



RESERVE BANK OF AUSTRALIA

Inquiry into Schemes, Digital Wallets and Innovation in the Payments Sector

Reserve Bank of Australia

January 2026

The Reserve Bank of Australia (RBA) welcomes the opportunity to make a submission to the House of Representatives Standing Committee on Economics inquiry into matters relating to current digital payment schemes and emerging technologies. The mandate of the RBA Payments System Board (PSB), as set out in the *Reserve Bank Act* (1959) and the *Payment Systems (Regulation) Act* (1998) (PSRA), is to set the RBA's payments policy to promote competition, efficiency and stability.

The needs of Australia's payments users continue to evolve as the Australian economy digitises and adopts new technologies. The demand for more convenient and secure digital payment services has supported the entry of non-traditional players and new innovative technologies. At the same time, changes in user preferences, industry structure and new participants in the payments value chain can introduce additional costs into payment systems and raise new challenges in ensuring the ongoing efficiency, competitiveness and resilience of Australia's payments system.

The Parliament amended the PSRA in September 2025 to enable the RBA to regulate a broader range of payment systems and their participants. The RBA will consult on the application of the amended PSRA in mid-2026 (the 'PSRA review'), so the Committee's inquiry is a timely opportunity to consider the role that these entities play in the payments industry and their impact on households and businesses.

This submission provides information about card schemes, digital wallets and other payments innovations. It also outlines some potential policy issues that may affect competition and efficiency in payments relevant to the Inquiry.

Card schemes

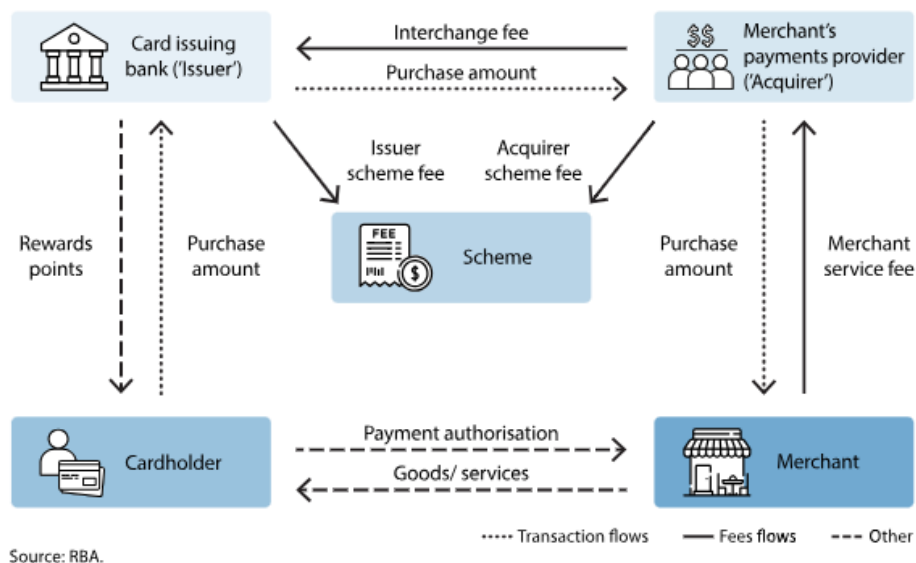
Payment cards remain the most frequently used consumer payment method, accounting for three-quarters of the total number of consumer payments in 2025. When people use their credit or debit card to buy goods and services, a detailed set of arrangements between financial institutions and payments service providers (PSPs) ensures that the merchant is paid and the cardholder's account is debited as intended. When a merchant accepts a card payment under these arrangements, they are typically charged a fee for processing the transaction.

Four-party card schemes: eftpos, Mastercard and Visa

The card schemes that process the most transactions in Australia are four-party schemes. The RBA has designated the eftpos debit network, and the debit and credit networks operated by Mastercard and Visa for regulation under the PSRA.

A card transaction under these schemes involves four parties – the cardholder, the card issuer, the merchant and the merchant’s payments provider (acquirer or PSP).

Figure 1



When accepting payments using these schemes, merchants are charged a ‘merchant service fee’ (MSF) by their PSP for processing the transaction, comprising:

- ❑ **Interchange fees:** The merchant’s payments provider pays interchange fees to the cardholder’s bank (card issuer).
- ❑ **Scheme fees:** the merchant’s payments provider pays scheme fees to the card scheme for a transaction.¹
- ❑ **Acquirer/PSP fees:** Payments providers pass on interchange and scheme fees to merchants as well as charging a margin for their payments and other services.

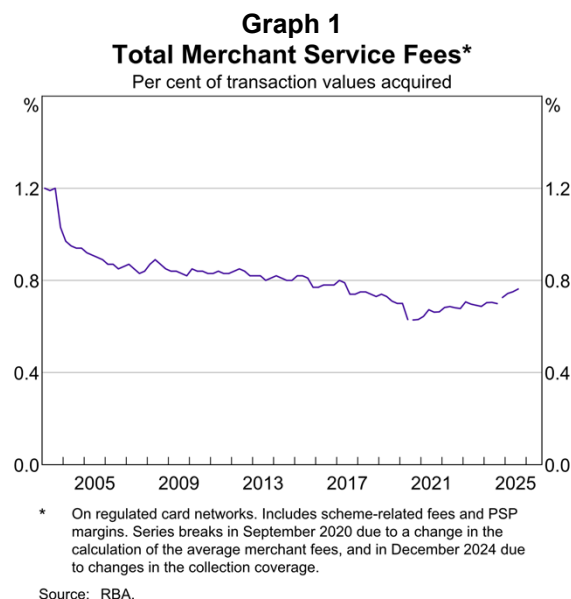
Interchange fees

Interchange fees are set by the operators of card schemes. While interchange fees can help to incentivise participation in new card schemes, there are strong policy grounds to regulate interchange fees in mature card schemes to prevent payment costs from becoming inefficiently high. Competition can counterintuitively lead to higher interchange fees in mature card schemes, which can in turn increase merchant service fees and ultimately consumer costs.² The RBA first introduced a benchmark for regulated schemes’ credit and debit interchange fees in 2005 and introduced a cap on their credit and debit interchange fees in 2017.

Currently, credit card interchange fees are subject to a weighted average benchmark of 0.50 per cent of transaction value, with a 0.80 per cent cap on individual interchange rates. Debit card and prepaid card interchange fees are subject to a weighted average of 8 cents per transaction with a 10 cent cap on individual interchange rates, or 0.20 per cent of transaction value if specified in percentage terms. The introduction of interchange benchmarks and caps has resulted in lower average fees for merchants on their card payments (Graph 1).

1 Card issuers also pay scheme fees to the card scheme for a transaction, though these are not directly passed onto the merchant and are often rebated.

2 For more information on the role of interchange fees, see: [Backgrounder on Interchange and Scheme Fees | Explainer | RBA](#)



The RBA does not currently apply interchange regulation to international card transactions, as they have been a small share of total retail payments in Australia. These transactions remain much more expensive for Australian merchants to accept.

The RBA's [Review of Merchant Card Payment Costs and Surcharging](#) ('current review', expected to be completed by the end of March 2026) is examining the case for further interchange reforms, recognising that interchange fee settings should reflect costs borne by card issuers that provide direct value to merchants. Within this approach, proposals to reduce domestic interchange caps and introduce caps on the interchange fees for international card transactions would help to further reduce overall payment costs for merchants. Lower caps on interchange fees would reduce the cross-subsidisation of large strategic merchants by small merchants that currently pay much higher interchange fees. These benefits would depend on acquirers and PSPs passing interchange reductions onto merchants. Measures that help merchants to compare prices and switch providers, such as bringing merchant acquiring into the Consumer Data Right (CDR), can encourage pass-through of interchange cuts.

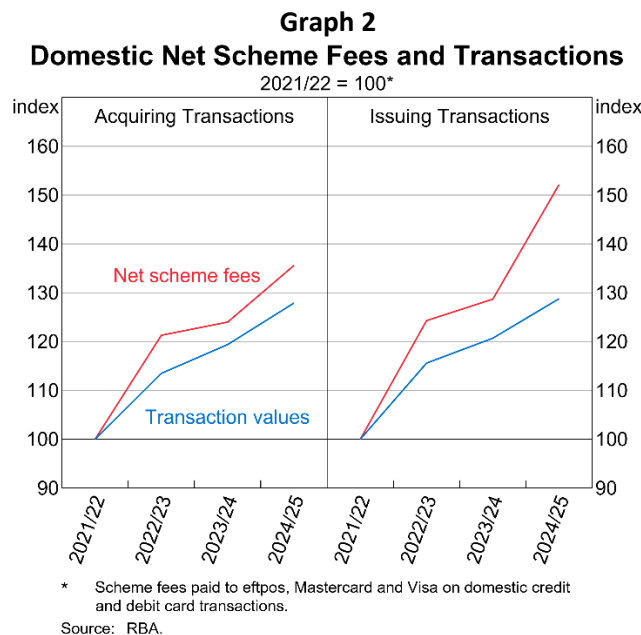
Scheme fees

Scheme fees are charged by the operators of card schemes to acquirers and issuers for the services they provide. These fees can include:

- ☐ Assessment fees – to cover the costs of operating and maintaining scheme infrastructure.
- ☐ Processing fees – charged for processing and authorising transactions.
- ☐ Licensing and access fees – charged for use of the network and its brand.
- ☐ Other fees – charged for discrete services such as chargebacks, security features, new technologies, compliance and currency conversion.

Scheme fees are an important component of the overall costs that merchants pay to accept card payments. They are also an important component of the costs faced by card issuers. These costs are ultimately passed on to consumers.

In 2024/25, Australian acquirers and issuers paid \$2.0 billion in scheme fees after rebates.³ This was an 11 per cent increase from the previous year. Growth in net scheme fees for domestic transactions has noticeably outpaced transaction growth since 2021/22 (Graph 2).



Scheme fees are particularly high for international transactions, reflecting the competitive dynamics on these transactions (Table 1). These fees account for one-third of the total scheme fees being paid by Australian acquirers, even though international card transactions are only around 3 per cent of all the card transactions processed in Australia.

Table 1: Net Scheme Fees – 2024/25^(a)

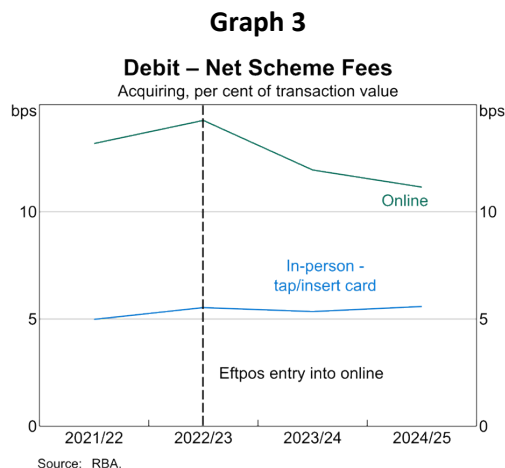
	Share of transaction values basis points	Total \$m
Domestic card transactions		
Acquirers	10.5	992.1
Issuers	3.3	310.7
International card transactions		
Acquirers	158.2	514.2
Issuers	34.5	207.5

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

In contrast, scheme fees are relatively lower in the domestic debit market due to the presence of three card schemes (eftpos, Mastercard Debit and Visa Debit) rather than just two and the RBA's policies to

³ International card networks often provide scheme fee rebates or benefits to issuers and acquirers to incentivise greater issuance and acceptance of their brand of card. Issuers typically receive more rebates than acquirers. Of the \$2.0 billion net scheme fees paid in 2024/25, acquirers paid \$1.5 billion and issuers paid \$0.5 billion. RBA regulations place limits on the amount of rebates an issuer can receive to avoid them being used to circumvent the RBA's interchange fee caps.

promote merchant choice routing to the lowest cost scheme.⁴ The entry of eftpos into the online debit market, which was previously only serviced by Visa and Mastercard, coincided with a decrease in scheme fees for online debit transactions. This suggests that boosting competition between schemes can put downward pressure on scheme fees (Graph 3).



Industry stakeholders raised concerns about scheme fees in the RBA’s current review, including:

- The current high level and growth of scheme fees. Some stakeholders considered that the international card schemes leverage their market position to charge opaque, excessive and unnecessarily complex fees, allowing for anticompetitive outcomes and inflated costs. There was some support for capping the level of scheme fees or the number of scheme fees that can be charged.
- Impact on interchange regulation. Some stakeholders pointed to overseas examples where reductions in regulated interchange fees resulted in little or no overall reduction in merchant service fees, because reductions in interchange were offset by increases in scheme fees.

Visa and Mastercard provided feedback that scheme fees are important for innovation and investment in the Australian payments landscape, and that the number and complexity of scheme fees is necessary to cater to diverse market needs. On the other hand, stakeholders noted that the fees of eftpos and American Express were relatively simple to understand.

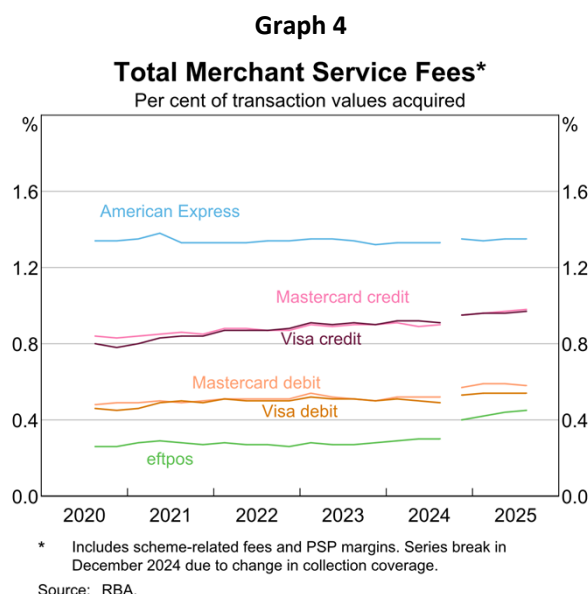
Three-party schemes: American Express

Another card scheme model is the ‘three-party’ scheme, which just involves the merchant, the cardholder and scheme. In this model, the scheme fulfils the role of both issuer and acquirer, providing credit card acceptance services and charging service fees to merchants while collecting funds from – and charging fees, interest (if applicable) and offering rewards to – cardholders. There are no interchange fees in three-party schemes. American Express is the only prominent three-party scheme operating in Australia (following the closure of Diners Club in 2024). The RBA has not designated American Express as subject to regulation under the PSRA but has accepted voluntary undertakings from American Express about specific practices relating to the operations of the scheme.⁵

⁴ For more detail on how the RBA promotes competition in the debit card market through merchant choice, see: [Least-cost Routing of Debit Card Transactions | RBA](#). Additional data on net scheme fees are available in Attachment A.

⁵ The recent amendments to the PSRA have brought the American Express three-party scheme into the RBA’s regulatory perimeter. The RBA previously designated the American Express Companion Card network (a four-party scheme), but withdrew the designation when American Express closed this network.

On average, American Express is more expensive for merchants to accept than regulated card schemes. However, the gap between MSFs from American Express and those of the regulated credit schemes (Visa and Mastercard) has decreased in aggregate over recent years, as American Express MSFs have remain unchanged while other credit card MSFs have increased (Graph 4). This in part reflects increased adoption of ‘single-rate’ plans by small and medium-sized merchants, which charge a flat percentage fee on all card transactions (sometimes including American Express). This has the effect of increasing aggregate MSFs on card schemes with lower wholesale fees, such as the debit schemes.



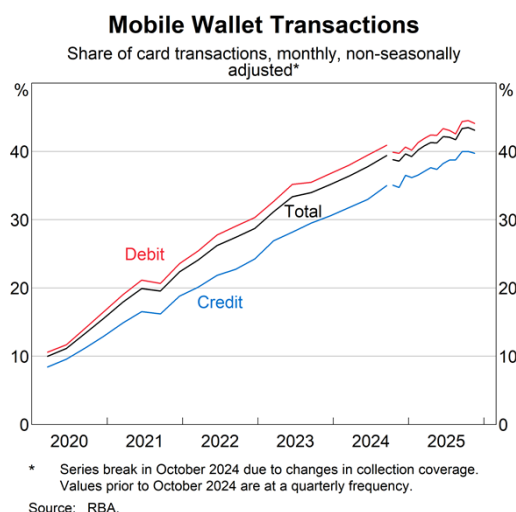
In the RBA’s current review, some stakeholders expressed concerns that removing surcharging, alongside reductions in interchange fees, may provide a competitive advantage to American Express, as it does not have interchange and is not subject to the same regulation. Stakeholders highlighted that if a substantial number of consumers are incentivised to switch to American Express credit cards, this could increase overall payment acceptance costs for merchants. RBA is considering these submissions in the context of the current review (which examines issues that were within RBA’s regulatory remit at the commencement of the review). The role of three-party schemes will be examined in more depth in the upcoming PSRA review.

Digital wallets

A digital wallet is a software application or service that allows users to store funds, transfer funds and/or make electronic payments. Mobile wallets are a subset of digital wallets that are commonly accessed through a software application on a mobile device.

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 (Graph 5).

Graph 5



The most prominent mobile wallets in Australia are pass-through wallets⁶ that use near field communication (NFC) technology to facilitate ‘tap-and-go’ contactless payments. A tokenised version of a payment card is saved or ‘provisioned’ on a mobile wallet (an app on the mobile device).⁷ The mobile wallet then uses the device’s in-built NFC antennae to transmit the card credentials to the payment terminal when making an in-person payment. Apple Pay and Google Pay transactions are two prominent examples of mobile wallet transactions in Australia.

On Android devices, third parties (to the device manufacturer or operating system provider) can directly access NFC functionality to develop their own mobile payment apps; for example, a user can initiate a ‘tap and go’ payment from their bank app without the involvement of Google Pay or Samsung Pay (where relevant). Google and Samsung currently do not charge fees when transactions are made using their payment apps, but may earn revenue in other ways.

Apple Pay is only offered on Apple devices. Apple previously did not allow third-party developers to access the NFC technology on the iPhone and other iOS devices to make payments in Australia, other than through Apple Pay. Since late 2024, third-party developers can seek direct access to the NFC technology on the iPhone and other iOS devices. Access is subject to developers agreeing to Apple’s terms and being granted an entitlement to participate in Apple’s NFC & Secure Element Platform program.⁸ Where participation in this program is not granted, third parties’ mobile wallets can only initiate NFC payments on iOS devices via Apple Pay. Apple charges a per-transaction fee to card issuers when an Apple Pay transaction is made, and the RBA understands that Apple restricts issuers from passing on these fees to cardholders directly.

Some stakeholders provided feedback about mobile wallets in the current review, including:

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- 6 Pass-through wallets do not store funds and instead function as a platform or overlay built-on existing payments infrastructure, providing value-added services and allowing customers to draw on existing financial accounts and established payment methods.
 - 7 Tokenisation is the process of replacing a card number with a unique surrogate card number known as a ‘token’; this protects the original card credentials from being accessed by unauthorised persons even if the transaction signal is intercepted.
 - 8 This program allows developers to access the Secure Element under the Apple Pay technical architecture and the device’s in-built NFC antennae. The Secure Element is Apple’s microprocessor chip that provides secure storage of confidential and cryptographic data and protects against unauthorised access.

- a lack of transparency over Apple Pay fees and other arrangements, which gives rise to inefficiencies in the payments system
- the commercial terms for access to NFC functionality in Apple devices, which would allow other developers to better compete with Apple Pay
- rising issuer costs driven by increased mobile wallet usage
- the role that mobile wallets should play in enhancing safeguards against fraud and scams, especially given the increasing number of transactions made using mobile wallets.

These concerns will be considered in the PSRA review.

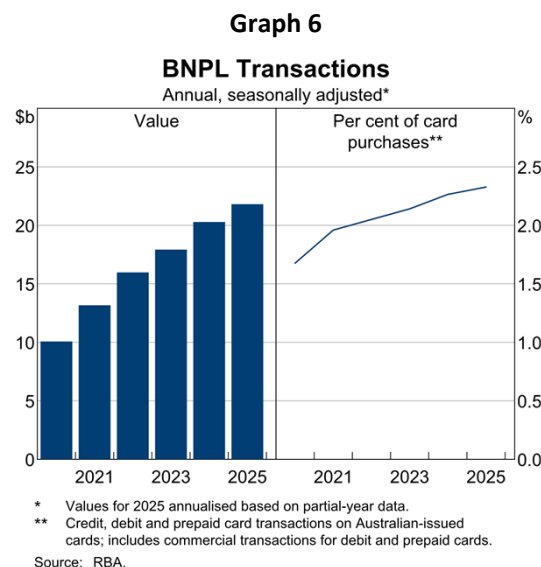
New and emerging payment technologies

Innovation and use of new technologies in the digital payments system can help to meet the evolving needs of payments end-users. The RBA is committed to promoting and supporting the development of a modern and innovative payment system in Australia.

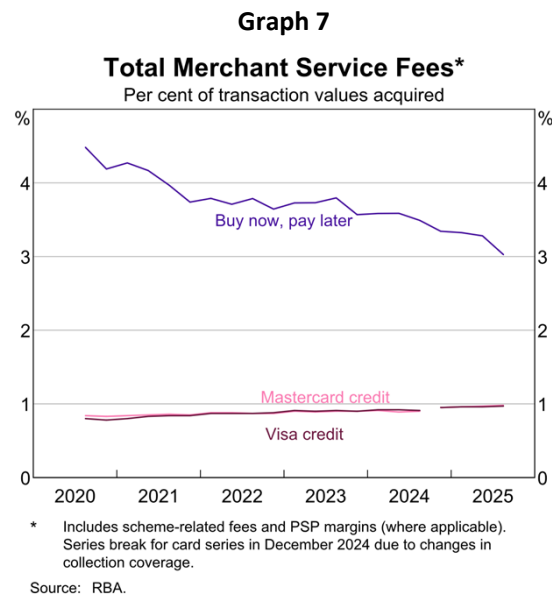
Buy-now, pay-later (BNPL)

Alternatives to card payments have emerged across in-person and online environments and are mainly provided by non-bank entities. An example is BNPL services, which allow customers to purchase goods and services on credit and make interest-free repayments to the BNPL service provider. The amended PSRA brought BNPL into the RBA's regulatory remit.

BNPL's share of consumer payments remains small but has seen strong growth; BNPL transactions are around 2½ per cent of the size of Australian card purchases but have doubled in value since 2020 (Graph 6).



BNPL services are typically an expensive way for merchants to accept payments. The average BNPL transaction cost is well above the cost of card transactions, though average merchant fees have decreased in recent years, suggesting some competitive pressures within the sector (Graph 7).



Most BNPL services do not allow merchants to pass on the cost of these services to consumers through surcharging. This limits merchants' ability to use price to direct consumers to cheaper payment methods. During the RBA's current review, some stakeholders asked the RBA to consider whether the proposed surcharging and interchange reforms could provide an undue competitive advantage to BNPL services, in particular, whether any increase in credit card fees or interest rates to offset lower interchange caps could prompt some consumers to switch to BNPL. The RBA can further consider issues regarding BNPL in the PSRA review.⁹

Online merchant payments

Online payments have been growing faster than in-person payments for many years, supported by an increasing number of non-bank payment gateways and payments facilitators. Payment gateways enable merchants to accept online payments. Payment facilitators offer to provide simpler onboarding for smaller merchants across online and in-person payments, and sometimes bundle their payments services with a wider offering including order management and inventory tracking.

These participants can enhance competition in online payments and provide convenience to their customers. Their business models can also raise competition and efficiency questions. For example, some of the larger e-commerce platforms are setting up and rolling out proprietary payments processors in Australia. These platforms may limit the ability of their online merchant customers to integrate with competing payment service providers or may charge higher fees for doing so.¹⁰ The RBA can consider these questions in the PSRA review.

Account-to-account payments

An example of innovation and collaboration by the payments industry was the introduction of Australia's fast payments system, the New Payments Platform (NPP) in 2018. The NPP allows payments

⁹ The [Conclusions Paper](#) of the 2021 Review of Retail Payments Regulation recommended bringing surcharging practices on BNPL products in line with those on regulated card payments. However, the RBA was unable to implement this policy due to the scope of the PSRA at the time. This recommendation will be considered as part of the PSRA review.

¹⁰ Connolly E (2024) '[Online Retail Payments – Some Policy Issues](#)', Merchant Risk Council Conference, 18 June 2024

users to transfer money between bank accounts in close to real time; it has also enabled the introduction of new payments features. For example, the use of PayIDs, which allow NPP payments to be addressed to someone's phone number or an email address, has made initiating payments between accounts easier and safer. Another new feature is PayTo, which is a way to provide the payment initiation functionality that was envisaged under the CDR. PayTo modernises direct debits and other recurring payments by giving consumers greater visibility and control over these payments. Many providers, from fintechs to major banks, are developing innovative retail payment services that leverage PayTo.

Further steps are being taken to support modernisation and further innovation in Australia's account-to-account payments system. The payments industry is currently collaborating with the RBA and Treasury (through the [A2A Payments Roundtable](#)) to develop a shared vision for the future design of the system, and a plan for achieving that vision. In essence, this process is considering how to achieve safe, reliable, low-cost and easy to use payments between bank accounts into the future, including the role that new innovations and payment capabilities should play in delivering them.¹¹ The RBA welcomes the ongoing engagement of the payments industry and payments users on this initiative.

New digital forms of money

Shaping the future of money is one of the RBA's strategic priorities, which includes exploring the role of new digital forms of money.¹² A key initiative is Project Acacia – an experimental research project being undertaken by the RBA, in partnership with the Digital Finance Cooperative Research Centre, to explore how new forms of digital money and financial infrastructure can support the development of wholesale tokenised asset markets in Australia. Through use cases put forward by industry (both pilots and proofs of concept), Project Acacia has facilitated a range of tokenised asset transactions on distributed ledgers to better understand the opportunities and challenges in enhancing the functioning of our wholesale markets. The project has been facilitated by a diverse set of settlement assets, including stablecoins, bank-issued deposit tokens and pilot central bank digital currency (CBDC), and new applications of banks' existing Exchange Settlement Accounts at the RBA. A report on the findings is expected to be published around April. Project Acacia has enabled the public and private sectors to collaborate in a way that has allowed for a deeper understanding of important policy issues, including by demonstrating how frontier technologies could potentially be utilised in the Australian payments and wider financial system.

Reserve Bank of Australia
30 January 2026

11 Bullock M (2025), '[Building Bridges in the Digital Economy: Modernising Australia's Payments System](#)', The Daily Telegraph's Future Sydney: Bradfield Oration, 24 October 2025

12 For more information about this initiative, please see: [RBA and Treasury Joint Paper on Central Bank Digital Currency and the Future of Digital Money in Australia](#) (18 September 2024) and [Project Acacia: RBA and DFCRC announce chosen industry participants and ASIC provides regulatory relief for tokenised asset settlement research project](#) (10 July 2025)

Attachment A: Net scheme fees

Table 2: Net Scheme Fees				
Basis points of transaction values ^(a)				
	2021/22	2022/23	2023/24	2024/25
Domestic card transactions				
Acquirers	9.9	10.6	10.3	10.5
Debit cards	8.8	9.9	9.5	9.8
– Tap/insert card	5.0	5.5	5.3	5.6
– Tap device	11.4	12.5	12.8	13.4
– Online	13.2	14.3	11.9	11.1
Credit cards	12.0	11.9	11.8	11.9
– Tap/insert card	11.0	11.2	11.6	11.7
– Tap device	12.0	12.3	13.3	14.1
– Online	12.6	12.2	11.6	11.3
Issuers	2.8	3.0	3.0	3.3
Debit cards	2.2	2.6	2.5	2.6
Credit cards	3.8	3.7	3.7	4.6
International card transactions				
Acquirers	157.3	158.0	166.7	158.2
Issuers	44.4	64.5	28.2	34.5

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