



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

**Tech Council of Australia Submission**

February 2026





## 1. Introduction

Thank you for the opportunity to make a submission to the Standing Committee on Economics (the **Committee**) regarding its Inquiry into Schemes, Digital Wallets and Innovation in the Payments Sector (**the Inquiry**).

The TCA is Australia's peak industry body for the tech sector. The tech sector is a key pillar of the Australian economy as the country's third largest industry behind mining and banking, and our seventh largest employing sector. The TCA represents a diverse cross-section of Australia's tech sector, including fintech startups and scale-ups, and global tech companies.

Australia is host to a rich fintech ecosystem that has driven innovation in payment technology. It punches above its weight in this space, with homegrown businesses that have expanded globally such as Airwallex and Afterpay. Australia has also attracted globally innovative fintech companies such as Stripe and Block, helping to drive improved competition and consumer outcomes.

Fintech is a key sector where Australia has a comparative advantage. However, while Australia registered \$1.1 billion in fintech investments across 43 deals in the second half of 2024, investment remains cautious in the start-up and scale-up end of the market.<sup>1</sup> As the Committee considers the payments sector, it is critical that any recommendations are designed with a view to encouraging innovation and competition. Fintech businesses bring in disruptive technologies and services not offered by big banks which can ultimately deliver better outcomes for consumers.

We consider that the key question at the heart of this inquiry is one about innovation and ensuring that Australia has the right incentives in place for innovation in payments. It is crucial that small businesses get the benefit of that innovation, with benefits flowing across the economy.

We believe that any reforms should enable Australia to be a globally competitive leader in the digital economy. Australia has demonstrated it can produce globally competitive fintech companies. This, in turn, has led to the entry and establishment of international fintech companies in Australia. The combination of local and international fintech companies in Australia has improved competition and placed downward pressure on payment processing fees for merchants, which in turn has forced incumbent players to improve their products and services. This has also ensured that small and micro businesses in Australia have received innovative products that serve their needs.

As a result of competition, the cost of electronic payments has come down significantly in Australia in the last 8-10 years, with Australia now one of the lowest cost markets globally for the acceptance of payments. If Australia is to be a leader in the digital economy, regulatory interventions must be fit for purpose, proportionate and targeted so as not to re-concentrate power in the hands of incumbent players.

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<sup>1</sup> KPMG, [Pulse of Fintech H2'24: Australia Insights Summary](#), 2024

The emergence of the digital assets sector also presents a major opportunity for Australia. TCA research shows that, with the right regulatory and policy settings, digital assets could contribute up to \$60 billion annually to national GDP.<sup>2</sup> Beyond economic impact, the sector offers the potential to modernise financial infrastructure, expand access to capital, and strengthen Australia's competitiveness as a regional technology and financial hub.

The TCA supports the important work that is already underway in driving competition and innovation in the payments sector. In particular, the TCA supports the work of the Reserve Bank of Australia in addressing transparency and competition concerns in the payments sector.

## 2. Reforms should be targeted

Poor competition in the payments system is not uniform across the whole system. Consequently, any reform recommended by the Committee should be carefully targeted at addressing genuine bottlenecks, such as structural issues within schemes and access regimes, where competition is naturally stifled. Broad, sweeping reforms that lack focus risk imposing unnecessary costs on already-competitive segments of the sector.

For example, some areas of the payments sector are characterised by significant competition. Merchant acquiring is one of the most competitive segments of the payments value chain, driven by new entry by fintechs, low switching costs and product innovation.

Poorly targeted or overzealous reform efforts could inadvertently stifle innovation, raise long-term costs for the industry and consumers, and entrench the positions of dominant players, contrary to the policy goals of fostering a more competitive and innovative ecosystem. The Committee should therefore adopt an evidence-based and sequenced reform agenda. This approach should preserve the elements of the current system that are functioning well, while strictly addressing structural concentration where there are observable market failures.

## 3. Scheme fees lack transparency

The lack of transparency and competition surrounding card scheme fees presents a significant problem for the payments sector, despite intensified competition among other payment service providers and a general decline in merchant service fees. These scheme fees have increased in both scale and complexity. The opacity of these fees is significant, as the hundreds of individual fee categories are frequently changed and are difficult even for acquirers to interpret, leading regulators to repeatedly note that scheme fees are the least transparent component of card payment costs. This undermines effective price signals and the ability for cost control across the market.

Further, these fees are not subject to meaningful competitive discipline, creating a problem particularly in markets where the payment schemes are effectively a "must-take" service for

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<sup>2</sup> Tech Council of Australia, [Digital Assets in Australia](#), 2022

merchants. In such a scenario, where competitive pressure is absent, transparency alone is insufficient to constrain fee growth.

Reform efforts should shift focus from solely competitive downstream markets to prioritise transparency, justification, and potential reform of scheme fees themselves, which currently operate without effective market or regulatory oversight.

## **4. Partial surcharge bans create complexity and unintended costs**

Partial approaches to surcharging reform, such as banning surcharges on debit transactions but not credit, introduce significant complexity and implementation costs across the payments ecosystem. Such differentiation requires costly real-time system changes to accurately identify and distinguish between debit and credit transactions at the point of sale. This ambiguity is further complicated by mobile wallet transactions, where the underlying payment rail is often obscured, making compliance difficult and increasing the likelihood of merchant errors. These requirements impact terminals, software providers, and merchant operational workflows, leading to substantial initial and ongoing expenses.

Crucially, evidence suggests that the implementation of partial bans is often more expensive than a comprehensive, system-wide approach, while simultaneously yielding fewer benefits for merchants and consumers. The need for real-time differentiation and the resulting system complexity impose unintended costs on the sector, ultimately creating uncertainty and ambiguity. If surcharging reform is to proceed, a consistent and universal approach is essential to minimise costs, eliminate ambiguity, and prevent unintended negative consequences within the payments system.

## **6. Small card issuers face structural disadvantages**

Australia's card issuing market presents significant structural disadvantages for smaller players due to the high market concentration of major banks. These incumbents benefit from immense scale, allowing for cross-subsidisation across various business lines and the ability to negotiate lower effective scheme costs. This market dominance makes it challenging for smaller issuers to compete on a level playing field.

For smaller card issuers, interchange revenue is a far more critical component of their business model, often essential for their viability and their ability to compete with the major banks. As a result, a uniform approach to reducing interchange fees, which aim to benefit merchants, carries the high risk of accelerating market consolidation. Without targeted protections, such as differential caps or time-limited exemptions, smaller issuers could face an unsustainable squeeze on their margins, reducing consumer choice and stifling innovation within the issuing sector.

## **7. Innovation and competition depend on open access to account-to-account rails**

Account-to-account (A2A) payment systems offer a critical pathway to achieving lower-cost and more competitive alternatives to the dominant card payment networks in Australia. By facilitating direct transfers between bank accounts, A2A rails can introduce durable competitive pressure on incumbent card schemes, ultimately benefiting consumers and merchants through reduced transaction costs. This shift is essential for fostering innovation and long-term cost reduction within the national payments sector.

However, realising the full potential of A2A systems requires targeted policy reform to address existing market barriers. Currently, access to key infrastructure is limited by licensing, settlement, and operational requirements that disproportionately affect non-bank innovators. To support a resilient and dynamic payments ecosystem, reform should actively lower these barriers and enable broader, proportionate access, potentially including the use of cloud-based and shared infrastructure models. This approach will be crucial for establishing A2A payments as a genuine, high-quality, and widely accessible alternative.

## **8. Seizing the opportunity for innovation through digital assets**

The TCA urges the Committee to seize the opportunity for innovation in payments systems through unlocking barriers to the adoption of new and emerging technologies such as digital assets.

Blockchain technology disrupts the existing payment landscape and provides consumer benefits by eliminating intermediaries, like correspondent banks and clearing houses, which traditionally introduce additional charges and complications to transactions. Blockchain also provides a security and finality for payments that traditional digital methods cannot equal, where payment is protected with cryptography and permanently logged, ensuring it can't be modified or erased after confirmation. This enables instant monitoring and auditing, significantly lowering the potential for human error and fraudulent activities.

Regulation of digital assets must be fit for purpose. The TCA supports the Government's proposal to regulate digital asset platforms by integrating them within the Australian Financial Services Licence (AFSL) framework. This approach correctly identifies the most efficient path to establishing regulatory clarity is through avoiding the creation of a bespoke regime that could introduce unnecessary complexity and potential inconsistencies with established financial law. Blockchain payments also should not be unintentionally caught by other payments sector regulation, which would limit innovation and reduce competition.

The TCA is also supportive of measures that result in the increased uptake of stablecoins, and for the Government to address debanking, as recommended by the Council of Financial



Regulators in 2022.<sup>3</sup>

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<sup>3</sup> Council of Financial Regulators, [Potential Policy Responses to De-banking in Australia](#), August 2022