



**THE HON JOSH FRYDENBERG MP**  
**TREASURER**

Ref: MS21-002029

Payments System Board  
Reserve Bank of Australia  
65 Martin Place, Sydney  
NSW 2000

Dear Payment System Board members,

I write with respect to least-cost routing in light of today's release of the Farrell Review into Australia's Payment System.

The Government is committed to lowering costs for business so they can grow, invest, and create jobs as we recover from the economic impacts of COVID-19.

Businesses face a range of costs in addition to those that arise from the use of payment services. For many small businesses average payment costs represent more than 1.5 per cent of their transaction values.

These costs disproportionately impact small and medium sized businesses who are least able to absorb them. For these reasons, the Government strongly supports least-cost routing.

Recognising the critical role of dual-network debit cards in facilitating least-cost routing, the Government strongly encourages the Board to consider mandating their issuance for major and medium-sized financial institutions.

I further note that as consumers move towards more digital and online forms of payments businesses are likely to face higher fees and charges in processing those transactions in the absence of measures to increase competition in the payment services market.

Within this context it remains vitally important that regulation continues to adhere to the principles of empowering consumers with choice and the lowering costs to business.

Today I released for consultation the Payments System Review which assessed the adequacy of our current regulatory frameworks in light of rapid technological change and consumer preferences.

The review recognised that there are regulatory gaps and reform is needed to ensure that the Government's policy objectives can continue to be met in a digital environment.

In consulting on the Review and any updates needed to the regulatory framework, the Government will consider changes that may be necessary to promote least-cost routing more broadly, particularly in an online and contactless environment.

I look forward to the Payment System Board's involvement in that process.

Yours sincerely

A handwritten signature in blue ink, appearing to be 'Josh Frydenberg', written in a cursive style.

THE HON JOSH FRYDENBERG MP

30 / 8 /2021