the competitive distortion. Numerous studies have confirmed this effect, including reports from the EC in 2020,[57] a Europe Economics report in 2014[58] and a study by the US Federal Reserve[59] following the 2011 Durbin Amendment capping debit card fees. A further study by the US Government Accountability Office[60] found that consumers, particularly those with low balances, were disproportionately affected by higher account costs, as banks sought to recoup lost interchange revenues. Consumer choice of card products has also diminished following the IFR's implementation. Because issuers consolidated product offerings, the number of credit card products decreased by 14 per cent and average annual fees on consumer credit cards increased by 13 per cent.[61]

Critically, an incremental share shift resulting from the proposed new caps will quickly offset the intended cost savings. According to CRA's critical loss analysis, a further 16.7 percentage points increase in American Express's share of the value of domestic consumer credit purchases would be sufficient to fully offset any gains to merchants from the proposed reduction in interchange fees charged in respect of Visa and Mastercard credit card transactions.[62] For commercial card portfolios, if American Express were to increase its share of domestic commercial card transactions by 27.1 percentage points, this would be sufficient to eliminate the alleged cost savings from equalising interchange fees for domestic consumer and commercial card

[56] Ibid., p37, paragraph 120.
[57] European Commission (2020), Evaluation of the Interchange Fee Regulation, p131.
[58] Europe Economics (2014), The Economic Impact of Interchange Fee Regulation, p37.
[59] Kay, Benjamin S., Mark D. Manuszak, and Cindy M. Vojtech (2021), Bank Profitability and Debit Card Interchange Regulation: Bank Responses to the Durbin Amendment.
[60] U.S. Government Accountability Office (2022), Regulators Have Taken Actions to Increase Access, but Measurement of Actions' Effectiveness Could Be Improved, p24.
[61] Edgar, Dunn & Company (2020), Interchange Fee Regulation Impact Assessment Study Report, p2.
[62] Charles River Associates (2025), RBA Review of Merchant Card Payment Costs and Surcharging: Response to the RBA's Consultation Paper (Sep 2025), p15, paragraph 44.

transactions.[63] CRA also states that when all credit card transactions are considered as a whole, the analysis implies that if American Express's overall domestic credit market share rose to the level of its current share of commercial credit card transactions, merchants would be worse off in terms of their overall cost of acceptance. A 21.1 percentage point shift in American Express's share of overall domestic credit would be sufficient to offset the expected fee savings for merchants from the reduction in interchange fees.[64] This is because American Express commercial card payments are more expensive for merchants to accept than Visa or Mastercard commercial card payments. If one allowed for larger market share gains or for the existing four-party issuers to exit the commercial card market due to it no longer being financially viable, this would make negative effects more likely. At a minimum, the growth of American Express would be expected to significantly offset any benefits from the proposed regulation.

Ensuring equal treatment and application of the RBA's regulatory framework across three- and four-party networks has implication for merchant costs. As discussed above, most acquirers in Australia blend MSFs charged to their merchant clients. As they do so, they often mix domestic, cross-border and transactions across all schemes, including three- and four-party networks, into a single fee line. In doing so, unless three-party networks such as American Express are included under the RBA's regulatory framework, acquirers will need to continue to blend their single price to cover the highest cost of interchange or interchange equivalent or risk making a loss. In other words, as long as American Express continues to sit outside the regulatory perimeter, there is risk that acquirers may not re-price without impacting their margins.

These concerns apply also to cross-border transactions. Visa estimates that 82 per cent of the value of all transactions made with Australian merchants by way of a Visa card in the year to 30 June 2025 could have been paid for by way of an American Express card.[65] This figure would be higher when considering the typical merchants serving inbound tourists (largely travel and entertainment providers) and e-commerce merchants – at 93 per cent for consumer and 95 per cent for commercial.[66] In other words, across both domestic and cross-border transactions American Express can be considered a 'must accept' proposition with near ubiquitous acceptance footprint at parity with Visa's footprint. It makes it very difficult to justify exclusion from the RBA's regulatory framework.

In summary, unless three-party networks such as American Express are included under the RBA's regulatory framework, the proposed new caps will exacerbate the current unlevel and imbalanced playing field between four- and three-party networks. **Importantly, unless three-party networks are included in the regulatory framework, there is a risk that merchant costs will not be reduced as acquirers that blend MSFs will be required to continue to blend to the highest point of interchange or interchange equivalent or risk making a loss**.

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[63] Ibid., p15, paragraph 45.
[64] Ibid., p54, paragraph 195.
[65] Ibid., p15, paragraph 46.
[66] Ibid., p89, Table 19. Note: This analysis focuses on acceptance of American Express among the top 100 merchants by customer category, for the period June 2024 – June 2025.

3. **Increased barriers to entry for issuers of four-party model payment solutions**

Interchange earned by issuers, large and small, supports their investment in providing best-in-class innovations for merchants and consumers and serves as a mechanism that encourages the adopting of new and secure payment solutions, such as tokenisation. In addition to innovation, interchange supports issuers' provision of chargebacks and dispute management and protection against forward delivery risk direct to consumers. These features offer significant value to both consumers and merchants and should be preserved. Interchange also enables issuers to cover the costs and risks associated with issuing payment cards (whether prepaid, debit or credit). This includes administrative costs associated with maintaining a card-issuing business, such as funding and bad debt costs.

Visa and CRA have identified that by limiting the revenue that issuers can expect to generate from four-party credit cards, the RBA's proposed reductions to interchange caps (Option 2, Option 4)[67] increase barriers to entry and are likely to limit the extent of new entry in this segment of the payment system. This may lead to the exit or contraction of smaller issuers.

As we noted above, Visa and CRA's analysis suggests that consumer and commercial credit portfolios are expected to become loss-making at an industry aggregate level. For consumer credit cards, on a market aggregate level, an annual loss of AUD313 million a year corresponding to a loss of 0.12 per cent of total transaction value can be expected.[68] For commercial credit cards, market aggregate will make an annual loss of AUD419 million a year, corresponding to a loss of 0.46 per cent of total transaction value.[69] This is before accounting for the costs of innovation required to support the next generation of payments technology, security investment and the next generation of digital commerce and cost associated with the provision of value-added services to commercial cardholders that drive significant benefits to merchants. If today's issuers face such pressure, it is unlikely that new issuers would be incentivised to enter the market, bringing more competition and consumer choice.

The effects will be even more pronounced for smaller issuers. The RBA's own issuer costs data clearly demonstrates that smaller issuers have debit transaction costs that are higher than the Bank's proposed caps. The Consultation Paper, based on the RBA's issuer cost study, finds in Table 3[70] that when major issuers are excluded, the costs to smaller issuers for domestic card issuing and processing are on an average 10 cents per transaction or 0.24 per cent for debit. This is higher than the caps currently in force and significantly higher than the new caps proposed at 6 cents and 0.12 per cent.

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[67] Reserve Bank of Australia (2025), Review of Merchant Card Payment Costs and Surcharging Consultation Paper, p42.
[68] Charles River Associates (2025), RBA Review of Merchant Card Payment Costs and Surcharging: Response to the RBA's Consultation Paper (Sep 2025), p46, Table 5. Note: This analysis focuses on domestic transactions.
[69] Ibid., p32, Table 4. Note: This analysis focuses on domestic transactions.
[70] Reserve Bank of Australia (2025), Review of Merchant Card Payment Costs and Surcharging Consultation Paper, p34.

Customers will, therefore, face higher fees and a narrower selection of choice. In addition, competition will likely be further hampered as fewer smaller issuers may enter the market, including potential future fintechs, whether from Australia or elsewhere. This view is also supported by the CRA Report which notes "[b]y limiting the revenue that issuers can expect to generate from the offer of four-party credit cards, the RBA's Proposal is likely to limit the extent of new entry in this segment of the payment system and may lead to the exit or contraction of smaller issuers".[71] Similarly, the RBA's own cost study finds that the cost of issuing credit products for smaller issuers is higher than even today's weighted average interchange caps at 0.54 per cent when including the cost of funding interest-free periods.[72] Visa is aware of a number of smaller issuers who have indicated that they may cancel planned launches of debit and credit card products in Australia if these changes proceed.

4. Putting providers of four-party model commercial payments solutions at risk

Based on CRA's analysis, interchange fee revenue accounted for over 55 per cent of total issuer revenues associated with the provisioning of four-party commercial cards.[73] The RBA estimates that only 6.9 per cent of the total costs incurred by issuers of commercial cards are eligible costs and if including the cost of funding interest-free periods only 14.6 per cent. CRA considers this to be an underestimation of the benefit to merchants from the availability and use of commercial cards.[74] If the RBA's proposed Option 2[75] were to be implemented, CRA's analysis shows that four-party model commercial portfolios will not be financially viable and potentially loss-making.[76] As noted earlier, these estimates leave no room for the significant ongoing investment costs required for the payments ecosystem to ensure Australia is able to adopt the latest payments innovations and maintain resilience against fraud and security threats.

Visa is concerned that the RBA's proposed reforms could have adverse consequences for SMBs, with four-party model commercial payments solutions not being able to compete with unregulated alternatives, including three-party networks, resulting in SMBs having limited access to credit. The RBA's Small Business Economic Bulletin notes that access to finance remains difficult for many small businesses and they continue to face higher borrowing costs than larger businesses, with rates on new small business loans having increased by around 365 basis points (bps) since April 2022.[77]

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[71] Charles River Associates (2025), RBA Review of Merchant Card Payment Costs and Surcharging: Response to the RBA's Consultation Paper (Sep 2025), p16, paragraph 50.
[72] Reserve Bank of Australia (2025), Review of Merchant Card Payment Costs and Surcharging – Issuer Cost Study, p5.
[73] Charles River Associates (2025), RBA Review of Merchant Card Payment Costs and Surcharging: Response to the RBA's Consultation Paper (Sep 2025), p33, paragraph 103.
[74] Ibid., p38, paragraph 124.
[75] Reserve Bank of Australia (2025), Review of Merchant Card Payment Costs and Surcharging Consultation Paper, p42.
[76] Charles River Associates (2025), RBA Review of Merchant Card Payment Costs and Surcharging: Response to the RBA's Consultation Paper (Sep 2025), p32, Table 4.
[77] Reserve Bank of Australia (2024), Small Business Economic and Financial Conditions.

The CRA Report suggests that these challenges are likely to be exacerbated by the proposed reduction in interchange fees, given that traditionally, higher rates of interchange on commercial card transactions somewhat counteract the effect of other market failures in small business lending, leading to improved economic efficiency.[78] SMBs rely on access to commercial credit to manage their working capital requirements and a cap of 30 bps on commercial card interchange fees will likely impact SMBs negatively as commercial credit provisioning risks becoming unprofitable.

Putting at risk four-party model commercial payments solutions will result in switching to higher cost alternatives, such as American Express, which could eliminate alleged interchange fee cost savings and even result in greater cost to merchants. The CRA Report quantifies the potential impact of American Express switching and finds that if American Express was to increase its share of commercial card transactions by 27.1 percentage points this would be sufficient to largely eliminate the expected cost savings from the reduction of interchange fees caps for commercial card transactions. This is because American Express card payments are more expensive for merchants to accept than Visa or Mastercard card payments.[79] CRA estimates that a 1 percentage point shift in the share of commercial card spending from Visa and Mastercard would be sufficient to offset 3.7 per cent of the interchange savings that a merchant could otherwise expect to benefit from through Visa and Mastercard transactions.[80] If interchange fee caps hinder the ability for issuers of Visa and Mastercard cards to compete with American Express's rewards and services provided to commercial customers, there is a likelihood that American Express could capture this share, without decreasing its MSFs. In fact, CRA's economic analysis considers that American Express could, in principle, increase its MSFs in response to the weakening of competition by four-party commercial issuers.[81]

The risks to the ecosystem and SMBs from the RBA's proposed cuts to commercial interchange rates seem disproportionate when considering the evidence from the EEA where commercial interchange was not regulated. As noted in the CRA Report, the EC found that it was justified to keep commercial cards out of the regulation due to the absence of any negative effects: it found no evidence of an increase in commercial card interchange fees or MSFs and no evidence of systematic substitution of consumer for commercial cards (which could imply the ability by issuers to circumvent the interchange fee regulation).[82]

5. **Negatively impacting economic growth linked to inbound commerce in the form of tourism and e-commerce**

[78] Charles River Associates (2025), RBA Review of Merchant Card Payment Costs and Surcharging: Response to the RBA's Consultation Paper (Sep 2025), p34, paragraph 108.
[79] Ibid., p39, paragraph 130.
[80] Ibid., p39, paragraph 129.
[81] Ibid., p39, paragraph 134.
[82] Edgar, Dunn & Company (2020), Interchange Fee Regulation Impact Assessment Study, p8.

Cross-border transactions deliver significant value and play a vital role in supporting Australia's economy, particularly by enabling and boosting personal and business tourism, facilitating international trade, and attracting foreign investment. Inbound cross-border transactions enable spending across sectors such as hospitality, retail, and entertainment, directly benefiting local businesses and regional economies. This, in turn, enables Australian merchants to access a global consumer base, ranging from affluent consumers with high ticket prices to online shoppers and consumers around the world. The more affluent a cardholder is, the higher their expenditure, which merchants directly benefit from through increased revenue. Indeed, a significant proportion of affluent cardholder spending occurs in Australia's cross-border inbound volume.

Capping cross-border transactions could lead foreign issuers to curtail benefits for high-value international travellers in Australia, if the risks outweigh the benefits of these transactions. This is particularly true given the high-risk, high-fraud nature of these transactions. In fact, even where cross-border transactions account for a small portion of the total transaction, they often represent a large portion of the fraud, which requires significant investments to combat. Whether transacting with Australian merchants in person or online, consumers from across the world expect a seamless, secure, and modern payments experience and Australia benefits when it delivers on that expectation. This is especially important for a country like Australia, which is highly service-oriented, trade-dependent and a popular destination for international tourism.

In fact, the CRA Report posits that if an interchange fee cap was imposed on foreign-issued cards, international visitors and online shoppers may reduce their spend at merchants in Australia.[83] From 2023 to 2024, international visitors contributed AUD38.3 billion to Australia's economy.[84] CRA estimates that if such international spending were to fall by as little as 0.75 per cent due to the introduction of interchange fee caps on foreign-issued card transactions, this would outweigh the putative savings from the proposed reduction in interchange fees paid to foreign issuers at current sales volumes. This analysis assumes that there would be no switching to higher-cost three-party network cards following the interchange fee reductions; if foreign visitors increased their usage of American Express and other three-party network cards, this proportion would be lower.[85]

More specifically, the introduction of regulated interchange caps on foreign-issued card transactions risks undermining the economic viability, efficiency and competitive dynamism of cross-border payments, which are inherently more complex and higher risk than domestic transactions. Visa considers that the RBA has not provided any evidence on the costs of supporting foreign-issued card transactions for foreign issuers, instead basing its recommendation on Australian issuers operating in a completely different local context and scale to the over 200 countries and territories where Visa's foreign issuers operate. We would also

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[83] Charles River Associates (2025), RBA Review of Merchant Card Payment Costs and Surcharging: Response to the RBA's Consultation Paper (Sep 2025), p66, Section 6.5.
[84] Australian Bureau of Statistics (2024), Tourism Satellite Account Key Statistics.
[85] Charles River Associates (2025), RBA Review of Merchant Card Payment Costs and Surcharging: Response to the RBA's Consultation Paper (Sep 2025), p67, paragraph 241.

encourage the RBA to explore critical drivers of the differential cost to support foreign-issued card transactions, such as differences in fraud rates.

The costs associated with supporting cross-border transactions are significantly higher than for domestic transactions, given that they bridge multiple legal and regulatory frameworks, involve complex multi-jurisdictional and layered settlement processes and include additional costs associated with higher fraud rates (versus domestic transactions) and the higher costs of preventing the importation of fraud into Australia. Based on the dollar value of gross fraud reported by Visa issuers on Australian-acquired merchants, from January 2024 to December 2024, Visa notes the following material differences in fraud rates:

- **For CP transactions:** The risk of fraud on cross-border CP transactions is more than five times higher when compared to domestic CP transactions.
- **For CNP transactions:** The risk of fraud on cross-border CNP transactions in Australia is more than five times higher when compared to domestic CNP transactions.[86]

These materially higher fraud rates underscore the disproportionate risk profile of cross-border transactions. This is not just reflected in issuer-level data but also in broader market-level trends. For example, the European Central Bank found that cross-border transactions represent only 9 per cent of transaction value but account for 51 per cent of all fraud.[87] In Australia, the pattern is strikingly similar: overseas CNP transactions accounted for just 3 per cent of total card spend in 2024, yet were responsible for 50 per cent of all card fraud — occurring at a rate more than 12 times higher than domestic CNP fraud.[88]

Cross-border transactions are inherently more complex than domestic transactions and thus more expensive to process. The complexities arise from the multiple legal and regulatory frameworks with respect to Anti-Money Laundering, Know-Your-Customer and tax treatment involved, as well as currency conversions throughout the transaction flow. Furthermore, cross-border transactions generally involve higher ticket values and higher fraud rates. Visa, as well as issuers and acquirers, make significant investments to facilitate these transactions, develop advanced processing infrastructure and ensure best-in-class fraud detection solutions and technological tools to manage risks. These include chargeback processing, currency volatility management, tokenisation, risk management and cybersecurity capabilities. These capabilities require additional investment across the ecosystem over and above domestic transactions that make capping interchange on cross-border transactions very challenging:

- **Issuing:** Cross-border transactions require a deeper and richer set of benefits and solutions to promote and support cross-border travel and e-commerce transactions. These are estimated to cost significantly more than the value of an average domestically-

[86] VisaNet Clearing and Settlement Data & TC40 Fraud Reporting, January 2024 -December 2024.
[87] European Central Bank (2021), Seventh Report on Card Fraud, p3.
[88] AusPayNet (2025), Australian Payment Fraud 2025, p2.

focused value proposition, given the cross-border inbound Australia fraud rate is five times higher than domestic. Reducing interchange limits the investments issuers are able to make into the platforms that support inbound economic activity into Australia.

- **Acquiring**: Given the risk of importing fraud on the back of increasingly advanced and AI-powered fraud, acquirers are required to ensure they stand up best-in-class risk tools and solutions. Compressing interchange on cross-border transactions compresses overall MSFs and the included margin that acquirers earn which supports their investment requirements.
- **Visa:** Supporting cross-border travel and commerce is a top priority for Visa. Visa supports economic activity and growth across all digital ecosystems globally, including Australia. Over the last five years, Visa has invested AUD 15.5 billion[89] into risk solutions that enable cross-border commerce and protect merchants across ecosystems from importing and being subjected to fraud, which would otherwise bring significant cost to Australia.

In summary, cross-border transactions require a broader and deeper set of investments to enable and encourage cross-border travel and commerce. On the issuing side, investments would include deepening portfolio benefits tailored to cross-border activity that supports the Australian economy. On the acquiring side, it would include equipping merchants with the advanced risk and anti-fraud solutions required to participate in the global economy while not being subjected to increasingly advanced fraud. Introducing regulated caps on inbound cross-border transactions will limit the ability of both issuers and acquirers to adequately support the Australian digital ecosystem and, by extension, the country's economic growth. As a result, **Visa considers that the adjustments proposed by the RBA to limit cross-border interchange will have an adverse impact to the Australian digital ecosystem and economy as a whole.**

Visa's recommendations regarding the RBA's proposed changes to interchange regulation

Visa supports the RBA's ambition of improving competition and efficiency in the payments system. However, **we believe that the RBA's proposed changes to interchange regulation do not achieve these outcomes**. In fact, the RBA's proposed changes introduce material risks and significant unintended consequences to the digital payments ecosystem - both in the medium and long-term. In combination, the unintended consequences jeopardise Australia's digital payments leadership, resulting in a less efficient and less competitive ecosystem. The RBA's proposals will restrict the significant investments needed to continue evolving and advancing Australia's payments ecosystem, thereby reducing its global competitiveness. The Bank's proposals will also further distort competition with three-party networks, giving them an unregulated edge to continue to accelerate market share gains and drive up the cost to merchants while also increasing barriers to entry for four-party issuers. Finally, economic growth will be impacted as SMBs face reduced access to more expensive lines of credit. Overall, Visa encourages the RBA to give further consideration to the material risks highlighted above and we are concerned that the Bank has presented proposals that are heavily based on judgement rather

[89] Visa (2024), Security Roadmap Australia 2025-2028. All figures converted to AUD at rate of 1 USD = 1.55 AUD (Aug 2025).

than clear precedent and evidence. We would also encourage the RBA to apply a forward-looking rather than static perspective that factors in the investment and ongoing innovation required to maintain a secure and efficient digital payments ecosystem.

Given the significant risks and unintended consequences with both medium- and long-term impact, Visa recommends that the RBA:

1. Maintain the current interchange caps in Australia for domestic transactions.
2. Not introduce caps on any foreign-issued card transactions, including foreign-issued commercial card transactions.
3. Avoid further distorting the already unlevel playing field between three- and four-party networks until both are brought under a common regulatory framework that ensures competitive neutrality.
4. Maintain the current interchange caps on domestic commercial card transactions.

We expand on each of these points below.

1. **Maintain the current interchange caps in Australia for domestic transactions**

A further reduction of already compressed domestic interchange caps to 0.3 per cent for credit with an abolished credit benchmark and a weighted average of 6c with cap of 6c or 0.12 per cent per transaction on debit and prepaid will lead to several unintended consequences.

- Firstly, Visa's and CRA's analysis, based on total cost estimates provided by the RBA,[90] shows that the proposed reductions will make the operations of both domestic commercial and consumer credit portfolios unviable and loss-making at the aggregate market level even without considering critical forward-looking investments required to support next-generation commerce and digital payments.
- Secondly, the additional cuts to debit interchange will likely make small issuers unable to compete as a result of lacking scale and the ability to cross-subsidise the reduction in earnings relative to larger competitors, when faced with interchange that is lower than both eligible and total costs as defined and estimated by the RBA.

The RBA appears to be basing its recommendation to further reduce domestic credit interchange caps on what it determines to be "eligible costs".[91] In the RBA's view, these are the only costs that interchange should compensate for. Visa considers the RBA's eligible costs to be too narrowly defined and, as a result, they make up only a fraction of the total costs any issuer would incur in running viable and sustainable businesses. **Across consumer credit portfolios, the RBA considers**

[90] The RBA published further information on the Issuer Cost Study on 19 August 2025. Reserve Bank of Australia (2025), Review of Merchant Card Payment Costs and Surcharging – Issuer Cost Study.
[91] Reserve Bank of Australia (2025), Review of Merchant Card Payment Costs and Surcharging – Issuer Cost Study, p3.

only 6.5 per cent of total costs to be eligible.[92] **Across commercial credit portfolios, the RBA considers only 6.9 per cent of total costs, excluding the interest-free period.**[93] When accounting for the cost of the interest-free period those numbers become 12.4 per cent and 14.6 per cent respectively.[94]

Eligible costs as defined by the RBA only include fees related to authorisation and transaction processing, mobile wallet fees, fraud costs and net scheme fees.[95] These costs are used to establish that a 0.3 per cent cap for domestic credit interchange is reasonable. However, the true total cost incurred by issuers of consumer and commercial credit portfolios is much higher. Based on the RBA's own estimate of total cost, including critical and foundational components like disputes, chargebacks, collections, write-offs and the cost of funding interest-free periods, the RBA's proposed credit cap covers only 15 per cent of the RBA's estimate of total costs for consumer credit cards, 23 per cent for commercial credit cards and 18 per cent of total credit.[96] As a result of the RBA's proposed interchange adjustments, Visa's and CRA's analysis, based on total cost data provided by the RBA,[97] suggests that **the market for domestic consumer credit cards will make an annual loss of AUD313 million a year, corresponding to a loss of 0.12 per cent of total transaction value.**[98] Similarly, the analysis based on the same data provided by the RBA shows that at the aggregate, **the market for domestic commercial credit cards will make an annual loss of AUD419 million a year, corresponding to a loss of 0.46 per cent of total transaction value.**[99]

It is important to emphasise that while the markets for both consumer and commercial credit card portfolio operations will become loss-making and require significant cross-subsidisation from other lines of business of card portfolio providers and/or a major increase in consumer card fees to break even, **these estimates are before considering the substantial forward-looking investments required to enable next-generation commerce and payments in Australia.** With those included, aggregate market losses would increase further.

As for debit, with the progress made on LCR with effective rates below the proposed new caps, it is unclear why RBA sees the need to reduce interchange fees for debit transactions. Currently, schemes have the flexibility to set strategic merchant rates across both large and small merchants and Visa has a specific market-level program focused on SMBs to provide optimised economics for this strategically important segment that is critical to economic growth. In

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[92] Charles River Associates (2025), RBA Review of Merchant Card Payment Costs and Surcharging: Response to the RBA's Consultation Paper (Sep 2025), p52, paragraph 182.
[93] Ibid., p38, paragraph 124.
[94] Ibid., p52, paragraph 182; p38, paragraph 124.
[95] Reserve Bank of Australia (2025), Review of Merchant Card Payment Costs and Surcharging – Issuer Cost Study, p5.
[96] Charles River Associates (2025), RBA Review of Merchant Card Payment Costs and Surcharging: Response to the RBA's Consultation Paper (Sep 2025), p52, paragraph 182; p38, paragraph 124; p14, footnote 26.
[97] Reserve Bank of Australia (2025), Review of Merchant Card Payment Costs and Surcharging – Issuer Cost Study.
[98] Charles River Associates (2025), RBA Review of Merchant Card Payment Costs and Surcharging: Response to the RBA's Consultation Paper (Sep 2025), p46, Table 5. Note: This analysis focuses on domestic transactions.
[99] Ibid., p32, Table 4. Note: This analysis focuses on domestic transactions.

combination, these levers already produce effective rates below the proposed new caps, and it is far from clear why, in the competitive environment for debit routing, which has already been successful in bringing debit rates down across merchant sizes, the RBA wishes to reduce debit rates further. Visa considers doing so risks making portfolio operations of, in particular, small debit issuers unviable. In addition, with credit portfolios across both consumer and commercial loss-making and unviable, the forward-looking investment burden falls on the debit side. Were the proposed new caps by the RBA to be implemented, it is difficult to see the market achieving the levels of investment required to support next-generation commerce and competitiveness.

Visa recommends that current credit and debit caps be maintained to continue to support the operations of viable credit and debit portfolios across both consumer and commercial segments that already operate at compressed levels. Critically, maintaining current levels will enable the RBA and the Government to ensure the payments and financial services industries are able to invest in, and support, next-generation commerce and payment solutions that, in turn, support economic growth and global competitiveness at the levels that the Australian economy enjoys today.

2. **Do not introduce caps on foreign-issued card transactions, including on foreign-issued commercial card transactions**

Enabling cross-border commerce, whether in the form of travel or e-commerce, is critical to Australia's economic growth. The complexity of cross-border transactions demand higher investment by both issuers and acquirers which interchange supports. Introducing a cap on interchange limits the resources available to both issuers and acquirers, which in turn impacts the provisioning of current and, importantly, future next-generation payments solutions available across cross-border transactions. This is particularly acute in relation to cross-border fraud, which is increasingly powered by AI and scaled at enterprise levels. This evolution requires ever more advanced risk and fraud capabilities or Australia will be at risk of importing fraud, with cost to the economy.

In addition, Visa considers that introducing a cap on inbound card payments will likely drive a migration to more expensive unregulated payment options, such as three-party networks. These networks are inherently more expensive and will, therefore, erode savings to merchants. In addition, a cap on inbound card payments will likely result in higher decline rates and lower authorisation performance as well as lost sales for merchants and the reduced functionality of foreign-issued cards in Australia. Collectively these risks will result in negative impacts on commerce, tourism and foreign investment. **As a result, Visa recommends that the RBA not introduce caps on foreign-issued card transactions, including on foreign-issued commercial card transactions.**

3. **Avoid further distortion of the already unlevel playing field between three- and four-party networks until both are brought under a common regulatory framework that ensures competitive neutrality**

Visa and CRA have identified that the RBA's proposed lower interchange caps will exacerbate the distortions to competition in Australia's digital payments ecosystem. This contradicts the RBA's longstanding principle of maintaining competitive neutrality[100] and not unfairly advantage unregulated three-party networks. Visa and CRA believe that the RBA's proposed changes will have the opposite effect, incentivising the further expansion of unregulated schemes such as American Express. As a result, **Visa recommends that the RBA considers how to also include three-party networks into its current and forward-looking regulatory framework.**

4. **Maintain the current interchange caps on domestic commercial card transactions**

The RBA's proposed recommendation will make operations of both consumer and commercial credit portfolios loss-making and unviable. The situation is particularly acute across commercial portfolios, which by their nature depend to a greater degree on interchange for the provisioning of the interest-free period. Based on CRA analysis of Visa and public data, on average, interchange fees accounted for over 55 per cent of total revenue collected by issuers from the offer of four-party commercial cards.[101] As a result, the RBA's recommended caps will result in the market for commercial credit cards making an annual loss of AUD419 million a year, corresponding to a loss of 0.46 per cent of total transaction value.[102] This loss only accounts for total costs related to the operations of credit card portfolios and does not account for investment in next-generation commerce and payments solutions, which is critical for commercial and corporate money movement solutions and the costs associated with the provision of value-added services to commercial cardholders.

Visa considers that one of the segments likely to be most impacted by the RBA's proposed caps is the SMB community. SMBs depend on commercial credit as a source of working capital to manage cashflow and payables. The availability of such credit facilities enables SMBs to more efficiently deploy their capital and grow. The RBA's proposed lower caps risk limiting SMB commercial credit facilities as issuers either increase fees to compensate for lost interchange or fold due to non-profitability of a product. SMBs will be left with unregulated, three-party credit and charge solutions which are typically more expensive for merchants, thus either eroding the RBA's expected savings or increasing the cost of acceptance overall to merchants. As noted earlier, this further exacerbates the non-level playing field between three- and four-party networks.

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

[100] The Consultation Paper emphasises the RBA's commitment to promote competition in the payments system. Reserve Bank of Australia (2025), Review of Merchant Card Payment Costs and Surcharging Consultation Paper, p8.
[101] Charles River Associates (2025), RBA Review of Merchant Card Payment Costs and Surcharging: Response to the RBA's Consultation Paper (Sep 2025), p33, paragraph 103.
[102] Ibid., p32, Table 4.

Debit interchange and small issuers

As we noted in Visa's response to Question 2, the RBA's own issuer costs data clearly demonstrates that smaller issuers face debit transaction costs that on a relative basis are higher than those of large issuers. This is due to the costly infrastructure required to provide viable processing operations and puts the relative cost of debit transaction process above the proposed caps. The Consultation Paper, based on the RBA's issuer costs study, finds in Table 3[103] that when major issuers are excluded, the average costs to smaller issuers for card issuing and processing domestic transactions are 10 cents or 0.24 per cent for debit. This is higher than the caps currently in force and significantly higher than the new caps proposed at 6 cents and 0.12 per cent.

As a result, it is likely that smaller issuers will face significant pressure as they will not be able to cover the costs of processing their debit transactions. This will likely result in a decrease in competition as some smaller issuers decide to either exit the market or there will be reduced efficiency in the payments ecosystem as they will need to raise fees. Unlike larger issuers that benefit from more diversified and sizable businesses that may enable cross-subsidisation, smaller issuers have limited options to subsidise their debit payment services. Customers will, therefore, will face higher fees and less choice. Compressed economics will likely also impact market entry – with implications for competition and innovation. This view is also supported by CRA which notes that "[b]y limiting the revenue that issuers can expect to generate from the offer of four-party cards, the RBA's proposal is likely to limit the extent of new entry in this segment of the payment system and may lead to the exit or contraction of smaller issuers".[104] **Case in point, Visa has been made aware of the plans by a number of smaller issuers to potentially scale back or cancel planned launches of debit (and credit) card products in Australia if these changes proceed.** This would, in turn, limit consumer choice in an economy where obtaining and using cash becomes more difficult and would be contrary to the RBA's stated objectives set out in the Consultation Paper.[105]

Credit interchange and small issuers

Similarly, the RBA's own cost study finds that the cost of issuing credit products for smaller issuers is higher than today's weighted average interchange caps at 0.54 per cent when including the cost of funding interest-free periods.[106] Smaller issuers have less diversified business models than the major banks and limited means with which to subsidise or fund the cost of the interest-free period. As a result, there may be a reduction in competition as smaller issuers cease to provide credit products or need to raise fees.

[103] Reserve Bank of Australia (2025), Review of Merchant Card Payment Costs and Surcharging Consultation Paper, p34.
[104] Charles River Associates (2025), RBA Review of Merchant Card Payment Costs and Surcharging: Response to the RBA's Consultation Paper (Sep 2025), p16, paragraph 50.
[105] Reserve Bank of Australia (2025), Review of Merchant Card Payment Costs and Surcharging – Issuer Cost Study, p34.
[106] Ibid., p5.

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?

Visa agrees with the assessment in the Consultation Paper that the net compensation provisions have broadly operated as intended. Like the RBA, we are not aware of the potential regulatory gap described in the Consultation Paper – where indirect issuer participants sponsored by overseas entities may not be technically captured, either directly or indirectly, by the net compensation provisions – being exploited.[107]

Transparency of Wholesale Fees and Scheme Fees

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?

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?

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

Visa recognises the importance of transparency and is committed to ongoing engagement with the RBA to ensure the scheme fees framework remains robust and effective. We believe the current approach continues to achieve strong outcomes in supporting competition and innovation and Visa is open to constructive dialogue, balancing the inherent complexity in avoiding unintended consequences that negatively impact competition, innovation and growth.

At its core, Visa's pricing, or scheme fees, are anchored in the deep value proposition Visa provides its ecosystem participants and that is intended to support their growth and that of the ecosystem in which they operate. Visa's fees cover a broad spectrum of services and solutions, including the core VisaNet processing capability that is available globally 24/7 and delivered across a set of geographically separated, synchronised, state-of-the-art data centres, which process 83,000 transactions a second.[108]

Visa's fees also cover a range of value-added services that enables ecosystem participants to offer a more robust value proposition to their end customers, including merchants and consumers. These value-added services include dynamic risk solutions supported by integrated

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[107] Reserve Bank of Australia (2025), Review of Merchant Card Payment Costs and Surcharging Consultation Paper, p37.
[108] Visa (2025), The future is here at the Visa Payments Vault.

global cyber command hubs that handle 24/7 security monitoring, incident response and investigations, and are capable of protecting ecosystem participants from increasingly advanced, AI-powered and scaled fraud attacks. In 2023 alone, Visa's risk solutions helped prevent AUD62 billion in attempted fraudulent transactions globally.[109]

These are just two examples of the deep and diverse solution set that Visa brings to bear in support of issuers, acquirers, and ultimately the broader Australian ecosystem and economy. The specialised and wide-ranging set of solutions that Visa provides and the dynamic and competitive nature of the payments industry demands that market dynamics and competition are permitted to determine the level of scheme fees. Market dynamics also ensure that fee growth is restrained and always calibrated against the actual value provided.

Transparency of Merchant 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.**

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?

The proposed requirement to publish additional details about average cost of acceptance and amend the cost of acceptance reporting on merchant statements are likely to present significant implementation challenges for acquirers. Fee structures vary widely across providers and are often bundled with value-added services, such as fraud protection, analytics and customer support. To avoid misleading comparisons, it is essential that any requirements clearly define what should be included and excluded in the published data. Consistency in reporting across all acquirers is critical to ensure that merchants — particularly small businesses — can accurately assess their costs. Moreover, any requirement must apply equally across all payments options, including three-party networks, to maintain a level playing field.

[109] Visa (2025), Visa Unveils its Scam Disruption Practice, Helping Protect Consumers and the Financial Ecosystem Globally. All figures converted to AUD at rate of 1 USD = 1.55 AUD (Aug 2025).

Least Cost Routing

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?

Visa assesses that no further changes are required to the RBA's existing industry expectation on LCR implementation to improve competition and efficiency for debit cards. As a result, we support the RBA's preliminary assessment that there is not a strong case for a formal regulatory requirement to enable LCR in the in-person environment.[110] Furthermore, we agree with the RBA's view that the 'expectations'-based regulatory approach has fostered good progress with LCR in recent years.

As the RBA states, LCR has been made available to all merchants[111] and, as of December 2024, 76 per cent of merchants had LCR enabled for in-person transactions. Visa notes the RBA's acknowledgement that "LCR for in-person transactions is not necessarily suitable for all merchants"[112] – for whom a mandate could have negative repercussions. As noted in the Consultation Paper, this includes a sizable share of merchants – possibly between 10-20 per cent – who do not have LCR enabled for what the RBA describes as arguably good reasons.[113] The RBA's position is underpinned by Governor Bullock's recent comments, reaffirming that the availability and enablement of LCR were working well, without the need for formal regulatory intervention.[114] This is important, given as the RBA notes, merchants "do not choose a network on cost alone (they can also focus on factors such as functionality, system resilience and innovation)".[115]

In further outlining arguments against a LCR mandate, the RBA observes that a mandate would not, of itself, guarantee the pass-through of savings to merchants. It states: "Absent the RBA attempting to directly regulate acquiring pricing, the mechanism for the savings from LCR to be passed on to merchants is competition in the acquiring market." [116] The RBA also highlights that a formal LCR requirement would involve significant costs, including ongoing monitoring and compliance, as well as complexity in terms of designing the mandate. It also notes that some acquirers have argued that it is impossible for them to guarantee that their routing choice will be lowest cost for merchants, including due to merchants' card and transaction mix varying over time.[117]

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[110] Reserve Bank of Australia (2025), Review of Merchant Card Payment Costs and Surcharging – Consultation Paper, p64.
[111] Ibid., p62.
[112] Ibid., p62.
[113] Ibid., p62.
[114] Australian Parliament House, Standing Committee on Economics (2024), Review of the Reserve Bank of Australia Annual Report 2023, p14.
[115] Reserve Bank of Australia (2025), Review of Merchant Card Payment Costs and Surcharging – Consultation Paper, p64.
[116] Ibid., p63.
[117] Ibid., p62.

Proposed Policy Options and Implementation Timeline

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?

The PSB's preferred package and its objectives of competition, efficiency and safety in the payments system

Visa supports the RBA's ambition of improving competition, efficiency and safety in the payments system. However, we consider that the RBA's preferred package of changes does not achieve these outcomes. As outlined in detail in our response to Question 2, Visa believes that the RBA's proposed changes in Section 3.3 of the Consultation Paper[118] present significant risks and consequences to the digital payments ecosystem in a way that runs counter to the RBA's goals and objectives.

Firstly, with respect to competition, the RBA's proposed changes will result in further distortion to competition exacerbating the non-level playing field between four- and three-party schemes - in particular contrary to the RBA's principles of maintaining competitive neutrality. As we have explained in detail in Question 2, the proposed significant reduction in four-party scheme commercial and consumer interchange rates across domestic and cross-border transactions will necessitate issuers of three-party cards to increase fees and reduce benefits and rewards. This includes, for example, raising the cost of the commercial credit facilities SMBs critically rely on for working capital and cashflow management.

If the RBA's proposals accelerate the growth of American Express's share of credit volume, this will increase costs to merchants and reduce competition.[119] Furthermore, the CRA analysis shows that both consumer and commercial portfolios at an aggregate will become loss-making to issuers[120] and thus the RBA's changes disproportionately impact small issuers and fintechs, who rely on interchange fees to compete with larger institutions. This increases barriers to entry and requires some to reconsider their service offering, reducing competition.

Secondly, with respect to efficiency, the RBA's proposed changes will result in a material reduction of efficiency as issuers will be required to increase fees and limit critical innovation and security investments which underpin Australia's digital payments leadership. These are the very investments which supported the roll-out of major innovations, such as contactless and

[118] Reserve Bank of Australia (2025), Review of Merchant Card Payment Costs and Surcharging Consultation Paper, p42-43.
[119] Charles River Associates (2025), RBA Review of Merchant Card Payment Costs and Surcharging: Response to the RBA's Consultation Paper (Sep 2025), p13, paragraph 36.
[120] Ibid., p13, paragraph 38.

tokenisation, which the CRA Report estimates has saved Australian consumers and merchants over AUD4.8 billion[121] from 2017-2027. Visa estimates conservatively that at least AUD2 billion a year[122] worth of investment will be required over the next two to three years alone to support the Australian payments ecosystem, and by extension, the country's commerce ecosystem and broader economy.

In addition, the proposed changes to interchange on foreign-issued cards risks negatively impacting economic growth linked to inbound commerce in the form of tourism and e-commerce as it constrains the availability, efficiency and quality of foreign-issued four-party model payment solutions. As noted earlier, the lower domestic and new foreign-issued card interchange caps will see a migration of payments to more expensive three-party and alternative payment options overall, increasing the cost of acceptance to businesses and reducing the efficiency of Australia's digital payments ecosystem.

Thirdly, with respect to safety in the payments ecosystem the reductions to interchange revenue severely constrain issuers' ability to invest in the critical next-generation advanced fraud detection, cybersecurity, and authentication technologies and infrastructure required to continue to support the resiliency and security of Australia's payments ecosystem.

Aside from the changes to interchange proposed, Visa supports the RBA's proposal to remove prohibitions on 'no-surcharge' rules on designated debit, prepaid and credit card networks. This position reflects Visa's longstanding view that surcharging undermines consumer experience and merchant clarity, and ultimately distorts competition and efficiency in the payments ecosystem.

Variations to the package for the PSB's consideration

As noted in our response to Question 2, given the significant risks and unintended consequences with both medium- and long-term impact, **Visa recommends that the RBA consider the following variations to its package of recommendations:**

1. Maintain the current interchange caps in Australia for domestic transactions.
2. Do not introduce caps on any foreign-issued card transactions, including on foreign-issued commercial card transactions.
3. Avoid further distorting the already unlevel playing field between three-party and four-party networks until both are brought under a common regulatory framework that ensures competitive neutrality.
4. Maintain the current interchange caps on domestic commercial card transactions.

[121] Ibid., p2, paragraph 4.
[122] Aggregated investment cost estimate derived from consideration of publicly disclosed major issuer card payments technology expenses. Key examples (not exhaustive) include Commonwealth Bank Australia (CBA)'s over $900 million investment in fraud protection and NAB's over $1.6 billion investment to improve technology capabilities, including ongoing refinement of biometrics technology and fraud prevention. See: CBA (2025), Press release; NAB (2024), Investor presentation.

Visa would also encourage the PSB to give consideration to a more targeted and sustainable approach to supporting small merchants, rather than broad regulatory caps that risk unintended consequences. An example is Visa's Small Merchant Interchange Program in Canada, which supports small merchants processing less than AUD334,000[123] annually. In alignment with this approach, Visa launched a refreshed Acquirer SMB Program in Australia in May 2025, offering preferential interchange rates for domestic debit transactions to acquirers who support SMB growth on the Visa network. We encourage the RBA to consider frameworks that balance affordability, innovation and competitive neutrality. Such programs also allow for dynamic adjustments based on merchant needs and market conditions, ensuring long-term viability and effectiveness for all stakeholders.

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

Overarchingly, Visa remains highly concerned about the severity of the RBA's interchange proposals, particularly regarding the proposed credit - including commercial - and foreign-issued card transaction caps and the speed at which the RBA intends to implement these changes. Over the years, Visa has appreciated the RBA's considered approach to payments regulation, in line with its mandate to ensure competition, efficiency and risk in the system – and **we encourage the RBA to maintain this stance in the context of this Review and its consideration of the implementation timeline for these reforms.**

Should the RBA proceed to implementation regarding the 'no-surcharge' rules and domestic interchange reforms proposed in its Consultation Paper, **Visa recommends a minimum period of nine months from publication of the Conclusions Paper to implementation**. This timeline would enable sufficient time for communication and coordination with our clients, ensuring that both they and Visa can adequately update systems, processes and operations.

In the event of any changes to foreign-issued card transactions, **Visa recommends a minimum period of 12 months from publication to implementation due to the significant and widespread impact on clients globally.** Additionally, it is industry standard for any changes to foreign-issued card transactions to be executed during either the April or October Business Enhancements Release. Visa has established these release periods, as set out in the Business Enhancement Release framework, which are specifically designed to optimally manage significant changes impacting the industry. These release periods provide sufficient time for all stakeholders to prepare and implement necessary changes effectively, minimising operational risks and ensuring continued stability across the digital payments ecosystem. Regulatory- or industry-driven changes that align with these release periods facilitate smooth implementation and industry-wide readiness compared to any efforts to introduce changes outside the release periods.

[123] All figures converted at rate of 1 CAD = 1.11 AUD (Aug 2025).

Draft Standards

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?

As the preliminary recommendations have not yet been finalised, Visa has no comments to share in respect of the interim drafting. As set out in Question 13, should the RBA proceed to make its preliminary recommendations final, Visa recommends a minimum of nine months from publication to implementation for the 'no-surcharge' rules and domestic interchange reforms, and 12 months for changes to foreign-issued card transactions, in order to communicate and coordinate with our clients, properly plan for implementation and update our systems, processes and operations.

About Visa

Visa is one of the world's leaders in digital payments. Our mission is to connect the world through the most secure, reliable and innovative payments network – enabling individuals, businesses and economies to thrive. We facilitate global commerce and money movement across more than 200 countries and territories and among consumers, financial institutions, businesses, strategic partners and government entities through innovative technologies.

In Australia, Visa has offices in Sydney and Melbourne. Together with our partners, we are committed to building a future of commerce that fosters Australia's economic growth, security and innovation. Regarding security, over a five-year period, Visa invested AUD15.5 billion in systems resilience, fraud management and cybersecurity, including tokenisation, AI and blockchain-based solutions, to bring even more security to every transaction.[124] For example, in the 12 months ending March 2023, Visa Advanced Authorisation (VAA), Visa's AI-based real-time payments fraud monitoring solution, helped Australian financial institutions to prevent AUD714 million in fraud from disrupting the nation's businesses.[125]

Since 2020, Visa has worked with Australian not-for-profit organisation, Global Sisters, to provide business mentoring and coaching to aspiring businesswomen who recently graduated from Global Sisters' small business education program. Additionally, in 2023, Visa announced the first ever Australian recipients of its global Visa She's Next Grant Program,[126] which supports women entrepreneurs to run, fund and grow their businesses. Together with Global Sisters and the Accelerator for Enterprising Women initiative, Visa invited ten exceptional women-owned small businesses to pitch their business plans for funding from the She's Next Grant Program.

More broadly, through the Visa Foundation, we are dedicated to fostering inclusive economies where individuals and communities can thrive. In Australia, the Visa Foundation is an investor in the First Australians Capital Catalytic Impact Fund, which aims to promote and support Indigenous businesses and enterprises, helping Indigenous people to achieve greater economic independence. To date, the Visa Foundation has committed AUD2 million to the Impact Fund. Prior to this, in 2023, the Visa Foundation provided funding to the Australian not-for-profit, Good Return, to support Indigenous women entrepreneurs in Australia.[127]

Visa is proud to be the Official Global Supporter of the AFC Women's Asian Cup Australia 2026 and was a partner for FIFA World Cup Australia & New Zealand 2023.

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[124] Visa (2024), Security Roadmap Australia 2025-2028. All figures converted to AUD at rate of 1 USD = 1.55 AUD (Aug 2025).

[125] Visa (2024), Visa prevents more than $700 million in fraud from disrupting Australian businesses.

[126] Visa (2023), Visa announces She's Next small business winners in Australia & New Zealand.

[127] Good Return (2023), Good Return receives funding from Visa Foundation to support Indigenous women entrepreneurs in Australia.