



FinTech Australia

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

**Submission
February 2026**



About FinTech Australia

FinTech Australia is the peak industry body representing the Australian fintech sector, with a membership of more than 400 companies and startups nationwide. Our members span the full breadth of the fintech ecosystem, including payments, consumer and business lending, artificial intelligence, wealthtech, regtech, neobanking, open banking, cryptocurrency, blockchain, DeFi, and Web3. The fintech industry delivers a wide range of business-to-business and business-to-consumer financial products and services that support the smooth operation of the Australian economy.

Our vision is to position Australia as one of the world's leading markets for fintech innovation and investment. This submission has been compiled by FinTech Australia and its members in an effort to advance public debate and drive cultural, policy and regulatory change toward realising this vision, for the benefit of the Australian public.

FinTech Australia would like to recognise the support of our policy partners, who assist in the development of our submissions:

- Allens;
- Ashurst
- DLA Piper;
- Gadens;
- King & Wood Mallesons; and
- K&L Gates.

We acknowledge the support and contribution of Ashurst Australia to the development of this submission.



About this Submission

This document was created by FinTech Australia in consultation with its members. In developing this submission, interested members participated in roundtables to discuss key issues and provided feedback to inform our response.

FinTech Australia has a long history of shaping the policy debate with respect to innovation in payments. This submission draws on FinTech Australia's recent work participating in consultations from the Commonwealth Treasury, the Reserve Bank of Australia (**RBA**), Productivity Commission and other government committees. Key submissions include: *Payments licensing including under the Corporations Act 2001 (Cth) (**Corporations Act**) and Payment Systems (Regulation) Act 1998 (Cth) (**PSRA**)*

- Treasury's [Payments System Modernisation Tranche 1a Draft Legislation Submission](#), November 2025 (**Tranche 1a Submission**);
- Treasury's [Licensing of Payment Service Providers – Payment Functions](#), February 2024;
- [Submission to Senate Economics Committee's Inquiry into Treasury Law Amendment \(Better targeted Superannuation Concessions and Other Measures\) Bill 2023](#), 2023;
- Treasury's [Exposure Draft reforms to the Payment Systems \(Regulation\) Act 1998 – Exposure draft legislation](#), 2023;
- Treasury's [Reforms to the Payment Systems \(Regulation\) Act 1998 consultation paper](#) response, July 2023;
- Treasury's [Payments System Modernisation \(Licensing: Defining Payment Functions\) consultation paper](#), 2023;

Digital assets

- Treasury's [Digital assets and tokenisation licensing consultation](#), October 2025;

Card payments and surcharging

- The Reserve Bank of Australia's [RBA Merchant Card Payments & Surcharging](#), September 2025 (with the Small Business Association of Australia) (**Card Payments Submission**);
- The Reserve Bank of Australia's [Review of Merchant Card Payment Costs and Surcharging](#), December 2024;

Other

- The Productivity Commission's [Productivity Commission Interim Report Harnessing Data and Digital Technology](#), September 2025;
- The [Treasury Economic Reform Roundtable Consultation](#) - Unlocking Productivity, Resilience and Budget Sustainability through Fintech; and
- Treasury's [Exposure Draft Scams Prevention Framework](#), 4 October 2024.

For further detail regarding FinTech Australia's views on any of these particular areas, please refer to the detailed submission linked above.



Introduction

Financial technology plays a key role in fostering innovation, increasing competition, and lowering costs in the payments system. FinTech Australia welcomes the opportunity to participate in the House of Representatives Standing Committee on Economics' (**House Committee**) Inquiry into Schemes, Digital Wallets and Innovation in the Payments Sector (**Inquiry**). This Inquiry comes at a pivotal time in the payments industry with new innovations and evolving regulatory frameworks.

FinTech Australia commends the ongoing commitment to promoting a payments system that is efficient, competitive, and secure. For this to continue, regulatory frameworks must be fair, access to services equitable and providers diverse. This is only possible if the industry has certainty in the following areas:

- certainty of regulatory treatment; and
- certainty regarding the commercial viability of business models under that treatment.

Our submission, developed in consultation with members across the fintech ecosystem, highlights both opportunities and barriers to innovation, competition, and consumer benefit in relation to payments. It responds to the terms of reference by focussing on four key areas:

- (1) fintech as a driver of competition;
- (2) need for regulatory certainty;
- (3) card based payment schemes and digital wallets; and
- (4) new and emerging payment technologies.

It also annexes:

- (1) independent economic analysis by Mandala Partners regarding competition in the payments industry, December 2024;
- (2) recommendations from FinTech Australia and Small Business Association of Australia's submission to the RBA's review of merchant payments, September 2025; and
- (3) recommendations from FinTech Australia's submission to Treasury's Exposure Draft Scams Prevention Framework, October 2024.

This Inquiry presents an opportunity to re-set the timeline for regulatory reform and ensure that the outcomes will deliver real results which will facilitate an innovative, robust and vibrant payments ecosystem into the future. FinTech Australia thanks the House Committee for the opportunity to present its views at this critical juncture.



Fintech as a driver of competition in payments and increased economic activity

Over the last two decades, fintech has emerged as a driver of innovation, competition and lower costs in payments. Payment service providers are the largest fintech segment, with our most recent EY FinTech Australia Census finding that around a third of Australian fintechs are in payments, making payments the largest fintech segment in Australia. Our members sit across the payments value chain. The services they, and others, offer have introduced much-needed dynamism into the sector.

Having a clear, consistent and competition driven framework is necessary to secure the future of our payments and fintech industry, as well as innovation in commerce more broadly.

This breadth and depth of innovative payments has increased competition by:

- creating new payment service providers (**PSPs**);
- expanding the types of services offered, such as PayID-based solutions leveraging the New Payments Platform (**NPP**), fintechs improving access to cross-border payments; and
- diversifying the customers to whom services can be offered.

Further, these PSPs offer differentiated pricing and service models which are tailored to different segments of the economy, such as small and medium-sized enterprises (SMEs), a typically underserved segment of the economy with a higher risk profile. These providers are also enhancing the overall payment experience through technology, customer service, and product design.

This increased competition has also contributed to increased financial inclusion. In the card payments segment specifically, fintechs have advanced financial inclusion by enabling small businesses to accept card payments. Simple, transparent, and predictable pricing models, such as blended rates offered by many PSPs, have proven especially attractive to these businesses. These solutions are frequently integrated with other software which streamlines back-office functions, ultimately reducing complexity associated with operating a business and allow businesses to focus on their products and growth trajectories.

As set out in our Card Payment Submission, since 2018 the market share of the major four banks has declined from 77% to 64% in the card present environment and from 95% to 51% in the card not present environment. This has corresponded with a reduction of the average merchant service fees of 9 basis points.¹ This demonstrates how increased diversity in the providers of services has resulted in a net benefit for merchants. The decline in merchant service fees has

¹ See Card Payment Submission at p.7, figure 3.



coincided with the entry of new fintech PSPs and the reduction in major bank market share, reinforcing the role of competition in delivering better merchant outcomes.

In addition, PSPs provide access to services that traditional issuer-acquirers typically do not, such as software-based acceptance (e.g. mobile ePOS) and instant digital onboarding and account setup (see Figure 1). This too plays an important role as it provides increased access to services which simplify the process of establishing and operating a business.

Figure 1 - Services offered by fintech PSPs that generally are not offered by issuer-acquirers.

Payment and payment-related service offerings		Fintech PSP	Acquirers
Payment services 	Low, fixed cost payment model	✓	✓
	Flexible pricing model options	✓	✓
	Master merchant aggregation	✓	✗
	Cross-channel payment solutions	✓	✓
	Comprehensive payment method acceptance	✓	✓
	One-click checkout, and card-on-file services	✓	✗
Payment-related and customer services 	Customer support 7 days a week	✓	✓
	Instant, free digital onboarding and account setup	✓	✗
	Software-based acceptance (e.g., mobile ePOS)	✓	✗
	Digital invoice generation and delivery	✓	✗
	Streamlined refund and dispute handling	✓	✓
	Business analytics and reporting dashboard	✓	✓
	Digital servicing	✓	✗
	Customer insights, analytics and reporting	✓	✗
	Merchant loyalty and rewards program management	✓	✗
Business software integration capabilities	✓	✗	

Source: Mandala Report at Annexure A.

As stated in our Card Payment Submission:

"Ensuring that this part of the market remains open, vibrant, and innovation-friendly should be a central consideration in any future regulatory reforms."²

² See Card Payment Submission at p.7.



Beyond competition effects, fintech PSPs reduce administrative overhead for SMEs by lowering payment acceptance costs, reducing onboarding friction and embedding financial services into business software. This improves operational efficiency and allows businesses to reallocate time and capital toward growth rather than compliance and reconciliation, contributing to broader productivity gains across the economy.

Re-establish a clear regulatory pathway

Despite the contribution to increasing competition in our payments sector, our regulatory framework has not kept pace with innovation, resulting in a misalignment between the nature of services provided and regulatory oversight.

FinTech Australia commends the significant efforts to modernise our payments regulatory framework. FinTech Australia is encouraged by the continued push to roll out key pieces of legislative reform and encourages Government, Treasury and other regulatory bodies to continue to work together and with industry to do so. Without this collaborative approach, the framework developed will not be suitable for today's, let alone tomorrow's, technology.

Need for harmony across payments reforms

For this reform agenda to be effective, harmony is required across the different areas of reform. Much of our most recent payments regulatory reform agenda began with the Farrell Review. This resulted in a holistic strategic plan for payments.

Each piece of our payments reforms must work together. Whether it be the legislative reform to the PSRA or licensing of PSPs under the *Corporations Act 2001* (Cth) (**Corporations Act**), interchange fees and surcharging, or revisions to the ePayments code, and implementation of account-to-account payments, these measures must work cohesively. Beyond this, payments laws and frameworks must intersect with other developing legal frameworks, including action initiation under the consumer data right (**CDR**) and implementation of requirements to meet the scams prevention framework.

Absent coordination, there is a real risk of regulatory stacking - where overlapping licensing, safeguarding, fraud and data obligations apply to the same activity without clear hierarchy or interoperability.

Whilst progress has been made on many of the initiatives identified, reform has fallen behind the timeline. More recently, efforts to reform our payments laws have begun to progress in a piecemeal fashion. For example, changes to some laws, such as the PSRA, have come into force whilst others, such as the full suite of Tranche 1 PSP licensing reforms, remain in the exposure draft phase.



As technology has continued to evolve, it is imperative that efforts to adopt fit-for-purpose regulation are prioritised and further policy processes are sequenced in a manner that supports, rather than delays, the implementation of fit-for-purpose reforms.

This Inquiry presents an opportunity to refocus efforts by aligning reforms and resetting timelines. Setting a clear roadmap or renewed strategic plan with the timeline for reforms would provide businesses certainty. This timeline should also account for policy changes, such as the removal of the timeline for decommissioning BECS and its replacement with the NPP as well as areas where progress has been made, such as the passage of the PSRA. This might also assist the government to prioritise each area of reform such that legislation can be passed with ample time for regulators to have adequate resources to oversee businesses in the sector (such as developing updated portals for licensing or preparing new standards).

One FinTech Australia member strongly believes that new payments technology should be utilised to demystify the FX margin charged by banks and money transfer operators. This member considers that illustrating FX margins is particularly important because of the move away from fixed fee pricing by Australian banks towards FX margin being the only way in which fees are assessed for international payments. The committee may wish to consider making recommendations around this, given the Government's interest in illustrating FX margins to consumers.

Card based payment schemes and digital wallets

Fintechs are integral to the future of our payments industry. Whether it be as a service provider to traditional participants in payments, or as the new service providers themselves, payments are driven by technology. To deliver on this promise, it is essential that fintechs are able to provide access to products and services within the emerging regulatory field.

FinTech Australia recommends all participants who may be able to provide, or provide access to payment services must be considered in the deliberations regarding new licensing requirements, setting proposed caps on interchange fees, or considering scheme rules and standards. FinTech Australia commends the Government, RBA, Treasury, Productivity Commission, House Committee and others for taking a broad approach to consultation on these reforms as it ensures every voice is able to be part of the solution. Of course, guardrails will be set, however when doing so, the full range of PSPs should be taken into account.



Card schemes and digital wallets

As fintechs increase in their scale and importance within the payments ecosystem, it is increasingly necessary for them to have direct access to traditional payment rails. Whilst this has been considered as part of the design phase for structures such as the NPP, the governing frameworks, such as scheme rules and fees are, in many cases, not designed for non-traditional players. As new standards are developed for new payments regulatory functions, FinTech Australia strongly recommends that subject to appropriate safeguards, where possible, scheme rules should encourage broad participation.

Digital payments unlock a range of potential new features for consumers, including improved choice and value. The growth of digital payments encourages greater business competition and innovation, leading to the creation of more tailored products for consumers. However, competition in the sector is currently at risk due to the limited number of competing mobile device manufacturers and operating system developers. The limited range of hardware and software solutions play a critical role as the overarching infrastructure for mobile payments. In turn, there is a risk that a lack of competition in these sectors will reduce consumer choice and business innovation, as well as increase costs for domestic innovators and start-ups.

To address this the Government should take the following steps to protect competition and innovation in the sub-sector and ultimately improve consumer and small business outcomes:

1. Ensure device manufacturers provide fair, reasonable and non-discriminatory access to Near Field Communication functionality for competing wallet providers;
2. Prevent manufacturers from placing restrictions on how payments can be processed;
3. Introduce regulation over the terms and pricing practices of major payment and checkout platforms;
4. Require fair and transparent collection of consumer data in a balanced manner that does not impact competition;

Scams and debanking

FinTech Australia and its members support the need to take meaningful, preventative action to address the significant impacts that scams have on the Australian community and economy. FinTech Australia's members acknowledge the real risk of scams and are deeply committed to detecting, remediating and preventing scams. We also highlight the leading contributions many fintechs have made in detecting and disrupting scam activities, further supporting the effectiveness of these efforts. Many members already allocate significant resources for these purposes and some are at the forefront of developing the technology to detect and prevent scams.



Yet against this backdrop, debanking remains an issue for many fintechs, particularly remitters and those in the digital asset space. While access to banking services is ultimately a commercial decision, it is in practice a prerequisite to participation in the payments system. It is therefore critical that measures implemented to ensure greater consumer protection, such as adoption of the scams prevention framework, allow a nuanced approach to assessing the risks of certain businesses and activities and the extent to which they actually lessen consumer protection. If not, there will be reduced competition in the payments landscape. Adopting a nuanced approach to risk assessment will also enable the ecosystem to better identify bad actors as it will not tarnish sectors of the economy with the same brush.

From a practical perspective, FinTech Australia suggests that the evolving regulatory framework may be leveraged to assist in preventing debanking. As businesses are required to be licensed and comply with standards, those who are able to comply will be automatically differentiated from those who are unable to do so. The risk is clearly higher with the latter.

Interchange

In principle, FinTech Australia supports initiatives to reduce interchange fees as part of a broader effort to reduce merchant service fees. However, we also acknowledge there is potential for this to have a detrimental impact on small issuers who represent only a small fraction of the issuing market. Given the significant value added to the market by small issuers, especially in driving innovation, we set out below a proposal for a small issuer exemption from the proposed interchange reductions.

FinTech Australia supports the RBA's objectives under the PSRA – to promote efficiency, competition, financial safety, and to minimise systemic risk. However, many fintechs are concerned that proposals to reduce domestic credit and debit card interchange fees may unintentionally compromise these objectives. Such changes risk limiting merchant and consumer choice, dampening innovation, and ultimately affecting outcomes at the checkout for consumers and merchants alike. Over time, these impacts may also weaken the overall resilience of the payments system by concentrating issuing activity within a smaller number of large institutions. A more concentrated issuing market reduces competitive tension, limits diversity of business models and may increase systemic exposure should a small number of institutions dominate core payment functions.

Our joint submission in response to the RBA's review of Merchant Card Payments and Interchange identified the following key risks arising from the proposed reduction in interchange caps:

- **Reduced competition and innovation:** Smaller issuers, including innovative fintechs, are disproportionately reliant on interchange revenues and have limited capacity to cross-subsidise losses. Without a viable interchange framework, new entrants may be



deterred, and existing small issuers may be forced to exit the market or adjust their products. This would entrench the dominance of larger incumbents, diminish competitive tension and remove a key driver of innovation.

- **Barriers to entry and investment:** Interchange revenues are critical for offsetting the fixed costs of entry, including compliance, fraud prevention, and technology development. Lower caps risk creating insurmountable barriers for new entrants, stifling innovation and reducing product diversity.
- **System resilience and security:** Sustained investment in cybersecurity, fraud prevention, and operational resilience requires a stable revenue base. A sharp reduction in interchange would constrain the ability of smaller issuers to make these investments at a time when threats are escalating.

To address these concerns, we proposed:

- **allowing smaller issuers to remain subject to the existing interchange caps** rather than the reduced levels proposed. This is intended to maintain competitive pressure in the issuing market, ensuring that new entrants and fintechs can continue to drive innovation and improve consumer outcomes. We consider this to be consistent with international practice, where many regulators in comparable jurisdictions, such as the UK have taken this approach;
- **extending the transition period for surcharging reforms** by 12 months to ease the impact on small merchants;
- **introducing more targeted transparency on scheme fees and acquirer pricing** to ensure that competition is not eroded further upstream; and
- **the RBA undertake a competition assessment** prior to finalising reforms, particularly given the expansion of its jurisdiction by the Treasury Laws Amendment (Payments System Modernisation) Act 2025.

Taken together, our recommendations aim to ensure that the Card Payment Reforms are firmly anchored in the statutory objectives of the PSRA. By supporting small issuers, enhancing transparency, and safeguarding competition, Australia's payments system can continue to serve the public interest in a manner that is efficient, secure, and innovation-friendly.

New and emerging payment technologies

Payments modernisation

As recognised in the Farrell Review of the Australian Payments System (Payments System Review), the emergence of innovative payment service providers (PSPs) and fintechs has also exposed the limitations of a payments regulatory framework designed for a different time.



FinTech Australia strongly supports the overarching objective of streamlining and modernising licensing and other regulation of payment service providers and providing a clearer regulatory pathway for participants across the payments ecosystem. The focus on targeting risk and tiering obligations is key to ensuring that the payments regulation creates a level playing field across the fintechs, traditional financial service providers and other technology service providers.

This is only possible if a holistic perspective is taken across:

- the businesses and services which touch on payments innovation;
- each piece of legislation to be introduced; and
- across the suite of payments regulation.

Each of these is considered in turn.

Business services

Every fintech, whether it is a wealthtech, insurtech, lender, digital currency exchange or open banking intermediary is linked to the payments system. As the ambit of our payments licences expands, every fintech company is engaging with how their business fits within these new frameworks. Failure to take such an approach, particularly with far reaching legislative proposals, may result in unintentionally capturing activities and businesses, risking imposing barriers to entry without increasing safety for consumers.

Proposed draft legislation

Further, when proposing new regulatory frameworks, FinTech Australia requests that draft legislation be proposed in a manner which assists businesses to assess the impact as a whole. In particular, FinTech Australia requests that the draft legislation for the proposed Payments Modernisation under Tranche 1A and Tranche 1B be released together for further consultation. Whilst FinTech Australia recognises the need to establish the definitions, it is difficult to evaluate the full implications of these provisions in isolation, particularly in the absence of relevant exemptions. The reforms are highly interdependent, with key elements such as licensing, safeguarding and unclaimed money frameworks spread across both aspects.

Further, FinTech Australia requests that any intended exemptions be clearly stated in the legislation and not just in explanatory materials. For example, members interpret Tranche 1a (and, in particular, the guidance in the draft explanatory materials) to suggest that stablecoin token is not a financial product, but rather the stored value facility is the financial product. Members welcome the clarity of this approach, but consider that an express exemption or explanation to this effect is required within the legislation itself – both under payments and digital asset frameworks - particularly in light of the seemingly different approach ASIC has taken in its approach to stablecoins in INFO Sheet 225.

Across different current and proposed legislation



When assessing legislative reform, FinTech Australia recommends considering regulation across the payments landscape to prevent double ups and provide clarity as to the intersection between existing and novel obligations which arise from the expansion of our financial services regulatory framework. For example, as identified in our Tranche 1A Submission, there is a potential overlap where an issuer of a stored value facility may also be a provider of a payment facilitation service. This results in a potential overlap between the newly proposed products with existing financial products which regulate the same activity.

Digital assets

We are currently at a pivotal time for the adoption of digital assets. There is a global opportunity and if Australia moves too slowly to grasp it, significant economic benefits will be foregone. Whether as new forms of property or as infrastructure for payment, settlement and asset tokenisation, the intersection with traditional financial systems is increasingly important. Efforts, such as the RBA and Digital Finance Cooperative Research Centre's Project Acacia reflect significant efforts exploring the potential for asset tokenisation for a variety of reasons, including its potential to increase efficiency and reduce risk in the issuance, trading, clearing, settlement and servicing of assets.

Across novel and traditional use cases, the players in the ecosystem are increasingly sophisticated and offer products and services that help consumers and institutions interact in a decentralised world. These trends are global and jurisdictions around the world, such as the United States, Europe and the United Kingdom are introducing regulatory frameworks for these businesses which provide certainty and safety for all actors in this space.

FinTech Australia commends the Government and Treasury's efforts to introduce new legislation for digital asset platforms and tokenised custody platforms. Including them as new financial products and developing a tailored regulatory framework for each provides regulatory clarity to assist businesses to bring innovative products to market.

In relation to the specific legislation, FinTech Australia members have engaged with the Exposure Draft proposed by Treasury in their submission. Key points raised relate to the complexity of the drafting, the need to ensure that operational parts of the law, particularly exemptions, are in the legislation and not just the explanatory memorandum, and the importance of managing the interplay between the proposed DAP/TCP regime and the payment licensing reforms, for example, clarifying the extent to which there may be any intended regulatory overlap. This will particularly assist new entrants, i.e. start-ups and foreign DAP/TCP operators seeking to expand into Australia.



Whilst some of this has been taken into account in the revised Corporations Amendment (Digital Assets Framework) Bill 2025 (Cth) before Parliament, we have not yet had the opportunity to provide feedback on the revised bill.

Account to account payments

FinTech Australia members support measures to increase the availability of payment mechanisms. Account to account payments is essential for the next generation of payments. Whether it be enabling peer to peer transactions or agentic commerce, account to account is fundamental. FinTech Australia members have noted that adoption of these payments, particularly PayTo, has been far slower than expected. Members have identified that the following has contributed to this:

- issues around user experience;
- lack of adoption for business accounts and merchant accounts; and
- concerns regarding the potential for frictionless payments to contribute to fraud.

None of these is insurmountable but each requires careful consideration. To facilitate adoption of account to account payments FinTech Australia members suggest:

- as far as possible, permitting a range of service providers access to underlying infrastructure and make payments services more available;
- standards should be developed with an eye to the entire spectrum of payments, not just individual retail customers; and
- in the retail space, usability for consumers must be considered as key to the use of account-to-account payments more freely.

FinTech Australia members note that there is a balance to be found between facilitating frictionless payments and providing adequate safeguards against scams. In card schemes, these risks are mitigated through scheme rules, chargeback rights and established dispute frameworks. Equivalent consumer confidence mechanisms are still evolving in account-to-account payments. Instead, a more complex approach is required. This requires consideration of technological infrastructure (and systems such as Confirmation of Payee), payments legislation, and scams and fraud prevention frameworks. Many of these measures introduce friction prior to making a payment. Although this may appear contrary to the aim of account to account payments, it remains necessary for their future. The key will be introducing only as much friction as is necessary and at the right time to ensure we can take advantage of account to account payments.

New technology and new law – AI (and a note on CDR)

Artificial intelligence (**AI**) is having a sweeping impact across all aspects of our economy. Whether it be generative, causal or agentic in nature, AI is transformative. Its impact is being felt across



payments too. From purchasing decisions being made following AI prompts, to agentic commerce executing the transaction, and AI fraud detection mechanisms – payments are at the forefront of the AI evolution.

Like most financial services laws, Australia's payments laws are technology neutral, principles based and outcomes focussed. This means that we look through the technology to ascertain how it is being used and whether those activities fall within the regulatory ambit. FinTech Australia urges the Inquiry to retain this same principle when assessing whether new laws are required. This is the approach suggested by the Productivity Commission and should be followed. In particular, we recommend that:

- gap analyses should be completed before introducing new, technology-specific laws; and
- AI-specific regulation should be a last resort. Technology-neutral, principles-based approaches better encourage innovation and competition.

There is an underlying risk that agentic AI, payment initiation and the consumer data right's (CDR's) planned capacity for action-initiation might be governed by three separate regulatory frameworks. We consider that regulatory fragmentation at this early stage would risk hard-coding inefficiencies into the future digital payments architecture. The CDR's action-initiation potential gives it a unique advantage over alternative data collection mechanisms, with exciting potential for future agentic AI integration and other uses. To facilitate this, accreditation under the CDR and payments licensing regimes must be interoperable. If not, we will not be able to reap the full benefits of either regime.

Conclusion

FinTech Australia and its members thank the House Standing Committee on Economics for the opportunity to provide their views on innovation across the payments landscape. We greatly appreciate the myriad of ongoing efforts to engage with the sector and ensure that regulatory developments are able to foster a clearer framework suited for payments in the 21st Century and beyond.



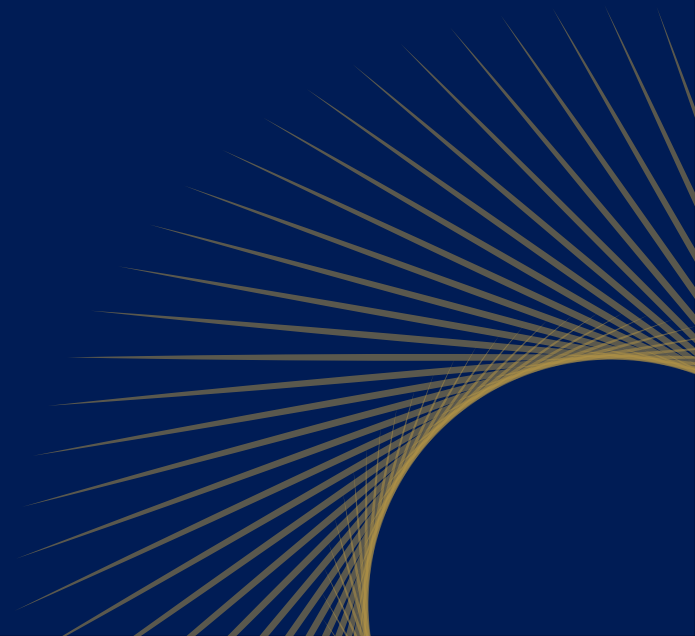
Annexure A – Mandala Report - Unit Economics,
Competition and Surcharging Analysis, *Prepared
for FinTech Australia, December 2024*



Unit Economics, Competition and Surcharging Analysis

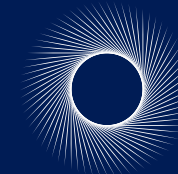
Prepared for FinTech Australia

DECEMBER 2024



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MANDALA

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Mandala is an economics research and advisory firm. Mandala specialises in combining cutting-edge data and advanced analytical techniques to generate new insights and fresh perspectives on the challenges facing businesses and governments.

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Note: All dollar figures are Australian dollars unless indicated otherwise.

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5. Appendix

Key points

- 1. Fintech PSPs operate with lower unit economics than acquirer-issuers. Restricting their pricing models could make their operations unsustainable.**
 - Smaller merchants bear a higher percentage of fixed payment processing costs, which are essential to maintaining a stable and secure payments system.
 - Large acquirer-issuers use merchant acquiring services to retain SMBs and generate indirect revenue through lending, transaction accounts and interchange.
- 2. Fintech PSPs have increased competition in the merchant acquiring market. If Fintech PSPs exit the market, merchants would lose access to a broad range of payment and payment-related services, and long-term MSF may rise.**
 - Merchant acquiring has the lowest market concentration in the payments value chain, resulting in greater transparency, improved quality, and better user experience.
 - The entry of new Fintech PSPs has reduced market concentration in PSP/acquiring, leading to a decline in average merchant service fees. This ultimately benefits consumers through lower prices and reduced surcharges.
 - 77% of merchants report satisfaction with their Fintech PSPs, compared to only 44% with acquirer-issuers (e.g., big banks).
 - If differentiated pricing becomes incentivised or mandated, some Fintech PSPs may face increased cost pressures, potentially leading to market exit.
 - With reduced competition in the market, average MSF may rise to pre-2016 levels (15-20bps higher than today), costing small businesses ~\$400M in additional payment processing fees.
- 3. Small and micro businesses are surcharging to help offset rising costs. There are viable payment alternatives to a surchargeban that are surcharge-free for consumers.**
 - Small businesses face broad-based cost increases, with approximately 50% operating at a loss.
 - A surcharge ban, whether debit-only or total, would disproportionately impact small businesses with turnovers between \$100K and \$1M.
 - A survey shows that 36% of small merchants surcharge on card transactions, with the highest adoption among those earning \$100K–\$250K annually.
 - In response to a total or debit card surcharge ban, merchants are most likely to raise prices or encourage customers to pay with cash.
 - Surcharge-free payment models provide an alternative to banning surcharges, potentially saving consumers up to \$500 million in fees.
- 4. Micro-merchants are reliant on PSPs with fixed pricing models for their payment processing needs.**
 - Approximately 300K small merchants are on simple pricing plans, with 68% of micro-merchants adopting fixed pricing.
 - ~80% of small merchants adopt fixed pricing because it is simple, easy to understand, and straightforward to compare.
- 5. LCR enablement is driving costs savings for merchants, even for those on simple plans.**
 - 70% of merchants have LCR enabled for in-store debit card transactions, with the highest enablement among those on fixed plans (95%).
 - Acquirers with the highest LCR enablement have started reducing simple plan rates, demonstrating that wholesale cost savings for PSPs are indeed being passed on to merchants.

Glossary – definitions of terms used throughout this document

Term	Definition in context of this document
Blended pricing	A pricing structure for payment processing services where certain transaction types are combined into a single price. For example, one price applies to all Visa and Mastercard transactions (including debit and credit), while a different rate applies to eftpos transactions.
Unblended pricing	Pricing structure for payment processing services where merchants pay different % rates for each transaction based on which payment method was used (synonymous with differentiated pricing).
Fixed pricing	Pricing structure for payment processing services where merchants pay a flat % per transaction across all networks, transactions, and card types.
Simple pricing	Synonymous with fixed pricing.
Differentiated pricing	Synonymous with differentiated pricing.
PSP	Payment Service Provider who provides any payments processing services to any customer type (merchant or Payfac).
Fintech PSP	New Fintech entrants to the payment facilitator market, generally used to describe non-bank providers of payments processing services, synonymous with Payfacs, often not an acquirer themselves.
Large Acquirer	Acquirer that primarily serves large merchants and Fintech PSPs with acquiring services.
Issuer-Acquirer	Acquirer that also is a significant card issuer – primarily referring to the big 4 Australian banks.
Payfac	Payments Facilitator, synonymous with Fintech PSP.
LCR	Refers to least-cost routing, a functionality that routes payments through the least expensive payments rail.

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1. Key points

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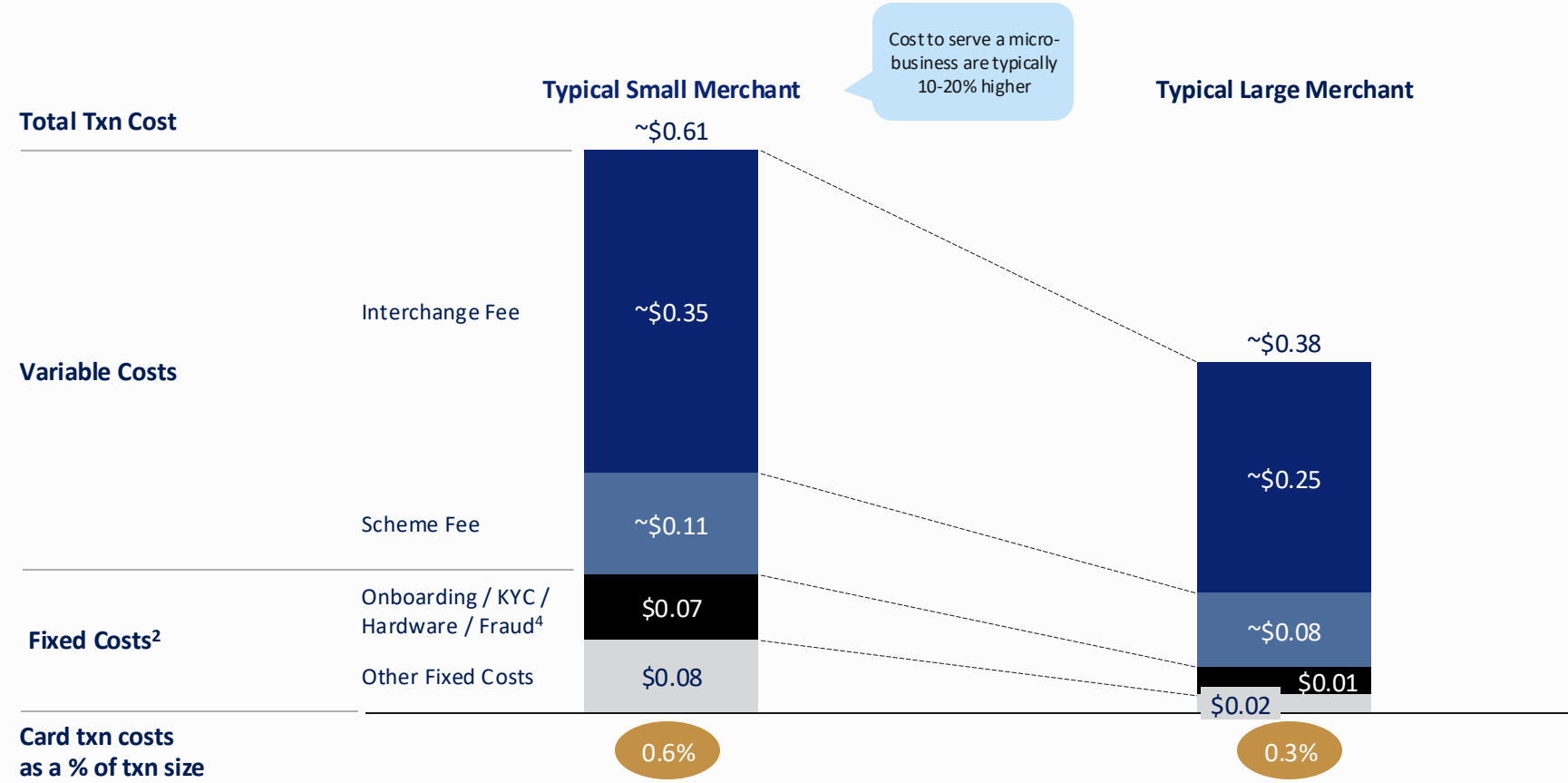
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Smaller merchants wear a larger % of fixed payment processing costs. These costs are an unavoidable part of ensuring a stable and secure payment system

Indicative numbers

Typical acquirer cost to serve small merchant vs. large merchant³

Typical merchant transaction costs¹, \$, 2024



Key findings

- Small merchants incur approximately **0.6%** of the total transaction value as direct transaction costs, compared to **0.3%** for large merchants.
- Fixed costs represent approximately **25%** of total transaction costs for small merchants, compared to approximately **15%** for large merchants and include **necessary components for providing a stable and secure payment system.**
- Core variable fees (interchange + scheme fees) are **~30%** cheaper for large merchants due to scale, allowing for significant negotiating power over fee structure.

Notes: 1) Assumes \$100 transaction, does not factor additional fees a PSP would incur including switching fees and operational costs associated with provision of broader services 2) Other Fixed Costs include other direct costs including marketing, customer support related costs 3) Margin of error of ~5% either way 4) Necessary payment components for secure payments system.

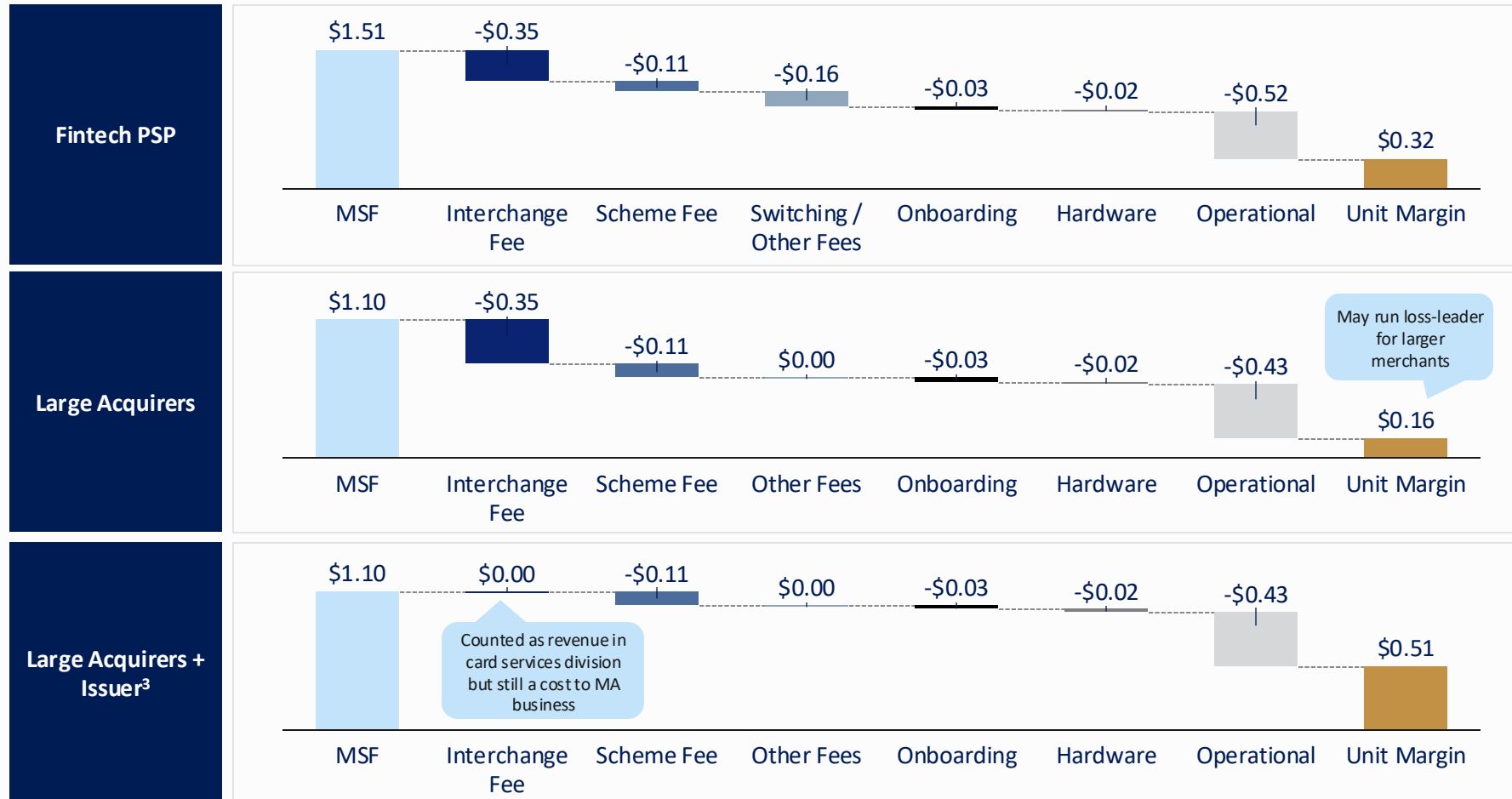
Source: Expert interviews, RBA

Large acquirers use merchant acquiring services to retain SMBs and drive indirect revenue (e.g. via lending, transaction accounts)

Indicative numbers

Transaction unit economics for Fintech PSPs vs. Large Acquirers when serving small merchants²

Typical small merchant card transaction¹, \$, 2024



- Fintech PSPs provide a higher level of service to merchants compared to large acquirers (e.g. 24/7 support, simplified onboarding) as well as additional business tools and resources, and this value is included in the MSF.

- Large acquirers can operate with smaller merchant acquiring margins (when not relying on issuing revenue) because these services allow them to generate larger revenue streams through lending and transaction account offerings.

- Large acquirers who are also issuers are able to cross-subsidise acquiring as they earn the interchange fee when a card they issue is used at a merchant utilising their acquiring services.

Notes: 1) Assumes \$100 transaction for a small merchant 2) Margin of error of ~5% either way. 3) For an 'On Us' transaction where the card is from the same bank as the merchant acquiring solution (e.g. CBA card, CBA terminal).

Source: Expert interviews, RBA

If differentiated pricing becomes incentivised, some Fintech PSPs may face increased cost pressures, potentially leading to market exit

Indicative numbers

Short-term impacts of RBA options on Fintech PSPs

The RBA is considering various adjustments to rules around surcharging in Australia, including:

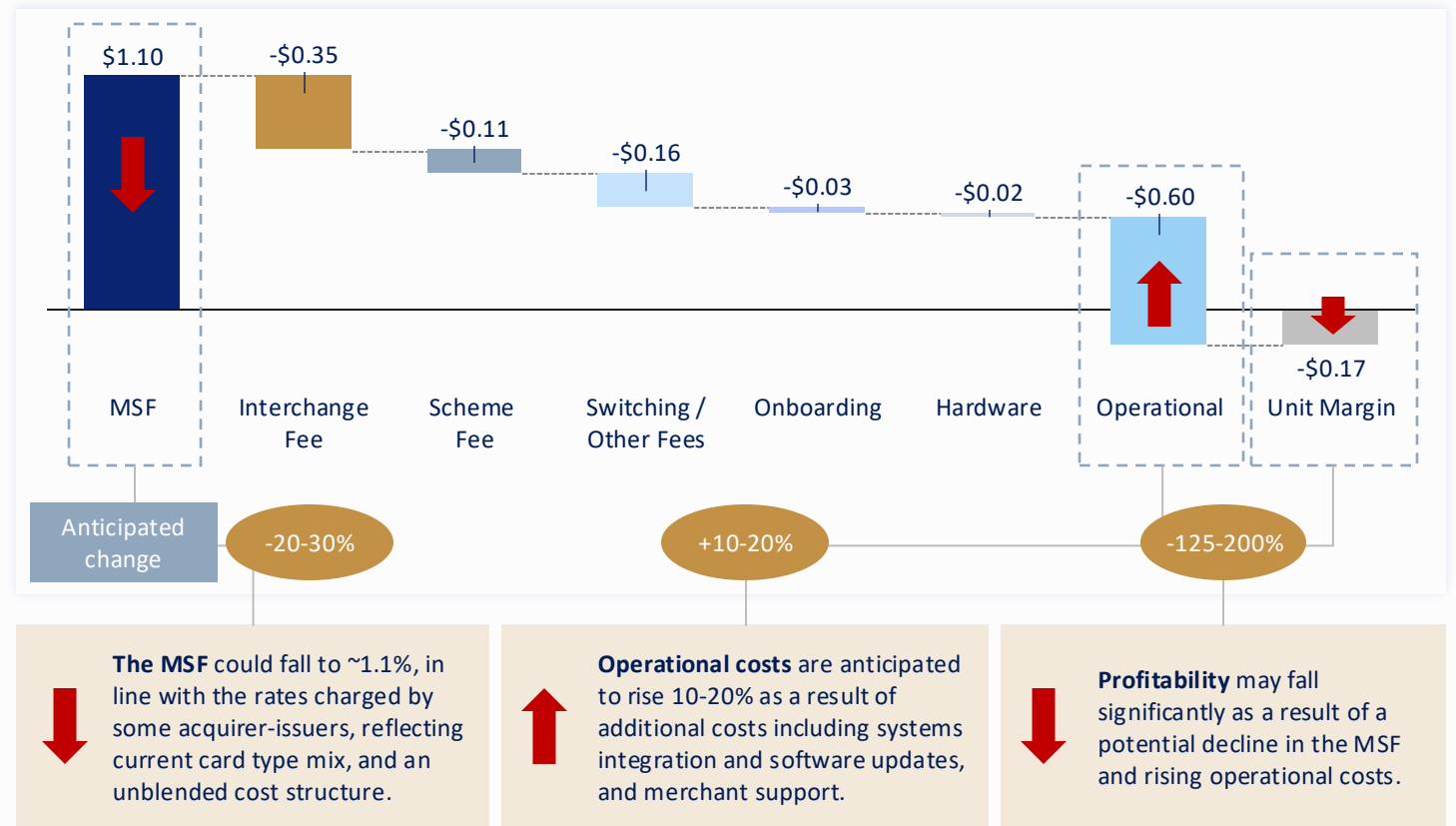
- 1) **Outright ban on surcharging**
- 2) **Ban on debit surcharging only**
- 3) **Mandating 'differentiated' pricing (unblended)**

Under any of the above options, **fixed or simple pricing models may become less competitively viable**, as cost-sensitive merchants (no longer able to surcharge some or all transactions) will look to switch to other providers that offer **differentiated pricing and basic services**.

In the short term, this may create **downward pressure on average MSF** in the market (which has already been falling), and may cause **some Fintech PSPs to become unprofitable, and exit the market**.

Fintech PSP unit economics if differentiated pricing is incentivised

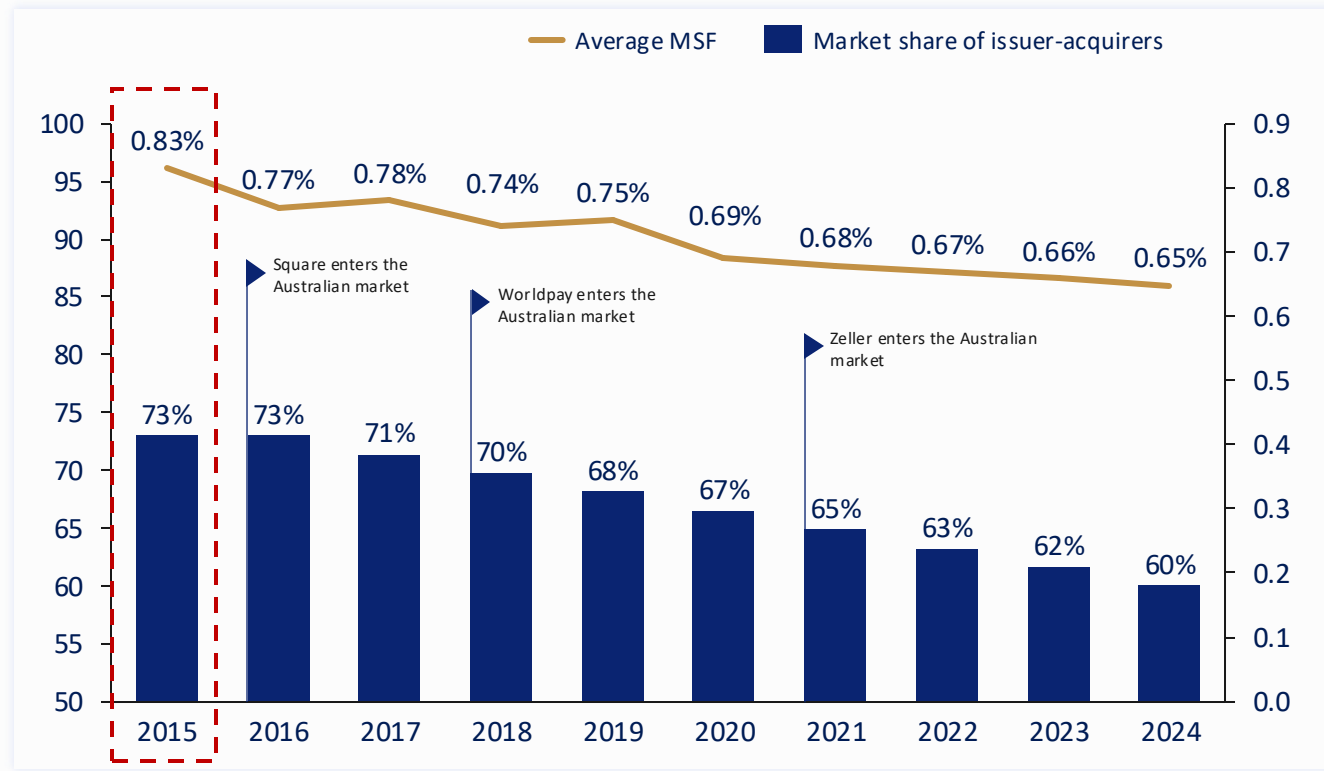
Typical small merchant card transaction¹, \$, 2024



Notes: 1) Assumes \$100 transaction for a small merchant.
Source: Expert interviews

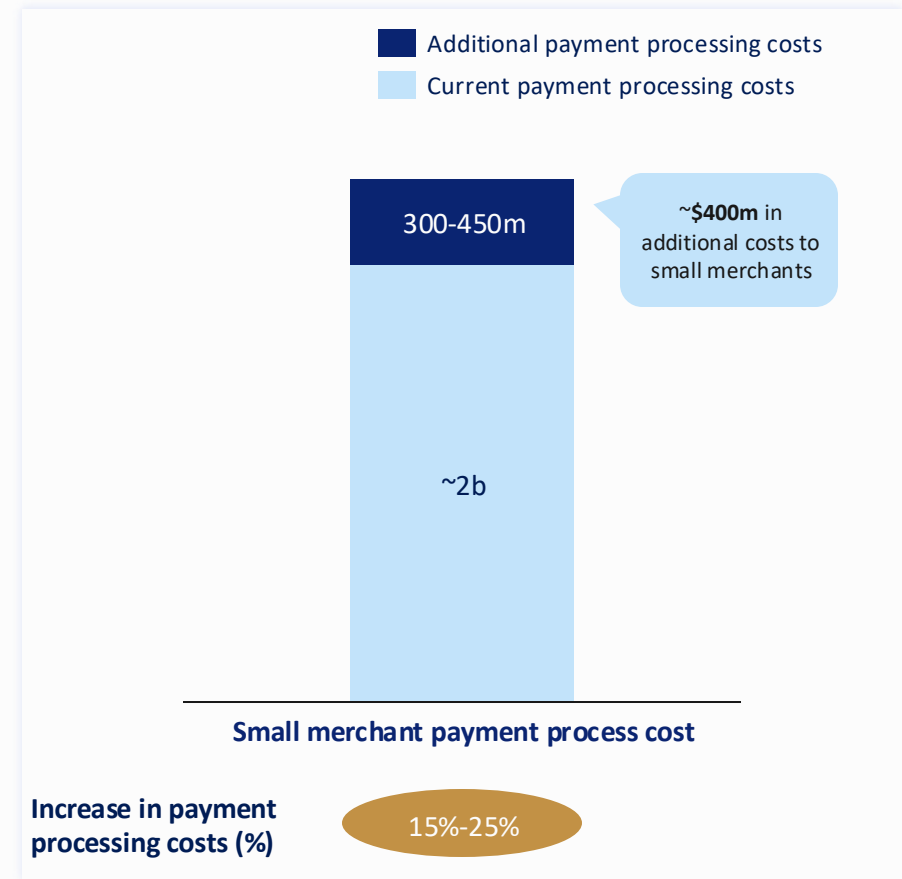
If Fintech PSPs exit the market, small merchants could face ~\$400M in additional payment processing costs as issuer-acquirers regain market share

Changing market conditions as newer Fintech PSPs enter market



Should Fintech PSPs exit the market, and issuer-acquirer share returns to 2015 levels, it is possible that average MSF may return to 2015 levels (15-20bps higher).

Small merchant cost impact under 2015 market conditions¹





Notes: 1) Small merchants represent those <1m, payment processing costs calculated as total value of transactions for businesses under 1m multiplied by the average txn cost.
Source: RBA (2017); AFR (2024); Mandala analysis

If Fintech PSPs exit, merchants would lose access to a wide range of payment and payment-related services

Fintech PSPs provide services that generally aren't provided by issuer-acquirers

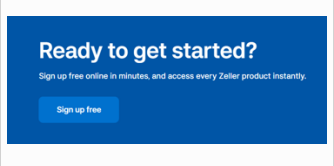
Non-exhaustive list of payment and payment-related services generally offered by Fintech PSPs and issuer-acquirers

Payment and payment-related service offerings		Fintech PSP	Acquirers
Payment services 	Low, fixed cost payment model	✓	✓
	Flexible pricing model options	✓	✓
	Master merchant aggregation	✓	✗
	Cross-channel payment solutions	✓	✓
	Comprehensive payment method acceptance	✓	✓
	One-click checkout, and card-on-file services	✓	✗
Payment-related and customer services 	Customer support 7 days a week	✓	✓
	Instant, free digital onboarding and account setup	✓	✗
	Software-based acceptance (e.g., mobile ePOS)	✓	✗
	Digital invoice generation and delivery	✓	✗
	Streamlined refund and dispute handling	✓	✓
	Business analytics and reporting dashboard	✓	✓
	Digital servicing	✓	✗
	Customer insights, analytics and reporting	✓	✗
	Merchant loyalty and rewards program management	✓	✗
	Business software integration capabilities	✓	✗

Source: Expert interviews; Mandala analysis

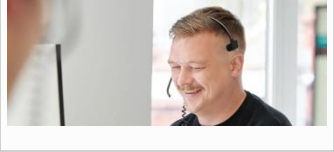
Zeller provides services that specifically support small businesses

Zeller case study




Zeller accounts take about **5 minutes to set up**

Issuer-acquirer accounts can take weeks to set up




Zeller **average service wait time is less than a minute**

Issuer-acquirer average service wait time is about 90 minutes




Zeller **provides an integrated dashboard** with item-level reports

This provides businesses with insights that support growth



Zeller's **app allows merchants to take payments and manage their businesses remotely**

This allows businesses flexibility and security in their payments and business management



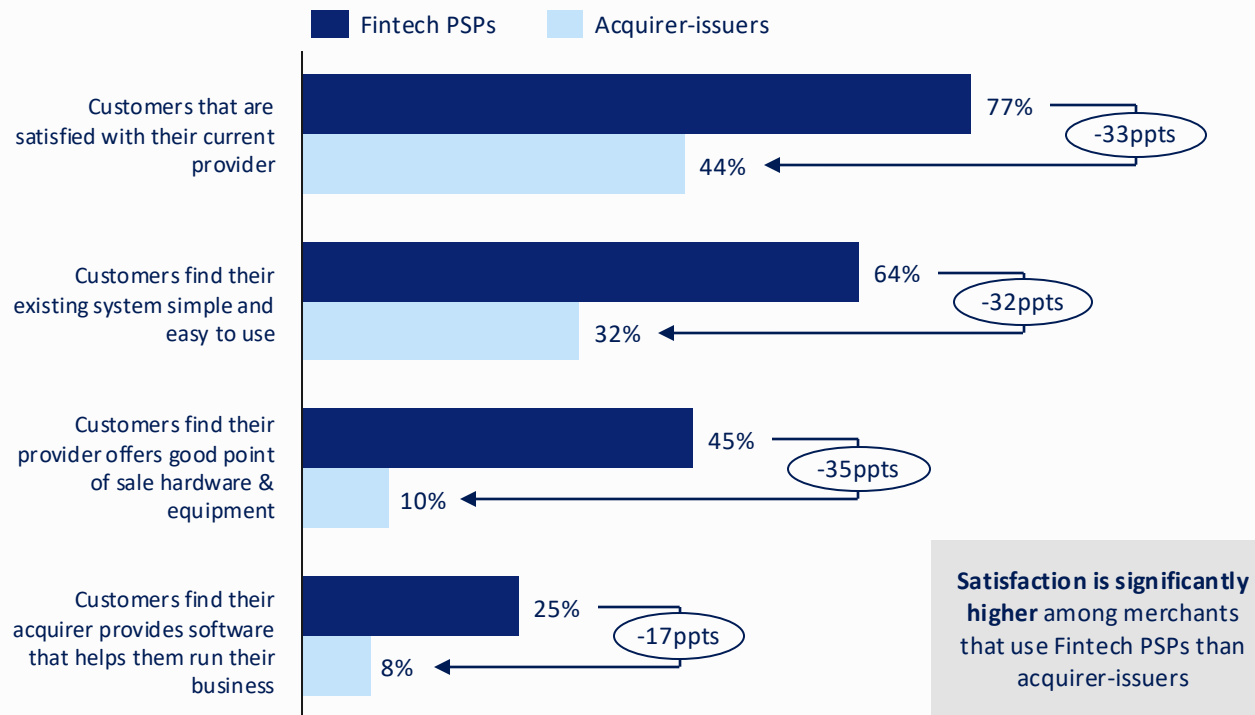
Part of Zeller's value proposition is fast and simplified onboarding, leading user experience and a simple pricing structure for merchants and their customers.

Source: Expert interviews; Mandala analysis

Merchants are far more satisfied with Fintech PSPs than alternative acquirer-issuers, and they save thousands each year using Fintech PSP bundled POS software

Fintech PSP offerings are more likely to retain merchants

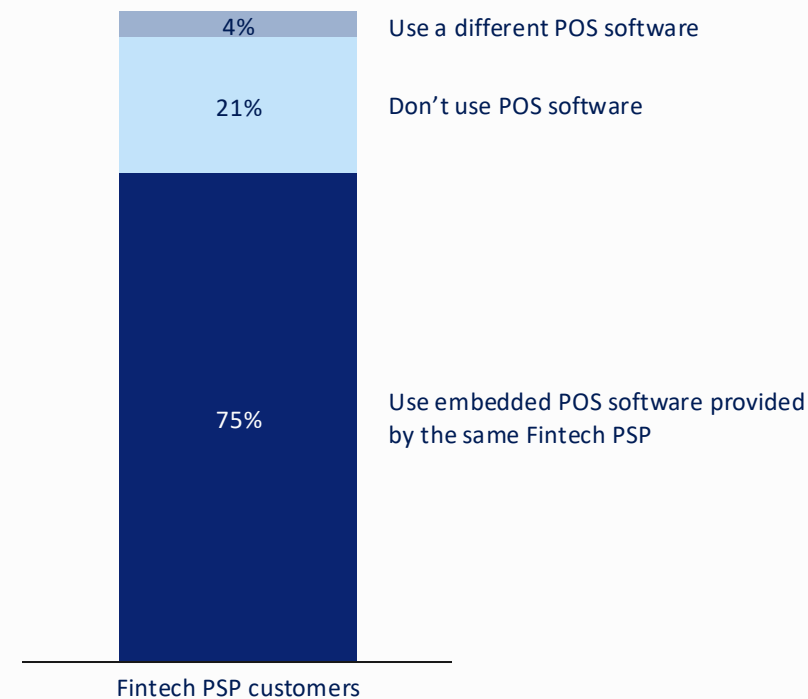
Why have you not bothered to look at other card acceptance providers?



Fintech PSP customers report high satisfaction and place significantly greater value on key offerings such as simplicity, hardware, and software compared to customers of acquirer-issuers.

Merchants overwhelmingly use Fintech PSPs' embedded POS software

What point of sale software does your business use?

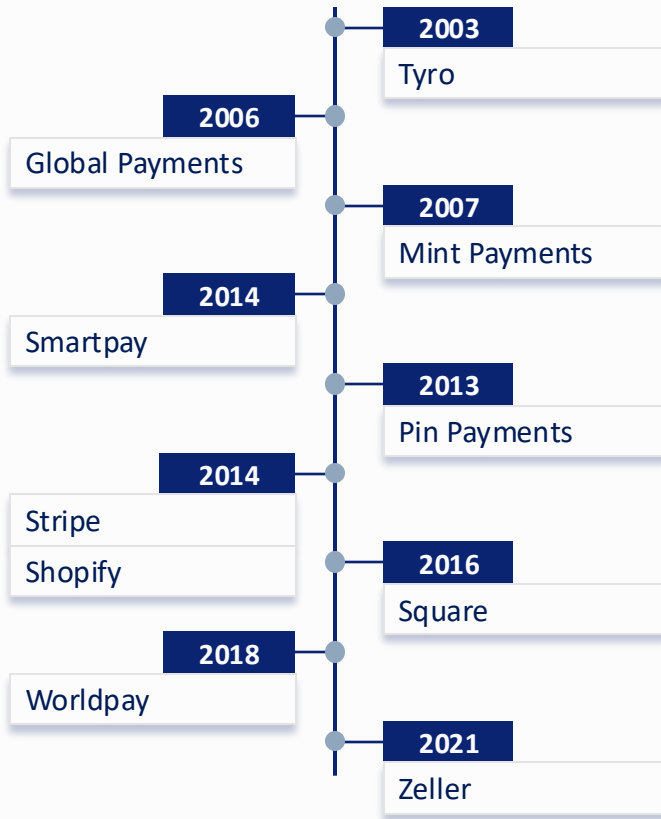


Fintech PSP customers overwhelmingly use the embedded software provided by their PSP, further indicating a high level of satisfaction with their service.

Fintech PSPs have increased competition and driven down acquiring fees, benefiting consumers through lower prices on products and reduced surcharges

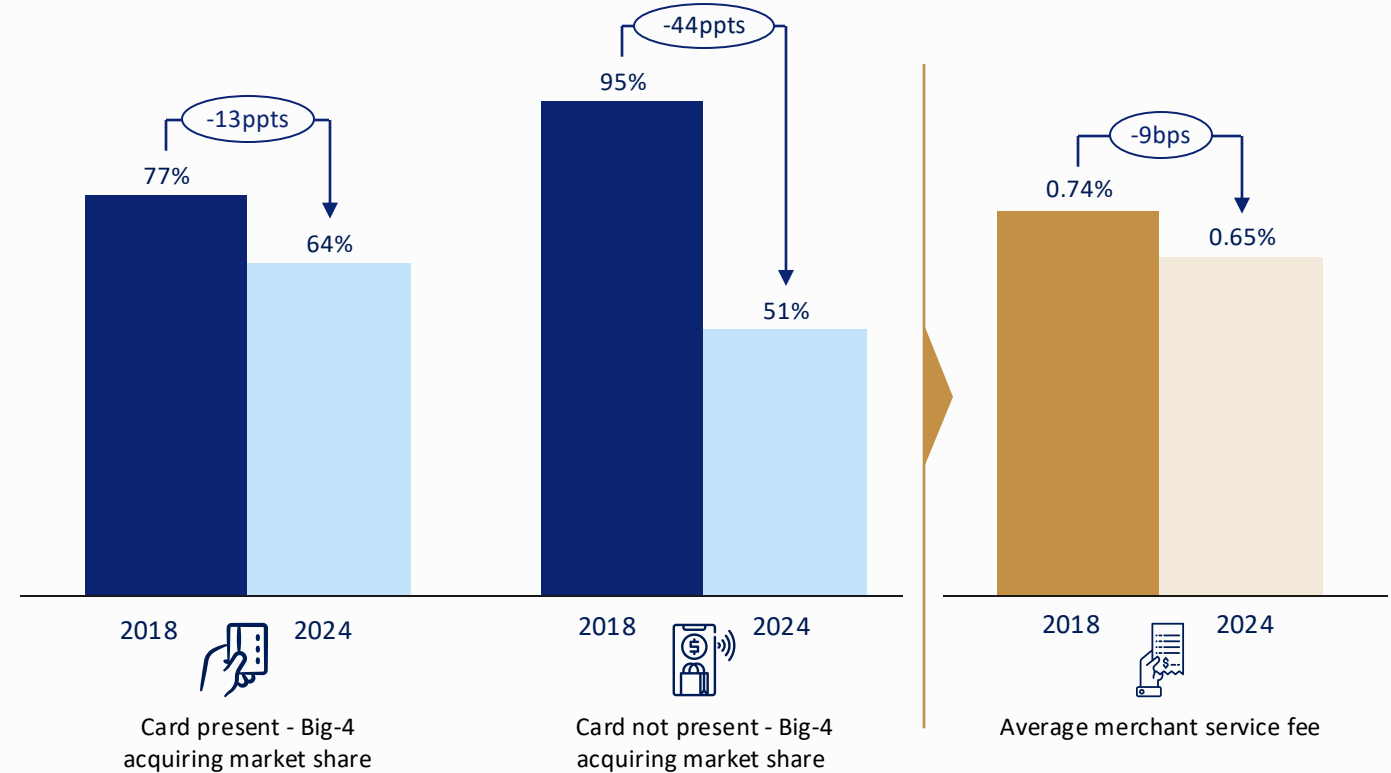
New entrants to the acquiring and PSP market

Timeline of market entry of acquirers and fintech PSPs, Australia, 2003-2023



As market concentration in PSP/acquiring has declined, so too have average merchant service fees






Market share of major banks in the acquiring market compared with average merchant service fees, 2018-2024



Consumers benefit from reduced merchant service fees either through lower prices on goods and services and reduced surcharges.

Overall, merchant acquiring has the lowest market concentration in the payments value chain, leading to higher levels of transparency, quality and user experience

Overview of current performance in Australia’s payments system

Segment	Market concentration, % of segment ¹⁻⁵	Incumbents	Market and consumer outcomes
Card issuing 	% of credit cards issued: 71% % of debit cards issued: 74%	Big 4 banks	Higher fees and lower rewards for consumers. ⁶
Consumer credit 	% number of transactions: 91%	Big 4 banks BNPL	High innovation in convenience and lower costs to consumers. ⁷
Digital wallets 	% mobile device POS transactions: 99%	Apple Pay, Google Pay	High prices, especially for in app and tap device payments. Constrained innovation through lack of openness. ⁸
Card schemes 	% of credit card transactions: 91% % of debit card transactions: 60% % of total transaction: 67%	Mastercard, Visa	Mastercard and Visa scheme fees for debit and credit cards have increased. ⁹
Merchant acquiring 	% card present transactions: 64% % card not present transactions: 51%	Big 4 banks	Merchants have more transparent costs, higher quality and a better user experience thanks to new entrants. ¹⁰

Sources: 1) 93% of household credit card loans are held by the big 4 banks. APRA (2023), 2) 3% of payments made through consumer credit options are through BNPL, while credit cards have 97%. RBA (2023), IBIS (2022), 3) 99% of mobile device POS transactions are facilitated by Apple/Google. APH (2021), 4) 90.6% of credit and charge card purchases are made with Mastercard and Visa. RBA (2024), 5) Source: The Initiatives Group (2024), 6) The Australian (2024), 7) The Treasury (2022), 8) ACCC (2021), 9) RBA (2024), 10) Results from Survey of fintech PSPs.

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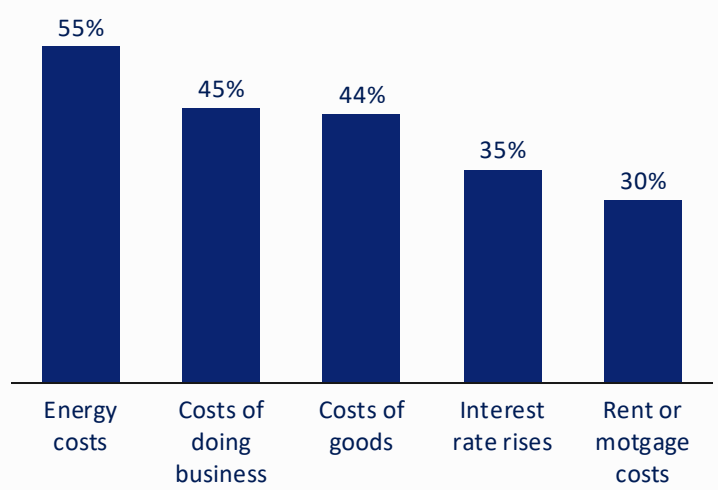
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Small businesses are experiencing broad-based cost increases, resulting in approximately 50% operating at a loss

Factors impacting small businesses' financial situation

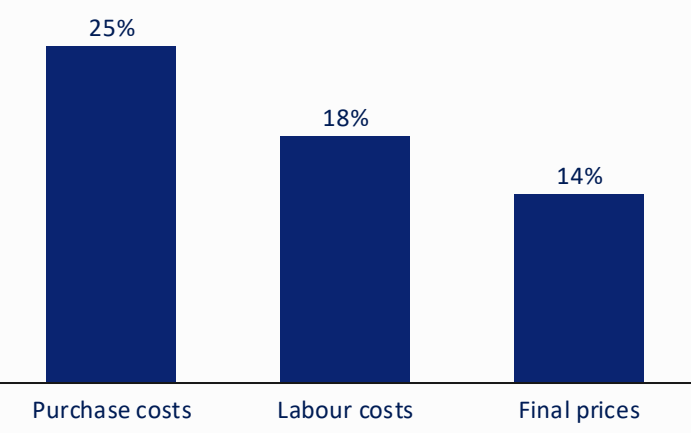
Small businesses facing each type of cost pressure, %, 2024; Cost pressures and final prices, % increase, 2020-2024; Small businesses facing negative margins, %, 2020 and 2024

Cost increases are broad-based...



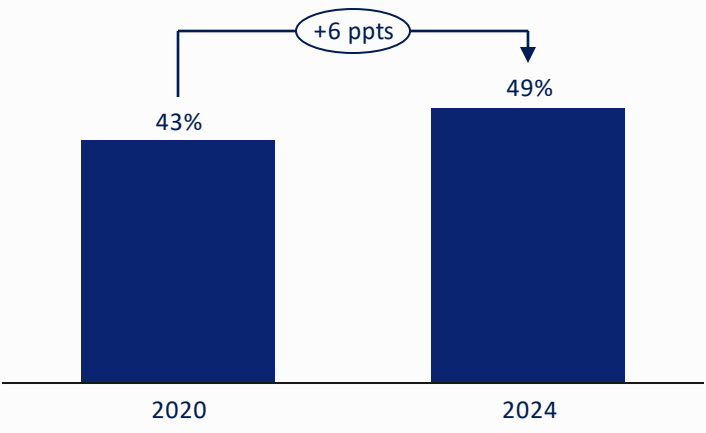
Cost increases are broad-based, driven by rising international energy prices, higher input costs, increasing interest rates, and rising property prices and rents.

...and rising faster than final prices...



Since 2020, the cost of goods for small businesses has risen by 25%, and labour costs have increased by 18%, while their prices have only increased by 14%.

...leading 49% of small businesses to make a loss



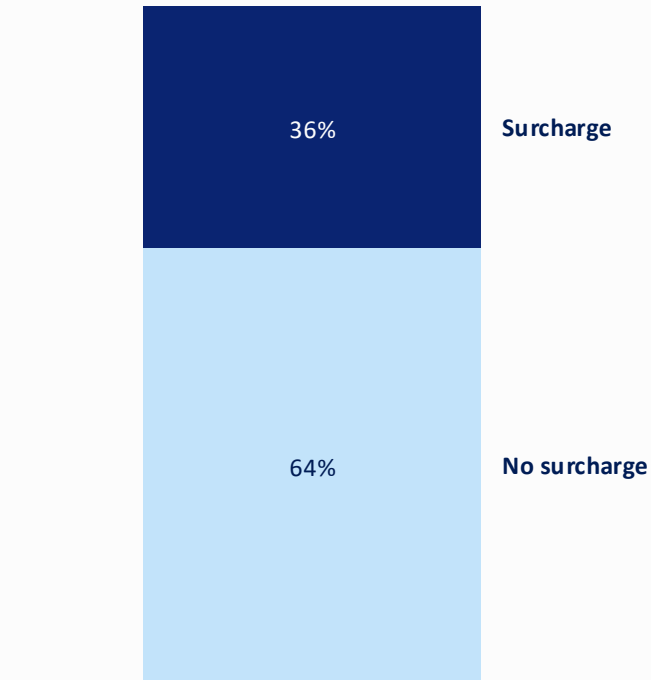
The broad-based nature of cost pressures, and the extent to which costs are rising faster than prices, has led to a 6 ppt increase in the share of small businesses making a loss since 2020.

Source: Council of Small Business Organisations of Australia (2024), Council of Small Business Organisations (2024), Export Finance Australia (2024), NAB (2024); Mandala analysis.

36% of small merchants surcharge on card transactions, with the highest prevalence among market stalls and those with a revenue range of \$100K - \$250K

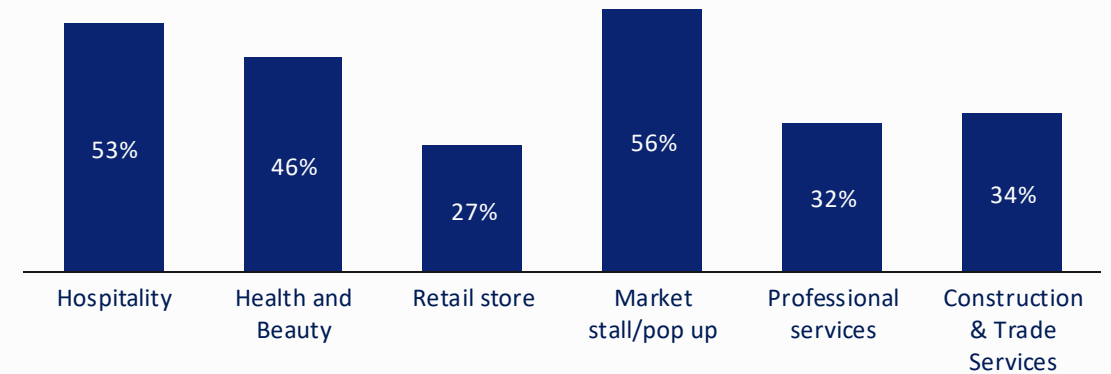
Prevalence of surcharging amongst small merchants¹

%, 2024



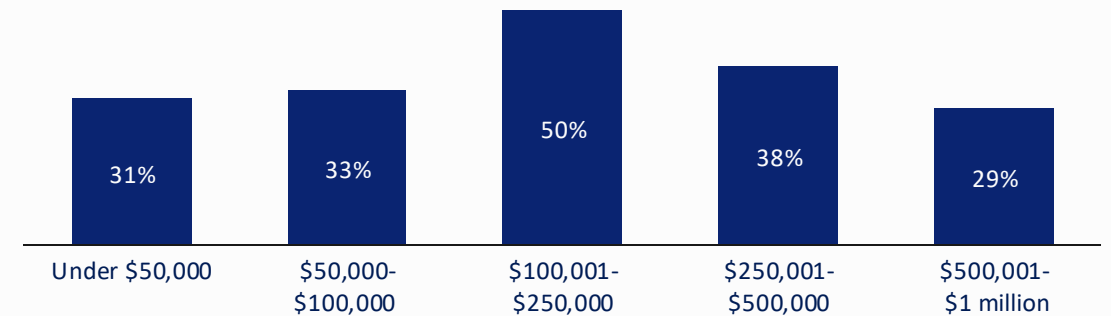
Prevalence of surcharging by industry

%, 2024



Prevalence of surcharging by merchant turnover per year

%, 2024



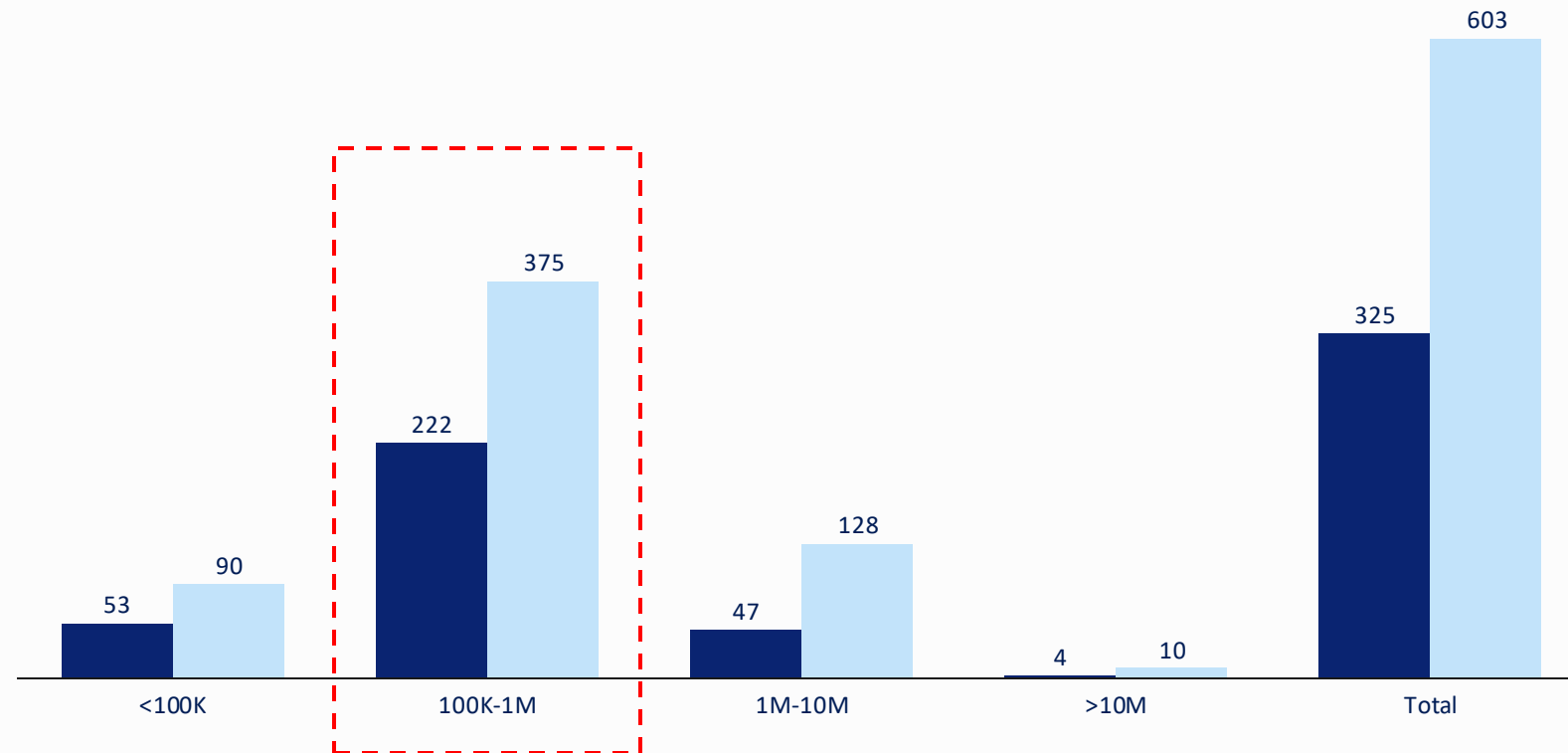
Notes: 1) Small merchants are defined as those with a turnover of less than \$1,000,000 per year. Source: Results from survey of Fintech PSP customers (n = 402); Mandala analysis

A surcharge ban, whether debit-only or total, would disproportionately impact small businesses with turnovers between \$100K and \$1M

Payment costs saved due to surcharging by merchant size¹

\$M, 2024²

■ Debit surcharge ■ Total surcharge (Debit + Credit)



Key findings:

- Small businesses with card transaction turnovers between \$100K and \$1M recoup \$222M in costs by surcharging debit card transactions and \$375M by surcharging all transactions.
- If surcharging is prohibited, small merchants who surcharge in this turnover range (\$100K to \$1M) would need to absorb \$1,900 in debit card fees and \$3,100 in total card fees (debit + credit) per year.

Notes: 1) Merchant size is defined by card transaction turnover. 2) 2024 represents data from Sept 2023 - Sept 2024.
Sources: RBA, Desktop Research, Expert Interviews

In response to a total surcharge ban, 44% of small merchants would increase prices

A survey of merchants found that:

- 44% would increase prices to cover the lost surcharge.
- 43% would steer customers to pay by cash.
- 27% would do nothing.
- 16% would stop accepting card payments.

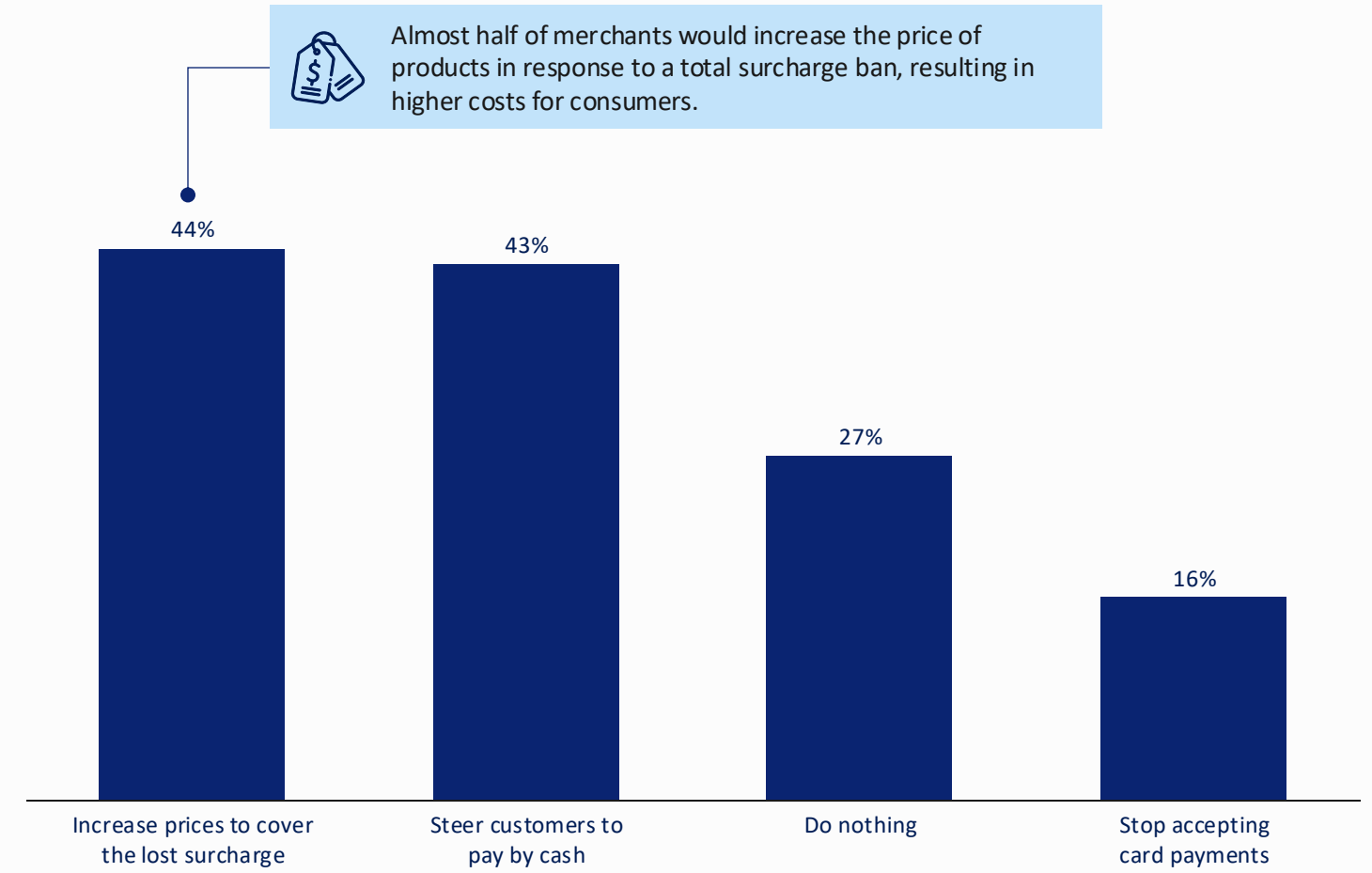
Merchants that raise prices are likely to increase them by more than the surcharge cost, as small businesses tend to adjust prices in fixed monetary increments rather than precise percentage changes.¹ For instance, a \$5 coffee is more likely to increase to \$5.25 instead of \$5.06 to account for a 1.1% surcharge.

Also, steering customers toward cash payments introduces additional costs for merchants, including cash handling and reconciliation expenses. Accepting more cash will lead to higher costs for merchants, as the average cost of cash acceptance is 3.9% of the transaction value, compared to 1.5% for card payments for small merchants.^{2,3}

Source: 1) Şen, A. (2012). A Comparison of Fixed and Dynamic Pricing Policies in Revenue Management. SSRN. 2) Boston Consulting Group (2024). 3) RBA (2024).

Merchant response to a potential total surcharge ban⁴

%, 2024



Notes: 4) Totals do not add to 100% as merchants can choose multiple responses. Source: Results from survey of Fintech PSP customers (n = 121); Mandala analysis.

In response to a debit surcharge ban, 31% of small merchants would increase prices

The primary responses from merchants to a potential debit card surcharge ban are:

1. Increase prices:

- 31% of respondents indicated that they would raise prices in response to a debit card surcharge ban, compared to 44% for a total card surcharge ban.
- The smaller proportion of merchants planning price increases for a debit card surcharge ban is largely due to their ability to continue applying surcharges to credit card transactions.

2. Encourage cash payments

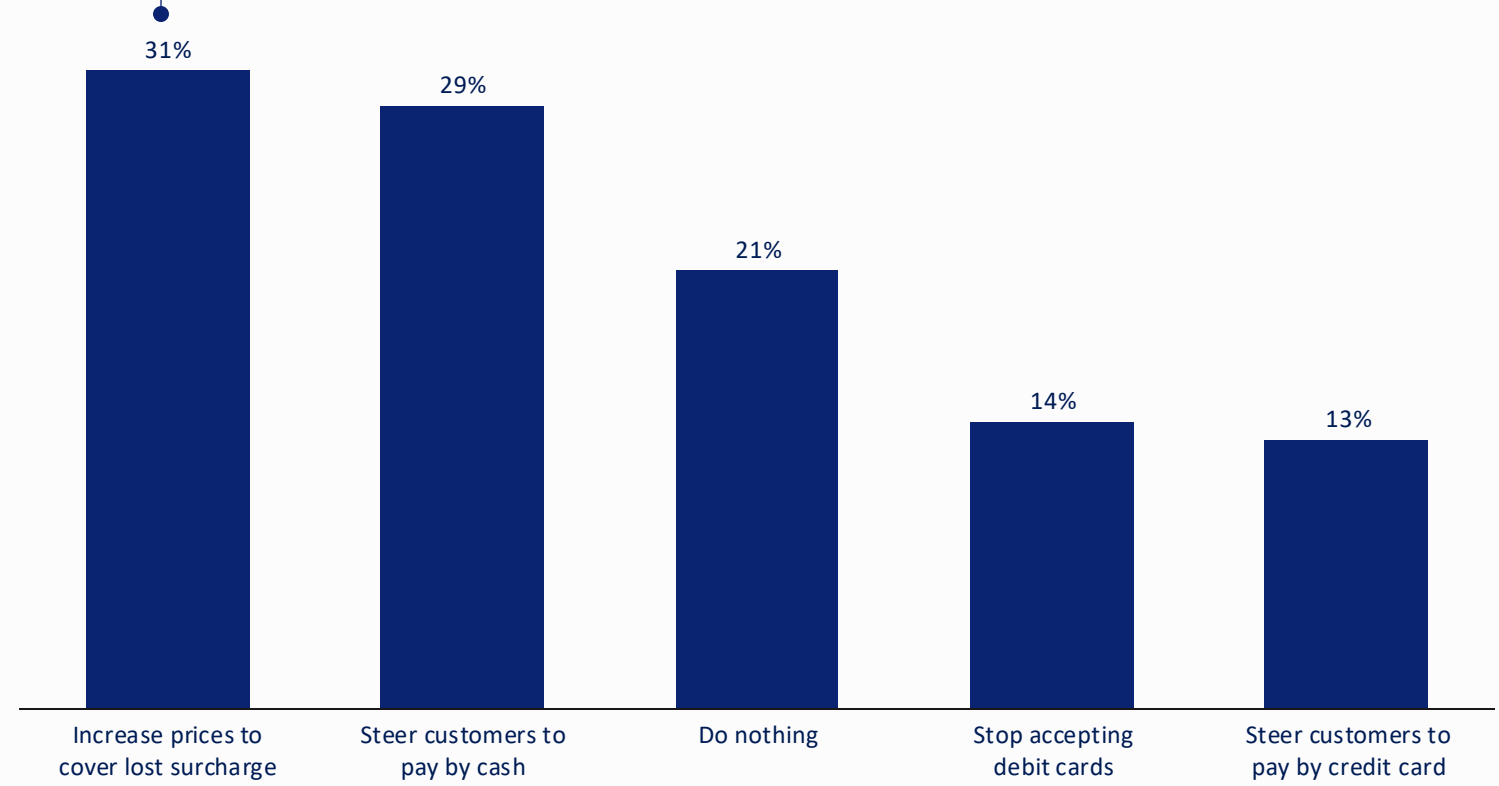
- 29% of respondents reported they would steer customers toward cash payments in response to a debit card surcharge ban, compared to 43% for a total card surcharge ban. As mentioned in the previous slide, accepting more cash will lead to higher costs for merchants, as the average cost of cash acceptance is 3.9% of the transaction value, compared to 1.5% for card payments for small merchants.^{2,3}

Source: 1) Boston Consulting Group (2024). 2) RBA (2024)

Merchant response to a potential debit card surcharge ban¹

%, 2024

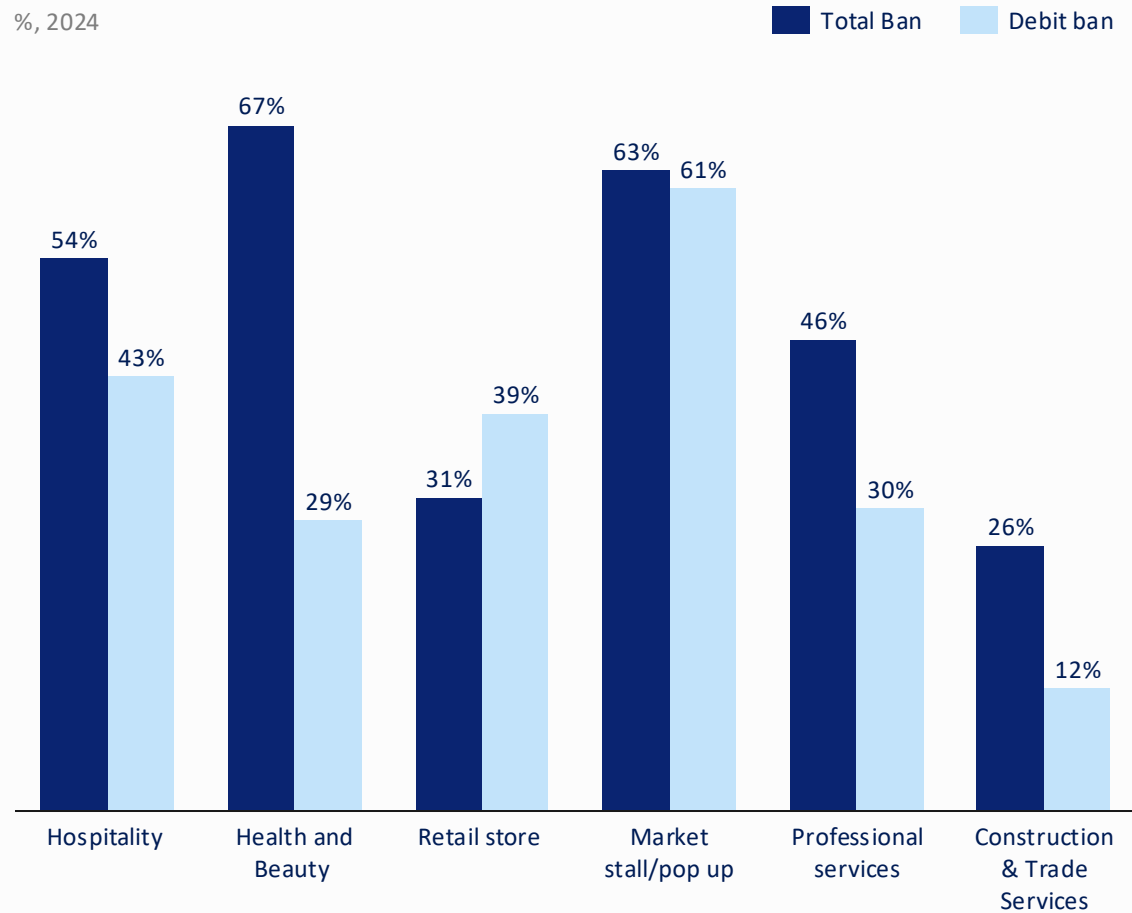
Key findings: Fewer merchants would increase prices in response to a debit card surcharge ban (31%) compared to a total card surcharge ban (44%).



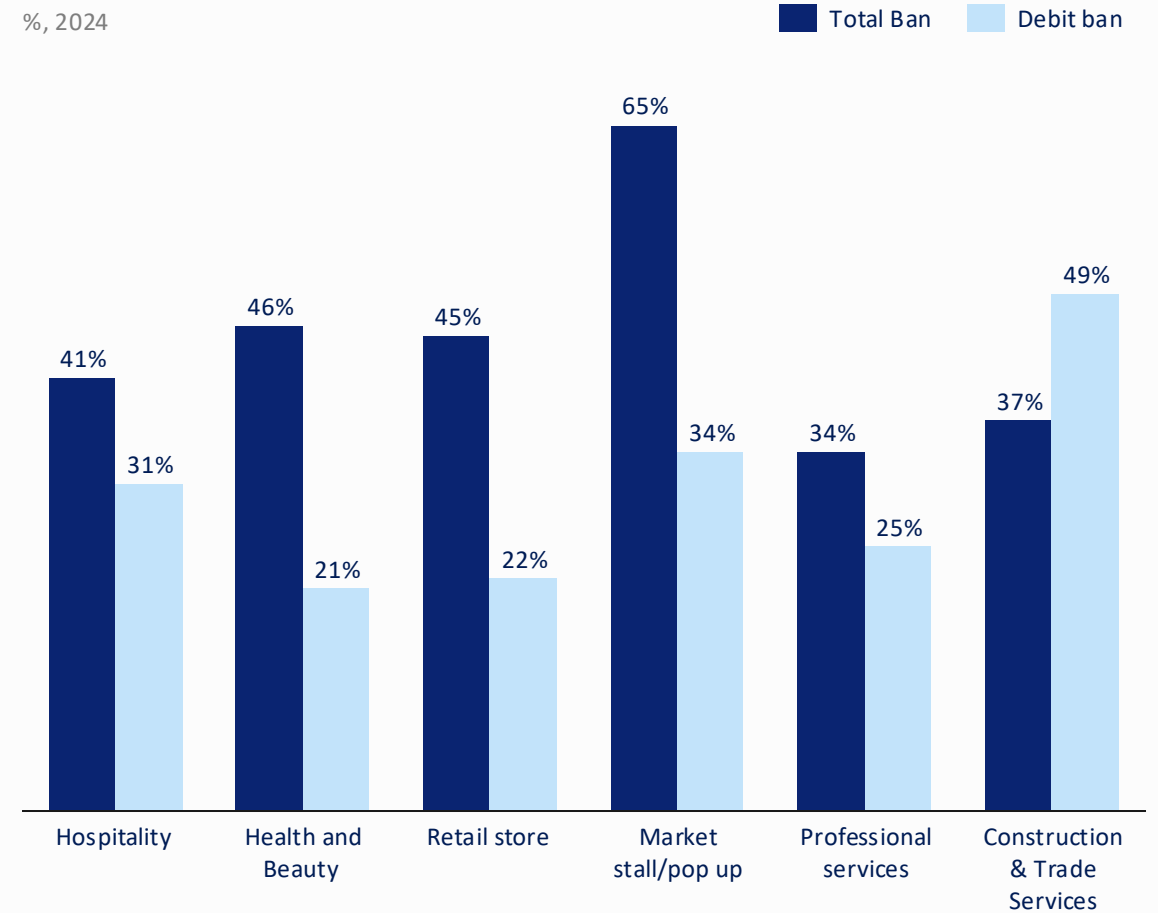
Notes: 3) Totals do not add to 100% as merchants can choose multiple responses.
Source: Merchant survey (n = 121); Mandala analysis.

Market stall and health & beauty merchants are the most likely to raise prices or encourage cash payments in response to a total or debit card surcharge ban

Industry breakdown: Increase prices to cover lost surcharge



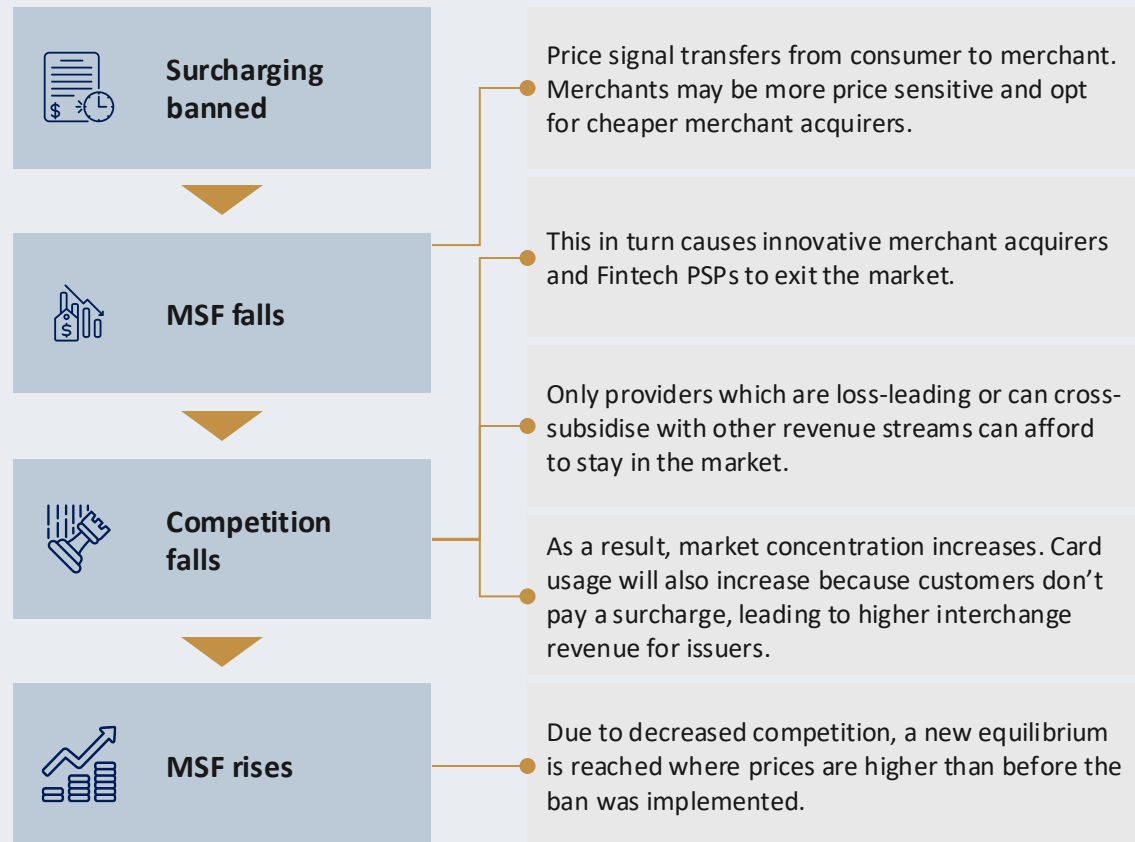
Industry breakdown: Steer customers to pay by cash



Source: Results from survey of Fintech PSP customers (n = 121); Mandala analysis.

Banning surcharging may lead to higher merchant fees in the long run

Potential scenario if surcharging is banned, either entirely, or a debit-only ban



Case study: The UK experience

Higher market concentration and debit card fees

















Context
In 2018, the UK banned surcharging under the EU's Payment Services Directive 2 (PSD2). The UK extend the prohibition to all retail payment methods. The UK Treasury estimated the value of surcharges to be around £166 million in 2015.¹

Higher market concentration in the UK
The merchant acquiring sector remains substantially more concentrated than in Australia, with the two largest merchant acquirers, Worldpay and Barclaycard processing about 70%-80% of card transactions by volume.² By contrast, the big-4 banks process 63% of card transactions by volume.³

Increase in debit card fees for merchants in the UK
In Australia, total fees as a percentage of transaction value for debit card purchases have decreased from 0.63% (combined for both schemes) in Mar-17 to 0.50% for Visa and 0.51% for MasterCard in Dec-22.⁴ By contrast, debit card fees in the UK have increased from ~0.25% in 2017 to ~0.28% in 2022.⁵












Source: 1) HMRC (2018). 2) Merchant Savy (2024). 3) The Initiatives Group. 4) RBA Payments Data (C3). 5) British Retail Consortium (2023); Mandala analysis.

Surcharge-free payment models offer a potential solution to eliminate consumer surcharges

	Surcharge-free for consumers, merchants pays fee ¹ 	Fee-free for merchants, consumers pay surcharge 
Merchant fee? 		
Customer fee? 		
How it works 	<ul style="list-style-type: none"> • Merchants pay a fee per transaction, but the consumer is not charged. • The payment provider utilises low-cost/ subsidised infrastructure, often using "account-to-account" rails for cost efficiency. 	<ul style="list-style-type: none"> • Merchants pay the acquiring fee (full transaction fee) but pass this on to customers in the form of a surcharge.
Infrastructure requirements 	<ul style="list-style-type: none"> • Utilises low-cost payment rails that allow for direct payments from one bank account to another (e.g., UPI in India, PayTo in Australia). • The system doesn't rely on traditional card networks or bank interchange. 	<ul style="list-style-type: none"> • Utilises standard acquiring infrastructure, which means relying on traditional card networks or payment gateways • The system works with typical card schemes (Visa, MasterCard) and acquiring bank partnerships
Revenue model 	<ul style="list-style-type: none"> • The merchant pays a transaction fee. Payment providers generate revenue through the fee paid by the merchant. 	<ul style="list-style-type: none"> • Fees to utilise these payment methods are passed directly onto the consumer as a surcharge, which means the merchant does not pay any fees.
Examples 	 	 
<p>How we define 'surcharge-free' models in the context of the Australian market, for the purpose of this analysis</p>		

Notes: 1) 'Surcharge free' in practice, but surcharging still possible under the PayTo A2A model.
Source: Desktop research

Australia's PayTo infrastructure focuses on efficiency in recurring and direct payments, setting it apart from the app-based, consumer-driven models of UPI and WeChat Pay

			
	Real-time, secure, and cost-efficient payments directly from bank accounts, enabling businesses to streamline operations and improve cash flow	Interoperable, real-time payments via an open platform, fostering app development and financial inclusion for consumers and merchants	Wallet-driven payments within closed, ecosystem-driven environment, integrating seamlessly with messaging, e-commerce, and services.
Infrastructure 	Centralised real-time payment system using NPP, reliant on banking infrastructure and use of QR codes	Real-time, interoperable system leveraging the Immediate Payment Service (IMPS) platform	Wallet-to-wallet system within WeChat ecosystem; banks for onboarding/offboarding
Payment Flow 	Consumer → NPP → Merchant	Consumer → Bank → Merchant (via UPI apps)	Consumer → WeChat Wallet → Merchant (within ecosystem)
Merchant Costs 	Potentially higher processing costs if A2A payments replace a surcharge-able payment method	Zero Merchant Service Fees, subsidised by government	Minimal or no fees; WeChat earns through ecosystem monetisation (e.g., ads, services). Fee to offboard money to bank account
Third-Party Innovation 	Closed system: no direct third-party app development	Open ecosystem allows apps and fintechs to enhance services	Closed loop; innovation centralised within WeChat ecosystem
Use-Case 	Well-suited for business with recurring payments e.g. subscription payments, eInvoices, payroll	Facilitates a wide variety of payments e.g. P2P transfers, merchant payments, utility bills	Everyday transactions like retail purchases, dining, and transportation, integrated with the broader ecosystem
Implications for Merchant Acquiring 	Merchants integrate directly with NPP, bypassing traditional intermediaries (e.g. card networks)	Intermediary apps like Google Pay and PhonePe provide value-add services, reducing control for banks	Fully integrated into the WeChat ecosystem, limiting merchant independence
Control Over Data 	Direct control for merchants and banks; data centralised within NPP, Fraud recovery limited	Shared between banks, apps, and UPI	Fully controlled by WeChat, limiting merchant independence
Scalability 	Scales well, but high costs for Fintech PSPs to build and maintaining infrastructure	High, includes unbanked populations	Scales well within the WeChat ecosystem, limited globally

For consumers, introducing a surcharge-free model could save ~\$500M

Total acquiring fees incurred by card type

Card transactions, \$M, 2024 YTD



If 5-10% of all transactions across card types were shifted toward a **surcharge-free payment option**, approximately **\$500M in fees would be saved by consumers**

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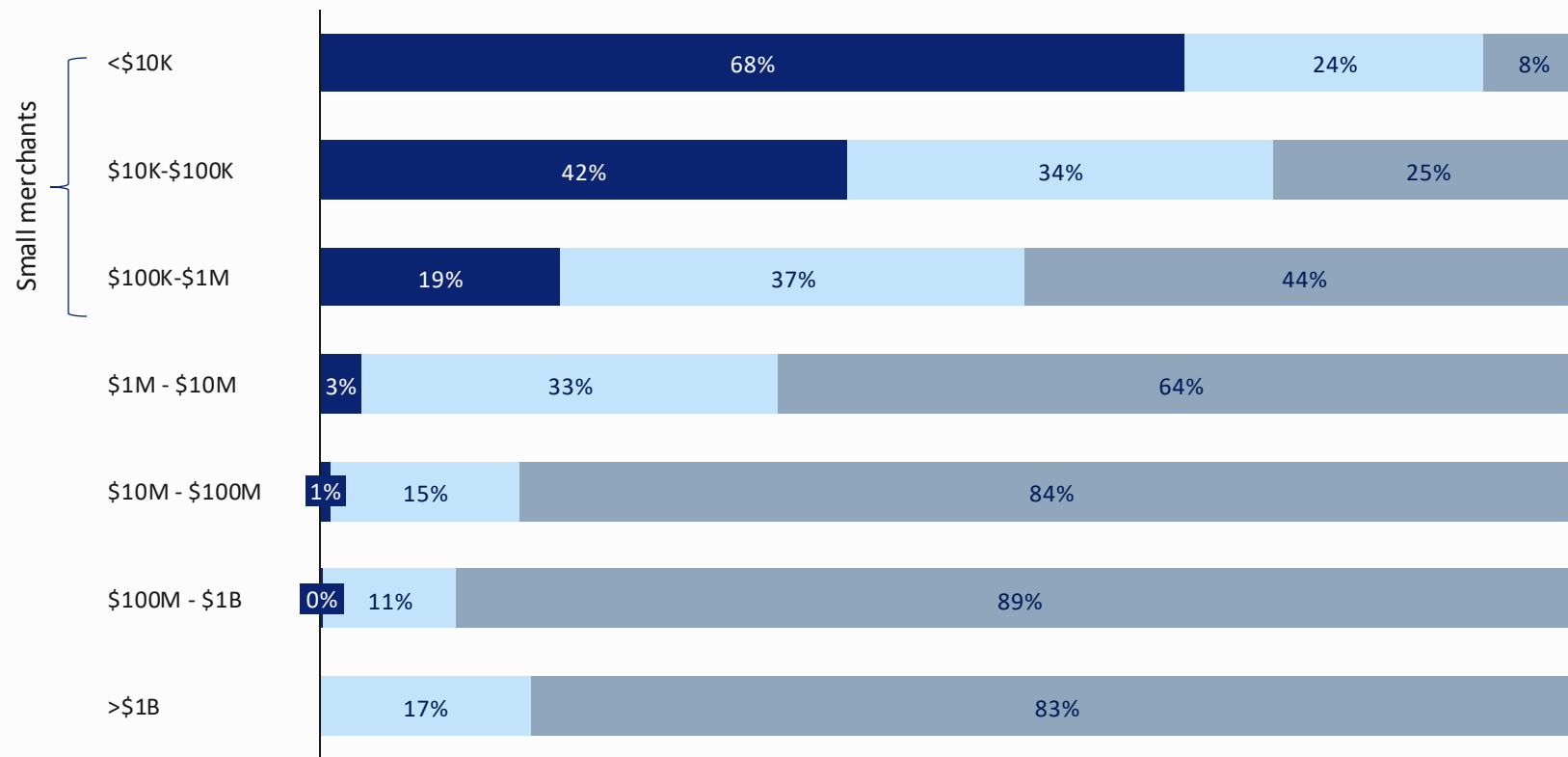
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68% of micro-merchants adopt fixed pricing. Merchants adopt fixed pricing because it is simple, easy to understand and straightforward to compare

Breakdown of merchant plans by size

%, 2022/23

Fixed Blended Unblended



Key findings:

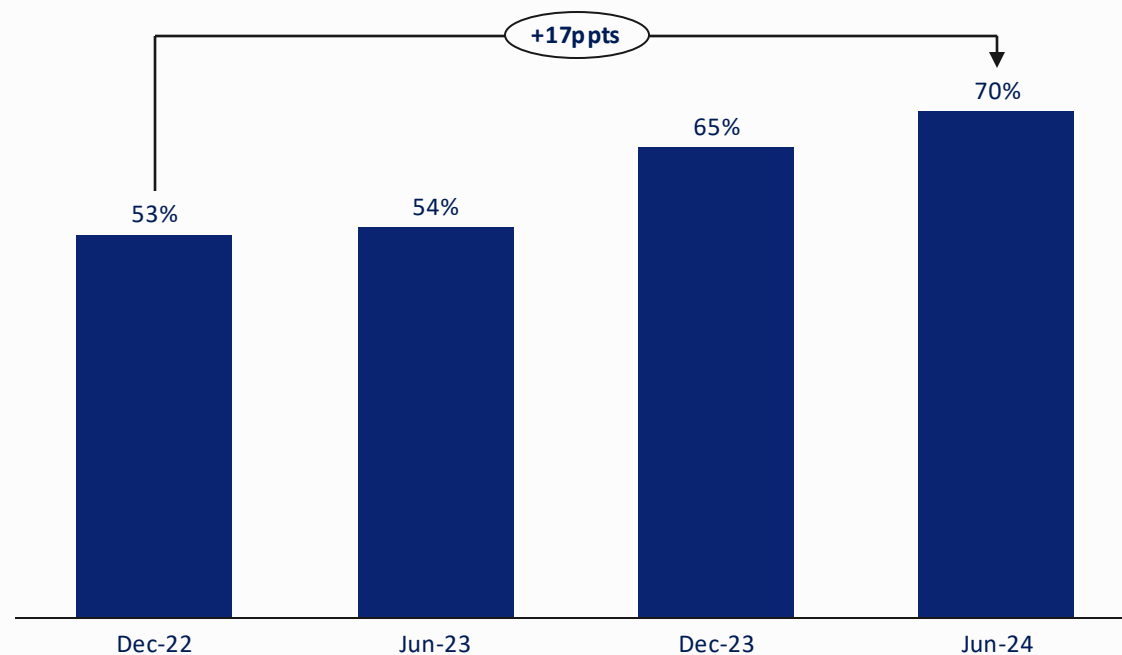
- Approximately 300K small merchants (turnover less than \$10M) adopt fixed pricing.
- ~80% of small merchants adopt fixed pricing because it is simple, easy to understand, and straightforward to compare.
- An additional ~280K small merchants adopt blended pricing.

Notes: 1) Size is defined as the annual value of eftpos, Visa and Mastercard transactions.
Source: Expert Interviews, RBA (2024); Mandala analysis

70% of merchants have LCR enabled for in-store debit card transactions, with the highest enablement among those on fixed plans

Enablement of LCR for card-present debit card transactions

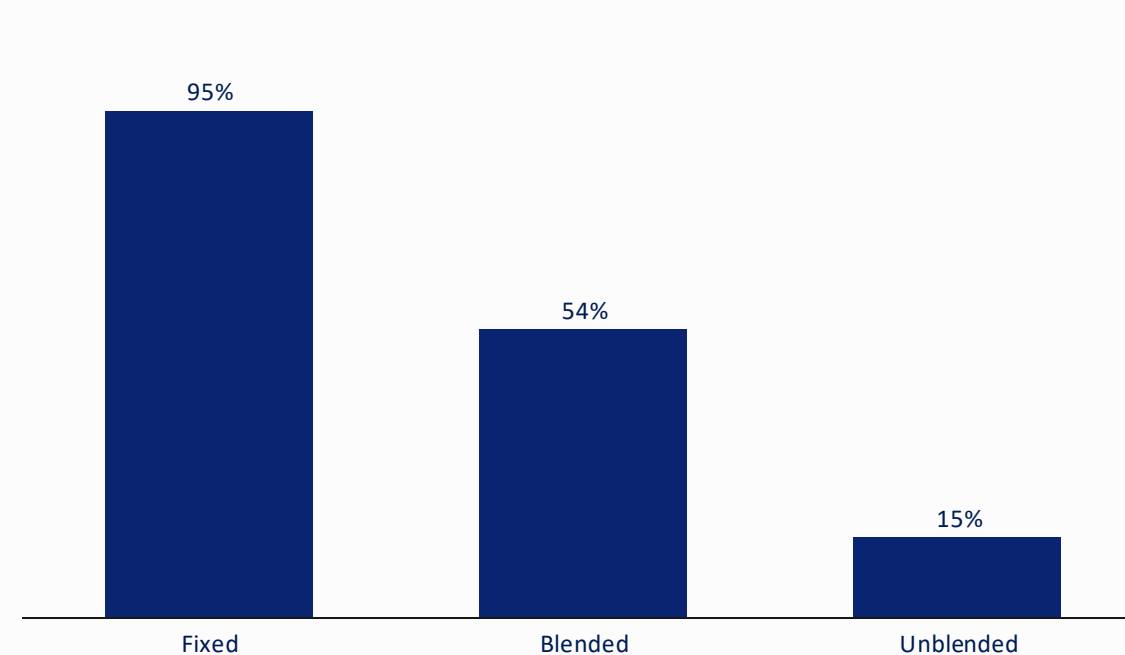
% of merchants



- In 2021, in response to slow industry progress, the RBA established a clear expectation for PSPs to offer and promote LCR.
- While LCR has been made available to over 90% of merchants since Dec-22, actual enablement remains at 70%, up from 53% in Dec-22.

LCR enablement rate by pricing plans

% of merchants, 2022/23



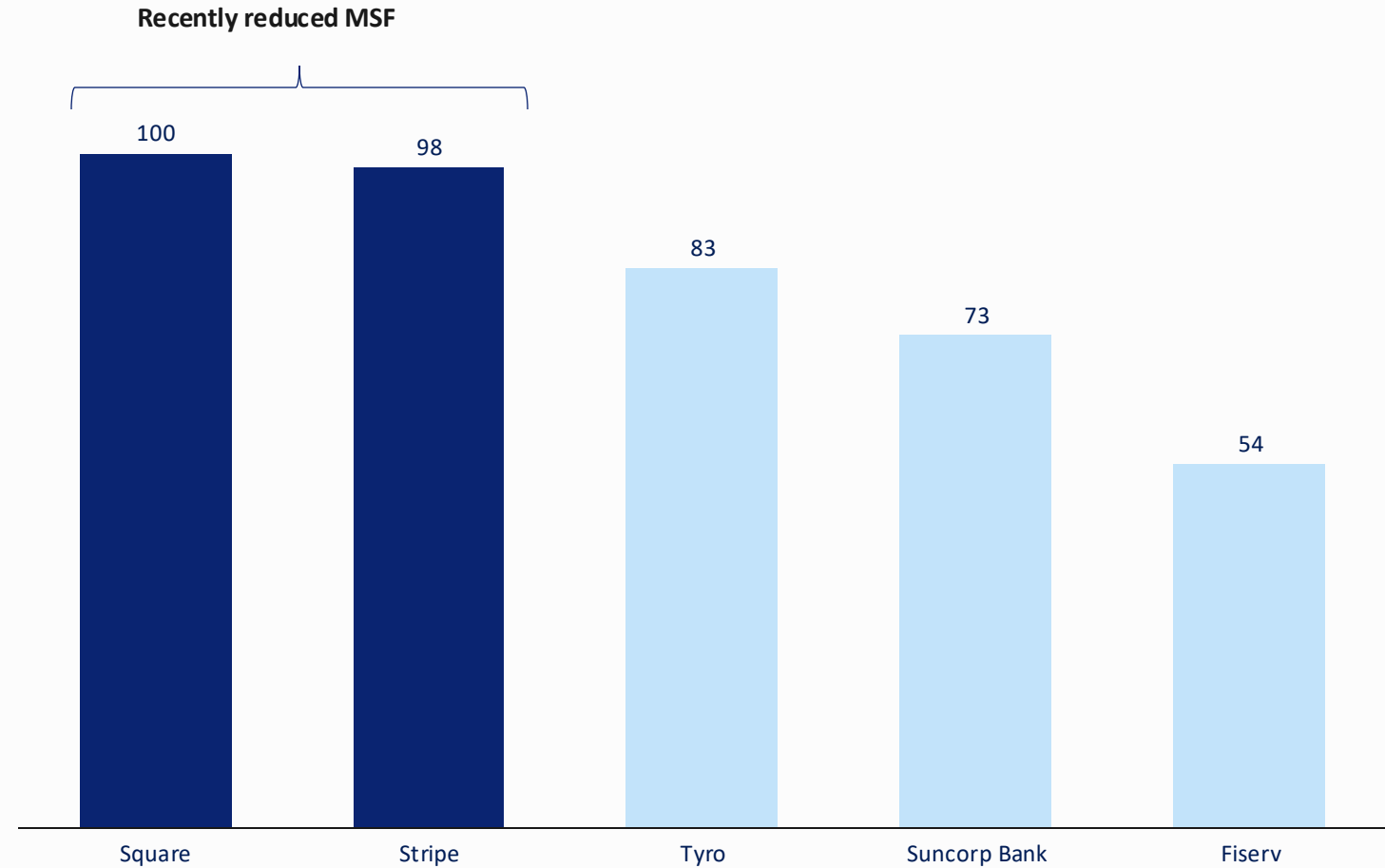
- Merchants on fixed plans have the highest LCR enablement, driven by automatic enablement, reaching 95% in 2022/23 (latest data).
- RBA regression analysis on LCR benefits for merchants on fixed plans was limited in accuracy due to the small comparison group, consisting of only 5% of fixed-plan merchants who were not LCR-enabled.

Acquirers with the highest LCR enablement have started reducing simple plan rates

- LCR allows payment service providers (PSPs) to route debit card transactions through the lowest cost rail (e.g., Mastercard/Visa or EFTPOS).
- The resulting lower wholesale costs for PSPs can be passed on to merchants on fixed plans, depending on the level of competition.
- Recent evidence highlights that PSPs with the highest LCR enablement are passing on these benefits to merchants by lowering fees:
 - **Stripe – April 2024:** Reduced fees for card-present transactions from 1.75% + A\$0.10 to 1.70% + A\$0.10, explicitly citing LCR as the reason for the fee reduction.
 - **Square – May 2024:** Reduced fees from 1.9% to 1.6% for new Square sellers.

Enablement of LCR for card-present debit card transactions by acquirer

% of merchants, top-5 acquirers by LCR enablement, Jun-24



Source: RBA (June 2024); Mandala analysis

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2. Unit economics & competition

3. Surcharging & surcharge-free digital payment option

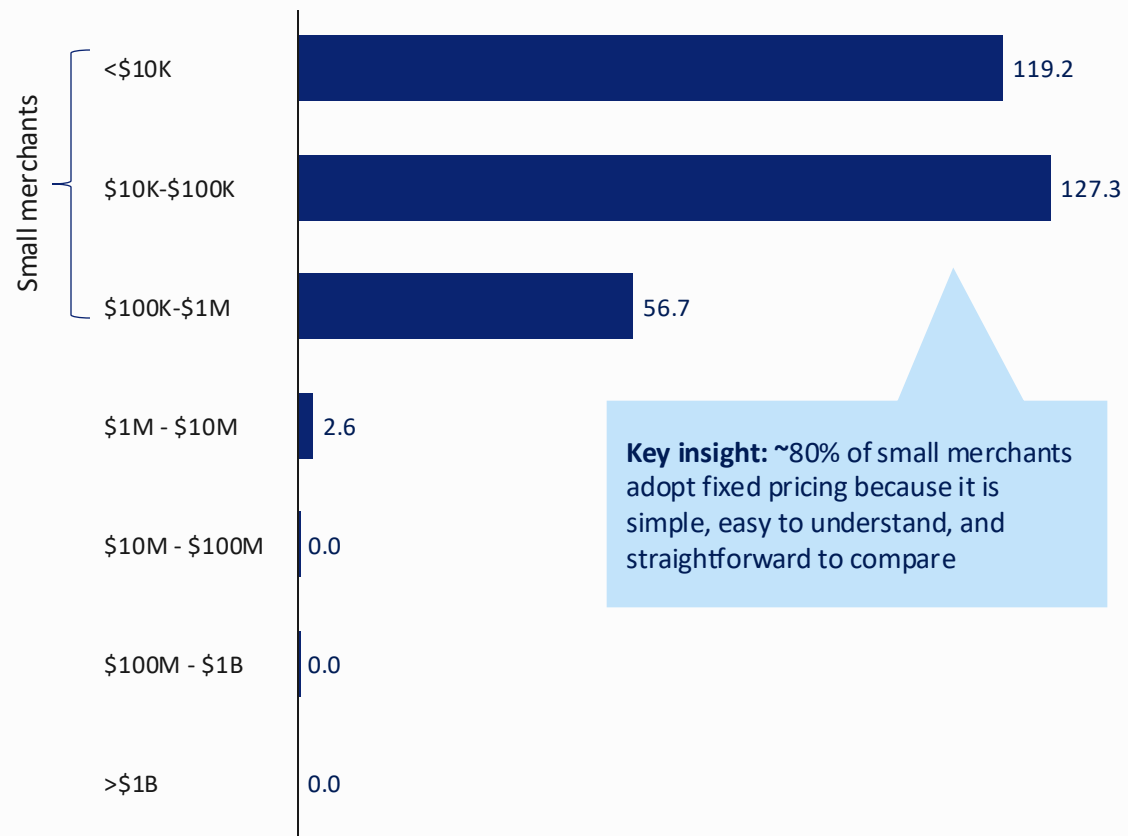
4. Simple pricing plans & LCR

5. Appendix

~300K small merchants are on simple pricing plans, with 68% of micro-merchants adopting fixed pricing

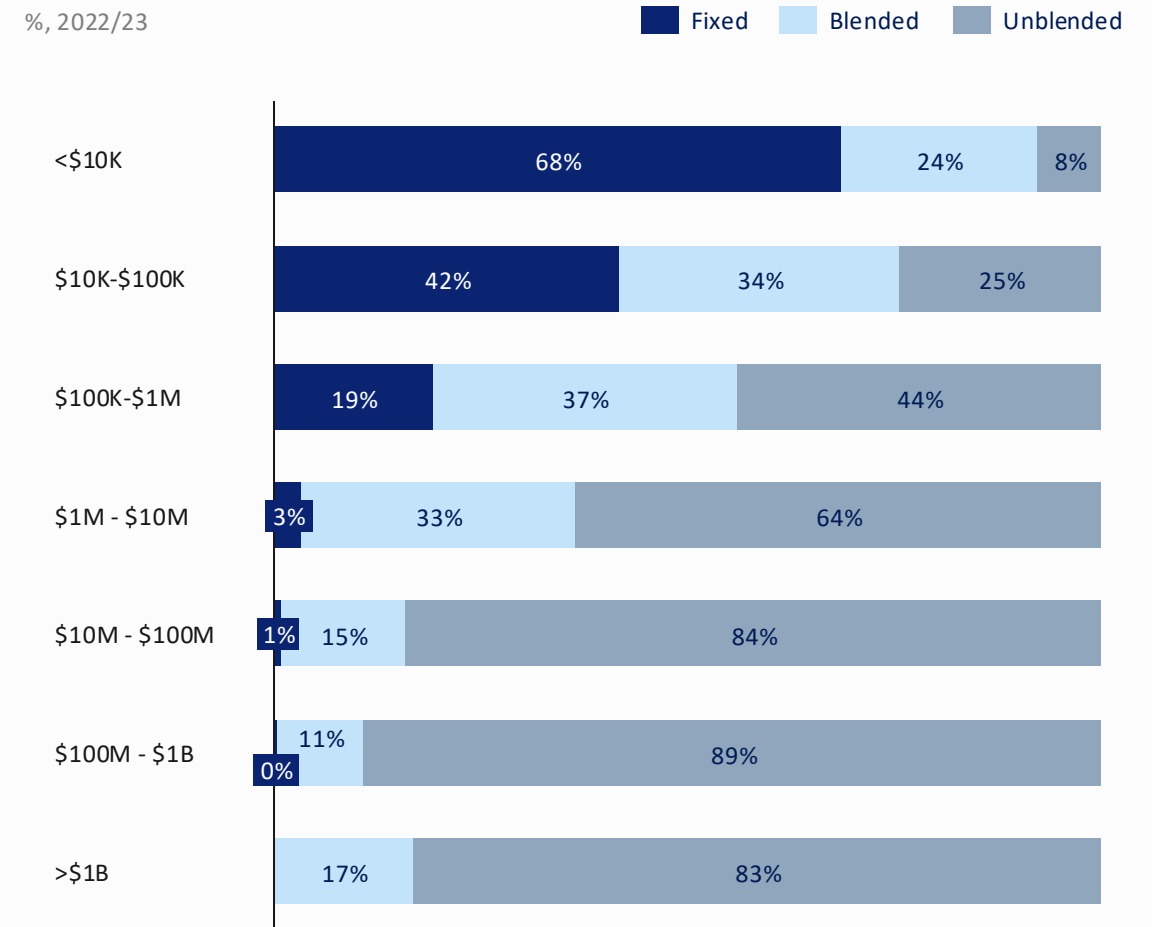
Number of merchants on simple pricing plans by size¹

Thousands, 2022/23

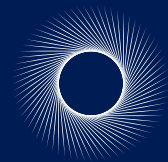


Breakdown of merchant plans by size

%, 2022/23



Notes: 1) Size is defined as the annual value of eftpos, Visa and Mastercard transactions.
Source: RBA (2024); Mandala analysis



MANDALA



Annexure B – Fintech Australia and Small Business Association of Australia's submission to RBA's review of merchant payments, September 2025

List of recommendations, extracted from page 2

FinTech Australia and the SBAA recommend:

1. That the RBA undertake a competition impact assessment prior to proceeding with its proposed reforms.
2. That the RBA provide greater transparency and certainty regarding its likely regulatory approach now that the Treasury Laws Amendment (Payments System Modernisation) Act 2025 has been passed.
3. That the RBA extend the implementation of the surcharging ban by an additional 12 months.
4. That the RBA investigate means to ameliorate the impact of a ban on surcharging on bill payment service providers.
5. That the RBA delay the commencement of its proposed new approach to interchange rates by 12 months.
6. That the RBA investigate options to collect additional empirical evidence about the state of the issuing market.
7. That the RBA create a small issuer exemption to its proposed domestic credit and debit interchange reductions.
8. That any small issuer exemption should be simple and not susceptible to misuse.
9. That any small issuer exemption should be reviewed in the course of the next RBA review of the card payments system.
10. That the RBA reconsider the application of its proposed interchange caps to commercial cards.
11. That the RBA place clearer expectations on card schemes.
12. That the RBA revise its small business definition for acquirer transparency.
13. That in developing transparency initiatives for acquirer pricing, the RBA should ensure like-for-like comparisons and ensure the data which is released also gives insight into the value being offered by each acquirer.
14. That the RBA mandate the use of opt-out least cost routing.



Annexure C – Fintech Australia's submission to Treasury's Exposure Draft, Scams Prevention Framework October 2024

List of recommendations, extracted from pages 3-4

To help ensure the effectiveness of the SPF in protecting consumers while minimising unintended negative consequences, FinTech Australia recommends consideration be given to:

- ensuring the SPF accounts for scalable, evidence-based approaches to addressing scams, including the use of regulatory sandboxes to test the impact and effectiveness of the proposed SPF on specific sectors and the overarching aim of consumer protection;
- ensuring obligations on regulated entities are practical, proportionate to the consumer risk, and do not unintentionally hamper competition;
- implementing appropriate guardrails to ensure a consistent approach to interpretation and enforcement of the SPF across sectors, led by regulators who are sufficiently resourced and motivated to action the considerable intelligence that will result from the SPF;
- engaging in a formal consultation pipeline with industry before designating additional sectors and developing sector-specific codes;
- introduction of a more precise definition of "scams", further clarity regarding the extraterritorial application of the SPF and improvements to the practical application of the safe harbour;
- greater clarity on how the anti-scam obligations interact with other laws, such as AML anti-tipping off rules, privacy laws, consumer guarantees and unfair contract terms;
- an in-depth comparative review of equivalent scam prevention regimes and international best practice to inform Australia's approach; and
- thorough consultation with industry as to the appropriate settings for mandatory internal dispute resolution (IDR) and external dispute resolution (EDR) schemes.