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

Submission by the Australian Securities and Investments Commission

2 February 2026

The Australian Securities and Investments Commission (ASIC) welcomes the opportunity to make a submission to the House of Representatives Standing Committee on Economics (the Committee) in relation to its Inquiry into *Schemes, Digital Wallets and Innovation in the Payments Sector* (the Inquiry).

This submission details the scope of ASIC's regulatory role in relation to the areas of focus within the Committee's terms of reference and provides an update on recent actions taken relevant to the inquiry. ASIC's regulatory role in the payments sector is proposed to expand under both the reforms in relation to payment service providers and those in relation to digital assets. https://treasury.gov.au/publication/p2023-404960https://treasury.gov.au/policy-topics/banking-and-finance/payments-licensing-reforms

ASIC's regulatory role

ASIC is Australia's corporate, markets, financial services and consumer credit regulator. Our statutory objectives under the *Australian Securities and Investments Commission Act 2001* (ASIC Act) include:

(a) maintaining, facilitating and improving the performance of the financial system and entities in it; and

(b) promoting confident and informed investor and consumer participation in the financial system.

Financial services and consumer credit regulation

ASIC's regulatory responsibilities and powers that apply to financial services and consumer credit include those contained within the *National Consumer Credit Protection Act 2009*, the *Corporations Act 2001* and the consumer protection provisions in Part 2 of the ASIC Act.

The above legislation, among other things:

- establishes frameworks for the licensing of consumer credit providers (including providers of credit cards) and financial service providers (including non-cash payment (NCP) facility providers),
- imposes general conduct obligations on licensees relating to matters such as compliance with financial services laws, adequacy of resources (including financial), maintaining competency, training of representatives, dispute resolution and adequacy of risk management systems,
- imposes additional conduct requirements on financial services licensees relating to matters such as financial product and financial services disclosure, client money safeguarding, financial product design and distribution and requirements relating to the provision of financial product advice,
- establishes ASIC oversight of licensees operating financial markets and clearing and settlement facilities and
- imposes consumer protection obligations in relation to financial products and services such as prohibitions on unfair contract terms, misleading or deceptive conduct and unconscionable conduct.

As part of our enforcement and regulatory work under these provisions, in 2024–25:

- ASIC finalised 1,644 Australian financial service licence and credit licence applications, including cancellations and suspensions;
- We completed 829 surveillances;
- We commenced 252 formal investigations.

The law applies to products and services under those regulatory frameworks regardless of the technology sitting behind them. An example of this is our Information Sheet 225 *Digital assets: Financial products and services* (INFO 225) as discussed further below.

Digital assets and distributed ledger technology

While bitcoin is the best known digital asset, many subsequent digital assets that have been launched using blockchain technology are likely to have a bigger impact on the payments industry and payment services than bitcoin. Stablecoins, a digital asset intended to track the value of an official national currency, are widely used as a settlement mechanism within the crypto asset ecosystem but do not currently have a large role in facilitating payments in the wider economy. However, there are many emerging commercial initiatives proposing to expand the use of stablecoins, especially in cross-border and corporate payments, a number of which ASIC has engaged with as part of its regular stakeholder engagement and also in the context of licensing applications.

ASIC has recently provided further guidance to industry on how existing financial services regulation applies to digital assets and related products by updating INFO 225. The update to INFO 225 gives improved clarity to those in industry engaging in services relating to digital assets about ASIC's positions on when they are likely to be engaging in regulated conduct.

As detailed in INFO 225, ASIC oversees some digital asset and blockchain-based payment products where they amount to a NCP facility, a type of regulated financial product under the current law. In particular, many stablecoins are likely to be NCPs (or other financial products depending on their rights), as well as some digital asset wallets. This is one example demonstrating the current law's application to various products and services regardless of the technology sitting behind it.

There is no specific licensing requirement related to stablecoins under the application of the existing laws. Any firm that is licensed to issue NCPs likely has the requisite authorisations to issue stablecoins that are NCPs. ASIC has so far licensed a small number of providers in Australia that have a specific business case involving the issuance of stablecoins. We are aware that many Australian digital asset firms make available to their customers a range of US dollar-backed stablecoins that are issued overseas.

ASIC has recently announced new measures to further foster innovation and growth in Australia's digital assets and payments sectors, granting class relief for intermediaries engaging in the secondary distribution of certain stablecoins and wrapped tokens. (See ASIC finalises new exemptions to support digital asset innovation.)

ePayments Code

ASIC administers the ePayments Code, to which subscription is currently voluntary, and which provides a range of consumer protections relating to electronic payment transactions additional to what is in the legislation. Once an entity subscribes to the Code, they are bound by its provisions in the form of contractual terms between the subscriber and their customer (for example, a bank and its accountholders). Almost all consumer-facing ADIs and a small number of other payment service providers currently subscribe to the ePayments Code.

The ePayments Code covers transaction types such as ATM, eftpos and credit and debit card transactions, online payments, internet and mobile banking, and BPAY. Key protections under the ePayments Code include frameworks for authorised deposit-taking institutions (ADIs) to assist consumers with the return of electronic funds transfers mistakenly made to an unintended recipient and for the allocation of liability as between the subscriber and an accountholder for unauthorised transactions.

The code does not, however, cover all electronic payments issues, such as mistakes in the amount transferred or transactions made by the account holder themselves to a payee as a result of fraud or a scam. It also does not extend to protect small businesses as accountholders.

ASIC is responsible for administration of the Code, including monitoring its provisions to ensure the Code continues to operate appropriately and effectively for the benefit of consumers and for business efficiency in light of continuing technological change.

Enhanced Regulatory Sandbox and ASIC's Innovation Hub

ASIC also administers the 'Enhanced Regulatory Sandbox' (ERS) framework, which aims to facilitate financial innovation by allowing individuals and businesses to test certain innovative financial services or credit activities for a period of up to 24 months without first obtaining an Australian financial services (AFS) licence or Australian credit licence.

The ERS exemptions are contained in the Corporations (FinTech Sandbox Australian Financial Services Licence Exemption) Regulations 2020 and the National Consumer Credit Protection (FinTech Sandbox Australian Credit Licence Exemption) Regulations 2020. A majority of businesses accepted for testing in the ERS (12 out of 19) included payment services as part of their offering. The ERS is presently the subject of an independent review, which will assess how effective the ERS is and develop recommendations to enhance Australia's financial innovation settings. The review is due to report to the government by mid-May 2026. Additionally, ASIC's Innovation Hub helps innovative fintech and regtech businesses navigate the Australian regulatory framework (such as licensing obligations and available regulatory guidance publications) and provides a platform for domestic and international engagement on financial innovation-related developments.

ASIC supports the goal of responsible innovation by providing informal assistance through the Innovation Hub, administering the ERS and driving information sharing and cooperation on innovative developments and matters through ASIC's external Digital Finance Advisory Panel and regular engagement with fintech and regtech bodies and peer regulators.

Payments licensing reforms

The Government is currently in the process of modernising the regulatory framework for payment service providers, to ensure it is fit for purpose and promotes regulatory certainty, competition and innovation. The core changes in the licensing reforms are to update the range of payment service providers that are required to hold an AFS licence, reflecting the changes that have occurred in Australia's payment ecosystem, and that parts of the payments value chain are increasingly being provided by non-traditional financial service providers which are unlicensed.

The scope of the licensing reforms are being consulted on. Our understanding is these reforms are intended to be introduced to Parliament in tranches. The exposure draft legislation for sub-tranche 1a was released for public consultation on 9 October 2025 and proposes that the NCP facility financial product be repealed and replaced with a mix of new payment product and service definitions. These are designed to capture a broader and clearer range of products and services than the current NCP facility concept. Based on the draft materials, the effect of the new definitions will be to bring the following service providers into ASIC's regulatory perimeter: merchant acquirers, remitters and other cross-border payment facilitators, payment initiators and payment technology and enablement service providers such as digital wallets, payment processors and payment gateways.

Future tranches are expected to set out more details of new regulatory obligations, and ASIC's role as conduct regulator for the sector. We understand that this will include obligations on service providers to safeguard clients' funds and require providers to comply with a new mandatory ePayments Code that will be set by the Minister.

ASIC would welcome any request by the Committee for our further input, to assist the Committee with its understanding of the issues and ASIC's current regulatory role, as the inquiry runs its course.

Yours sincerely,

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