



Commonwealth  
Bank

# Schemes, Digital Wallets and Innovation in the Payments Sector

*Submission to Inquiry*

4 February 2026

Commonwealth Bank of Australia (**CBA**) welcomes the House of Representatives Standing Committee on Economics inquiry. Payments are an essential service and a critical national capability that is deeply entwined with Australia's economy. Recent changes in Australia's context, namely geopolitical uncertainty and rapid technology development, have elevated the need for resilient and sovereign payments infrastructure.

A well-functioning payments system underpins a well-functioning society and the financial wellbeing of its people. It is deeply entwined with a nation's economy – individuals and businesses benefit from safe and efficient payments infrastructure.

Australia has an enviable record of payments innovation and regulation. We have among the highest adoption of tap-to-pay and digital wallet technology, the lowest interchange rates, and strongest consumer protections. We are one of a handful of countries with both a domestic cards scheme and real time account-to-account system. Our payments system is among the safest, most efficient and innovative in the world.

The systemic importance of the payments system rightly attracts a high level of regulation, to ensure confidence and trust in the system. It aims to promote stability, fairness, efficiency and safety, for the benefit of the community.

We commend the Committee's scope broadening the dialogue around the Australian payments ecosystem. This enables consideration of important policy decisions requiring a whole-of-system view, without legacy constraints limiting the focus to regulated domestic four-party card issuers.

The inquiry is timely, given the significant changes occurring in payments and the imminent conclusion to the RBA Review of Merchant Costs and Surcharging. A whole-of-system view can help support the Payments System Board's deliberations on surcharging and interchange, identify priorities and mechanisms for regulatory coordination under the updated Payment Systems Regulation Act (**PSRA**) and help progress the Government's payments system reforms.

We have grown increasingly concerned about the future of Australia's payments system. Our primary apprehension stems from the shift in agency and economics from the Australian domiciled commercial banks that develop our infrastructure to global platforms.

It is critical that all users contribute to the commercial sustainability of the system and do not introduce substantial risks which fall to regulated infrastructure providers to fund. As we describe below, some regulations that have been previously effective are no longer fit for purpose, while others have led to unintended adverse outcomes. While we welcome the passing of the PSRA, we are mindful that it may be some time before the enhanced powers address expanding the scope of regulatory oversight as is required.

For many years, there has been a particular bias towards efficiency and innovation, primarily in the four-party card market (e.g., interchange, least cost routing) and in opening the payments and banking system (e.g., Consumer Data Right focus on open banking, NPP payments initiation). These interventions have been in the interest of promoting competition but have primarily impacted the domestic institutions that fund our infrastructure by increasing investment and operating costs and reducing revenues.

This will next play out in account-to-account payments, where the domestic banking industry has invested an estimated ~\$2 billion over the past several years building a real-time payments capability for the country in the NPP. The NPP has opened payments initiation and enabled business models built around virtual accounts. This allows non-banks to move funds and establish products that look and feel like bank accounts. This payments system is technically advanced but is not supported by an economic or liability model to drive safety, consumer protection and investment. The economic and liability models of the NPP invite free-riding participation by global platforms and thinly capitalised participants.

The focus on driving system efficiency has eroded the commercial model for payments. Despite this, the industry needs to continue to invest in safety, consumer protection and infrastructure. These costs almost exclusively fall to a handful of large domestic institutions, while big tech platforms adopt business models



that extract maximum commercial benefit while avoiding the infrastructure, risk, or regulatory impost. They do so while minimising their contribution to Australia's tax base. Banks hold capital to protect system users in the event of loss, but critical market participants do not. The range of aberrations in regulation drive significant distortions in the economics and is impacting our payments ecosystem.

By way of example:

- **Digital wallet payments** (now >50% of point-of-sale payments for CBA cards, up more than 5x since 2021): When a customer uses a digital wallet (e.g., Apple Pay, Google Pay), the issuing bank carries the cost of fraud, payment disputes, and meeting regulatory obligations. We have seen wallet provider public statements that fees are typically standard across banks.<sup>1</sup> Accordingly, it appears to us that the wallet provider offers the service at near-zero marginal cost and extracts a non-negotiable fee from the issuing bank. Wallet providers are also the sole service providers for many consumers that no longer carry or use physical cards. Interchange costs are regulated but not wallet fees and terms.
- **Concentration of disputes:** US tech companies including Uber, Apple, Google, Amazon, PayPal, and Facebook are all top ten sources of CBA disputed transactions (i.e. when a customer authorises a payment but then disagrees with the merchant charge). The cost of resolving those disputes is fully borne by Australian banks. In 2024, CBA mediated ~5 million payment disputes between individuals and companies. CBA's cost of processing disputes has risen almost 5x to \$150 million annually.
- **Shift in share beyond regulatory reach:** Global participants like AMEX and global acquirers (Square, Stripe, Adyen) operate largely outside the domestic regulatory framework. Since credit interchange regulations were introduced in 2003, AMEX share of the value of credit card transactions has grown from 14% to nearly 25% in 2024 – growing at more than 2.3x system. Global acquirers, now 20% market share in Australia, can engage in arrangements with international schemes beyond the reach of domestic regulators.

Costs and liability borne by Australian banks continue to grow, while regulatory settings are shaping a more constrained revenue environment. Unintentionally, regulation is also enabling and at times facilitating increasing market power and extraction of value by global platforms. This is done in the hopes of invigorating domestic entrepreneurship and economic dynamism but has the perverse effect of enabling even larger foreign tech companies to entrench their positions and extract greater economic rents.

As a result, CBA and likely other banks have become loss making on acquiring and domestic issuing (excluding cross-border). The combined effect stresses the banks' ability to support critically important but resource intensive resiliency objectives on a commercially sustainable basis.

Emerging trends will compound this dynamic, potentially dramatically and rapidly. Innovation enabled by artificial intelligence, digital identity and digital assets will almost certainly drive a new wave of payments innovation. If this innovation is concentrated where regulatory arbitrage or avoidance is possible, this will likely come with undesirable consequences.

We are growing increasingly concerned about narrowly focused market interventions and see a clear need to reset the aperture and focus. Measures intended to focus on immediate fixes to address issues in isolation without consideration of broader structural implications risk further distortions. We have recently outlined the risk of this approach in our submission to the RBA Review of Merchant Costs and Surcharging, where

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<sup>1</sup> Mr Kyle Andeer, Vice President, Products and Regulatory Law, Apple Inc - 29 August 2023 - Parliamentary [Inquiry](#) into promoting economic dynamism, competition and business formation:

*"So we charge the same rate to every bank and financial institution around the world that wants to participate in Apple Pay" (p15)*

*"As I said, we have a fee that we charge every financial institution that participates in Apple Pay" (p15)*



narrow regulation may not deliver intended benefits while increasing distortion and the competitive disparity between four party and three-party payments in line with the risk identified by the RBA in 2016.

Focusing only on the domestic institutions without recognising the global nature of technology and payments will break an increasingly fragile economic model. A model where the social licence, regulatory expectations, infrastructure costs and risk are borne by domestic institutions, but the economic dividend and consumer engagement shift offshore is very problematic.

This appears true not just in banking and payments, but also in telecommunications and other industries. Recently, global tech companies switched off news feeds in Australia as negotiating leverage. It would be highly disruptive if the same were to occur for card-based digital-wallet payments or the banking system.

If regulation is not adjusted to even the playing field, we will continue to see a hollowing out of the Australian payments system, with domestic providers further relegated to the provision of loss-making utility services. International players will dominate, sitting atop this infrastructure and extracting all value from the system.

Domestic banks provide significant support to Australia's national interests in the Pacific, have funded the NPP, and continue to invest in fraud, scams, cyber and financial crime capabilities. We recognise there is more to be done, especially in our current context. In contrast, global technology companies have limited incentives or a track record of voluntarily co-operating with any government or regulator.

We need to continuously improve efficiency of the system, but we must do so in a balanced and integrated way that supports Australia's objectives and avoids adverse, unintended consequences.

There are four policy areas that we believe deserve heightened focus to shape the direction of our payments policy agenda shifting from siphoning off value to offshore participants to building a sustainable, resilient and sovereign payments ecosystem:

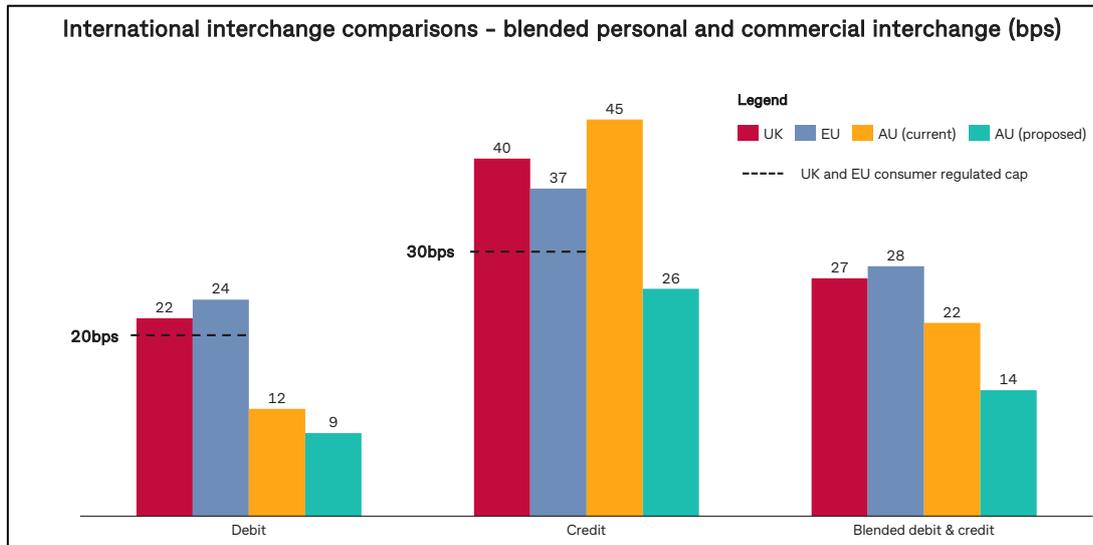
1. Mechanisms to better align and coordinate regulatory interventions in the payments ecosystem with broader national priorities – under a long term, whole-of-system view
2. Interventions that will drive efficiency and fairness in total cost of payments for merchants, complementing interchange reductions rather than doubling down
3. Changes that support a fertile environment for sustainable payments infrastructure by resetting how investment, operating costs, and risks are funded and incentivised in an open Australian payments ecosystem
4. Changes in approach to more urgently mitigate the risk of global platforms undermining competitiveness by intermediating national payments and identity infrastructure, building on the EU approach to digital wallets and NFC access

We have included a range of charts in the Appendix which illustrate some of the distortions that exist in the Australian payments system.



## Appendix

### International interchange comparisons – blended personal and commercial



Breakdown of merchant service fees



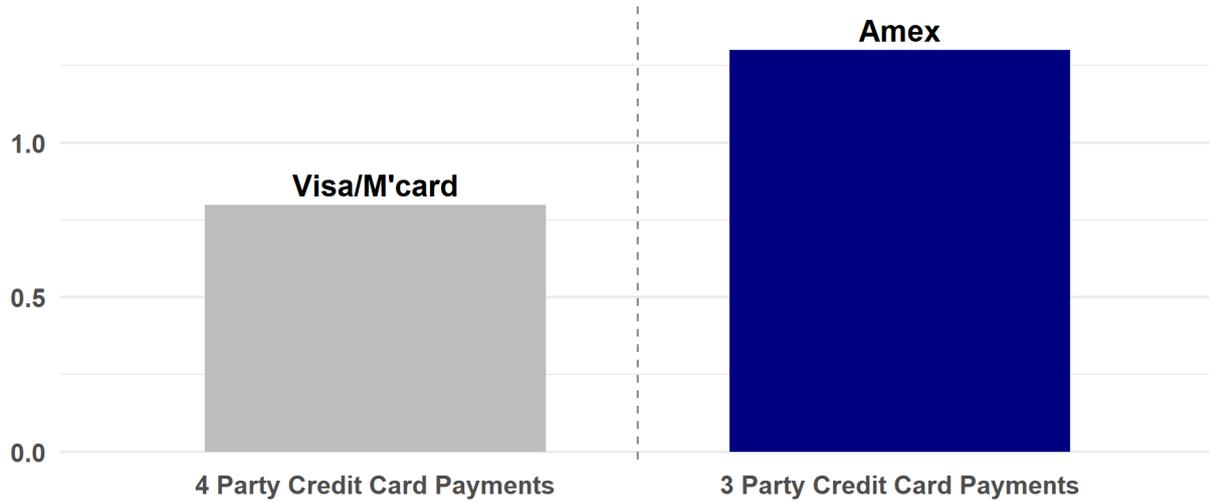
<b>Acquirer revenue</b>	<ul style="list-style-type: none"> <li>• Revenue received by acquirer</li> <li>• Covers transaction processing, risk management, dispute handling, technology, customer support, product development, marketing, overheads and profit margin</li> <li>• May bundle related services such as: point-of-sale system, staff scheduling system, inventory management</li> </ul>
<b>Scheme fee</b>	<ul style="list-style-type: none"> <li>• Revenue received by card scheme (e.g. Visa, Mastercard, or Eftpos) from the acquirer</li> <li>• Covers transaction processing and settlement, risk management, technology, product development, marketing, overheads and profit margin</li> </ul>
<b>Interchange</b>	<ul style="list-style-type: none"> <li>• Revenue received by cardholder’s bank (issuing bank)</li> <li>• Covers payment authorisation, transaction processing, fraud protection, digital wallets, customer servicing, interest free periods, risk management, dispute handling, and technology</li> <li>• Excludes costs related to loyalty programs, insurance, broader cardholder benefits, credit losses, physical card production, marketing, and overheads</li> </ul>



Four Party Credit vs. Three Party Credit merchant services fees

Merchant Service Fees: Domestic Issued Cards  
Difference between 3 and 4 Party Credit Card Payments

Source: RBA (C3: Average Merchant Fees for Debit, Credit and Charge Cards September 2025)

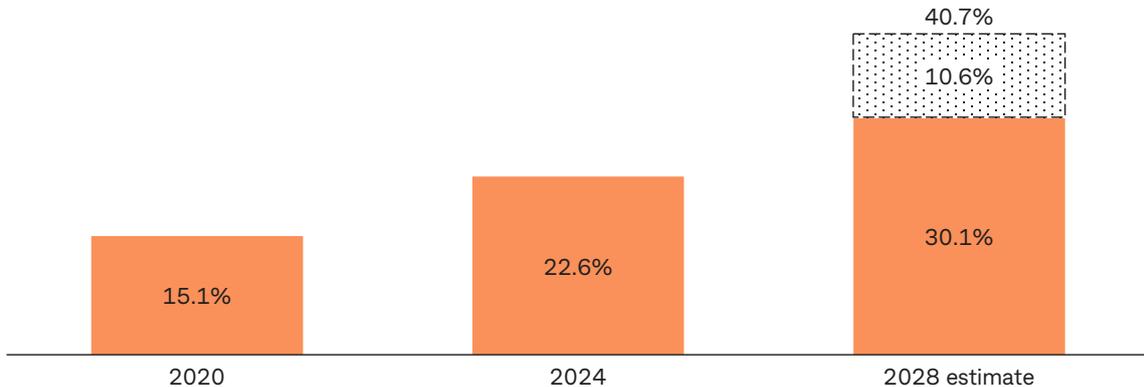


Note: There is a 0.49 percentage point difference between 4 party credit and 3 party credit payments on domestic issued cards.

Three party share of credit and charge card purchases<sup>2</sup>

% market share by value, August 2020 – August 2024 with estimate for 2028, Australia

 Potential growth due to interventions (high case)



<sup>2</sup> Statistics from August are used to reflect most recently available statistics on market shares, as the series was decommissioned in August. 2020 and 2024 figures sourced from RBA (2025) Payments Data, Table C1.3: Credit and Charge Cards – Market.

