

**HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS
INQUIRY INTO SCHEMES, DIGITAL WALLETS AND INNOVATION IN THE PAYMENTS SECTOR
24 FEBRUARY 2026**

Question on Notice

From Committee Chair, the Hon Ed Husic MP:

Can the RBA provide data on gross scheme fees?

Answer:

Gross Scheme Fees – 2024/25^(a)		
	Share of transaction values	Total
	basis points	\$m
Domestic card transactions		
Acquirers	11.7	1102.0
Issuers	16.5	1562.4
International card transactions		
Acquirers	164.9	536.1
Issuers	249.2	1500.4

(a) Includes gross scheme fees paid to eftpos, Mastercard and Visa.
Source: RBA

Additional Questions for the Reserve Bank of Australia

From Committee Chair, the Hon Ed Husic MP:

1. Evidence from the PSR in the UK shows that reductions in interchange were offset by increased scheme fees - so merchant fees remained relatively unchanged.
 - a. Does the RBA observe evidence that its proposed reductions in interchange could be offset by decisions by the card schemes, resulting in a continued disparity for small and big business?
 - b. What mechanisms could prevent that from happening?
 - c. To what extent would the proposal to “set an expectation” that average scheme fees per transaction should not increase actually deter further increases?

Answer:

The RBA has observed that scheme fees have risen relative to transaction values in recent years. In the Consultation Paper of the Review of Merchant Card Payment Costs and Surcharging the RBA sought views on several proposed measures relating to scheme fees, including:

- an RBA expectation that scheme fees should not rise relative to transaction values without clear explanation. If the expectation were not to be met, the RBA could consider further regulatory action such as caps on scheme fees or requiring the issuance of dual network credit cards

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- an expectation that card networks improve the quality of their scheme fee information, with a focus on reducing complexity
- a requirement that card networks publish aggregate data on interchange and scheme fees on a quarterly basis, with breakdowns across key transaction categories.

The Payments System Board will set out its decisions on these issues in the Conclusions Paper to be released by the end of March, taking account of feedback and evidence received during the consultation process.

2. What is the likelihood that reducing interchange fee caps inadvertently protects incumbents by reducing the profitability and ability to compete of new payments systems, such as self-custodial wallets, stablecoin or new digital wallet architectures?

Answer:

The RBA is not aware of any self-custodial wallet, stablecoin or new digital wallet architectures that rely on high interchange fee models for their economic viability.

Interchange fees are a feature of four-party card networks and are typically set by the operators of these networks (such as Visa, Mastercard and eftpos). Interchange fees are typically paid by the merchant's acquirer to the card issuer every time a payment is made. The RBA has long considered the regulation of interchange fees an important part of promoting efficiency within and across payment systems, while supporting competition between payment methods.

3. The RBA's submission indicates that lower caps on interchange fees could reduce cross-subsidisation between large and small merchants, but that the benefits for merchants depend on pass-through by acquirers and payment service providers.
 - a. What measures would help merchants to compare prices and switch providers?
 - b. What are some projected impacts of those measures?

Answer:

In the Consultation Paper of the Review of Merchant Card Payment Costs and Surcharging, the RBA proposed increased transparency over the fees merchants are charged by acquirers. The RBA proposed that large acquirers should publish the fees they charge merchants to accept card payments on a quarterly basis in a standardised way to help merchants see which providers charge lower fees on average. The RBA has also proposed that acquirers and PSPs provide more detailed information to merchants on their card payment costs, such as a breakdown of the costs of accepting international and domestic transactions.

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These measures, if implemented, can help merchants obtain personalised quotes from acquirers and other PSPs and conduct simple comparisons with published pricing on acquirers' websites, with the aim to promote competition in acquirer pricing.

The Payments System Board will set out its decisions and any expected impacts of transparency of merchant fees in the Conclusions Paper, to be released by the end of March.

4. RBA's submission (page 6) notes that in recent years, an increasing percentage of card payments involve the use of a mobile wallet. Apple Pay, Google Pay and Samsung Pay's share of all credit and debit card transactions grew from 10 per cent in March 2020 to 43 per cent in November 2025.
 - a. How do mobile wallet-related costs flow through to issuers, acquirers and ultimately merchants and consumers?
 - b. In the RBA's assessment, do current arrangements for access to near field communication (NFC) functionality on mobile devices support effective competition between payment applications?

Answer:

Arrangements governing any fees that are charged by mobile wallet providers to card issuers are the subject of commercial agreements between the wallet providers and issuers. [Apple's NFC & SE Platform program](#) has been available in Australia since the end of 2024. Whether these arrangements support effective competition between payment applications is a matter that will be considered as part of the RBA's proposed review following the recent amendments to the *Payment Systems Regulation Act 1998* (PSRA), due to commence in mid-2026.

5. The RBA has stated that it is unclear whether the savings from LCR are being fully passed on to merchants, particularly to those on single rate payment plans.
 - a. During the hearings, the Australian Hotels Association disputed the RBA's claim that Square provides 100% LCR - can the RBA explain how it has made the claim that LCR is occurring best on Square, when evidence provided to the committee argued that most terminals charge 1.6% per transaction?
 - b. Does the RBA see evidence that, whilst Payment Service Providers (PSPs) might have enabled LCR, that PSPs are pocketing the margins - and, as such, consumers and small businesses do not receive the savings from least cost routing?
 - c. Why is LCR measured on 'enablement' rather than actual costs to merchants?
 - d. Where are the barriers to implementing Dynamic Least Cost Routing, which provides the functionality to facilitate the real time cost comparison of each transaction and the subsequent selection of the least cost network, while also diverting payments to viable networks during times of service disruptions?

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Answer:

When a customer makes a payment with their dual-network debit card, the merchant may choose to send the transaction via the debit network that costs them the least to accept. This is known as ‘least-cost routing’ or ‘merchant-choice routing’. LCR is enabled for a merchant if they have opted into LCR with their payment service provider (PSP) or they are on a payment plan with LCR enabled by default ‘in the background’. The RBA recently published an update on LCR availability and enablement: [Update on availability and enablement of least-cost routing for merchants - Data as at December 2025 \(published March 2026\) | RBA](#). Institutions with the highest rates of LCR enablement do not necessarily provide merchants with the lowest overall payment costs, as wholesale costs can differ due to a range of factors. There may also be different margins applied by acquirers to their merchant service fees on top of the wholesale costs of the debit networks.

LCR is measured on ‘enablement’ since the point of LCR is for merchants to be able to choose to route to the card network with the lowest wholesale costs. LCR does not place any limitation on the margins that acquirers can add on top of these wholesale costs.

The RBA cannot provide further information on the LCR arrangements of a particular PSP, as this information is protected by the secrecy provisions of the *Reserve Bank Act 1959*. In order to publish the data contained in LCR tables, the RBA obtains the express written consent of the individual PSPs. An enablement rate of 100 per cent simply means a PSP has ‘turned on’ LCR for 100 per cent of its merchants (using any of the forms of LCR described below).

The RBA does not have evidence to prove that while Payment Service Providers might have enabled LCR, that PSPs are ‘pocketing’ the margins. The RBA has published research on the effect of least cost routing on merchant payment costs. See: <https://www.rba.gov.au/publications/bulletin/2024/apr/the-effect-of-least-cost-routing-on-merchant-payment-costs.html>. Using merchant-level data, the authors estimate that the cost of accepting debit card transactions is nearly 20 per cent lower for merchants that have LCR turned on compared with those with LCR turned off, though the results differ across merchant size and choice of pricing plans.

There are different ways that LCR can be implemented, including binary- (route all transactions to a particular debit network) and threshold-based (route all transactions above a threshold to a particular debit network) and dynamic routing. Dynamic routing, which seeks to route to the cheapest network for each individual transaction, requires more detailed information in real time in order to make an accurate estimate of relative costs of card networks. The complexity of scheme fees set by card networks and the costs of developing this capability for acquirers presents challenges to the accuracy and widespread adoption of dynamic LCR.

During the Review of Merchant Card Payment Costs and Surcharging, the RBA sought views from stakeholders regarding the full benefits of LCR for in-person transactions. Concerns were expressed about whether the full benefits of LCR are being passed onto merchants, while

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others noted that the marginal gains from mandating some forms of LCR may be outweighed by the costs of implementation. The Payments System Board has considered these views in formulating its decisions in the forthcoming Conclusions Paper, including in its consideration of what pricing information PSPs may be required to publish to help merchants.

6. The RBA's submission highlights that international card transactions represent about 3% of all card transactions processed in Australia, but account for roughly one-third of total scheme fees being paid by the Australian acquirers.
 - a. Why is that? Please explain the competitive dynamics on these transactions in more depth.
 - b. Why do international card transactions generate such a high share of total scheme fees relative to their volume?
 - c. Are these higher fees primarily cost-based, or do they reflect limited competitive pressure?

Answer:

The RBA does not know precisely why international card transactions account for roughly one-third of total scheme fees being paid by acquirers, yet represent only about 3 per cent of all card transactions processed in Australia.

The RBA observes that the cost of accepting foreign-issued card transactions are much higher for acquirers and merchants in Australia than for equivalent domestic-issued card transactions. This appears to reflect the relatively high level of wholesale costs charged to acquirers and merchants for these transactions, including the interchange and scheme fees set by card networks.

Regarding the competitive dynamics, as there is no equivalent to Least Cost Routing for international card transactions, when a card holder uses a card for an international card transaction, the merchant has the choice only of accepting the transaction or not accepting the transaction. Given that there are few alternatives for international card transactions, the merchant risks losing the sale if they do not accept the card transaction.

As part of its Review into Merchant Card Payment Costs and Surcharging, the RBA sought views from stakeholders on the relatively high costs of foreign-issued card transactions acquired in Australia, as there is some concern that these higher fees may partially reflect a lack of competitive pressure. Evidence obtained during the consultation process has been considered in the formulation of the PSB's decisions, to be outlined in the forthcoming Conclusions Paper.

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7. The RBA does not currently apply interchange regulation to international card transactions, and the bank's justification for that in its submission is that "they have been a small share of total retail payments in Australia." Is the RBA actively considering the case for regulating international interchange fees, and if so, what factors are informing that assessment?

Answer:

As outlined in the Consultation Paper for the Review of Merchant Card Payment Costs and Surcharging, the RBA sought views on whether interchange regulation should apply to foreign-issued card transactions acquired in Australia. Although these transactions make up a relatively small share of total retail payments, they account for around 20 per cent of interchange fees paid by merchants in Australia, and current fee levels are above those applied in peer jurisdictions. Some submissions raised considerations justifying higher interchange fees on foreign-issued cards acquired in Australia, such as the additional complexity and risk associated with international transactions. The Payments System Board will set out its position on these matters in the Conclusions Paper to be released at the end of March.

8. What is the gross number of scheme fees paid to operators of card schemes by Australian acquirers and issuers in 2024/25?

Answer:

The RBA does not currently collect specific data on the number of fees charged by card networks.

9. Does the RBA believe the overwhelming number and breadth of scheme fees add to system complexity and added cost to consumers?

Answer:

During the Consultation for the Review of Merchant Card Payment Costs and Surcharging, the Payments System Board sought views from stakeholders on several proposed policies to increase transparency and reducing the complexity of scheme fees (see response to Question 1). The Board will set out its decisions on these matters in the forthcoming Conclusions Paper.

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From Mr Jerome Laxale MP:

1. The Committee heard evidence from AusPayNet on the increased use of the NPP by consumers, the private sector and also government agencies who seem to be significantly lagging the private sector – as the Government’s bank, does the Bank have responsibility for coordinating the efforts of government agencies to adopt more modern payment rails? If not – which agency is responsible in the government and what activities have they undertaken to date?

Answer:

In July 2025, the RBA and Treasury welcomed the release of a public consultation by Australian Payments Network (AusPayNet) and Australian Payments Plus (AP+) on the future of the account-to-account payments system.¹ The findings from the industry consultation are under discussion at a series of strategic roundtables involving AusPayNet, AP+, the RBA (Payments Policy and Payments Settlement departments) and the Treasury.² These roundtables are intended to develop a shared vision for the future account-to-account payments system and a plan for achieving that vision. Alongside the roundtable process, the RBA’s Payments System Board continues to monitor the payments industry’s progress in developing and adopting NPP functionality, which it views as a key part of the modernisation of Australia’s account-to-account payment system.

The RBA’s Banking Department offers a range of services in its capacity as banker to the Australian Government and its departments and agencies, including NPP payments. Each Government department or agency is responsible for assessing the NPP’s suitability to meet its payments needs and determining its own timeframe for moving to NPP services.

There are some existing use cases for which the Australian Government is processing payments via the NPP (e.g. emergency payments). However, significant challenges exist for transitioning to the NPP, such as the required technical capabilities (e.g. bulk payment solution, account reach, contingency options) as well as cost barriers (to update systems and maintain higher ongoing payment costs). These challenges currently inhibit wider adoption by government agencies (and in fact several other end users). Nevertheless, government agencies are actively involved in discussions around the future of the account-to-account payment system and will continue to look for opportunities to transition payments to more modern arrangements such as the NPP.

¹ RBA (2025), ‘[Industry Consultation on the Future of the Account-to-Account Payments System](#)’, Media Release No 2025-16, 2 July.

² On 1 August 2025, AusPayNet and AP+ received authorisation from the Australian Competition and Consumer Commission to conduct these roundtables.

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2. Does the RBA have a role in ensuring that Australian payment rails (eftpos, NPP+ whatever may come) remain competitive against dominant international schemes?

Answer:

The RBA sets its payments policy to promote efficiency and competition in the payments system and reduce risk to the financial system. Each privately operated payment system – including those operated in Australia – is expected to compete independently and on its own merits.

3. Is the RBA concerned that scheme fee and payment service provider fee growth has undermined interchange caps?

Answer:

During its Review into Merchant Card Payment Costs and Surcharging, the RBA received submissions from some stakeholders expressing concerns that reductions in interchange fee caps in other jurisdictions did not result in full pass-through of these savings to merchants. The Payments System Board is cognisant of this risk and considered various options to promote competition and efficiency in the provision of card acquiring services at its November 2025 meeting. The Conclusions Paper will outline the Board's assessment of this issue and any related regulatory action it determines to be in the public interest.

Separately, the RBA has existing regulations to prevent the circumvention of interchange caps through scheme fees and rebates. Card issuers and card schemes are required to annually attest to their compliance with these regulations.

Reserve Bank of Australia
13 March 2026