

Review of Merchant Card Payment Costs and Surcharging

Summary of Submissions to the Consultation Paper

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Introduction

The RBA received written submissions from 174 individuals and organisations to its Consultation Paper on the Review of Merchant Card Payment Costs and Surcharging, released on 15 July 2025. The RBA published 148 of these submissions on its website in September, with the remaining submissions provided to the RBA on a confidential basis; some organisations provided a confidential submission as well as a public submission. In addition, the RBA conducted verbal discussions with some stakeholders who were not in a position to provide written submissions.

Submissions came from a broad range of stakeholders including consumers, small businesses, large corporations and government entities. Payments industry stakeholders included card networks, domestic and international issuers, acquirers, payment gateways and wallet providers.

The submissions expressed views on the effects that the proposals in the Consultation Paper could have on everyday transactions, business models and competitive dynamics in the payments industry. Different stakeholders have divergent views on many issues, including how costs should be allocated and the flow-on consequences of the proposals. Staff have held over 40 stakeholder meetings to date and are following up with further questions to relevant stakeholders.

Stakeholders provided data and other evidence, either as part of their submissions or through follow-up engagements. Some stakeholders proposed alternative approaches on specific proposals or as an overall package. Other stakeholders proposed areas where staff could seek further information to inform recommendations to the Payments System Board (PSB).

Staff have considered, and continue to consider, submissions and additional information by reference to the PSB's legislative mandate of controlling risk in the financial system, promoting the efficiency of the payments system, and promoting competition in the market for payment services consistent with the overall stability of the financial system.

This document provides a summary of the submissions and additional information received to date (where that information is not confidential).

To give due consideration to this substantial body of information and the policy implications, the RBA has decided to extend the time for concluding the Review of Merchant Card Payment Costs and Surcharging until March 2026.

Surcharging

Most submissions supported a removal of surcharging on designated debit and credit card networks as their first preference. Some submissions supported retaining the current surcharging framework.

A small share of submissions supported the removal of surcharging on debit cards as their first preference. Some merchants, payment service providers (PSPs) and financial institutions supported this option as their second preference in submissions or follow-up engagements. These submissions noted this option would allow merchants to recover some card payment costs via surcharges and would retain the price signal on credit. PSPs that only offer blended pricing and their industry representatives strongly opposed a debit-only ban as it would be disruptive to their business models.

Retain the surcharging framework

Many merchants, some PSPs (whose business model or merchant base relies on surcharging) **and some consumers opposed removing surcharging, stating that this would:**

- **Result in increased use of high-cost credit cards, which would reduce efficiency.** These submissions stated that consumers would be incentivised to use higher-cost cards such as premium credit cards to earn rewards because they would no longer face the true cost of their payment choices.
- **Be counter to the ‘user pays’ principle.** Merchants would be forced to bear the additional cost associated with consumers choosing to increase their use of credit.
- **Remove a key bargaining tool for merchants to negotiate lower merchant service fees.** This was shared by some merchant groups.
- **Result in some merchants reconsidering whether to accept card payments if the cost of accepting cards remains substantially higher than alternatives.**
- **Disincentivise the adoption of lower-cost payment technologies and entrench cards as the dominant payment method because consumers would have no financial incentive to switch payment methods.** Views were mixed on whether providing discounts for lower-cost payment methods would achieve a similar purpose.
- **Reduce innovation and competition in the acquiring market.** A group representing the technology industry stated that surcharging allows new entrants to gain revenue and market share at no cost to merchants. However, the group also noted that surcharging is not the only lever for innovation.
- **Not result in additional merchant switching between PSPs because switching costs for merchants are high** (see Transparency of merchant fees section).

- **Increase consumer prices if merchants incorporate the cost of accepting card payments into their advertised prices rather than passing them on as a surcharge.** Around half of 187 small merchants surveyed by a small merchant group indicated that they would raise prices if they were no longer allowed to surcharge.
- **Increase costs for cash users if the price of goods and services increases for all consumers regardless of how they pay.** Several merchants stated they would consider offering discounts to cash users because they perceived cash to be cheaper to accept than cards. This view was challenged by other merchants who argued that card surcharges disincentivised the use of lower-cost payment methods.
- **Threaten the viability of some merchants or of some business models:**
 - Several submissions noted that pharmacies and sellers of lottery tickets cannot adjust their prices to incorporate the cost of accepting card payments because pricing on those items is regulated. However, the Government already prevents pharmacies from surcharging PBS medications and many pharmacies do not surcharge at all according to another stakeholder. A group representing lotto and newspaper agencies noted that most of these agencies do not surcharge and they retained the flexibility to raise prices on other items.
 - A travel industry association stated that travel agents would be less profitable as a result of having to absorb chargeback liabilities (through which they guarantee refunds to card-paying consumers if the end-service is not delivered).

Several submissions advocated for tighter enforcement of surcharging rules, which they believed would be sufficient to address issues of excessive surcharging, poor disclosure and merchants not offering surcharge-free options.

A submission supported keeping surcharging but narrowing the definition of a permitted surcharge.

Remove surcharging on designated debit (and prepaid) cards

Some large merchants and issuers supported removing surcharging on debit cards only. In addition, of the submissions that supported retaining surcharging, some supported a debit-only surcharging ban as a second preference. **Supporters of this option stated that it would:**

- **Reduce merchant payment costs by more than alternative options.** By retaining the price signal on credit, consumers would be incentivised to pay more often with debit cards which tend to be the cheapest payment method for merchants to accept. Several submissions stated that this would reduce total merchant payment costs and be more efficient than removing surcharging on both debit and credit.

- **Reduce the cross-subsidisation of higher-cost payment methods by debit cardholders.** Currently, consumers that choose to pay with debit cards and credit cards are typically charged the same price (most of the merchants that surcharge apply the same surcharge rate to debit and credit). Under this option, debit cardholders would no longer face surcharges that cross-subsidise the rewards and other benefits accruing to credit cardholders. Consumers that pay with debit cards would also no longer pay more than cash users (unless merchants choose to offer a discount for cash use) despite cash now being more expensive for many merchants to accept.
- **Maintain downward pressure on payment costs for credit cards.** Several submissions highlighted that merchants use surcharging (or the threat of surcharging) to negotiate lower fees on credit card transactions. They noted this was a particularly important bargaining tool in the credit market in the absence of least-cost routing.
- **Retain competitive pressure on the fees charged by three-party schemes such as American Express.** Some submissions noted that American Express might continue to allow surcharging on their cards if surcharging were retained on Mastercard and Visa credit cards.
- **Be cheaper to implement than estimated in the Consultation Paper because several providers already offer differential surcharging:**
 - A travel industry association noted that differential surcharging is already widespread in the airline industry.
 - A few submissions stated that the costs for PSPs to develop this capability would only reflect a historical lack of investment by those PSPs.
 - Several PSPs and a group representing the tech industry stated that a partial removal of surcharging would introduce significant complexity and compliance burdens and may require new terminals.
- **Disrupt blended pricing models, which could improve efficiency.** Many submissions noted that blended pricing obscures the differential costs between card types and reduces the effectiveness of the price signal.
- **Be unlikely to result in cards being erroneously surcharged** because surcharging is generally automated according to an issuer.

Only one submission supported introducing a cap on credit surcharging.

Remove surcharging on designated, debit, prepaid and credit card networks

Removing surcharging on designated debit and credit card systems was supported by most consumers, most issuers, the card networks as well as a minority of merchants and PSPs, since it would:

- **Simplify payments, make pricing more transparent and reduce drip pricing.** This was supported by many submissions including from the card schemes and large issuers. Many consumer submissions reported that merchant disclosure was often inadequate, resulting in confusion and

unexpected surcharges at the point of sale. Many consumers reported that they value the certainty of knowing the end price when making a purchase decision and acknowledged that some merchants might build the card surcharge into the price of goods and services.

- **Increase efficiency by incentivising the use of cards, which tend to be cheaper for merchants to accept than cash.** However, submissions against a removal of surcharging stated that the removal of an efficient price signal could lead to greater costs in the payments system if more consumers chose to pay with credit cards (or with American Express cards).
- **Increase competition in the acquiring market by incentivising merchants to shop around for a better payment plan.**
- **Be less disruptive than removing surcharging only on debit cards for most participants in the payments industry.** Groups representing payments industry reported that most of their members supported a full removal over a removal on debit only. A group stated that removing surcharges would hurt the business models of PSPs that rely on surcharging and could result in some exits or fewer entrants. A PSP provided evidence that the number of acquirers remained stable in Europe following the introduction of a surcharge ban and that non-bank and fintech acquirers continued to enter the United Kingdom acquiring market following the surcharge ban.
- **Eliminate some practices that are counter to the policy intent of the surcharging regulations.** A few submissions noted that some PSPs have gained market share by encouraging merchants to surcharge above their cost of acceptance.
- **Reduce the compliance and enforcement burden.** It was difficult for consumers to know whether merchants are excessively surcharging because they could not see merchants' true costs of acceptance. This lack of visibility has also made enforcement of the existing surcharging framework difficult. Merchants would also have less need to calculate their cost of acceptance to ensure they are not excessively surcharging.
- **Bring payments in line with other cost items for merchants by incorporating their costs in the base price of goods and services.**
- **Bring Australia in line with international peers, which would increase efficiency by improving the ease of doing business in Australia.**

Alternative options

Some submissions suggested that the RBA should consider policies that were not covered in the Consultation Paper including:

- **Removing surcharges on card-present transactions only,** similar to what is being proposed in New Zealand. These submissions suggested that for online payments cash is not an alternative, disclosure of surcharging is generally not an issue and transaction values tend to be higher than in the in-person environment.

- **Exempting certain sectors or payments from any change in surcharging policy, such as:**
 - transitional or permanent exemptions for small retailers
 - the travel industry
 - regulated-price products
 - business-to-business wholesale payments
 - rental payments or strata fee levies
 - low-margin industries
 - stored-value facilities
 - taxi fares. A few stakeholders stated that the taxi exemption should remain because payment surcharges are different from taxi surcharges under state regulations.

Other feedback

- **The card schemes generally reported that they would impose no-surcharge rules if the RBA removed its prohibition on such rules, although the application of these rules could differ across schemes.¹**
- **Several submissions stated that the Government should legislate a ban on surcharging to ensure consistency across all card networks and merchants, and give the Australian Competition and Consumer Commission (ACCC) powers to enforce the legislated ban.**
- **A banking industry group and some card schemes stated that removing surcharging should not be conditioned on reductions in interchange.**

¹ American Express has a voluntary undertaking with the RBA not to prohibit merchants from applying a surcharge on American Express cards (see American Express Australia Limited and RBA (2004), '[Undertaking](#)', 1 September).

Interchange

Domestic interchange (excluding commercial cards)

Many stakeholders supported either maintaining the status quo on domestic interchange caps or reducing the domestic debit benchmark and cap.

Retain the current benchmarks and caps on both debit and credit (status quo)

Most issuers and schemes were in favour of retaining current interchange caps. These submissions stated that reductions in interchange caps would result in:

- **Higher costs for cardholders, reduced access to credit and a shift to higher-cost products such as payday loans and buy-now-pay-later (BNPL) products.** Large issuers reported that issuers might increase interest rates, cardholder fees and reduce interest-free periods. These institutions stated that higher costs would reduce access to credit for low-income individuals and families and small businesses that rely on credit cards, and shift cardholders to more expensive forms of credit such as payday loans and BNPL products.
 - Issuers noted that credit card interest rates are significantly lower in Australia than in the United Kingdom.
 - A few large issuers stated that they would tighten their credit assessments if revenue from credit interchange fell. Modelling commissioned by an issuer indicates that BNPL providers would benefit substantially from customers switching.
- **A reduction in rewards points received by credit card holders and lead to a shift to higher cost products such as American Express.** A banking industry group and several large issuers noted reductions in the generosity of credit card reward programs in Europe and the United Kingdom following reductions in credit interchange caps:
 - Many submissions stated that American Express would gain market share because they would be able to offer more benefits for consumers by virtue of not being subject to the RBA's interchange regulations. An expert report commissioned by a scheme calculated that the credit interchange savings would be fully offset if American Express significantly increased its market share. Modelling commissioned by an issuer indicates that American Express would benefit substantially from consumers switching.
 - Many submissions suggested expanding the scope of the Review to incorporate three-party schemes following the passage of the reforms to the *Payment Systems (Regulation) Act 1998*.
- **Lower fraud protection for cardholders.** A scheme and a banking industry group stated that issuers might choose not to invest in technologies that would offer fraud protections to their cardholders. By contrast, a bank indicated that issuers are incentivised to invest in fraud prevention

regardless of the level of interchange to attract cardholders and depositors (in the case of authorised deposit-taking institutions).

- **Less competition in the issuing market.** Lower interchange revenue could threaten the viability of small issuers that are heavily reliant on interchange, deter new entrants and risk entrenching large issuers. A scheme stated they were aware that some small issuers were delaying or reconsidering launching new products because of the RBA's interchange proposals. A large issuer and smaller issuers also stated that the proposed interchange levels would be insufficient to cover their issuing costs, which are said to be higher than the averages reported in the Issuer Cost Study.² Smaller issuers also stated that larger issuers were more able to cross-subsidise their issuing business with other revenue streams, which puts smaller issuers at a competitive disadvantage.
- **Less flexibility for schemes to offer strategic rates to large merchants by capping the range of interchange rates that schemes can set.** A large retailer and a group representing large merchants were of the view that current differences in interchange rates paid by small and large merchants are justified and should be maintained. They stated that large merchants face higher regulatory costs, are less risky for issuers and make significant investments in, and drive adoption of, new payments technology.
- **Lower investment in new technologies such as agentic commerce by reducing issuer revenue and the ability for the card schemes to set differential interchange rates to incentivise take-up of new innovations.** A scheme stated interchange is required to fund fraud protection as well as other business productivity features.
- **Lower productivity.** A PSP stated that the RBA's proposal would threaten the viability of B2B commerce platforms.
- **Unnecessary intervention in the dual-network debit card market given interchange rates are already below the benchmark due to strong competition between schemes.**
 - An issuer stated that reducing caps on debit would go beyond locking in recent declines in debit interchange rates because large merchants have sufficient bargaining power to continue negotiating strategic rates at proposed levels (due to least-cost routing (LCR) driving competition among schemes to offer low interchange to strategic merchants).
 - An issuer noted that there are fewer levers for issuers to adjust revenues in the debit card market to offset reductions in interchange. Unlike credit cards, debit cards do not generate interest revenue for issuers, and most do not have annual or account fees. In addition, the Banking Code of Practice prevents the introduction of account fees for basic transaction accounts for low-income customers.
 - A scheme proposed that debit caps should be lowered for single-network debit cards only because merchants cannot least-cost route those transactions.

² See RBA (2025), [‘Review of Merchant Card Payment Costs and Surcharging: Issuer Cost Study’](#), 19 August.

- An issuer stated that smaller financial institutions may currently receive interchange that is above the weighted average. The proposed caps would therefore reduce the interchange revenue for these institutions.
- Another issuer stated that the cents-based benchmark results in interchange revenue remaining fixed, while some costs rise with the general price level, resulting in the real interchange received falling even as interchange settings remain the same.
- **Interchange that is too low relative to peer jurisdictions.** Interchange caps on debit cards are already lower than in Europe, New Zealand and the United Kingdom. Unlike in Australia, commercial credit card interchange is not capped in these jurisdictions. A banking industry group and a scheme were also of the view that comparisons to Europe and the United Kingdom were inappropriate because Australia has smaller transactions volumes. A banking industry group also opposed comparing the jurisdictions on the basis that Australian issuers incur higher cash distribution costs due to the country's vast and dispersed geography.
- **Mobile wallet providers such as Apple Pay receiving a large share of credit interchange revenue.** Several stakeholders referred to public reports that Apple Pay charge issuers up to 15 basis point per transaction on credit.

Reduce the debit and credit interchange caps

Many submissions supported the interchange caps outlined in Options 2 and 4 (i.e. reducing the credit cap to 0.3 per cent and reducing the cent-based debit benchmark and cap to 6 cents and the ad-valorem cap to 0.12 per cent). Some submissions advocated for interchange caps lower than those proposed in these options. **Lower interchange caps were broadly supported by consumers, merchants, industry groups, PSPs and government agencies. These submissions stated that lowering interchange caps would be justified because:**

- **Interchange fees might no longer be necessary or justifiable in a mature card market.** Some submissions noted that issuers no longer need to be incentivised to issue cards nor do consumers need encouragement to use cards.
- **It would reduce the cross-subsidisation of large merchants by small merchants.** An issuer noted that large merchants on strategic rates pay interchange of around 1.5 cents per transaction, which is significantly below issuer costs and well below the proposed caps.
 - Several submissions suggested alternative measures to restrain merchant cross-subsidisation including banning strategic rates or volume-based discounts. A large issuer stated strategic rates should be capped at a fixed discount of 30 per cent to the rate available to small merchants (as opposed to 60–80 per cent currently).
 - A PSP stated that the disparity in interchange fees between large and small merchants would reduce if interchange benchmarks and caps are lowered.
 - A few submissions supported a floor on interchange to narrow the range between interchange paid by small and large merchants.

- **There would be less cross-subsidisation of credit cardholders by debit cardholders if the difference in interchange between those cards was narrowed.** An issuer stated that interchange on debit and credit should be capped at the same rate to fully remove this cross-subsidisation. A small merchant group advocated for caps set at close to zero.
- **Issuers have demonstrated they can raise revenue in ways that align more closely with a ‘user pays’ framework.**
- **Fraud rates are low by global standards and have been falling** according to data published by AusPayNet. Several submissions proposed that interchange caps should be reduced as a result. A few submissions suggested that higher caps could be maintained for transactions that have higher fraud risks (e.g. card-not-present and/or non-tokenised transactions).
- **There is no evidence that lowering interchange would result in higher incidence of fraud.** Some global PSPs provided evidence that fraud rates are not correlated with the levels of interchange caps. This finding held across jurisdictions that cap interchange at or around the levels proposed in the Consultation Paper.
- **It would bring Australia in line with some peer jurisdictions on consumer credit,** with several noting that the current caps of 0.8 per cent are significantly above the caps of 0.3 per cent on consumer credit that apply in the European Economic Area (EEA) and the United Kingdom.
- **Lowering interchange has not reduced availability of consumer credit in other jurisdictions.**
- **Current interchange levels have allowed issuers to ‘double dip’ by compensating issuers for services for which they separately charge merchants.** For example, some merchants noted that they pay for fraud and chargeback protection through interchange (which accrues to issuers) but are also separately charged by issuers for dispute management.

Many submissions stated that merchants would not receive the full benefits of any interchange reductions. Several noted that European merchants did not receive the full benefit of interchange savings from the Interchange Fee Regulation because acquirers and schemes increased their fees.

Other options

A few large merchants supported Option 3 (reduce credit benchmark to 0.3 per cent and cap to 0.5 per cent). They stated this option would reduce overall costs but retain sufficient flexibility for strategic rates.

Some submissions stated that the RBA should consider the following policies that were not covered in the Consultation Paper:

- **Introduce differential interchange caps for card present and card-not-present transactions to account for differences in fraud rates and future product developments that are more prominent in card-not-present transactions such as agentic commerce.** This was raised by a few issuers and a large merchant.

- **Lower interchange on debit and credit to close to zero.** This option was supported by a small merchant group, which noted that interchange caps could be lowered further because the proposed caps remain well above issuer costs. The small merchant group indicated that higher interchange caps could be set in segments with higher fraud risks and for overseas transactions.
- **Introduce targeted programs aimed at lowering the interchange fees paid by small businesses.** This was raised by a group representing banks, three large issuers and the international schemes.
- **Limit ad valorem fees to card-not-present transactions for debit because there is no justification for charging ad valorem fees on in-person transactions with tokenised wallets.** A small merchant group stated that all ad valorem fees should be expressed as the lowest of an ad valorem or cent-based fee.
- **Pause interchange reforms until the impact of the proposed measures on surcharging and transparency can be measured.**

Commercial cards

Most submissions that supported interchange reductions did not differentiate between consumer and commercial cards.

A few submissions specifically supported capping interchange on commercial cards at the same rate as consumer cards because:

- **Eligible issuer costs are similar on both commercial cards and consumer cards.** On this basis, it is difficult to justify charging differential interchange rates across those card types.
- **Issuers commonly pass on a portion of their commercial card interchange revenue to cardholders in the form of cash rebates.** This practice was confirmed by several issuers. Some submissions viewed this as an indication that interchange on commercial cards was too high and questioned whether merchants should be funding this practice through interchange.

Apply separate interchange regulation to commercial credit cards

Some issuers, a group representing payments industry participants, some schemes and some large travel merchants advocated for interchange on commercial cards to be either uncapped or capped at a higher level than consumer cards on the basis that:

- **Commercial cards provide significant value to cardholders, including:**
 - **reconciliation information, expense and tax management capabilities**
 - **providing a source of working capital for small businesses**
 - **removing the need to raise invoices and allowing merchants to receive payments earlier.** However, this view was disputed by some merchants who noted that they issued invoices and offered similar payment terms regardless of payment methods.

- **American Express would gain an unfair competitive advantage over four-party schemes.** Many submissions stated that American Express would grow its share of the corporate card market significantly from an already dominant position, which could raise merchant payment costs.
- **Some issuers could stop issuing commercial card products:**
 - Some submissions reported that some new issuers rely on commercial cards to cover costs due to their high interchange rates.
 - A small issuer stated they would consider withdrawing from this segment.
 - According to a submission, Citibank and HSBC exited the Chinese commercial card market due to reductions in commercial card interchange to 0.45 per cent.
- **Issuers are less able to recoup costs via other means** because many commercial cards are charge cards that are paid off in full every month and therefore do not incur interest.
- **Commercial cards have fewer viable substitutes than consumer cards.** An issuer stated that cash is less available for B2B transactions. However, several submissions noted the higher prevalence of A2A payment methods for B2B transactions.
- **Commercial cards are more expensive to issue than consumer cards** according to a group representing the payments industry. They stated that increasing the number of small issuers surveyed in the issuer cost study could have resulted in higher aggregate costs. An issuer also claimed that their costs of issuing commercial cards are larger than their costs of issuing consumer cards.
- **Peer jurisdictions do not regulate interchange on commercial cards.** Interchange on commercial cards is currently uncapped in the EEA, the United Kingdom and New Zealand. Interchange on commercial credit cards generally exceeds 1.5 per cent in those jurisdictions.

Small issuers

A few submissions commented on whether small issuers should be treated differentially under the RBA's interchange framework.

A few issuers and a large merchant proposed that all issuers should be subject to the same interchange regulation on the basis that:

- **Small issuers already receive regulatory relief by being exempt from the RBA's expectation on dual-network debit cards.**³
- **Participants in the payments system should not have to subsidise others that are inefficient or have high cost bases.**

³ The RBA expects larger issuers (i.e. those with a market share exceeding 1 per cent) to issue debit cards that support routing through two networks to give merchants the ability to route through the network of their choice.

- **Smaller issuers might be more incentivised to invest in lower-cost payment methods if they are not reliant on artificially high interchange revenue.** This would drive system efficiency.
- **Exemptions could have distortionary effects or offer opportunities for regulatory arbitrage.**

Applying differential treatment to small issuers

Small issuers and some fintechs were in favour of having a higher interchange cap for small issuers or exempting them from interchange regulation altogether because:

- **The proposed debit interchange cap would be below small issuer costs:**
 - An issuer stated its debit card issuing business was already loss-making.
 - According to an issuer, small issuers lack the scale to break even because most issuer costs are fixed.
- **Interchange revenue would fall by a disproportionately larger amount for small issuers than larger issuers.** The single-network debit interchange rate, which is the average interchange rate earned by small issuers, is around 8 cents. By contrast, the debit interchange rate on dual-network debit card is below 6 cents due to greater competition between schemes.⁴
- **Small issuers rely heavily on interchange revenue to cover their issuing costs because they have fewer alternative sources of revenue than larger, more diversified institutions.** Several smaller issuers stated that large banks used their lending business to cross-subsidise their issuing business. Other small issuers stated that they would be unable to raise cardholder fees because their customers would switch to larger competitors, particularly if larger institutions did not raise their fees.
- **Some schemes charge small issuers significantly higher net scheme fees than the fees charged to larger issuers.**
- **Competition in the card issuing market would decline if lower interchange forced small issuers to exit and/or deterred new entrants.**
 - A small issuer would consider exiting the Australian market if interchange were reduced to the levels proposed in the Consultation Paper.
 - The number of active card issuers declined by 23 per cent following the introduction of the Interchange Fee Regulation in the EEA.
 - Interchange caps should be set sufficiently high to sustain new entrants.
- **A small issuer exemption would only slightly increase total costs because small issuers make up a small part of transaction volumes.**

Several submissions suggested that interchange reforms could come into effect at a later date for small issuers to give these institutions more time to prepare for the changes.

⁴ The RBA proposed to reduce the cap and benchmark to 6 cents for single-network and dual-network debit cards.

Issuer Cost Study

The RBA received the following feedback on the Issuer Cost Study from several stakeholders:

- **Submissions proposed that the definition of eligible costs should be widened to include:**
 - **Exchange rate risk.**
 - **Cost of interest-free periods.** A scheme cited research that found that credit cards generate higher sales volumes. A few issuers stated that it was not appropriate to use the cash rate in the calculation of the cost of interest-free periods because market funding costs were higher.
 - **Disputes and chargebacks.** However, some merchants stated they are already being charged by issuers for chargebacks and that compensating issuers via interchange for those costs amounted to double dipping.
 - **System and IT costs.**
 - **Product development costs.**
 - **Costs that could arise in coming years.**
 - **A portion of the cost of account overheads, set up and maintenance, card production and delivery, and the cost of capital.**
- **A few submissions argued that the Issuer Cost Study underestimated issuing costs:**
 - An expert report stated that interchange should compensate issuers for costs that provide benefits to merchants.
 - A few issuers stated that the Issuer Cost Study did not capture all costs associated with issuing and processing transactions incurred by issuers.
 - Some smaller issuers stated that larger issuers bring average costs down, and the cost study underestimates costs for small issuers, which have a higher cost base.
- **A scheme proposed that the RBA conduct a merchant indifference test to inform the calibration of interchange caps.** This test uses the merchant payment costs of an alternative payment method to help determine the interchange merchants should pay on cards. The scheme stated that merchant indifference tests can identify the efficient level of interchange that balances benefits across merchants, consumers, issuers and acquirers. The scheme also stated that this approach would capture the risk of consumers switching to American Express or BNPL products.

Foreign interchange

Some submissions commented on interchange caps for foreign-issued card transactions acquired in Australia.

Continue to exclude foreign card transactions from the RBA's interchange regulation (status quo)

Some schemes, foreign issuers and a group representing the payments industry proposed that cross-border interchange should remain uncapped for reasons including:

- **The proposal is not informed by foreign issuer costs on inbound transactions because the RBA has not collected these data.** Several submissions stated that using domestic issuer costs on outbound transactions is not an adequate proxy because issuing costs could differ across jurisdictions and institutions.
- **The RBA should conduct a merchant indifference test to calibrate potential interchange caps on foreign caps rather than be informed by a cost study.** A foreign issuer stated that a merchant indifference test would capture the full benefits derived by merchants from accepting foreign cards.
- **American Express would gain an unfair advantage because they would be able to offer more generous rewards and benefits compared with four-party card schemes.**
- **High interchange rates are required to compensate issuers for higher fraud rates on cross-border transactions:**
 - A scheme stated that fraud rates on cross-border transactions were higher than on domestic transactions.
 - Conversely, one foreign issuer suggested that they should receive higher interchange because they had achieved near-zero fraud rates by issuing tokenised virtual credit cards.
- **Reducing cross-border interchange rates would hurt economic growth because foreign tourists would reduce their spending in Australia.**

In addition, a scheme stated that the EEA and United Kingdom are not appropriate benchmarks when considering caps on cross-border interchange:

- The equivalent caps in the EEA were originally based on average issuing costs calculated across the 10 largest payment services markets and applied uniformly across all EU member states.
- The scheme stated that the EEA benchmarks are not appropriate even in the EEA context because of deficiencies in the original methodology. For example, the scheme stated that online transactions were inadequately captured and that the sample size was too small in the merchant indifference test conducted by the European Commission. The scheme noted that its preferred methodology suggests cross-border interchange in the EEA should be above 2 per cent for both debit and credit.

Cap interchange on foreign card transactions differentially for card-present and card-not-present transactions

Several large retailers, merchant groups and PSPs supported capping interchange on foreign card transactions on the basis that:

- **There is little justification for the current very high levels of interchange fees charged to Australian merchants for these transactions.** Cross-border fraud rates at Australian merchants are low by global standards and, while they are higher than on domestic transactions, do not justify interchange rates that are up to 100–150 basis points higher than on equivalent domestic transactions.
- **Lower cross-border interchange could facilitate cross-border transactions, digital exports and processing onshore in Australia by reducing the cost of inbound transactions.** The RBA received evidence that the volume of cross-border transactions rose after the introduction of interchange caps on those transactions.

Several submissions raised concerns regarding the circumvention of domestic interchange caps using foreign-issued virtual cards:

- A typical example involves an online platform for hotel bookings accepting a domestic card transaction from the booking customer in Australia for an Australian hotel, and then paying the Australian hotel using a foreign-issued virtual card, instead of making a domestic payment, resulting in the Australian hotel paying much higher international interchange and scheme fees.

Transparency of wholesale fees

Many stakeholders stated that wholesale fee schedules from Visa and Mastercard were overly complex. These stakeholders supported simplification and further transparency, particularly on scheme fees. While there was broad support for the RBA's proposals, many submissions stated that they did not go far enough to address the complexity of scheme fees.

Maintain the status quo

Some card schemes stated the current approach to wholesale fee transparency was working well and opposed the aggregate data publication requirements because publishing these data would:

- **Not materially improve market outcomes.** A card scheme stated that the RBA had not demonstrated how the proposed publication of data would influence behaviour of stakeholders such as acquirers, PSPs or payment facilitators. It stated that the RBA had not identified how the information would be used and what behaviours would be expected to come out of having access to the information.
- **Include data that is commercially sensitive.** Both schemes stated that publishing scheme fee data including rebates does not adequately balance commercial sensitivity with the information needs of the market.
- **Harm competition and the innovation driven by scheme fees.** A card scheme stated that the information could be used by other scheme operators in Australia and overseas to reverse-engineer their pricing strategy and structures.
- **Increase competition law concerns around price coordination.** One scheme stated publishing wholesale fee data could facilitate anti-competitive coordination due to the concentrated market.
- **Create an uneven competitive playing field with unregulated entities.** Publication of data by four-party card schemes only would leave competitors such as BNPL, digital wallets and three-party schemes unregulated and not subject to equivalent transparency obligations.

Some schemes opposed the RBA setting expectations that the international schemes work with industry to reduce the complexity of their fees because:

- **The RBA's expectation was not specific enough.** A scheme stated that the expectation lacked parameters and it was unclear what was required.
- **Industry initiatives to improve transparency already exist.** A scheme stated that existing industry initiatives that balance service sophistication with transparency allow market forces to drive optimal fee structures while ensuring participants have adequate information for decision making.

- **The complexity of fee structures is necessary given the breadth of services offered by the international card schemes, which cater to diverse market needs:**
 - In support of maintaining its existing approach to its fee schedule, a scheme stated that despite the complexity of its fee schedule, its top 20 fee items represent more than 95 per cent of the overall fees that it charges to acquirers; the top eight fee items represent more than 75 per cent of the total fees typically billed.

Require card schemes to publish aggregate interchange fees

Stakeholder submissions were generally supportive of the proposal to require the card schemes to publish aggregate data on interchange fees on a quarterly basis. However, some submissions stated that the proposals did not go far enough to address the underlying complexity of interchange fees.

Some submissions supported the proposals because:

- **Fees are overly complex.** Stakeholders supported the information being presented in a way that was standardised across the schemes given the complexity of interchange schedules. Stakeholders stated that the complexity of the fee schedules adds costs into the payments system without corresponding value-add:
 - A large merchant stated that the complexity of fees currently makes it difficult for merchants to accurately cost recover their payment costs.
 - A large merchant noted that it struggled to reconcile interchange fees it was being charged with the published interchange fee schedules.
- **Fees are opaque.** Many submissions highlighted the opaqueness of interchange fees, strategic rates and volume discounts. While the published fee schedules have helped increase transparency, some stakeholders still found it was difficult to reconcile actual fees charged with the fee schedule.
- **The commercial sensitivity concerns are minimal.** Stakeholders stated that interchange fee schedules are already public, so there is likely to be minimal impact on commercial sensitivity from publishing aggregate interchange fees. The standardised format of the publication requirement could support competition without compromising commercially sensitive information.
- **It would increase competition between the schemes.** Some stakeholders stated that aggregate transparency may pressure the card schemes to reduce (or simplify) pricing and may require schemes to justify fee increases.

Other suggestions to improve the proposal included:

- **Requiring more granular splits of data.** Some submissions suggested that the proposed publication requirements could require further breakdowns and categories of the interchange fee data so that merchants could use it to manage and understand costs by transaction type. Another submission suggested a breakdown of fees by industry.

- **Requiring interchange fee information to be provided in a user-friendly format.**
- **Requiring disclosure of strategic rates and volume discounts.** Some submissions commented on the opacity of volume discounts and strategic rates and suggested that the schemes should be required to disclose strategic rate agreements including criteria (such as volume) for qualification.
- **Reducing the number of fee categories or significantly lowering the cap** on interchange fees to achieve simplification of interchange fees.

Some submissions opposed the proposal to publish aggregated interchange fees because:

- **The fee breakdowns proposed are overly simplistic.** Some stakeholders stated that publishing aggregate fees would not address underlying issues regarding the complexity of fee schedules and may not directly benefit merchants.
- **Merchants would not use the information.**
- **Interchange fee schedules were already public and it was unclear what the marginal benefit of aggregate publications would be.**

[Require card schemes to publish aggregate scheme fees](#)

Many submissions were supportive of the proposal to require card schemes to publish their aggregate scheme fees on a quarterly basis. Some submissions supported the proposal but felt that it would not be enough on its own to resolve the complexity of scheme fees and/or put enough competitive pressure to prevent scheme fees from rising further.

Some submissions supported the publication of aggregate scheme fees because:

- **The scheme fees of Visa and Mastercard are opaque and complex.** Some submissions stated that scheme fees were the least transparent part of merchant service fees and the component that payment participants had the least control over. Many submissions stated that the complexity of scheme fees was far greater than the complexity of interchange fees and that scheme fee schedules could be 400 pages long. Submissions stated that the complexity of scheme fees creates operational costs in trying to understand, manage and reconcile fees.
- **It would put competitive pricing pressure on the card schemes.**
- **Special scheme fee rates and discounts for larger players are opaque and entrench market power.**
- **The information was not commercially sensitive because the information was sufficiently aggregated.**
- **Standardised information across schemes would assist in comparing prices and services.** Many submissions reported that fee names and classifications can differ between schemes.

Some submissions suggested improvements to the proposal, including:

- **Publishing the average scheme fee paid per transaction across each card scheme, split by transaction types (such as card present vs card-not-present) transactions.** This would provide information about each scheme's pricing without publishing its market share.
- **Reporting the transactional and non-transactional components of scheme fees.**

Some stakeholders opposed the proposal to publish aggregate scheme fees data because:

- **Optional fees should not be captured in publication requirements as they may mislead merchants in thinking these are unavoidable card network costs rather than discretionary acquirer business decisions.**
- **It was unclear how the data would help merchants because Visa and Mastercard are 'must take' payment methods and the publication of data could result in coordinated pricing across schemes.**

[Set an expectation that card networks reduce the complexity of their scheme fee schedules](#)

Many submissions supported the proposal that the RBA set an expectation that the schemes work with industry to reduce the complexity of their scheme fee schedules. However, many submissions stated that the proposal did not go far enough, lacked specifics and required escalation measures if insufficient progress was made.

Stakeholders provided near-unanimous feedback that the scheme fee schedules of Visa and Mastercard were excessively complex, and the level of complexity was significantly beyond that of interchange fees. Submissions stated that the fee schedules for eftpos and American Express were relatively simple to understand in comparison.

Many submissions supported a reduction in the complexity of Visa and Mastercard's scheme fee schedules, citing issues with the status quo such as:

- **The excessive length of scheme fee schedules.** Some submissions stated that fee schedules were often 400 pages long, which meant that PSPs had to invest significant time and resources to understand the fees, to manage their scheme fee costs and reconcile fees.
- **The large number of scheme fees.** Submissions stated that some schemes could have up to 800 categories of fees, sometimes with conditional fees and tiering of fees applying when certain criteria were met.
- **The number of fees had been increasing over time and some stakeholders were concerned that this trend would continue in the absence of intervention.**
- **The number of scheme fees that could apply to a single transaction.** Submissions indicated that it was common for multiple scheme fees to apply to a single transaction, with some transactions incurring over a dozen scheme fees.

- **Unclear justifications for the introduction of new fees or fee increases, sometimes with little notice.** Several PSPs stated that they sometimes do not understand the justifications for new fees or fee increases, but that they had little or no scope to query or negotiate these changes with Visa or Mastercard. There were mixed views on whether the schemes provided adequate notice periods for fee changes.
- **Ambiguity over whether fees are optional or mandatory.** Some submissions stated that it was difficult to avoid optional scheme fees. They also reported that optional fees may be introduced on an opt-out basis, which could mean that PSPs that did not wish to opt in could be charged. Some submissions characterised some optional fees as akin to compliance fines, and indicated that PSPs do not always have sufficient information to avoid them or have control over whether they could avoid them.
- **A lack of standardisation of fees across schemes.** Different terminology used across schemes makes it difficult for acquirers to compare and reconcile fees.
- **Instances of billing errors not adequately addressed by the schemes.** Some acquirers reported that there were instances of errors and incorrect charges that were significantly resource and time-intensive to investigate and correct due to the complexity of scheme fee schedules. Acquirers who were eventually reimbursed commented that the schemes did not proactively reimburse other acquirers for these billing errors.
- **Complexity undermines the intent of behavioural scheme fees.** An international scheme can charge lower fees for a particular transaction type it is trying to incentivise acquirers or other participants to adopt (e.g. incentivise tokenised transactions due to increased security). Some acquirers noted that such behavioural fees introduced by the schemes were not effective in steering behaviour due to the complexity and high number of fees that can apply to a single transaction. Another PSP reported that behavioural fees may be charged to acquirers for behaviour outside of their control (e.g. due to the behaviour of the customer or issuer). A stakeholder also stated that the schemes tended to raise all other scheme fees rather than provide discounts on the relevant fee that it was trying to incentivise, which meant that costs were not lowered overall.
- **A lack of transaction-level scheme fee information that prevents merchants, particularly sophisticated merchants, from being able to reconcile fees and optimise their strategies for managing their payment costs.** Merchants reported not having access to scheme fee schedules, which means they are unable to reconcile or check the fees they are being charged. A large merchant that operates through several acquiring banks noted each acquirer charged them different scheme fees for like-for-like transactions despite having an interchange++ plan with each of them. This indicated to the merchant that the acquirers lacked the ability to allocate scheme fees at the merchant-level or transaction-level.
- **The complexity of fee schedules results in an inability for major acquirers to allocate scheme fees at the merchant-level or transaction-level.** This has been cited by stakeholders as one of the major barriers for implementing dynamic LCR. It also leads to further reconciliation problems when merchants are not sure they are being charged correctly by their acquirer.

- **The schemes charge PSPs to access reports that are needed to reconcile or understand scheme fees.** PSPs are charged further fees to obtain information they need to investigate their billing. Some PSPs noted that this is not common practice with billing in other industries.
- **The schemes charge for services that are not yet being offered by issuers.** Some PSPs have reported that Visa and Mastercard have charged fees associated with the rollout of new products before those products are made available by the card issuer.

There was also strong feedback from stakeholders that the RBA should do more to ensure that its expectations are followed through. A few submissions noted that the industry had long been raising these issues with the international schemes to no avail and expressed scepticism that the RBA setting expectations would be effective.

Some alternative options raised by stakeholders included:

- **Providing more specific requirements and measures for a reduction in complexity.** Some stakeholders stated that the expectations approach was too vague and would lead to no tangible progress, particularly if the schemes disagreed with the rest of the industry on what level of simplification was required.
- **Outlining potential escalation measures and timelines if complexity remained after a certain time.** Stakeholders mostly agreed that the expectations approach required clear escalation points with regulatory alternatives as a back stop to enhance the likelihood that a reduction in complexity would be achieved. Some submissions encouraged the RBA to consider enforcement mechanisms such as capping scheme fees (see the next section).
- **Capping the maximum number of scheme fees that a card scheme can have on its fee schedule.** Some stakeholders pointed to the submission of a scheme, which stated that its top 20 fee items comprised a vast majority of its fees as justification for this option.
- **Capping the maximum number of scheme fees that can apply to a single transaction.** PSPs stated that this would significantly reduce the complexity of reconciling scheme fees and improve their ability to accurately predict their costs.
- **Requiring the schemes to provide merchants with a transaction-level breakdown of scheme fees.** Several submissions (particularly from large merchants) stated that merchants required this level of detailed information to reconcile their fees and ensure they are being charged correctly by their acquirer. They noted that the aggregated level of some of the information on their merchant statements made it hard for them to compare fees between acquirers and schemes and verify their invoices.
- **Prohibiting the schemes from charging additional fees to access reports required for reconciliation purposes.** Some PSPs queried the practice of being charged additional fees to understand their scheme fee invoices and stated that this information should be provided upon request by the schemes.

- **Standardising reporting format and terminology across schemes to enable PSPs and merchants to compare fees more easily across schemes.** Some merchants also indicated they would benefit if reporting formats and terminology were standardised across acquirers for comparison purposes.
- **Requiring the schemes to develop and provide an emulation tool that accurately predicts scheme fees for merchants and acquirers to provide greater certainty around costs for merchants.**
- **Requiring all acquirers to adopt interchange+ + plans to improve transparency of scheme fees.**
- **Promoting alternative payment methods to put competitive pressure on scheme fees.**
- **Requiring greater governance and control over scheme fee growth and justifying new scheme fees.** A few submissions suggested that the RBA should review justifications for scheme fee changes to provide an accountability mechanism for scheme fees.
- **Requiring schemes to provide longer notice periods for significant fee increases.**

The level and growth of scheme fees

Maintain the status quo

Some schemes opposed the proposed expectation that scheme fees should not rise further without justification and stated that the RBA had not shown that intervention was warranted. They stated that the current regulatory framework was appropriate because:

- **The international schemes already face competitive pressure on the pricing of scheme fees via alternative payment methods** (such as real-time payments, BNPL and digital wallets).
- **Scheme fees are set through competitive negotiations with each issuer and acquirer and there is strong competition among the four-party schemes, particularly on debit transactions.**
- **The RBA's proposed expectations are unclear, including its expectations for the schemes to engage with PSPs and issuers on the reasons for new fees or fee increases beyond existing fee disclosure measures already in place from schemes.** A scheme stated that innovation was not a discrete activity that can be mapped to specific fee changes but tended to be a continuous development process.
- **Applying expectations only to designated schemes to justify fee changes would provide an unfair competitive advantage to unregulated schemes, which are not required to justify fee changes.**
- **Transparency measures should be focused on end-user prices that merchants ultimately pay rather than on wholesale fees.** A scheme supported the RBA maintaining its current approach to transparency by continuing to publish merchant service fees (MSF) data. They noted that MSFs are disclosed and monitored and pointed to stable or declining average MSFs as evidence that competition is functioning effectively.
- **Limiting the way scheme fees are set would reduce innovation and investment in the Australian payments system.**

Some schemes opposed direct regulation of scheme fees, such as fee caps. In addition to the reasons outlined above regarding the competitive nature of card payments, they stated that:

- **Scheme fees fund critical investments in areas such as security, fraud prevention, and infrastructure resilience.** Capping or restricting these fees could undermine innovation, reduce system safety, and degrade service quality. Schemes stated that flexibility in setting scheme fees is essential to maintain resilience against evolving cyber threats and fraud risks, which could otherwise increase systemic risk.
- **There was no evidence that measures such as scheme fee caps would increase competition and efficiency.** There was no evidence of harm in relation to scheme fees and competition.

- **Cost-based pricing (as a potential benchmark for a cap on scheme fees) is not suitable for payment markets that are driven by innovation and competition.** One scheme outlined that this would be impractical to implement across a global network and many costs are not attributable to specific locations or service lines.
- **Regulatory uncertainty and increased compliance burdens could deter long-term investment in Australia, potentially delaying the introduction of new technologies.**
- **Scheme fees are only a small component of overall merchant service fees such that a substantial fee reduction would only marginally affect merchants' costs.**

Set an expectation that any further increases in scheme fees require adequate explanation by schemes

A subset of stakeholders expressed qualified support for the RBA's expectation-based approach but stated that expectations alone are unlikely to be effective without the credible threat of further regulatory intervention, such as fee caps. Some stakeholders recommended a staged approach, where expectations are implemented first, with direct regulation remaining a necessary backstop.

A few submissions expressed support for the expectation and argued that no further regulatory action is needed at this stage, stating that:

- **Least-cost routing provides sufficient competitive discipline.**
- **Understanding the drivers of scheme fees is essential before considering further regulatory measures, as it risks unintended consequences, such as increased complexity or operational costs.**

Some stakeholders raised concerns about the enforceability of the expectation, noting that without binding obligations or oversight, schemes may not change their behaviour:

- A stakeholder cited the ACCC's Foreign Currency Conversion Services Inquiry, stating that voluntary transparency measures failed to address complex and opaque pricing structures.
- **Some stakeholders called for standardised disclosure formats and clear benchmarks for what constitutes an 'adequate' justification to ensure that justifications for fee increases can be meaningfully assessed.**

Set a cap on scheme fees

Many stakeholders advocated for direct regulation, including a cap on scheme fees:

- **Many submissions expressed concerns about the current level and growth of scheme fees and stated that caps were critical to address this growth and control costs.**
- **Some stakeholders stated that removing surcharging reduces competitive pressure on scheme fees, increasing the risk of cost migration from capped interchange fees to uncapped scheme fees, as merchants lose a key mechanism to signal payment costs.** Stakeholders cited the UK

experience, where surcharge bans coincided with a 25 per cent rise in scheme fees between 2017 and 2023, contributing to merchant services fees not declining over this period,⁵ and EU evidence showing significant scheme fee growth post-interchange caps.⁶

- **Some stakeholders stated that the international card schemes leverage their market position to charge opaque and excessive fees, and to regularly adjust those fees, allowing for supra-competitive outcomes and inflated baseline costs.**
- A bank suggested that the RBA should conduct a cost study on scheme fees with international comparisons.

Alternative options

Several stakeholders proposed alternatives not considered in the Consultation Paper, which can be grouped into two broad categories:⁷

- **Oversight and transparency measures**
 - **Regulatory oversight of fee increases:** A form of this proposal was a ‘comply-or-explain’ framework, where if fee increases outpace a benchmark (e.g. transaction growth or inflation), the increase must be justified to the regulator, with power to reject unsubstantiated increases.
 - **Industry standards:** Some submissions called for enforceable standards on fee increases, notice periods, and transparency obligations, proposing that stronger measures were necessary to improve scrutiny of scheme fees and prevent scheme fees from offsetting proposed reductions in interchange.
- **Structural competition measures**
 - **Some stakeholders proposed mandating dual-network credit cards together with extending LCR to credit transactions.**
 - **Some stakeholders advocated for mandatory LCR (including for mobile wallets).**

⁵ See UK Payment Systems Regulator (2025), ‘Market Review of Card Scheme and Processing Fees’, Final Report, March.

⁶ See EY and Copenhagen Economics (2020), ‘Study on the Application of the Interchange Fee Regulation’, Final Report; Ecommerce Europe, EuroCommerce, European Association of Corporate Treasurers, European Digital Payments Industry Alliance and Independent Retail Europe (2025), ‘10 Years After the Interchange Fee Regulation’, Coalition Statement, 12 June.

⁷ Some submissions favoured stronger regulatory action but were unclear on the form.

Transparency of merchant fees

There was support for the proposed measures to boost the transparency of merchant fees across many submissions.

Requiring acquirers to publish their cost of acceptance

Many submissions supported the proposal in the Consultation Paper. Feedback on the proposal generally indicated that:

- **The information would be useful to merchants.** Submissions from merchants generally supported the proposal. The consensus from merchants' submissions was that the proposed transparency requirements would help merchants compare fees across providers. While the proposed data format was designed to be simple to target small and medium-sized merchants, even some large merchants submitted that this information would be helpful. Merchants generally agreed that the proposed category breakdowns were helpful. Groups representing merchants, some government agencies and regulators also supported the proposed transparency requirements.
- **The quarterly frequency of publication was appropriate.** Users of the data such as merchants and government entities stated that quarterly publications balanced the reporting burden with receiving timely information.
- **The large acquirer threshold (\$10 billion in card transactions per year) was appropriate.** Submissions generally agreed that this threshold adequately balanced transparency with the reporting burden on smaller institutions.

Some submissions suggested adjustments to the proposal regarding:

- **Merchant size.** A larger merchant suggested removing large merchants from the sample because their lower fees are cross-subsidised by higher fees on other financial services, which would distort the data and lead to misleading comparisons. A government agency questioned the comparability of data across merchants, even if they are of the same size.
- **Publication timing.** A large merchant stated that the time for publication should be extended to 45 days. A PSP stated that it should be shortened to 15 days. A card scheme stated that quarterly publications were too frequent and that prices tended to be stable over long periods of time.
- **Large acquirer threshold.** Some submissions stated that the threshold of \$10 billion card transactions per year (equivalent to around 1 per cent market share) was too high or that the requirement should apply to all. A PSP stated that the threshold should be higher and set at 5 per cent market share.
- **Implementation period.** A group representing merchants stated that an implementation period of six months was too short.

- **Design.** A regulator recommended further consultation to ensure small businesses use the information. A group representing payments industry participants stated that the data publication could be better designed to help merchants switch providers.
- **Data breakdowns by plan type.** Some submissions supported transparency but stated that the proposal oversimplifies pricing. According to these submissions, prices should be broken down based on blended versus interchange++ plans, with strategic merchants also reporting separately. A group representing payments industry participants stated that the disclosures should account for variance across merchant profiles, product types and pricing plans.
- **Cost of acceptance definitions could be clarified.** Some submissions expressed concerns about how 'cost of acceptance' would be defined, including whether ancillary services would be included.
- **Inclusion of three-party schemes.** A card scheme stated that any requirement must apply equally across all payment options including three-party networks to maintain an even playing field.

Some submissions opposed the proposal because:

- **The average cost of acceptance data are commercially sensitive information.**
- **Merchants would not use the information.** Some acquirers and schemes stated that the information would not be useful to merchants, since averages mask differences across merchants such as scale, merchant category and other factors.
- **Merchants would not switch providers.** An issuer stated that the proposal would not help merchants compare across providers due to the complexity of the information. A government agency stated that switching providers is rarely viable for merchants as it risks operational disruption.
- **The data across providers are not comparable and could be misleading.** A card scheme stated that the proposed publication requirements may be difficult to implement as fee structures vary widely across providers and are often bundled with value-added services. Another card scheme stated the proposal would provide limited value due to multiple factors driving cost of acceptance beyond categories suggested in the Consultation Paper including industry risk profile, transaction characteristics, card-present versus card-not-present, fraud history, integration requests, value-added services, contract terms and volume commitments.
- **The design of the disclosures should be led by industry.** A card scheme stated that the RBA should follow the UK Payment Systems Regulator's approach of an industry-led initiative to develop best practice for cost transparency.
- **It would be a large compliance burden for acquirers to provide the information.**
- **The disclosures are overly focused on price, which could dissuade competition based on product differentiation.**

Publishing more information on merchant statements

Many submissions supported the proposed amendments to merchant statements to require a breakdown of domestic and international transactions. Reasons for supporting the proposal included:

- **The information would be helpful to merchants.** There was support among merchants and organisations representing merchants for more information on merchant statements about their costs of acceptance. Merchants stated that this information would help with decisions about routing of debit transactions and which payments to accept. Government agencies also supported the proposal.
- **Existing lack of standardised reporting across acquirers.** Merchants indicated that inconsistent reporting made it difficult to compare pricing across acquirers, particularly when a merchant used multiple acquirers.
- **Increased transparency regarding the high costs of international transactions relative to domestic transactions.**

Some suggested adjustments to the proposal included:

- **Further breakdowns of fees.** A few submissions stated that merchants should be provided a breakdown of their fees by interchange fees, scheme fees and acquirer margins.
- **Further breakdowns by card-present and card-not-present transactions to highlight the relative high cost of online transactions.**
- **Further clarity on definitions.** A few submissions commented on the need to clearly define 'cost of acceptance' to ensure fees are comparable across acquirers. They stated that the RBA should provide additional guidance to ensure consistent reporting.

Some submissions opposed the proposal because:

- **The compliance costs to produce the information would be high.**
- **Merchants would not use the information.** Several submissions from payments industry participants stated that merchants would not find the information useful. This was particularly the case if merchants were on blended plans, as the information would be too complex.

Several submissions commented on the application of the transparency requirements to taxis:

- Several submissions supported removing the exemption on the merchant service fees on taxi fares being reported in merchant statements according to Standard No. 3, on the basis that the RBA's policies should apply consistently. A bank stated that removing the exemption would reduce the compliance burden for the proposed changes to merchant statements.
- A PSP stated that the exemption should not be removed, so that state regulations can continue to operate.

- A government agency noted there could be a public interest case to exempt taxis if the administrative burden outweighs the benefits. The unique nature of the taxi industry, including its reliance on standardised fare structures and high transaction volumes, could make compliance disproportionately costly relative to the competitive benefits.

Other options

Alternative suggestions on merchant fee transparency included:

- **Comparison tools.** Two organisations representing merchants stated that the RBA should develop an online comparison tool. One bank stated that a marketplace (similar to a comparison website) should be set up for small businesses to find a better deal could be a more effective measure.
- **Interoperability.** A PSP stated that there should be interoperability so that merchants can switch acquirers without replacing point-of-sale infrastructure.

Least-cost routing

Views on LCR were split over the three main policy options, with a minority of submissions supporting the RBA continuing with the status quo with its 'expectations' approach. Many submissions supported the LCR initiatives in general but suggested that the RBA could do more.

Maintain status quo with 'expectations' approach

These submissions supported the RBA continuing with its 'expectations' approach because:

- **LCR is already widely available and adopted.** Around 80 per cent of large acquirers have enabled LCR and it is available to nearly all merchants at these acquirers. Some submissions noted that this suggested that the approach to date had been successful in achieving the RBA's objectives and that further intervention was unwarranted.
- **Competition in the debit card market is already strong and further intervention is not required.** Some noted that the interchange rate on dual-network debit cards was around 6 cents and below the benchmark of 8 cents due to strong competition between schemes.
- **The high costs of further intervention would not be justified by the small benefits of an LCR mandate.** Instead, the current approach provides PSPs flexibility in how they implement LCR.
- **LCR may not benefit all merchants.** A card scheme stated that mandating LCR also would not guarantee that savings are passed on to merchants by acquirers.

Several submissions supported extending LCR to all form factors including online, mobile wallets, tokenised transactions and Click to Pay. Some of these submissions advocated for the RBA to mandate a formal requirement for LCR across these form factors.

Mandate formal requirement for in-person LCR as default

This option was supported by some PSPs, industry bodies and consumer submissions. These submissions supported a formal requirement to mandate LCR for in-person transactions as a default (with merchants retaining the ability to opt-out), stating that it would:

- **Maximise merchant savings.** Stakeholders cited the inconsistent rollout of LCR by acquirers, difficulties for some merchants to access LCR and the potential for greater LCR take-up under a formal requirement to mandate LCR for in-person transactions. These submissions stated that this option would reduce costs for merchants and overcome barriers for LCR take-up, particularly for merchants on blended plans.
- **Mostly benefit small merchants because large merchants are more likely to benefit from strategic merchant agreements.**

Mandate formal requirement for dynamic in-person LCR

This option was supported by several merchant groups, a few PSPs and some government entities. These submissions stated that this option would:

- **Maximise savings for merchants by ensuring cost is minimised on every debit transaction.** Some submissions highlighted the limitations of binary LCR (the most common form of LCR, where all debit transactions are directed to the network that is cheaper on average) and potential savings from a more dynamic form of LCR.
 - A group representing merchants stated that dynamic LCR could lower merchant payment costs substantially relative to fixed-rate blended plans.
- **Increase competition between schemes by incentivising schemes to charge lower fees on a per-transaction basis rather than on average as would be the case under binary or threshold-based LCR systems.**
- **Lower setup costs for merchants by reducing the need for merchants to access or configure complex manual settings,** which a merchant noted was the case with some acquirers.
- **Be warranted given the inconsistent rollout to date.** Several merchant groups stated that some PSPs and acquirers had made it difficult for some merchants to access and turn on LCR, and/or applied LCR unevenly across channels (e.g. online versus in-person).
- **Increase resilience by automatically re-routing transactions during an outage.**

Other options

Some stakeholders also suggested that the RBA should:

- **Take regulatory action to ensure pass-through of LCR savings to merchants.** There was particular concern around pass-through for merchants on blended plans.
- **Require acquirers to report LCR savings to merchants such as via their merchant statements.**
- **Mandate that routing choice should always belong to merchants, rather than acquirers or consumers, because merchants pay the associated merchant service fees.**
- **Publish the type of LCR enabled by each acquirer** (e.g. binary, threshold, dynamic).

A few submissions stated that the RBA's current approach had gone too far and they supported more issuance of single-network debit cards because:

- **Consumers may prefer single-network debit cards.** A few consumers wrote that they preferred to have eftpos-only debit cards due to preference (e.g. for cash-out at supermarkets) and not have transactions routed through the international card schemes.

- **It would lower the associated compliance burden for issuing dual-network debit cards.** A few submissions argued that the threshold where issuers are expected to issue dual-network debit cards should be raised (the threshold is current set where an issuer's market share rises above 1 per cent of all debit card transactions).
- **LCR was no longer needed because interchange rates were sufficiently low for debit cards.**
- **It would support innovation.** A scheme stated that the status quo entrenches eftpos as the default scheme on the back of debit cards. Its view was that LCR has led to reduced innovation incentives, operational complexity and increased risk to security as routing decisions are based purely on cost rather than considerations of functionality, fraud protection capabilities and service levels

Other issues

Implementation timeline

The RBA received a range of feedback on whether the proposed six-month implementation timeline for the proposed reforms was appropriate. Most consumer submissions stated that this was either adequate or too long and conveyed that they would prefer the removal of surcharging to take place sooner. However, some merchants and payments industry stakeholders stated that six months would be too short to fully implement the reforms given the scale of the changes across the entire policy package.

Submissions from the payments industry generally indicated that nine to 12 months would be required to implement the full reforms, with a few submissions stating that 18 months or more would be required. **Some implementation issues that stakeholders raised were:**

- **Merchants that surcharge may need to update their pricing, renegotiate contracts with their PSP and reconsider what payment methods to accept.** Merchants in industries with regulated pricing may find this more onerous.
- **Merchants may need to shop around for a better payment plan or renegotiate with their current provider if their ability to surcharge is removed.** However, PSPs may not have adjusted and published their pricing to account for lower interchange fees by the time merchants are seeking to shop around if surcharging is removed at the same time as interchange is lowered.
- **Some issuers may choose to reassess their offerings if their interchange revenue were to be reduced.** Some issuers indicated that they would need to update their terms and conditions with their customers and provide ample notice of any changes to product offerings.
- **The need for acquirers and PSPs to reconfigure terminals for any removal of surcharging.** There were a wide range of views among PSPs on the difficulty of implementing any removal of surcharging.
- **Card schemes would need to change their interchange fees and this could lead to renegotiation of rates across the industry, including strategic merchant rates with large merchants.**

Draft standards

Comments on the draft standards generally focused on the intent of the policy proposals rather than the specific form or wording of the draft standards themselves. **Most comments on the draft standards related to:**

- **Complex terminology and desire for further clarification on some of the definitions in the draft standards to ensure consistent reporting across participants.** Some stakeholders stated that the RBA should publish worked examples or guidance notes to aid merchants' understanding of their statements.
- **The lack of enforcement mechanisms in the draft standards for LCR expectations and scheme fee expectations.**