



30 January 2026

Committee Secretary
House Standing Committee on Economics
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Dear Committee Members

INQUIRY INTO SCHEMES, DIGITAL WALLETS AND INNOVATION IN PAYMENTS

The Australian Finance Industry Association (AFIA) is the only peak body representing the entire finance industry in Australia¹. We appreciate the opportunity to respond to the Inquiry into Schemes, Digital Wallets and Innovation in the Payments Sector.

We represent over 150 members, including bank and non-bank lenders, finance companies, fintechs, providers of vehicle and equipment finance, car rental and fleet providers, and service providers in the finance industry. We are the voice for advancing a world-class finance industry and our members are at the forefront of innovation in consumer and business finance in Australia. Our members finance Australia's future.

We collaborate with our members, governments, regulators and customer representatives to promote competition and innovation, deliver better customer outcomes, and create a resilient, inclusive, and sustainable future. We provide new policy, data, and insights to support our advocacy in building a more prosperous Australia.

¹ [Australian Finance Industry Association \(afia.asn.au\)](https://afia.asn.au).

INTRODUCTORY COMMENTS

AFIA's work is anchored in our three strategic priorities:

- (1) Advocating for a balanced regulatory framework that instils trust and confidence in Australia's finance industry;
- (2) Promoting and leading a safe digital economy to support innovation in finance, economic participation and financial inclusion; and
- (3) Improving access to affordable and sustainable finance to drive economic growth and financial wellbeing for Australians.

These priorities are particularly relevant to modernising Australia's payments ecosystem, where balanced, proportionate regulation can foster competition, enhance digital innovation (including in wallets and schemes), and ensure efficient, inclusive access to payment services that support everyday Australians and businesses.

AFIA has made over 15 submissions relating to payment system modernisation since 2021 (**Attachment A** contains a list of prior submissions).

Consistent themes across these submissions include:

- Proportionate, scalable, and function-based regulation;
- Consumer protections and self-regulation;
- Fostering innovation, competition and efficiency;
- Benefits of modernising the payments framework; and
- Benefits of addressing costs, access, and surcharging.

These principles guide our response to this Inquiry, as we seek to ensure Australia's payments system remains world-leading, competitive, resilient, and supportive of local innovation in an increasingly digital economy.

ACCESS AND FACILITATING COMPETITION IN DIGITAL WALLETS

AFIA has long advocated for open and competitive access to digital wallet technologies, most notably in our submission to the 2021 Parliamentary Joint Committee Inquiry into Mobile Payment and Digital Wallet Financial Services. In that submission, we highlighted significant concerns about Apple's dominance in the iOS ecosystem, including its role as a gatekeeper to contactless payments through restrictive control of the iPhone's Near Field Communication (NFC) antenna. Apple's policy of limiting NFC access exclusively to Apple Pay prevents Australian banks, fintechs and other payment providers offering fully featured digital wallets on iOS devices, distorting competition and limiting consumer choice.

The passage of the Treasury Laws Amendment (Payments System Modernisation) Act 2025 in September 2025 marked important progress, amending the Payments System (Regulation) Act 1998 (PSRA) to provide the Reserve Bank of Australia (RBA) with expanded powers to designate and regulate payment systems, including digital wallets, on a function-based rather than entity-based approach. These

reforms explicitly enable the RBA to address participation by large technology firms that perform payment functions, closing previous regulatory gaps that allowed platforms such as Apple Pay to operate outside the payments regulatory perimeter despite their critical role in the ecosystem.

However, the continued restriction of the iPhone NFC chip to Apple Pay alone remains a substantial barrier to competition and innovation in Australia. This closed approach stifles the development of competitive domestic digital wallet offerings, reduces incentives for investment in local payment solutions, and ultimately increases costs for consumers through reduced choice and higher fees passed on by providers subject to Apple's non-negotiable commercial terms. If left unchanged, it is likely to entrench monopoly-like market positions that demonstrate very little value to Australians.

International precedents demonstrate that open NFC access is both technically feasible and pro-competitive. In Germany, legislative reforms under the Zahlungsdiensteaufsichtsgesetz (Payment Services Supervision Act) or the "ZAG," effective from 1 January 2020, have successfully mandated third-party access to device NFC capabilities without compromising security or functionality.

In the European Union, the Digital Markets Act (Regulation (EU) 2022/1925) designated Apple as a gatekeeper in September 2023, leading to the acceptance of Apple's commitments in July 2024 to open NFC functionality on iOS devices to third-party developers, followed by the European Commission's formal Specification Decision in March 2025 under Article 6(7) to set interoperability standards, delivering tangible benefits for competition and innovation in the EU market.

The issues surrounding Apple Pay's restrictive practices are well-documented and not unique to Australia. We refer the Inquiry to our prior submissions on this topic, including:

- Submission to the Inquiry into Mobile Payment and Digital Wallet Financial Services (May 2021);
- Submission to the Treasury Payments System Review Issues Paper (February 2021);
- Submission to the Treasury Strategic Plan for the Payments System (February 2023); and
- Submission to the RBA Review of Retail Payments Regulation (August 2021).

With the 2025 PSRA amendments now in force, the RBA is empowered to designate relevant payment systems and impose standards on access, interoperability, and reasonable commercial terms. AFIA is strongly supportive of the RBA prioritising the designation of dominant digital wallet platforms and developing standards that mandate open NFC access for third-party wallets on fair, reasonable and non-discriminatory terms equivalent to those provided to the device manufacturer's proprietary wallet.

In the event that technical or procedural complexities slow RBA progress, there is a strong case for Government to consider whether targeted legislative direction or political leadership is required to ensure timely and effective open access. Evidence to date suggests that voluntary negotiation with dominant global platforms has proven insufficient to resolve these longstanding barriers.

THE CASE FOR COMPETITION IN SCHEMES

Australia's retail payments landscape continues to be characterised by a practical duopoly, which dominate debit and credit card transactions. Experience in Australia and internationally shows that blunt or indiscriminate price regulation has not necessarily reduced market concentration, but to the contrary has disproportionately impacted smaller and discretionary providers, entrenching dominant incumbents and harming competition and choice.

For instance, smaller three-party payment providers, which operate with fundamentally different business models and represent a modest share of total transactions (often less than 2%), have faced significant barriers to competition, leading to market exits in some cases.

Consumers are increasingly aware of the costs associated with different payment methods. However, surcharging can create unnecessary friction at checkout, complicating transactions, and potentially distorting genuine consumer preference. AFIA supports the removal of surcharging across the payments ecosystem to promote efficiency, price certainty, and reduced friction for consumers and merchants.

In this context, innovative alternatives such as Buy Now Pay Later, a distinctly Australian success story, offer valuable diversity and enhanced consumer choice, as detailed below. More broadly, three-party payment providers and non-bank lenders contribute to competition by offering differentiated products, such as flexible unsecured credit that supports small businesses and complements traditional lending.

Three-party providers play a critical role in meeting evolving customer needs, including fast, frictionless, and secure experiences integrated into omnichannel environments (e.g., physical, mobile, and online). Delivering this value requires sustained investment in infrastructure, technology, fraud prevention, and interoperability. These are investments that regulatory settings must support to avoid unintended consequences for innovation and smaller players.

Future regulatory settings should be proportionate, technology-neutral, and targeted only where appropriate to address a demonstrated market failure. Policy should recognise differences in scale and business models, and balance cost considerations with the broader value payments deliver to consumers, merchants, and the economy.

Independent analysis by Deloitte Access Economics highlights that card payments alone contributed \$38.7 billion to Australia's GDP in 2022 (equivalent to 1.8% of GDP) and saved businesses an estimated \$16 billion in revenue and productivity gains, far exceeding aggregate merchant service fees².

Additionally, innovations like tokenisation have delivered significant fraud reduction benefits, estimated around \$10.2 billion for the Australian market based on global research³. These outcomes underscore that

² [The Value of Australia's Retail Payments System – Deloitte Access Economics, 2024](#)

³ [The Social Value of Innovation in Payments – Garcia-Swartz et al., 2024](#)

payments are not static infrastructure but dynamic systems requiring ongoing investment which is enabled by fees while providing tools for cashflow management, loyalty, and risk mitigation.

Australia's payments ecosystem has evolved beyond card-based payments to include digital wallets, account-to-account transfers, and data-enabled services, reflecting advances in technology and changing expectations for seamless and reliable experiences. Providers must invest in supporting multiple payment flows, ensuring security across touchpoints, and maintaining resilience. These are costs that are essential for consumer trust and economic productivity.

Regulatory frameworks already apply comprehensively to diverse providers, including through ASIC oversight under the Corporations Act and National Consumer Credit Protection Act (e.g., responsible lending obligations, internal and external dispute resolution, and design & distribution obligations), AUSTRAC for anti-money laundering, the ACCC for competition and consumer protection, and the RBA for payments system settings. This overlapping regulation is tailored to business models and should not be extended indiscriminately, as it could constrain competition and innovation.

Consideration of payment costs must be balanced with an understanding of the value that payment systems deliver more broadly. Payment systems underpin secure commerce, support productivity and innovation, provide access to unsecured credit for consumers and small businesses, and play a critical role in fraud prevention and system resilience. Delivering these outcomes requires sustained and significant investment in payments infrastructure, technology, and operational capability. Appropriate regulatory settings must support and sustain that investment over time.

THE IMPORTANCE OF BNPL IN CONSUMER CHOICE

AFIA has consistently advocated for proportionate, function-based regulation of Buy Now Pay Later (BNPL) arrangements, recognising their distinct role in the payments ecosystem. Following the passage of tailored credit regulation under the National Consumer Credit Protection Act (NCCP Act) in late 2024, through the Treasury Laws Amendment (Responsible Buy Now Pay Later and Other Measures) Act 2024, BNPL providers offering Low Cost Credit Contracts (LCCC) now operate within an appropriate framework that imposes mandatory affordability assessments, credit reporting requirements, and access to external dispute resolution.

These reforms, combined with continuous enhancements to the industry-led AFIA BNPL Code of Practice, provide robust consumer protections without the need for broader payments system intervention. The framework adequately addresses potential vulnerabilities, including for younger or budget-constrained consumers who may rely on BNPL for manageable, interest-free payment deferral. To date, there is limited evidence of widespread consumer harm arising from the informed use of BNPL at checkout.

Merchants continue to integrate BNPL services voluntarily, reflecting demonstrated mutual benefits such as improved sales conversion rates, higher average transaction values, and reduced cart abandonment. These outcomes stem from commercial agreements where merchant commissions support a bundled offering that includes credit provision and promotional exposure.

BNPL contributes to competition in the payments ecosystem by offering an alternative to dominant card schemes. Major international jurisdictions, including the United Kingdom (with BNPL regulation commencing in 2026) and the European Union, have not introduced mandatory surcharging requirements for BNPL, consistent with recognising its differentiated function.

BNPL accounts for a modest share of overall transactions and does not constitute a traditional payment scheme. Rather, it represents a hybrid instrument combining elements of regulated credit, marketing support, and payment facilitation. It is not a pure payment rail comparable to designated card schemes, and the case for direct RBA oversight or intervention, such as on surcharging arrangements, remains unclear.

Some BNPL business models rely on merchant commissions that compensate providers for value beyond transaction processing, including interest-free credit and merchant growth benefits. Contractual no-surcharge provisions form an integral part of these voluntary partnerships, preserving the product's core consumer appeal.

The RBA's ongoing review of merchant card payment costs and surcharging has indicated a potential direction toward greater restrictions on surcharging to promote efficiency and price certainty. Calls for BNPL to be subject to equivalent surcharging requirements often appear motivated by the interests of established participants seeking to protect market share, rather than addressing demonstrated consumer or merchant detriment. In contrast, merchants actively choose to offer BNPL due to its net benefits, unlike the practical necessity of engaging with dominant scheme providers to accept non-cash payments.

AFIA therefore recommends that the Inquiry support the maintenance of current arrangements for BNPL, including contractual flexibility on surcharging, relying on existing credit regulation and self-regulatory mechanisms for ongoing oversight. This proportionate approach aligns with function-based modernisation of the payments system and preserves competitive diversity.

CLOSING COMMENTS

AFIA appreciates the opportunity to contribute to the Inquiry into Schemes, Digital Wallets and Innovation in the Payments Sector. Australia's payments ecosystem stands at a critical juncture, with recent modernisation of the Payment Systems (Regulation) Act 1998 providing new tools to address longstanding competition barriers while requiring careful calibration to support innovation and diversity.

Our submission has highlighted the need for timely action to mandate open access to device NFC capabilities in digital wallets, ensuring Australian providers can compete effectively with dominant global

platforms. In relation to payment schemes and emerging instruments such as Buy Now Pay Later, as well as three-party providers and other innovative models, we have emphasised the importance of proportionate, function-based regulation that preserves competitive diversity, avoids unnecessary intervention in voluntary commercial arrangements, and aligns with international precedents.

AFIA welcomes the opportunity to discuss our recommendations in greater detail and to provide further information on the specialised products, services and technologies offered by our members, including smaller lenders and fintech innovators. Should you wish to discuss our submission or require additional information, please contact me

Yours sincerely

Diane Tate

Chief Executive Officer

ATTACHMENT A: AFIA SUBMISSIONS ON PAYMENTS SYSTEM MODERNISATION SINCE 2021

- November 12, 2025: [AFIA submission to Treasury consultation on the regulation of Payment Service Providers \(Tranche 1a\)](#) (Treasury)
- December 6, 2024: [RBA Review of Merchant Card Payment Costs and Surcharging](#) (RBA)
- June 28, 2024: [Senate Economics Legislation Committee - BNPL Inquiry](#) (Senate Economics Legislation Committee)
- April 9, 2024: [Buy Now Pay Later Regulatory Reforms](#) (Treasury)
- February 9, 2024: [Payments System Modernisation \(Regulation of Payment Service Providers\)](#) (Treasury)
- January 29, 2024: [2024-25 Pre-Budget submission](#) (Treasury)
- November 1, 2023: [Reforms to the Payment Systems \(Regulation\) Act 1998 – Exposure Draft Legislation](#) (Treasury)
- July 21, 2023: [Licensing of Payments Service Providers](#) (Treasury)
- July 7, 2023: [Reforms to the Payment Systems \(Regulation\) Act 1998 – Consultation Paper](#) (Treasury)
- June 16, 2023: [Proposed Reforms to Australia's Anti-Money Laundering and Counter-Terrorism Financing \(AML/CTF\) Regime](#) (Attorney-General's Department)
- February 10, 2023: [Regulating BNPL in Australia](#) (Treasury)
- August 18, 2021: [Review of Retail Payments Regulation Consultation Paper](#) (RBA)
- May 24, 2021: [Mobile Payment and Digital Wallet Financial Services](#) (Parliamentary Joint Committee)
- March 29, 2021: [Consumer Financial Protection Bureau BNPL Inquiry](#) (U.S. Consumer Financial Protection Bureau)
- February 5, 2021: [Payments System Review Issues Paper](#) (Treasury)