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Submission to the House Standing
Committee on Economics' Inquiry
into Schemes, Digital Wallets and
Innovation in the Payments Sector



Executive Summary

American Express Australia welcomes the House Standing Committee on Economics' Inquiry into Schemes, Digital Wallets and Innovation in the Payments Sector.

American Express Australia operates as a niche, non-bank, non - "must-take" three-party payments provider. American Express does not have interchange fees or scheme fees in its model. Merchant acceptance is always discretionary, requiring American Express to compete on the value it delivers, through secure payments, fraud prevention, data-driven insights, customer service, marketing support and access to unsecured credit, rather than ubiquity or obligation. This distinguishes American Express fundamentally from the dominant four-party card schemes.

This submission highlights that payment systems deliver substantial economic value beyond transaction processing, including productivity gains, improved cash flow for businesses and contributions to GDP.

Experience in Australia and internationally shows that blunt or indiscriminate price regulation has not necessarily reduced market concentration, but to the contrary, has disproportionately impacted smaller and discretionary providers, entrenching dominant incumbents which can harm competition and choice.

American Express Australia submits that future regulatory settings should be proportionate, technology-neutral and targeted only where appropriate to address a demonstrated market failure. Policy should recognise differences in scale and business models and balance cost considerations with the broader value payments deliver to consumers, merchants and the economy. Delivering that value requires ongoing investment.



Introduction

American Express Australia welcomes the opportunity to make a submission to the House Standing Committee on Economics' Inquiry into Schemes, Digital Wallets and Innovation in the Payments Sector. Australia's payments system is changing rapidly, and policy settings and regulation must be proportionate and fit for purpose, reflecting how payments are used today, supporting competition, choice and ongoing investment.

Over the past two decades, regulatory and policy attention has been heavily focused on card-based payments. During that same period, the payments ecosystem has expanded significantly, with consumers and merchants now relying on a wide and growing range of payments methods. Assessing whether the payments system is fair and accessible therefore requires looking beyond individual payment methods and considering competition, choice and market structure across the entire payments ecosystem.

In that context, American Express operates in Australia as a small, non-bank lender and non - "must-take" three-party payments provider, offering credit and charge cards. We do not issue debit cards in Australia. American Express is always a choice for merchants and cardholders. Approximately 1.9% of all card transactions in Australia are processed on the American Express network¹. This matters. Because we are a discretionary payment option, we must compete every day on the value we deliver rather than relying on ubiquity or obligation.

American Express Australia believes that consideration of payment costs must be balanced with an understanding of the value that payment systems deliver more broadly. Payment systems underpin secure commerce, support productivity and innovation, provide access to unsecured credit for consumers and small businesses, and play a critical role in fraud prevention and system resilience. Delivering these outcomes requires sustained and significant investment in payments infrastructure, technology and operational capability, and regulatory settings need to support and sustain that investment over time.

American Express has engaged constructively with regulators for many years, including through the Reserve Bank of Australia's current review of merchant payment costs and surcharging, and we support regulatory settings that promote competition, transparency, efficiency and safety in the payments system.

On surcharging, in 2002, in recognition of the RBA's then position on the need to prohibit no surcharge provisions in merchant contracts, American Express entered a Voluntary Undertaking with the RBA under which we agreed to remove 'no surcharge' rules from our merchant contracts. We have been subject to that Undertaking since. We support the RBA's recommendation to remove surcharging given we have always maintained surcharging represents a poor customer experience.

Additionally, experience shows that blunt price regulation, if applied indiscriminately, can have unintended consequences that harm competition and innovation, particularly for smaller and discretionary payment providers.

Drawing on market evidence, independent analysis and international experience, this submission explains why regulatory settings should be proportionate, technology-neutral and responsive to the evolving payments landscape. Regulatory and policy approaches that do not take account of

¹ Amex data reported confidentially to the RBA / Published RBA data



differences in scale, business models and market dynamics across the payments system risk entrenching incumbents, reducing competition and therefore customer choice, and weakening incentives to invest - outcomes that would not serve Australian consumers or businesses.

Further information about American Express Australia, its model and its role in the Australian payment system is included in the appendix.

The Payments ecosystem today

Australia's payments ecosystem has evolved well beyond card-based payments alone and now includes a broad range of methods and technologies, including digital wallets, account-to-account payments and data-enabled services, alongside debit, credit and charge cards. This is reflective of changing customer expectations, advances in technology and the increasing demand for payments to be fast, reliable, secure and integrated into everyday activity. At the same time, merchants increasingly operate in an omnichannel environment, with payments occurring across physical terminals, mobile applications, online platforms and integrated point-of-sale systems, supported by technologies such as tokenisation.²

These developments have increased the technical complexity of payments, and the subsequent investment required to operationalise them. Providers must be able to support multiple payment flows, ensure interoperability across platforms, maintain security across varied touchpoints, and deliver consistent and reliable user experiences regardless of how payment is initiated. As a result, payments have evolved from relatively simple point-of-sale transactions into interconnected systems that require significant coordination, resilience and substantial ongoing investment.

For more than two decades, the Reserve Bank of Australia has actively regulated card payments. While card payment costs have been a central focus of regulation, the payments ecosystem has continued to evolve rapidly. The growth of new non-card-based payment offerings have developed largely outside of the existing regulatory framework. This submission does not advocate for extending regulation to these providers but rather highlights the importance of ensuring that regulatory settings are proportionate, technology-agnostic and focused on outcomes, so that competition, innovation and value for consumers and merchants are not inadvertently constrained.

The Value of Payments

While costs, particularly fees, are often the focus of payment policy discussions, it is important to consider the broader value that payment systems deliver. Payment systems underpin secure commerce, support productivity and innovation, and play a central role in meeting broader economic and public policy objectives.

Independent analysis by Deloitte Access Economics highlights the significant economic value delivered by card payments. Deloitte's analysis found that growth in card transactions increased Australia's GDP by \$38.7 billion in 2022, equivalent to 1.8% of GDP.³ Card payments benefited businesses by an estimated \$16 billion in 2022, or about \$25,000 per business for those with an annual turnover of at least \$2 million per year. The report highlights that card payments supported

² Secure digital card number

³ 'The Value of Australia's Retail Payments System' – Deloitte Access Economics, 2024



businesses by enabling greater revenue, improved productivity, and broader benefits. These benefits far exceed the aggregate merchant service fees paid across the economy.⁴

The Deloitte analysis also found that card payments support productivity and efficiency gains, saving an estimated 46 million labour hours in the retail, hospitality and leisure sectors in 2022. In addition, businesses avoided approximately \$506 million in interest costs by using card-based credit with interest-free periods rather than alternative loan products. These outcomes reflect the role payments play in reducing friction, improving cash-flow management and supporting business activity.

Australia's modern payment systems are not static infrastructure; they require ongoing investments in people, processes and technology. For example, the investment timeframes for innovations such as tokenisation and contactless payments is very long term (15-20 years) with total spending on these technologies estimated to be around US \$5 billion. Similarly, spending on real-time payments and payment hubs is expected to reach approximately AUD \$6.9 billion and AUD \$5.1 billion respectively by 2028.⁵ These investments directly benefit merchants, consumers and the broader economy. For example, a Garcia-Swartz et al 2024 research paper found that fraud reduction benefits to consumers and merchants from tokenisation were AUD \$506 billion worldwide in 2021.⁶ Based simply on Australia's share of payments, this would equate to around AUD \$10.2 billion for the Australian market. Simply put, payment systems cannot be delivered at no or nominal cost and fees charged by payment providers support the investment required to maintain safe, reliable and innovative payment infrastructure.

Regulatory settings that recognise the link between value, investment and cost are therefore critical to ensuring that Australia's payments system continues to deliver positive outcomes for consumers, businesses and the economy.

Unintended consequences of regulation to date

The four-party schemes and their issuers have more than 90% share of total card payments, including more than 95% share of cards on issue.⁷ This level of concentration has remained largely unchanged reflecting the scale and distribution advantages associated with bank-issued, four-party schemes. As a point of contrast, as above, approximately 1.9% of all card transactions in Australia are processed on the American Express network, which is down from a peak of 5% in 2016.⁸ American Express' share of card payments value has also declined over the last decade from 10% to 8%.⁹

⁴ 'The Value of Australia's Retail Payments System' – Deloitte Access Economics, 2024

⁵ Philip Benton, Principal Fintech Analyst, Omdia. 21 November 2024

⁶ Garcia-Swartz et al, The Social Value of Innovation in Payments (October 24, 2024)

⁷ RBA payments data reports c1.2 & c2

<https://www.rba.gov.au/payments-and-infrastructure/resources/payments-data.html>

⁸ Amex data reported confidentially to the RBA / Published RBA data

⁹ Amex data reported confidentially to the RBA/Published RBA data

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At the same time, regulatory interventions have had a more pronounced impact on smaller, non - “must-take” participants. For example, despite not having interchange fees, American Express’ average merchant service fees have declined by more than those of Visa and Mastercard since interchange regulation was introduced.¹⁰

Since the current interchange fee settings were introduced in 2017, Visa and Mastercard’s average merchant service fees have risen by 12-13bps, while Amex’s average fee has fallen by 23bps.

The 2015–16 Review of Card Payments Regulation provides a further example of how regulatory changes can have disproportionate impacts on competition, particularly for smaller and non - “must-take” participants. Changes to the regulation of Companion Card arrangements as part of this review made those products economically unviable.¹¹ This resulted in a decline in American Express’ cards on issue and transaction share, while the market position of the dominant schemes increased. Similar dynamics have been observed historically with the exit of smaller networks, such as Diners Club, from the Australian market.

A declining transaction base has broader implications for smaller payment networks. Fixed investments in areas such as network resilience, fraud and scam prevention, and operational integrity must be spread across a smaller volume of transactions, reducing scale efficiencies relative to larger incumbents. Over time, this dynamic can reinforce existing market concentration by increasing barriers to entry and growth for smaller providers, with flow-on effects for competition and choice.

Changing customer needs

Customers increasingly expect payment experiences that are fast, frictionless and secure, and that integrate seamlessly into their everyday activities. This includes the ability to pay across multiple channels and devices, confidence that transactions are protected against fraud and disputes, and clear and predictable pricing at the point of sale. Consumers and businesses increasingly value integrated benefits and services, such as rewards which benefit both cardholder and merchant, driving loyalty and repeat business, as well as offers and tools that support budgeting and cash-flow management. These expectations reflect broader digitalisation across the economy and shape how payment providers compete for customer trust and usage.

Payments play a critical role on both the issuing and merchant sides of the system. On the issuing side, access to flexible cash-flow support has become increasingly important, particularly for consumers and small businesses. Broader challenges in accessing traditional credit including collateral requirements, slower approval processes and limited flexibility mean that short-term, unsecured credit linked to payments can play an important complementary role. Card-based credit, while representing less than 1% of loans outstanding in the business lending market¹²,

¹⁰ RBA payments data reports, c3, <https://www.rba.gov.au/payments-and-infrastructure/resources/payments-data.html>

¹¹ Historically, American Express operated a companion card model alongside our existing business model in Australia where ANZ, CBA, NAB and Westpac issued American Express cards. Today, Amex issues cards directly to consumers

¹² Reserve Bank of Australia (2025). “Statistical Tables: Credit and Charge Cards – Original Series – Personal and Commercial Cards – C1.2”. available from: <https://www.rba.gov.au/statistics/tables>

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plays a valuable role in supporting small businesses by providing timely, flexible and unsecured access to finance. Total commercial card balances reached almost \$10 billion in June 2025, highlighting the role of card-based credit as a complement to other forms of small business finance.¹³

On the merchant side, businesses rely on payment systems not only to receive funds, but also to manage risk and drive revenue. This includes assurance that they will be paid even in circumstances such as cancellations or no-shows, as well as access to tools that help attract and retain customers. For many merchants, particularly in sectors such as travel, accommodation, hospitality and services, payment systems are closely linked to customer engagement, marketing and loyalty.

The cost of meeting modern payment needs

Meeting these evolving consumer and business needs involves investment that comes at a cost. Payment providers must invest continuously in security, fraud and scam prevention, compliance with regulatory obligations such as anti-money laundering and counter-terrorism financing, system resilience and reliability, and ongoing innovation to meet customer expectations. As payments become more integrated, real-time and data-enabled, the complexity and cost of operating safe and reliable payment systems increases. These investments are essential to delivering the outcomes that consumers, businesses and regulators expect from modern payment systems. Policy settings that recognise this reality are therefore critical to supporting competition, consumer trust and long-term efficiency in the payments system.

Policy implications

Australia's payments ecosystem has evolved significantly, while regulatory approaches have remained focused heavily on card payments and costs. As the way consumers and businesses use payments continues to change, policy settings should reflect how competition, value and investment operate across a broader, more complex payments system.

Regulatory approaches should be proportionate and targeted appropriately to address the specific concerns that have arisen from demonstrated market power or systemic risk.

Settings should recognise that payments deliver significant value, and that delivering this value requires ongoing investment. Consumers and businesses increasingly expect payments to be fast, secure, reliable and integrated with other services. For businesses, this includes access to flexible cash-flow support, protection against fraud and non-payment, and tools to attract and retain customers. Meeting these expectations requires sustained investment in infrastructure, security, compliance and innovation. Payment systems cannot deliver these outcomes without appropriate incentives to invest.

Australia's future regulatory framework should recognise differences in scale, business models and market position, support competition and choice, maintaining Australia as an attractive environment for ongoing investment in payments. This will deliver sustainable benefits for consumers, merchants and the broader economy over time.

¹³ Reserve Bank of Australia (2025). "Statistical Tables: Credit and Charge Cards – Original Series – Personal and Commercial Cards – C1.2". available from: <https://www.rba.gov.au/statistics/tables/>

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APPENDIX

American Express Australia

American Express has operated in Australia for more than 70 years as a non-bank lender. Over that time, our business has evolved alongside changes in the payments landscape while remaining anchored in the customer-service ethos and values on which the company was built.

Three Party vs Four Party Schemes

In the payments system, American Express performs three roles within a single integrated business model: we issue credit and charge cards directly to customers, we acquire merchants that accept those cards, and we operate the payment network on which those transactions are processed. American Express does not issue debit cards in Australia.

This integrated structure is commonly referred to as a three-party or “closed-loop” network and differs fundamentally from the four-party card schemes operated by Visa and Mastercard. In a four-party system, the card scheme, the issuing bank and the acquiring bank are separate entities, with fees flowing between them through interchange fee and scheme fee arrangements.

By contrast, American Express does not have interchange fees or scheme fees in its model. Because we issue cards directly and acquire our own transactions, there is a direct relationship between American Express and its customers.

How American Express is regulated in Australia

American Express is subject to a comprehensive and overlapping regulatory framework covering financial services and credit conduct, payments system oversight, anti-money laundering and counter-terrorism financing, competition and consumer protection, privacy and data protection, and emerging scams prevention regimes. As a licensed financial services provider (including for credit activities), American Express is regulated by ASIC under the Corporations Act and the National Consumer Credit Protection Act, including obligations relating to responsible lending, disclosure, hardship and dispute resolution, breach reporting, governance and compliance systems, and Design and Distribution Obligations (DDO) for relevant credit and financial products. American Express is also regulated by AUSTRAC as a reporting entity under the anti-money laundering and counter-terrorism financing Act, by the ACCC under the Competition and Consumer Act and the Australian Consumer Law in relation to its merchant acquiring and payments activities, and is captured within the Reserve Bank of Australia’s payments system oversight, including merchant payment cost reporting and surcharging settings.

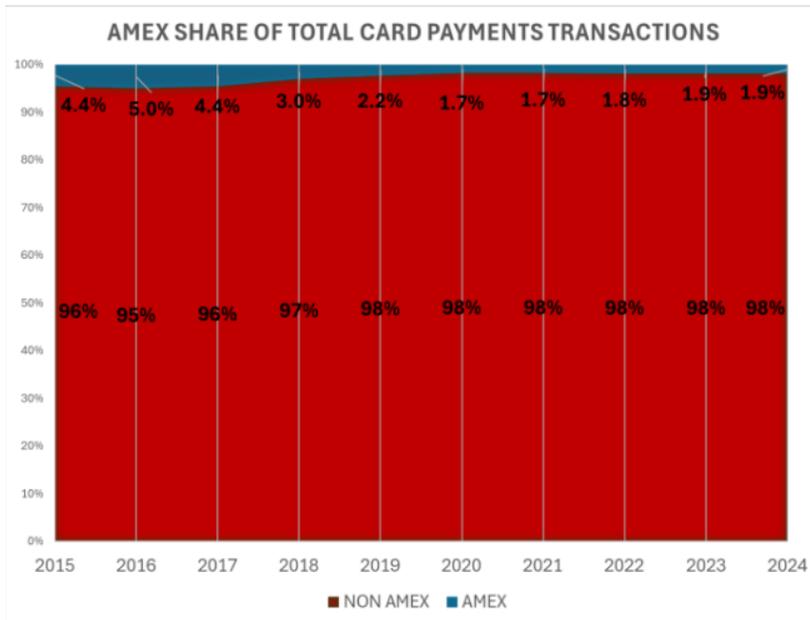
American Express is subject to the Australian Privacy Principles and the Notifiable Data Breaches regime, and to expanding scams prevention and consumer protection frameworks applying across the payments ecosystem.

American Express is a choice

Unlike the dominant four-party networks, American Express is not a “must-take” form of payment for merchants in Australia. Acceptance of American Express is always a choice made by card holders and merchants, and this is reflected in both market data and real-world acceptance outcomes.



This merchant choice is reinforced by American Express’ position as a smaller competitor as demonstrated in the graph below.



Source: RBA data tables <https://www.rba.gov.au/statistics/tables/>

Given this niche position, American Express operates as a discretionary, value-based payment option. No consumer or merchant must hold or accept an American Express product. This is not true for the dominant four-party schemes.

How American Express is contributing to Australia’s payments ecosystem

American Express is an active participant in the ongoing development and modernisation of Australia’s domestic payments ecosystem. American Express continues to invest in and support emerging payment infrastructure and policy initiatives, including engagement with the Consumer Data Right (CDR) as a non-bank lender and the New Payments Platform (NPP). These initiatives are expanding the range of payment and data-enabled services available to consumers and businesses, improving competition, efficiency and innovation beyond traditional card payments. American Express is exploring and developing use cases that leverage real-time payments and data portability to support safer, faster and more flexible payment experiences, particularly for businesses managing cash flow and payments initiation.

American Express also has a long history of employing new technologies to deliver innovative products and experiences that meet the evolving needs of our customers, while remaining true to our brand promise of trust and security. We were one of the first financial services companies to embrace AI technologies, starting with our use of machine learning in 2010 to help prevent fraud, which has helped us achieve best-in-class fraud rates. Over the years, we’ve expanded our use of AI to automate manual processes and personalize customer experiences. Today, we actively leverage AI in fraud detection and prevention, and to provide our Customer Care Professionals (CCPs) with tools to provide better customer service. With a new era of commerce emerging, one in which AI-powered agents can find and book flights, make dinner reservations, purchase goods, refill inventory for businesses and complete payments autonomously, agentic commerce will revolutionise how people engage with brands and payments. American Express is uniquely

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positioned to lead in agentic commerce, thanks to its closed-loop network, which provides an end-to-end perspective. American Express' role is to help Card Members and merchants confidently navigate this emerging ecosystem and deliver intuitive, trusted experiences, both in third-party AI environments and our own proprietary channels.

American Express as a non-bank lender

As a non-bank lender, American Express provides unsecured credit through its charge and credit card products (charge cards are not interest bearing). This form of credit plays a complementary role to traditional bank lending, particularly for small businesses that face constraints accessing secured finance or require flexible, short-term funding to support cash-flow and timely payment of suppliers. Small businesses have limited forms of collateral when securing finance unlike larger businesses who have more assets to leverage.

Our products such as Flexible Payment Option, which is an unsecured lending facility, and the interest-free cash flow periods of up to 55 days can be particularly valuable for businesses experiencing growth or seasonal variation and can complement other sources of finance. Our products support businesses that face constraints accessing traditional bank lending, including where collateral is unavailable or approval processes are slow or inflexible.

American Express as a membership model

A distinguishing feature of American Express is our membership-based model. Customers are Card Members, not simply card holders, and merchants that accept American Express chose to accept a payment option designed to deliver value on both sides of the transaction. This model enables direct engagement with both Card Members and merchants, including through marketing and customer engagement programs that can drive incremental spend. Amex card members spend 4 times more on average when compared to spend on cards on other networks internationally.¹

A key feature of this model is American Express' ability to deliver direct marketing value to merchants. Through proprietary platforms such as Amex Offers, merchants can promote offers directly to American Express Card Members through Amex-owned channels, including digital and social media.

American Express continues to expand the ways in which it uses its channels to support merchants of all sizes. In 2022, American Express launched Local Focus, a social media initiative designed to promote small businesses to Card Members across Australia. Since launch, more than 82,000 merchants have been featured through this platform at no cost. Our campaigns can also support tourism. For example, in 2025, American Express delivered more than \$3.6 billion of inbound spend into the Australian economy and businesses from Card Members based abroad.

These initiatives complement American Express' long-standing Shop Small program, which has supported local businesses across Australia since 2013 by encouraging Australians to shop local.

¹ 2024 American Express International average billed business per card, vs. weighted average of international credit/charge spend per card for Visa and Mastercard in 2024.