



Australian Banking
Association



House Standing Committee on Economics Inquiry into Schemes, Digital Wallets and Innovation in the Payments Sector

Submission from the Australian Banking Association





Introduction

The Australian Banking Association (ABA) welcomes the opportunity to make a submission to the House of Representatives Standing Committee on Economics' Inquiry into schemes, digital wallets and innovation in the payments sector.

Payment costs matter because they are borne broadly across the economy, including through the fees businesses pay to accept card payments and the way those costs ultimately flow through to consumer prices. At the same time, Australia's payments system is essential economic infrastructure. The payments system must be secure, resilient and continuously improving, which requires substantial ongoing investment. The policy challenge is to strike settings that keep costs fair and transparent across the economy while preserving the commercial capacity to keep the system reliable, safe and innovative.

The payments environment has changed materially in a relatively short period. The ecosystem is now far more complex, with layered technology and platform interfaces, increasingly concentrated control points, and growing influence of international technology and payments companies whose commercial settings can shape access, pricing and the evolution of the system. These issues intersect directly with the Inquiry's focus on schemes and digital wallets, but they also carry national interest implications about control, resilience and strategic dependence that were far less pronounced when many current settings were established.

Parliament has already recognised that the regulatory framework needs to evolve to reflect these developments. The recent passage of reforms to the *Payment Systems (Regulation) Act* provides the capacity for a broader view of the payments ecosystem, including participants and commercial arrangements that have historically sat outside the effective perimeter of payments regulation. With those reforms now in place, it is important that Australia's approach to payments policy reflects the system as it exists today, not as it existed a decade ago.

This inquiry is particularly timely, as policy decisions are imminent following the RBA's review of merchant payment costs and surcharging. Those discussions are occurring in parallel with this inquiry, and they intersect directly with many of the issues relevant to the Committee's inquiry including scheme fees, mobile wallets, market power and the distribution of costs across merchants. It is important that substantive decisions taken in the near-term leverage new powers and expand the focus beyond the traditionally regulated components of the system.

We encourage the Committee to use this Inquiry to test whether current policy settings, and the directions now being considered, are capable of delivering sustained reductions in total payment costs and improved fairness for merchants while also supporting resilience, innovation and long-term domestic capability in Australia's payments system.

The ABA looks forward to engaging with the Committee on these matters.



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Background: The role of banks in the cards payment system

Banks are central to the functioning of Australia's payments system. As card issuers, banks provide the accounts, credentials and customer-facing services that allow consumers and businesses to make card payments. They also operate and fund critical supporting capabilities that make digital payments work reliably at national scale, including deposit accounts, access to settlement and liquidity, fraud and scam controls, dispute and chargeback processes.

Australian banks also fund foundational payments infrastructure. The New Payments Platform (NPP), which enables real-time account-to-account (A2A) payments and innovations such as PayID, is one example of the sector's role in building national capability.

Card schemes sit alongside this as the network layer that connects issuers and acquirers and sets the rules and technical standards that allow transactions to be authorised, cleared and settled across participants. In practice, a card payment requires both the scheme network and the issuing bank's underlying account infrastructure and risk systems. The schemes' settings and fees shape how the network operates and how costs are allocated across the ecosystem, while banks carry the customer relationship and many of the operational and risk responsibilities that make card payments safe and reliable.

Some banks also provide merchant acquiring and payment services, enabling businesses to accept card payments in-store and online. However, the acquiring market has diversified substantially in recent years, as global payments companies and other new entrants have gained significant market share.

Policy contact:

Chris Taylor
Chief of Policy



Policy contact:

Maxwell Pryor
Policy Director



About the ABA

The Australian Banking Association advocates for a strong, competitive, and innovative banking industry that delivers excellent and equitable outcomes for customers. We promote and encourage policies that improve banking services for all Australians, through advocacy, research, policy expertise and thought leadership.



Issue 1: The structure of the payments system has changed.

Australia's card payments ecosystem has changed in ways that make costs less visible and less predictable than it has been in the past. Historically, its structure and functions were relatively simple, and most of the relevant costs and revenue could be understood by looking at a small number of relationships. In that environment, the market's cost signals were clearer, and pricing outcomes tended to be shaped by a narrower set of variables.

That structure no longer describes how costs are set or how market power operates. Today, the end-to-end payment experience increasingly sits on top of multiple specialised intermediaries, including digital wallets, gateways and orchestration layers, tokenisation and security services, and embedded payment platforms. Card scheme fees have increased in complexity and cost, and alternative models now operate at scale alongside traditional card schemes.

Many of these providers are global, operate at significant scale, and face limited competitive and regulatory constraints compared to domestic institutions. This is particularly true for *big tech* companies, which are increasingly expanding across the payments system. The combined effect is that incremental costs are increasingly set in parts of the ecosystem that are largely unregulated, less transparent, and where pricing power is concentrated in a small number of large platforms.

This has two practical implications for policy.

- First, an increasing share of market power and incremental cost is being set in parts of the ecosystem that are subject to little or no regulatory controls or obligations. If policy focuses on only one segment of the chain, it risks leaving the true cost drivers untouched and misallocating the burden onto the regulated parts of the system.
- Second, the complexity of the modern payments system means policy effects diffuse rather than transmit cleanly. Because the payments ecosystem is layered, with multiple parties setting charges at different points in the chain, reducing a regulated component does not necessarily reduce the end-to-end cost borne by merchants or consumers. Less regulated parties can increase fees elsewhere, so the commercial outcome is uncertain. This is why payment costs need to be assessed in total, and why market dynamics across the whole ecosystem need to be understood before substantive policy change.

Issue 2: Payment costs are increasingly influenced by parts of the ecosystem where regulation is minimal or non-existent.

Digital wallets

Digital wallets allow users to store and use payment credentials and other passes in a single app, and to make in-person payments by tapping a device on a payment terminal rather than tapping or swiping a physical card. They can also be used for transactions in mobile apps and on mobile websites. Digital wallets encompass a range of technologies and use cases. Our comments focus on mobile "pass-through" wallets used to make card payments in-store, which in Australia includes Apple Pay and Google Pay.



Australians are enthusiastic mobile wallet users. RBA data¹ shows in November 2025, mobile wallets accounted for 49 per cent of in-store credit card payments by number and 41 per cent by value. In October 2024, the equivalent figures were 40 per cent and 32 per cent respectively – demonstrating how rapidly mobile wallets are displacing physical cards.

Mobile wallets have delivered significant benefits, but they raise structural issues that go directly to the Committee's interest in issues of fairness, accessibility, and market power. These issues warrant appropriate scrutiny.

It is contextually important to note not all mobile wallets operate in the same way. Certain issues described below arise in relation to Apple Pay because of the way it is implemented and commercialised. These characteristics could, in principle, emerge in other wallets, or new technologies over time.

Access and competitive neutrality

A core question for the Inquiry is whether the payments landscape is fair and accessible, including whether consolidated market power affects choice and accessibility.

On Android devices, Google permits alternative wallets to compete with Google Pay. On Apple devices, third party alternative wallets are not permitted. Card issuers must enter into confidential, bilateral contractual arrangements to offer Apple Pay to their customers. Given Apple's popularity in Australia and that many consumers now view mobile wallet access as a standard feature of a card product, issuers face limited practical bargaining power over key terms.

This has implications for the Committee's interest in market power and accessibility. When access to a critical payment interface is controlled and alternatives are constrained, choice for consumers and merchants can be reduced. This creates a greater risk of entrenching a single provider's ability to set technical and commercial requirements across a large share of transactions.

Mobile wallet fees

Mobile wallets represent a growing cost in the payments ecosystem. The ABA notes that the focus on Apple reflects the fact that Apple Pay charges fees to card issuers on transactions, whereas Google Pay does not.

It is also important to note the information constraints in this market. Commercial arrangements between wallet providers and card issuers are subject to confidentiality obligations, which limits transparency for regulators, merchants and the public. Where we refer to fees and market shares, we do so based on credible publicly available sources. In our view, these limitations on verifiability strengthen the public interest case for appropriate scrutiny and transparency.

In the United States, the Congressional Research Office² and the US Consumer Financial Protection Bureau³ (CFPB) separately confirm Apple Pay charges card issuers fees of 0.15 per cent of the transaction value for each credit card transaction. This fee is cited in media as broadly correct for Australia too⁴. If those estimates are broadly representative, as wallet usage rises a larger share of everyday card transactions attracts an additional wallet-related charge. This is not readily visible in standard discussions of merchant payment costs, yet it represents a direct

¹ Figures based on RBA Credit and Charge Cards – Aggregate Data. Available at: <https://www.rba.gov.au/payments-and-infrastructure/resources/payments-data.html>

² Big Tech in Financial Services. Available at: <https://www.congress.gov/crs-product/R47104>

³ Big Tech's Role in Contactless Payments: Analysis of Mobile Device Operating Systems and Tap-to-Pay Practices. Available at: <https://www.consumerfinance.gov/data-research/research-reports/big-techs-role-in-contactless-payments-analysis-of-mobile-device-operating-systems-and-tap-to-pay-practices/full-report/>

⁴ Apple Pay costs for Australian Banks revealed. Available at: <https://www.afr.com/companies/financial-services/apple-pay-costs-for-australian-banks-revealed-20221209-p5c527>



transfer from regulated domestic issuers to an offshore technology company through a fee that issuers cannot realistically avoid if they want to meet consumer expectations.

These fees also matter when considering the sustainability of the economics of card issuing under tighter regulated caps. The RBA is currently proposing a cap of 0.3 per cent on credit interchange.

After deducting Apple Pay fees, at most 0.15 per cent would remain with the issuer on wallet transactions for the issuer to then account for the costs of serving the customer, transaction processing, fraud prevention, disputes and chargebacks, and compliance. Independent economic analysis by Frontier Economics finds these card issuing costs can exceed 0.5 per cent.

These issues are also noted by the U.S. Department of Justice in *United States of America v. Apple Inc.*

*“Apple also uses its smartphone monopoly to extract payments from banks, which need to access customers that use digital wallets on iPhones. Since Apple first launched Apple Pay—long before it achieved meaningful adoption—**Apple has charged issuing banks 15 basis points (0.15 percent) for each credit card transaction mediated by Apple Pay.** Payment apps from Samsung and Google are free to issuing banks. **Apple’s fees are a significant expense for issuing banks and cut into funding for features and benefits that banks might otherwise offer smartphone users.**”⁵ [emphasis added]*

Scheme fees

Visa and Mastercard are the primary credit card schemes in Australia. Their networks are widely used, reliable, and integral to commerce. At the same time, scheme fees are a significant and growing component of payment system costs. The RBA estimates “net scheme fees of around \$1.8 billion were paid by Australian acquirers and issuers to the card networks in 2023/24.”⁶

The core concern is not that schemes charge fees. It is that scheme fees have become complex, opaque, and difficult to constrain through normal market forces. Scheme fees are not subject to the same pricing controls as interchange. They are multi-layered, frequently restructured, and often hard to reconcile to clear service changes. They can include multiple categories of charges across network participation, processing, credential and token services, risk tools, cross-border and card-not-present constructs, and a range of specialised program fees. For many payment service providers, the practical effect is that fee schedules are difficult to interpret, difficult to forecast, and difficult to reconcile to clear service changes.

Acquirers and issuers have limited practical ability to refuse or negotiate these fees because scheme participation is foundational to providing widely accepted card services. In practice, costs flow through the merchant payments stack and ultimately into merchant pricing. Small businesses are disproportionately exposed because they have less bargaining power, less ability to obtain tailored pricing, and less capacity to absorb cost volatility compared with larger merchants.

⁵ United States of America and Plaintiff States v. Apple Inc. [113]

⁶ RBA. Backgrounder on Interchange and Scheme Fees. Available at: <https://www.rba.gov.au/payments-and-infrastructure/review-of-retail-payments-regulation/backgrounders/backgrounder-on-interchange-and-scheme-fees.html>



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Illustrative example: repricing of tokenisation-related fees

When Visa introduced tokenisation and related digital credential services, the market was encouraged to migrate toward tokenised transactions on the basis of improved security and operational benefits. Once tokenisation adoption scaled, Visa progressively expanded and repriced its “*Digital Commerce*” fee constructs. The repricing has not been accompanied by clear explanations linking the changes to new functionality, demonstrable risk reductions, or measurable added value, which makes it difficult for payment providers to explain the benefits to customers.

To help articulate these issues better for the Committee, the financial implications to a particular industry participant have been outlined below.

- Digital Commerce service fees were introduced in July 2024 at 0.75 basis points for card-not-present tokenised transactions.
- From April 2026, these fees are scheduled to rise to 2 basis points for domestic transactions and 5 basis points for international transactions – an estimated incremental cost of **more than \$3 million AUD per year**.
- A new fee for card-present credit tokenised transactions is scheduled from April 2026, at 1 basis point domestically and 5 basis points internationally. This resulted in an estimated incremental cost of **more than \$1 million AUD per year**.
- A new “Network Defence” fee is also being introduced, tiered with an annual cap of **\$120k USD per year**.

American Express

American Express has a significant presence in Australia. It operates a “closed loop” or three-party model, meaning American Express issues cards itself rather than relying on bank issuers in the way Visa and Mastercard do.

There are three observations we consider increasingly material where payment costs are scrutinised.

- American Express on average costs merchants more to accept. RBA data from the September quarter 2025, indicates average merchant fees are around 50 per cent higher for American Express compared with Visa and Mastercard.
- American Express’ share of credit and charge card spending is material and has been rising. While the RBA has not published market share data since August 2024, that data point and the historic growth trajectory suggest American Express now accounts for more than a quarter of credit and charge card spend. As that share grows, American Express becomes a larger driver of total card acceptance costs.
- American Express is not subject to the regulated pricing settings that apply to parts of the open-loop card system. This matters because three-party schemes can benefit structurally from interventions that compress the economics of four-party issuing. Where bank-issued credit cards are constrained by regulated caps that push net revenue below sustainable levels for propositions consumers value, consumer demand can migrate toward models that sit outside the cap. Counterintuitively, this leads to an environment where a higher-cost network can grow



its footprint while a larger portion of policy and public attention remains focused on the regulated components of lower cost, open-loop (Visa and Mastercard) cards.

The policy implication is not that American Express should be discouraged from competing. It is that regulatory settings should not inadvertently tilt the playing field. In the Australian context, bank-issued cards remain a key source of affordable consumer credit within the payments ecosystem, supporting household and business budgeting, cashflow management and income smoothing.

If interchange caps are set at levels that push regulated issuers' net economics below the cost to serve, while ignoring American Express which offers functionally comparable products, the system will not become 'more competitive'. The likely outcome is reduced investment and weaker propositions for consumers and small businesses in the regulated segment, migration toward higher-cost exempt models, and higher costs to consumers over time through increased fees, reduced rewards value, and/or higher interest rates.

Issue 3: An expanded lens to payments policy formation is necessary to account for the changed market environment.

Australia's payments market is attractive. It is highly digitised, high volume, and innovative. This makes Australia an attractive market for innovation and investment by global firms. That is positive for consumers, businesses and the economy because it is important that Australia continues to incentivise innovation.

The environment has nonetheless changed in ways that make the historic, narrower view of payment costs less reliable as a guide for policy. Payments are critical infrastructure. The distribution of responsibilities, control points and economics across the ecosystem now has clearer national interest dimensions that intersect with this inquiry's focus, including resilience, competition, and long-run domestic capability.

This section addresses three closely linked issues: (1) funding and use of core payments infrastructure, (2) the extent to which the economics of the ecosystem are shifting offshore, and (3) the long-run implications for domestic capability, sovereignty and control.

1. Increasing dislocation between those who fund and maintain the payments system's infrastructure, and those who commercially benefit from it.

The core capability that enables digital payments in Australia is materially delivered by domestic, regulated institutions. Banks fund and maintain essential components of the system, including account infrastructure, security and fraud controls, dispute handling, and resilience investments required for a high-trust payments environment. Banks also invest heavily in new payments capability, including account-to-account infrastructure such as the New Payments Platform and PayID, which has expanded consumer choice and enabled innovation.

These investments deliver broad public value. They are required to maintain system stability and consumer trust, and they support competition by enabling new services to be built on top of reliable payments infrastructure.

However, a structural issue arises where major service providers leverage this infrastructure, and monetise activity occurring on it, without comparable obligations to fund the underlying system, provide transparency, or bear equivalent responsibility for resilience and consumer protection. Many of the most prominent new payment interfaces are not new rails; they are layers built on top of existing account-to-account systems and card infrastructure. For example, mobile wallets



leverage the existing payment infrastructure, by using existing debit or credit cards and NFC-capable POS terminals and devices.

This creates a structural imbalance. As the ecosystem becomes more fragmented and new costs introduced, the entities bearing the largest share of system responsibility and investment see declining marginal revenue. Over time, this can weaken incentives and capacity to invest in the very infrastructure that the broader ecosystem depends upon.

2. Multinational technology and payments giants are capturing an ever-growing share of payments system revenue, without an obligation to contribute.

The practical effect of the evolving payments system is that Australian payment volumes increasingly generate returns that flow offshore, while the underlying obligations and investments remain domestic. The issuers and banks that fund and safeguard the rails still carry the responsibility for core system functions, yet the marginal economics of many transactions can be materially shaped by commercial terms set by global firms outside Australia.

This shift matters for the Committee's consideration of fairness and accessibility because it affects who bears the cost of maintaining the system and who benefits from its growth. Where revenues and pricing power are increasingly concentrated offshore, domestic providers face tighter economics and reduced ability to compete on price, innovate, or invest in capability. Over time, this can compound the very inequities the Committee is examining, including disparities in costs borne by smaller merchants and payment service providers.

Australia benefits from being an open and attractive market. However, there is a critical question regarding whether those deriving significant value from Australian payment activity are contributing in a way that is commensurate with their role and influence. Overseas regulators have observed that some global technology and payments firms operating in these markets earn unusually high returns – for example, the UK Payments System Regulator (PSR) notes “their [*Mastercard and Visa*] margins are higher than would be expected in competitive markets.”⁷ We note this is not an observation pertaining to the Australian market, however Australia should not assume these dynamics do not apply locally, particularly given the comparable market structures.

In our view, it would be in the public interest for the Committee to consider whether the economic contribution of major multinational technology and payments firms to Australia's critical payments infrastructure is commensurate with their role and profitability in the Australian market.

One indicator of this imbalance is visible in the ATO's corporate tax transparency reporting.⁸ For 2023–24, it shows tax payable by Apple of \$153 million, despite \$12.5 billion in Australian revenue. Collectively, Visa and Mastercard had a tax payable figure of \$3m. In comparison, the same dataset shows Australia's four largest banks had collective tax payable of ~\$10 billion, separate to the billions of dollars paid in industry levies, as well as state-based payroll taxes on their >100,000 Australian employees.

These figures are not presented as commentary on the taxation arrangements of individual companies. Rather they illustrate the underlying development that matters for policy. As payments activity increasingly shifts towards multinational technology and payments giants with comparatively limited onshore footprints, less of the economic upside of domestic payments activity is embedded locally through tax, employment and reinvestment. That dynamic is relevant

⁷ PSR (2025). Market review of card scheme and processing fees, Final Report. Available at: <https://www.psr.org.uk/media/sogjivl4/mr22-110-card-sp-fees-mr-final-report-publication-redacted-mar-2025-updated.pdf>

⁸ Corporate tax transparency report 2023-24. Available at: <https://www.ato.gov.au/businesses-and-organisations/corporate-tax-measures-and-assurance/large-business/corporate-tax-transparency/our-corporate-tax-transparency-reports>



when considering the sustainability of domestic investment in critical payments capability and the balance of contributions and obligations across the system.

3. Long-run capability, sovereignty and resilience risks are increasing.

Taken together, the shifts outlined above point to a forward-looking question that is now central to payments policy: who will build, control, and benefit from the next generation of payments technology.

That next wave is already arriving through digital assets and stablecoins, tokenised money and programmable settlement, and increasingly “agentic commerce”, where software agents help consumers discover, select and purchase goods, and can initiate and complete transactions on their behalf. These models can improve convenience and conversion, but they also create new interface layers that sit above existing rails and can become new control points for access, pricing and data.

Early signals in emerging commerce reinforces the concern. For example, Shopify merchants “will pay OpenAI a 4% fee on sales made through the ChatGPT checkout, on top of the fees charged by Shopify.”⁹ The policy relevance is not the specific commercial arrangement, rather it is the pattern: new “front doors” to commerce can quickly introduce new layers of fees that compound the total cost of doing business, while concentrating control with platforms based overseas.

Domestic capability matters in this context. If regulated domestic institutions and local payment providers continue to carry the primary burden of funding and safeguarding the system, while a growing share of incremental economics is captured offshore, the capacity to invest in local innovation and competitive alternatives is progressively weakened. That erosion has practical consequences. It reduces the ability to build and scale domestic solutions, it weakens incentives to invest in resilience and security, and it increases reliance on offshore platforms for critical payment functionality and the direction of technical change.

Over time, that can become a sovereignty and capability issue – as Australia becomes more dependent on overseas commercial decisions, technology roadmaps and contractual terms that are set without regard to Australia’s national public interest. In this environment, payments policy needs to do more than adjust legacy settings. It should ensure transparency and competitive neutrality at emerging control points, and it should preserve the economic capacity for domestic firms to build and scale local capabilities, so Australia remains an active shaper of payments technology rather than a downstream recipient of overseas systems and terms.

Concluding remarks

The Committee’s Inquiry is taking place at a consequential time for Australia’s payments system. The ecosystem is more complex, more layered, and more internationally intermediated than it was when core elements of the current regulatory framework were established.

Policy focus that falls solely on regulated domestic participants risks producing outcomes that are incomplete and, in some respects, counterproductive. Greater transparency and scrutiny of scheme fees and mobile wallet arrangements is increasingly important for fairness, affordability and accessibility, particularly for small businesses.

The ABA welcomes the opportunity to engage further with the Committee and provide additional information on these issues if required.

⁹ PYMNTS (2026). ‘Shopify Merchants to Pay 4% Fee on ChatGPT Checkout Sales’.
<https://www.pymnts.com/news/ecommerce/2026/shopify-merchants-to-pay-4percent-fee-on-sales-made-through-chatgpt-checkout/>