



# **Inquiry into Digital Payment Schemes and Emerging Technologies**

**House of Representatives Standing Committee on  
Economics**

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# Overview

Apple supports millions of secure transactions in Australia every day through innovative hardware and software solutions like Apple Wallet and Apple Pay that Apple makes available on a level-playing-field basis. Apple believes this inquiry should prioritize identifying policy initiatives that will foster innovation, empower consumer choice, and drive value to the entire payment ecosystem.

Apple Pty Limited (together with its affiliates, "Apple") welcomes the opportunity to respond to the House Standing Committee on Economics' (the "Committee") inquiry into digital payment schemes and emerging technologies (the "Inquiry").

Apple has been providing users in Australia with secure, private, and easy-to-use payment solutions for over a decade. When we launched Apple Pay a decade ago—with its revolutionary ease of use, security-by-design, and privacy promise—we saw an opportunity to have a meaningful impact on the financial lives of our customers. More than ten years later, it's clear that Apple Pay has delivered on its promise—with enormous benefits not just for users, but also for merchants and financial institutions.

Apple Pay users can add existing cards to Apple Wallet within seconds, and then use their Apple devices to seamlessly pay for virtually any product from groceries to train tickets. Millions of Australians use Apple Pay every day to transact easily, privately, and securely. Wallet also enables our customers to store and securely access a range of everyday essentials—including event tickets, boarding passes, private health insurance cards, access badges, and more—with confidence that their personal information is protected and not monetised by Apple. From the outset, Apple envisioned a world where users could leave their physical wallets behind, and today many Australians can seamlessly go about their day with just their iPhone or Apple Watch, supported by the convenience, security, and peace of mind provided by Wallet and Apple Pay.

Australia has always been a key market for Apple due to its embrace of innovation and respect for intellectual property rights, which is why Australia was one of Apple Pay's first markets. Historically, only the largest banks had the scale and resources to deliver digital payment services capable of competing for transaction accounts. Apple Pay provides an option for financial institutions to offer payment cards digitally to their customers using Apple's secure and private hardware and software—all without needing to invest in building and maintaining a technical payments architecture of their own. Apple Pay is available to banks on a level-playing-field basis: the smallest Australian bank pays the same as the largest to access the technology, and all banks have equal ranking in the user experience.

Consequently, Apple Pay has proven to be a viable option for smaller banks to provide high-quality, cost-efficient mobile payment services to their customers, enabling them to compete with larger banks that otherwise have strong incentives to have exclusive or preferential access to NFC technology on Apple devices. Today, more than 125 Australian banks and payment service providers (collectively, "Payment Institutions")—from the Fire Service Credit Union through to Commonwealth Bank of Australia—offer Apple Pay as a payment option to their customers.

In addition, countless merchants, including thousands of small businesses, have also enabled Apple Pay at checkout, online, and in-app, with the confidence that they will benefit from:

- **Increased conversion**, as users are not inconvenienced by having to manually enter their card details for each transaction;
- **Reduced fraud losses**, due to the built-in security of Apple Pay, that each Apple Pay transaction must be authenticated by the user with Face ID, Touch ID, or their passcode, and the large and ongoing investments Apple makes in innovating in fraud reduction;
- **Lower payment costs**, as Apple has invested significant resources to make eftpos available for merchants to route transactions through; and
- **No additional costs**, as Apple does not charge merchants or cardholders for Apple Pay.

Globally, Apple Pay has eliminated over \$1 billion USD over the last year in fraud while generating an estimated \$100 billion USD in incremental merchant sales, benefiting both small businesses and Payment Institutions.

Apple Pay is just one of the ways that Apple is actively innovating and investing in the payments market in Australia. Apple's advancements in biometric authentication (e.g., Touch ID and Face ID) provide world-class security for consumers when making payments or signing into banking services, significantly reducing fraud while contributing to a seamless user experience. Apple has strongly supported eftpos, Australia's domestic payment network; Apple Pay was the first digital wallet in Australia to enable eftpos on dual-network debit cards, allowing users to switch to eftpos from other payment networks when making an Apple Pay transaction. Apple has brought innovations to other payment methods as well, enabling features like Express Mode for accessing public transit in Australia, which significantly enhances the convenience and speed for daily commuters. Apple continues to drive investment and innovation in its platform and technology in areas like new customer authentication methods, which are poised to further enhance Apple's positive impact on the safety and security of payments.

This Inquiry presents a valuable opportunity to reflect on whether current and proposed policy initiatives will deliver a competitive payments system that stimulates innovation, provides choice to consumers, and offers value to merchants. The focus of this Inquiry should be on addressing the structural issues in the Australian payments sector that hinder meaningful competition and inflate costs for small business merchants. Given that Parliament has already decided to grant the Reserve Bank of Australia enhanced powers to oversee digital wallets last year, further legislative intervention targeted at digital wallets at this critical juncture is premature and would be counterproductive, potentially cementing market inefficiencies rather than encouraging competition.

# About Apple

Apple's innovations through Apple Wallet, the NFC & SE Platform, and Apple Pay have had a profound, positive impact on financial services and payments, supporting the development of mobile banking, enabling consumer choice, and increasing privacy and security.

Apple revolutionised personal technology with the introduction of the Macintosh in 1984. Today, Apple leads the world in innovation with iPhone, iPad, Mac, Apple Watch, Apple Vision Pro, and Apple TV. Apple's six software platforms—iOS, iPadOS, macOS, watchOS, visionOS, and tvOS—provide seamless experiences across Apple devices and empower people with breakthrough services, including the App Store, Apple Music, iCloud, and Apple Pay.

## Impact on Financial Services and Payments

Apple's innovations have had a profound impact on financial services. iOS and the App Store enable financial institutions to develop and distribute mobile banking apps to millions of consumers in Australia. Through iPhone, financial institutions have an option to use their apps to offer banking services that were previously only available in physical branches, online, or via telephone banking, including opening a new account, applying for a loan or overdraft, making and requesting payments, ordering, cancelling, or freezing a bank card, saving and investing money, viewing transactions and statements, and more.

Apple's goal is to promote consumer choice on iOS. To this end, Apple has made significant investments in developing a range of technologies that can be used by Payment Institutions to facilitate the different payment methods they offer, including QR code and Bluetooth technologies. Moreover, Apple's advancements in biometric authentication (e.g., Touch ID and Face ID) provide world-class security for consumers when making payments or signing into banking services, significantly reducing fraud while contributing to a seamless user experience.

Apple's collective innovations have paved the way for the emergence of new, app-focused banks and financial service providers, such as Up, AMP Bank, and Archa, that offer innovative services such as virtual cards, instant spending notifications, budgeting and analytics, bill-splitting, stock trading, and more.

## Apple Wallet

Wallet is an app on iPhone, iPad, and Apple Watch that is a digital reproduction of a physical wallet—it enables consumers to easily and securely store, access, and present a range of credentials provided by third-party developers, including payment cards from multiple banks, boarding passes, transit cards, loyalty cards, tickets, and car keys. Wallet is a centralised, consumer-controlled interface for managing access to NFC for each of these credentials. It performs three key functions:

- It presents the user with the appropriate developer's product based on the type of terminal (e.g., it knows not to present an Opal card when making a purchase at Woolworths);

- It allows users to easily control which apps to use with NFC; and
- It makes it simple for users to switch between credentials from different developers where multiple providers compete on the same terminal type (e.g., Payment Institutions in the case of credit and debit cards).

As described below, Wallet gives third-party developers (including Payment Institutions) access to NFC in a fair, non-discriminatory, and non-exclusive manner supporting competition within each NFC use case. Wallet provides access to NFC in a managed way, by putting the user in control of the apps and services that use NFC, enabling different types of cards to launch and use NFC automatically, based on the service the consumer wants to use at any given point.

## NFC & SE Platform

Reflecting Apple's longstanding commitment to the developer community, Apple has invested in an engineering solution that enables third parties to offer secure contactless transactions on iPhone, separate from Apple Pay and Wallet, while using the same underlying technologies. Apple recently made available APIs that enable developers to provide secure contactless transactions using the NFC & SE Platform for in-store payments, car keys, closed loop transit, corporate badges, student ID, home keys, hotel keys, merchant loyalty and rewards, and event tickets.<sup>1</sup>

In offering the NFC & SE Platform, Apple provides developers hardware and software features, such as the Secure Element, Secure Enclave, and Apple Servers, to facilitate secure and reliable NFC transactions on iPhone. Developers, such as Payment Institutions, car key manufacturers, and transit operators, will find the platform an effective way to provide a seamless and secure NFC experience to their users.

The NFC & SE platform provides developers with the following capabilities:

- **NFC transactions:** Users can initiate NFC transactions from within the app with compatible NFC terminals;
- **Default app settings:** Users can choose any eligible app as their default contactless app;
- **Field-detect:** The default contactless app automatically launches when a user presents their iPhone to a compatible NFC terminal and after user authentication (if their iPhone is locked);
- **Double-click:** The default contactless app automatically launches when the user double-clicks the side button (for Face ID devices) or the Home button (for Touch ID) and after user authentication (if the iPhone is locked); and
- **Support for non-default apps:** Eligible apps running in the foreground can prevent the system default contactless app from launching and interfering with the NFC transaction.

## Apple Pay

### Generally

Apple Pay is a technical architecture that allows a user to easily present and pay with a digital version of a credit or debit card issued by their Payment Institution by adding it to Wallet. Apple provides Apple Pay as a set of technologies and tools that Payment Institutions can use to offer their customers easy, private, and secure payments using Apple devices. Apple continues to invest in developing new innovations for users of the service (e.g., new fraud tools for Payment Institutions, loyalty services for Payment Institutions and merchants, AI-powered order tracking for merchants, etc.).

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<sup>1</sup> Apple Inc., *NFC & Secure Element Platform*, <https://developer.apple.com/support/nfc-se-platform/> (last visited Jan. 26, 2026).

Apple Pay's convenience is backed up by industry-leading security and privacy protections. At Apple, we've earned our customers' trust because our devices are the most secure on the market. And we built Apple Pay to keep our users' sensitive financial information safe and secure.

At the heart of Apple Pay's security protections is tokenisation: technology that allows Payment Institutions to create a secure code—or token—linked to a cardholder's payment card when it is added to Apple Pay. These tokens are then used to facilitate a cardholder's purchases with Apple Pay instead of their actual card number, enabling a complete transaction without sharing sensitive financial information. As a result, neither Apple nor merchants have access to the underlying card numbers when consumers make payments with Apple Pay.

Apple Pay has been designed to protect user privacy and minimise data collection, and, in line with privacy principles discussed below, helps consumers make secure and private transactions. In providing Apple Pay, Apple does not create user profiles based on transaction information, accumulate or sell users' transaction information, or use it to target other services.

It is important to note that Apple Pay is a digital presentment technology that enables participating Payment Institutions to offer their cards for use on Apple devices; Apple does not itself provide any payment services in connection with Apple Pay. Apple does not issue payment cards, approve requests to add a payment card to Wallet, or process, authorise, or execute transactions in Australia. These payment services are provided by participating Payment Institutions, card schemes, payment platforms, and other financial institutions.

### **Commercial Model**

Apple Pay is available to Payment Institutions on equal, non-discriminatory terms. Regardless of their size, Apple charges Payment Institutions a small fee on a level-playing-field basis that gives them access to industry-leading privacy and security measures, which drives increased transaction conversion, deeper customer engagement, and saves millions in fraudulent charges. There are no rebates or discounts that favour the larger Payment Institutions, and fees have not increased since the launch of Apple Pay. Apple does not charge merchants or consumers for using Apple Pay. As a result, Apple is incentivised to support all financial institutions in Australia, and Apple Pay is open to all card issuers that wish to offer Apple Pay to their customers.

Apple has made significant investments to develop the technology that underpins Apple Pay and continues to make significant investments in marketing, developing, and operating Apple Pay. Similar to other technology providers in the payments ecosystem, Apple has a commercial model to support its development and operation of its technology platform.

While Apple has been specifically reported in Australia as charging fees for the services it provides to Payment Institutions, it is important to recognise that technology providers have different business models and may take a different approach to how they monetise their services. These can range from monetising customer data or cross-subsidisation with revenues from other business lines. Apple charges Payment Institutions straightforward and consistent fees for: (i) the services that Apple provides to those Payment Institutions when their customers use Apple Pay; and (ii) the Payment Institutions' use of Apple technology in enabling their cards to be used on Apple devices.

Apple is not unique in charging fees for services it provides to Payment Institutions, and its fees are similar to enterprise technology service fees, which Payment Institutions pay for cloud services, 'know-your-customer,' or fraud technologies. Apple Pay is one of the most popular digital services offered by Payment Institutions; however, despite this, the fees paid by Payment Institutions to Apple generally represent a very small proportion of the Payment Institutions' investments in digital services.

## Apple's Data Privacy Commitment

Apple's values include a strong commitment to safeguarding data privacy and security. At Apple, the customer is not our product. Instead, the design of our products and services is guided by our four key privacy principles:

- **Data Minimisation:** Collecting only the minimum amount of data required to deliver a product or service.
- **On-Device Processing:** Processing data on the device, wherever practicable, rather than sending it to Apple servers, to protect user privacy and minimise data collection.
- **User Transparency and Control:** Making sure that users know what data is collected and how it is used, and that they can exercise control over it.
- **Security:** Hardware and software working together to keep data secure.

When Apple does collect personal data, we are clear and transparent about it—and we think everyone else should be, too. We make sure that users know how their personal information is being used, and how to opt out. And we make it easy for them to review and take control of the data that they store with Apple through our centralised Data & Privacy Page. As further explained in this submission, Apple's privacy commitment is on full display when dealing with sensitive financial data such as a user's credit or debit card details.



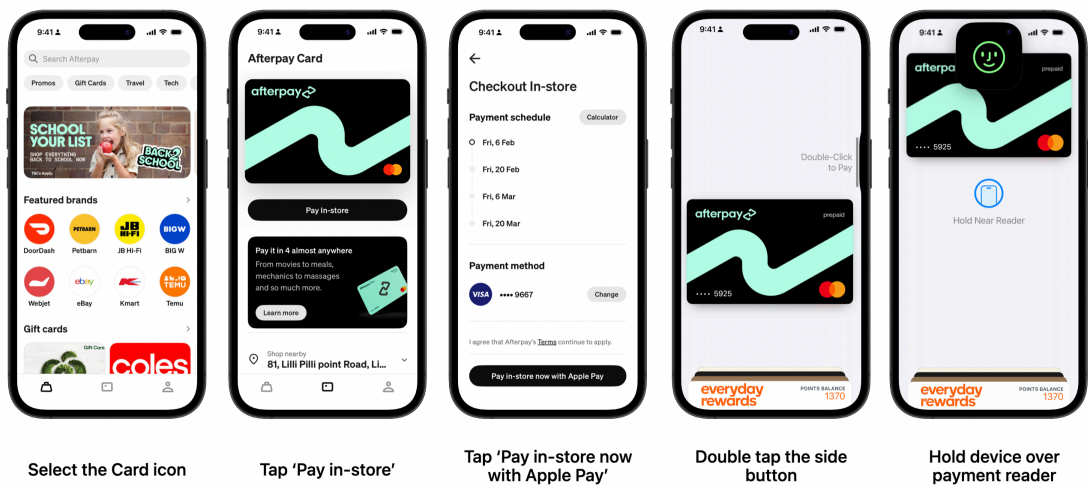
# Benefits of Digital Wallets

Since their introduction over a decade ago, Apple Wallet and Apple Pay have represented a genuine advancement to the user experience and the payments ecosystem, fostering innovation, encouraging competition, facilitating consumer choice and switching, and reducing fraud.

## Digital Wallets Have Fostered Innovation

Credit cards have been around for over 70 years, and while there have been some improvements since they were first issued in 1950, physical cards are still limited in many ways. Payment Institutions need to print and ship them. They can be lost or stolen. The sensitive data needed to make transactions is in plain sight on the cards. They can be cumbersome to use. Each of these physical attributes creates friction—and worse, many open attack vectors that expose customers and issuers alike to expensive fraud and identity theft risks.

Since its introduction a decade ago, Apple Pay has represented a genuine advancement to the user experience and the payments ecosystem. Apple invested heavily to develop Apple Pay and deliver a solution that was easy, secure, and private. In doing so, Apple: (i) catalyzed the adoption of tokenisation, helping to keep sensitive financial information safe and secure; (ii) developed and made available APIs, SDKs, and encryption technologies to enable merchants to accept e-commerce payments in iOS, iPadOS, and watchOS apps, on websites, and third-party devices; (iii) developed a broad suite of tools for issuers to combat fraud in digital payments; and (iv) introduced biometric authentication for e-commerce transactions (through Face ID, Touch ID, and Optic ID on Vision Pro), enabling users to quickly and securely provide their payment, shipping, and contact information when making purchases while reducing fraud (as discussed in more detail below).



### Contactless Payments Directly From Mobile Apps

Since 2016, Apple has provided functionality that enables Payment Institutions, such as Afterpay, to initiate payments directly from within their iOS apps using Apple Pay, thereby enabling increased innovation and differentiation.

Apple Pay also brought countless innovations to Payment Institutions, including: (i) the ability to set up a card for Apple Pay directly from the Payment Institution's mobile banking app, driving adoption and usage of mobile banking apps; (ii) the ability to make contactless payments directly from the Payment Institution's mobile banking app; (iii) deep linking between Wallet and Payment Institutions' iOS apps to drive traffic to Payment Institutions' apps; (iv) the ability to select and easily switch between cards in Wallet; (v) transaction information delivered directly from Payment Institutions to their customers' devices; and (vi) the ability to issue digital-only cards for immediate use by consumers in-store pending shipment of a physical or virtual card.

## **Apple Pay Has Enhanced Competition Among Payment Schemes**

Apple has a longstanding commitment to enabling domestic schemes on Apple Pay, promoting competition among payment schemes and facilitating merchant choice. Apple Pay has consistently supported eftpos, Australia's domestic payment network and one of the 15 domestic networks Apple Pay supports globally. Apple Pay was the first digital wallet in Australia to enable eftpos on dual-network debit cards issued by the Commonwealth Bank, Westpac, NAB, and ANZ, allowing users to switch to eftpos from other payment networks when making an Apple Pay transaction. Apple has also fully supported the Reserve Bank of Australia's efforts to promote merchant least-cost routing by ensuring that Apple Pay allows merchants to select their payment network of choice, benefiting not only eftpos' ability to compete with other networks but also driving down costs of acceptance for merchants. This means small businesses incur fewer costs and are in a better position to pass on savings to customers.

## **Apple Pay Has Enhanced Competition Among Banks**

Apple developed Apple Pay as a technology platform for use by Payment Institutions to offer digital payments securely on Apple devices. Apple does not provide Apple Pay exclusively or on the basis of preferred treatment to any one Payment Institution, but rather created a technology platform that enables all Payment Institutions—regardless of size or market power—to offer payment cards digitally to their customers using Apple's secure and private hardware and software, all without needing to invest in building and supporting a technical payments architecture of their own. Today, more than 125 Payment Institutions in Australia—from the Fire Service Credit Union through to Commonwealth Bank of Australia—offer Apple Pay as a payment option to their customers. All Payment Institutions in Australia, regardless of size, are presented in Wallet without any preference, enabling customers to store and view multiple cards from different Payment Institutions.

Beyond competition among existing Payment Institutions, Apple's collective innovations have paved the way for the emergence of entirely new, app-focussed banks, such as Up and AMP Bank. These new challenger firms offer innovative services such as virtual cards, instant spending notifications, budgeting and analytics, and more.

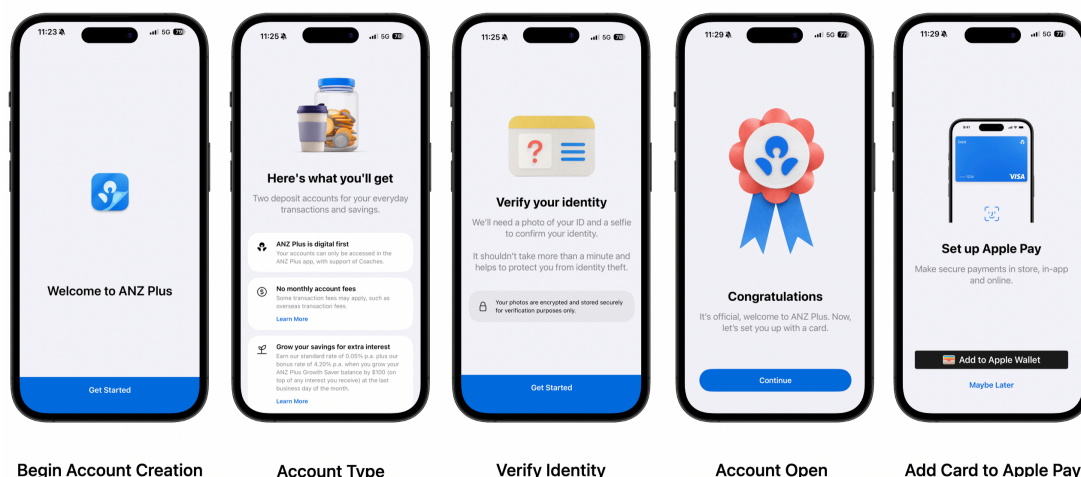
Finally, Apple designed the user experience to put the consumer in control over which developer/or payment provider has access to the NFC technology on their device. Creating a mental model that is simple to understand and use for consumers is a major reduction in the barriers to competition between Payment Institutions.

## Digital Wallets Reduce Barriers to Entry and Facilitate Easy Switching

A recent inquiry into retail deposit products conducted by the Australian Competition and Consumer Commission (the “ACCC”) revealed that switching rates remain persistently low across deposit products, including transaction accounts. The ACCC concluded that “[the] impediments to switching set out [in the ACCC report] are significant and enduring. They deter many consumers from switching to better-suited products and impose a significant burden on those that do.”<sup>2</sup>

Digital wallets and technologies from companies like Apple play a critical role in increasing switching rates and improving consumer choice. Apple Pay supports multiple cards, and users can have several credit and debit cards in Wallet—even cards that come from multiple Payment Institutions. This enables consumers from any small to medium bank to store and use their cards on the same interface available to larger banks. The availability of a platform like Apple Pay that offers the same interface across multiple payment options and institutions reduces barriers to entry and encourages switching, as consumers can use the same payment interface when they switch providers and do not lose the ability to use Apple Pay when they move a transaction account to a different bank.

In addition, Payment Institutions like ANZ Plus have taken advantage of the support of instant issuance in Apple Pay, which allows them to issue virtual cards and provision those to Apple Pay as part of their account opening process—providing their customers with an easy and secure way to start using their cards on completing account opening. Payment Institutions can use this to facilitate account switching and enable their customers to complete switching in minutes and start using virtual cards to pay.



### Instant Issuance

Instant issuance allows Payment Institutions to issue and provision virtual cards to Apple Pay as part of the account opening process

## Digital Wallets Increase Choice of Payment Instruments for Consumers

Unlike proprietary, bank-owned wallets or staged wallets, Apple Pay promotes choice of payment instruments for consumers.

Apple Pay enables consumers to store multiple cards from different Payment Institutions in Wallet. For instance, a multi-banked consumer in Australia can store cards from any one of the Big Four banks and cards from smaller banks in Wallet. Users love this level of convenience, and Wallet makes it incredibly

<sup>2</sup> Australian Competition & Consumer Commission, *Retail Deposits Inquiry: Final Report 1*, § 9.4 (Dec. 15, 2023), <https://www.accc.gov.au/system/files/Retail-deposits-inquiry-final-report.pdf>.



#### Switching Default Card

Apple Pay users can simply change their default card at any time or at the point of sale by dragging cards to the top of their stack in their Apple Wallet.

easy to switch between cards too. A user can simply change their default card at any time or at the point of sale by dragging cards to the top of their stack in their Apple Wallet.

This can be contrasted with a proprietary (closed) wallet—like Commonwealth Bank of Australia's Android wallet—which can only be used with credentials from one bank, effectively locking the user into a single transaction account from that one bank. This is all the more pertinent given that the largest incumbent banks are highly motivated to develop their own wallets, making it significantly more difficult for customers to access cards and payment methods offered by other providers and creating a material barrier to entry for smaller banks competing for a share of their customers' spend. Some staged wallets—like PayPal—use a prepaid account that is topped up to make a payment, resulting in customers and merchants transacting via the prepaid account in place of the bank-issued card or account. Apple Pay has been designed to work differently, enabling customers to freely choose and pay with a card from any of their Payment Institutions in Wallet.

## Apple Pay Deepens Merchants' Relationships With Their Customers

In both the in-store and online retail contexts, Apple Pay streamlines and enhances the user experience. This is because Apple Pay enables a faster check-out process both in-store and online, and reduces the friction associated with the authentication of payments (which is the case when using certain types of multi-factor authentication). eCommerce merchants tell Apple that they see significantly higher acceptance and conversion rates on Apple Pay, helping them increase sales. In fact, according to Apple and industry data, over the past year, Apple Pay has generated an estimated \$100 billion USD in incremental merchant sales globally due to higher authorization rates and increased cardholder engagement. Merchants are also able to leverage other benefits and features of Wallet—for example, delivering NFC-enabled versions of their loyalty or gift cards.

## Apple Pay Drives Down Fraud

Fraud is a major problem across the payments ecosystem. Fraudulent charges don't just impact cardholders. Losses due to fraud are also incurred by card issuers, merchants, and payment

processors. According to Nilson, payment card fraud losses worldwide reached USD33.4 billion in 2024, and are expected to grow to over USD40 billion by 2030.<sup>3</sup>

Payment Institutions and payment networks have consistently reported that Apple Pay is more secure compared to other digital wallets and payment methods, on the basis of fraud data and security incidents that are reported to Apple. Apple Pay has reduced fraud losses by well over \$1 billion USD annually and 45–80% more than physical cards, protecting users, reducing headaches for merchants, and lowering costs for Payment Institutions.

Apple Pay is built to deliver safe and secure transactions, minimizing the risk of fraud at every stage of a transaction.

Apple created a secure way for consumers to remotely add their cards to Wallet, investing in secure platforms and APIs to facilitate the exchange of encrypted information from the device, the payment networks, and Payment Institutions. When a customer adds a credit, debit, or pre-paid card to Apple Wallet, Apple securely sends the card information, along with other information about the user's account and device, to the Payment Institution or its authorised service provider (usually the payment network). Using this information, the Payment Institution (or its service provider) determines whether to approve adding the card to Wallet.

The tokenisation process used when adding a card to Wallet allows users to complete in-person and online transactions without having to take a card out of a physical wallet or share their full card number with merchants or third-party apps, where it could be scaled or stolen. In addition, because authentication is required for all purchases with Apple Pay—whether using iPhone, Apple Watch, Mac, iPad, or Vision Pro—customers are less exposed to the risks associated with a lost or stolen physical card that can be used without authorization. And if a user loses their device, Apple makes it easy to suspend Apple Pay by placing their device in Lost Mode with Find My.

Apple also proactively shares and layers its security with that of Payment Institutions. This data, which always honors user privacy settings, allows Payment Institutions to make the most informed decision before authorizing a transaction, minimizing fraud. This extra layer of security most directly benefits smaller banks and startups that may not have as robust fraud prevention systems.

Apple continues to invest in its fraud prevention capabilities and works with issuers to implement best practices in fraud reduction.

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<sup>3</sup>*The Nilson Report*, Issue 1298 (Dec. 2025), <https://nilsonreport.com/newsletters/1298/>

## Support for Account-To-Account Payments

Apple Pay and the NFC & SE Platform support a wide variety of different payment models around the world and can technically support new payment methods—including potential account-to-account credentials. The model for new payment methods, however, is driven by payment networks, acquirers, and point-of-sale systems and not digital wallets themselves.

We note from the Terms of Reference that the Committee will inquire into new and emerging payment technologies in the payments space, including account-to-account-based payments. Account-to-account-based payments are available through digital wallets in other countries, including India (with providers such as PhonePe and Google Pay using UPI), China (WeChat Pay and Alipay), Spain (Bizum), and Poland (Blik). These digital wallets facilitate account-to-account-based payments using QR code technology, providing clear, real-world evidence that account-to-account-based payments can be implemented successfully and at scale, through QR code technology. In fact, the most successful mobile payment companies in the world (WeChat Pay and Alipay) all use QR code technology for account-to-account payments.

With respect to Apple Pay (which utilises NFC technology), Apple has built a technical architecture that can support any credential that is capable of being stored and used on Apple devices for a number of use cases ranging from traditional retail payments to transit payments. Apple does not issue payment credentials or determine how those credentials are used or accepted in the payments ecosystem. As a technology provider, Apple is open to supporting different payment options on its devices and would integrate new payment methods if they are offered by payment institutions, if there is demand from consumers to use those payment methods, if they meet Apple's standards for user security and privacy, and there is suitable merchant acceptance. If an issuer of a credential were to develop an account-to-account credential that is capable of being stored on Apple devices and can be accepted at NFC-enabled payment terminals in Australia, it would be technically possible to enable such a credential to be used on Apple Pay.

Apple already supports different types of credentials on Apple Pay, including meal vouchers, instalment credentials, and store credit and e-money programs. Apple has also developed and licensed a payment software application (*i.e.*, an applet) to 15 domestic schemes globally (including eftpos in Australia) to enable them to offer tokenised payments in competition with more established international card schemes.

In looking at account-to-account payments, we would recommend considering the payment flows for account-to-account-based payments (which are made through a bank transfer as opposed to card scheme infrastructure) and the suitability of the technology required to support them. QR code technology is widely used for account-to-account-based payments as it enables a user to either scan or present a QR code to enable pre-population of banking details to facilitate a bank transfer to the merchant through a real-time payment system. Where account-to-account-based payments are used in staged digital wallets (such as PayPal), they involve providing a funding method for a card-based credential with the subsequent payment being made through a card-based credential.

There are other considerations that need to be addressed for such payments to gain more widespread use in the retail context. Some of these considerations can only be appropriately addressed by solutions that are independent of digital wallet technology. For example, merchant point-of-sale devices play a critical role in the acceptance of payments. These devices leverage systems, processes, and rules (such as EMVCo standards) that support the processing of retail transactions.<sup>4</sup> Payment networks that facilitate retail payments also implement frameworks that set out strict rules relating to the processing and settlement of transactions, dispute resolution, allocation of risk across participants, and technical standards that facilitate, amongst other things, interoperability. Additionally, acquirers play a key role in enabling the settlement of payments and ensuring merchants adhere to requirements specified by the payment networks and comply with relevant regulatory obligations. These features promote the use of and confidence in the underlying payment methods and are ultimately delivered by the relevant payment networks and Payment Institutions (as opposed to digital wallet providers).

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<sup>4</sup> The current point-of-sale infrastructure in Australia is based on EMV terminals and card technologies which follow EMV standards. This means that to make a payment at a terminal in Australia, a user needs to present a card or other device containing a payment credential that contains information defined by the card scheme (e.g., Visa, Mastercard, or eftpos) and personalised by the Payment Institution (*i.e.*, banks such as Commonwealth Bank of Australia who set rules on how the credential is used). The card (or device) will send certain information (including the credential) to the terminal, which will capture and transmit this information to the Payment Institution to authorise the payment based on a protocol defined by the ISO8583 specification. This card infrastructure in Australia does not support account-to-account payments which can be supported using other technologies such as QR codes or Bluetooth.

# Competition and Innovation in the Payments Sector

Digital wallets offer a meaningful opportunity to enhance competition and consumer choice in a market dominated by a handful of large banks. Policymakers should allow existing and forthcoming regulatory frameworks to take effect rather than imposing additional, disproportionate regulation that risks entrenching incumbent advantages and undermining innovation.

Australia has high levels of concentration in financial services, with the market dominated by a handful of large banks, with the result that: (i) there appears to be minimal price differentiation; (ii) interest rate margins have widened over the past 20 years; (iii) product innovation is stagnant (basic transaction account features remain substantially unchanged for over 15 years, while digital banking improvements have been incremental and not transformational); (iv) branch closures are growing at a rapid scale; and (v) customer satisfaction scores have continued to decline.

Digital wallets can offer a platform to genuinely enhance competition in the Australian payments sector, with services such as Apple Pay providing smaller banks with technology to compete at an equal footing with larger banks as well as making it easier to switch payment products. Digital wallets can also provide consumers with alternatives to easily access services across different banks or use services outside the traditional banking infrastructure. Digital wallets represent a significant technology-enabled alternative to traditional banking that has the potential to achieve meaningful scale and create conditions for more banks to effectively compete.

The competitive challenge introduced by digital wallets is fragile. The payments ecosystem in Australia remains dominated by a handful of large banks through their control of the credit and debit card market, transaction accounts, and banking system assets. These large banks also control the entire payment value chain, including issuance, payment processing, merchant acquiring, and payments infrastructure. While digital wallet growth has accelerated, most digital wallets provide a consumer interface only, and the payments landscape largely remains unchanged given that the majority of payment transactions are carried out through bank-issued cards. Account-to-account-based transactions are not the panacea either, as they rely on transaction accounts, the vast majority of which are controlled by the largest banks.

There have been some calls from some of the large banks in Australia to introduce further regulations targeted at digital wallets and payment technology providers. Many of the arguments being advanced by these banks appear self-serving and designed to maintain their dominance of the Australian financial services sectors. Critically, the largest banks in Australia have significant structural



advantages (including scale, data, infrastructure, and switching barriers), and it is important to ensure that incumbent players are not allowed to use regulatory complexity as a competitive moat.<sup>5</sup>

While we recognise the importance of regulatory scrutiny and oversight of emerging payment providers, it is important to recognise the regulation that is currently underway. Parliament has already passed legislation just last year to grant the Reserve Bank of Australia new regulatory powers in relation to digital wallets,<sup>6</sup> and the Reserve Bank has indicated it plans to hold an inquiry into digital wallets in 2026.<sup>7</sup> We understand the Government intends to also introduce a licensing regime, to be administered by the Australian Securities and Investments Commission, with legislation released for consultation just in October 2025.<sup>8</sup> These steps were taken after these policy issues were considered in the Strategic Plan for Australia's Payment System (2023). Apple is already engaging constructively with Treasury and all relevant regulators, and intends to continue doing so, as they consider the appropriate regulatory framework for the payments ecosystem.

The Reserve Bank should be allowed to undertake its role in considering the payments ecosystem, as determined by Parliament last year. Additional inquiries, new laws, or involvement by further regulators would be unnecessary, disproportionate, and add to the regulatory complexity that only benefits incumbent banks without addressing the issues raised in successive inquiries into the financial services sector in Australia.

In considering the issues of this Inquiry, we encourage policymakers not to lose sight of the structural issues in the Australian banking sector. Innovation in digital wallets offers the potential to enable more competition and better outcomes for consumers, and the opportunity should not be missed by hampering innovation with over-regulation. We recommend considering policy initiatives that support challengers and new entrants—like digital wallets—who enable competition and use technology for the benefit of consumers.

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<sup>5</sup> Examples include Commonwealth Bank's submission to the ACCC Retail deposits inquiry; Australian Banking Association, "Submission to Treasury - Review of Stored Value Facilities," March 2023, Australian Banking Association, "Submission to ACCC Digital Platform Services Inquiry - Interim Report 5," July 2022, Commonwealth Bank, "Submission to RBA Review of Retail Payments Regulation," October 2021 and Commonwealth Bank's submission to Treasury BNPL consultation, 2022.

<sup>6</sup> Treasury Laws Amendment (Payment Systems Modernisation) Act 2025.

<sup>7</sup> Payment System Board, Update: November 2025 Meeting, 26 November 2025, <https://www.rba.gov.au/media-releases/2025/mr-25-32.html>.

<sup>8</sup> Assistant Treasurer Dan Mulino, New legislation to modernise the regulation of payment service providers, 9 October 2025, <https://ministers.treasury.gov.au/ministers/daniel-mulino-2025/media-releases/new-legislation-modernise-regulation-payment-service>.