

5 February 2026

Committee Secretary  
House of Representatives Committee on Economics  
Parliament House  
Canberra ACT 2600

Dear Secretary

The Business Council of Australia (BCA) thanks the Committee for the opportunity to make a submission to the Inquiry into Schemes, Digital Wallets and Innovation in the Payments Sector.

The BCA has a diverse membership, covering both providers of payment products and users of these products. We welcome the opportunity to provide a response based on this wide membership.

Payments are essential infrastructure for the operation of the economy. It is important that this infrastructure operates efficiently, effectively and safely, with very high levels of resilience and reliability.

The Committee's inquiry is occurring at a time of major regulatory change in payments. The recent passage of amendments to the *Payment Systems (Regulation) Act 1998* (PSRA)<sup>1</sup> has meant the Reserve Bank of Australia (RBA) now has a much wider regulatory remit. The RBA has announced it will consult on the use of these wider powers later this year.<sup>2</sup> The Government is consulting on reforms to licensing of Payment Service Providers, has announced the closure of the cheques system,<sup>3</sup> has introduced a cash mandate for grocery and fuel retailers,<sup>4</sup> and is implementing the Scams Protection Framework (SPF). This all forms an important backdrop to the Committee's inquiry, and we encourage the Committee to take account of the significant work already underway.

## Strategic Plan

We support payment policies being developed and operating on a coherent, holistic basis across the payment ecosystem. In this context, we encourage the Government to progress and release the next iteration of the Strategic Plan for Australia's Payment System. The last iteration was released in June 2023, and even in the short timeframe since then there have been a number of developments that warrant an update. This includes growing geopolitical tensions, some significant (and high impact) cyber intrusions, and the growth of stablecoins. The growing potential for the use of AI in payments, particularly through agentic commerce, also supports the need for an update.

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<sup>1</sup> Contained in The Treasury Laws Amendment (Payments System Modernisation) Act 2025.

<sup>2</sup> See: <https://www.rba.gov.au/speeches/2025/sp-ag-2025-12-16.html>

<sup>3</sup> See: <https://treasury.gov.au/publication/p2024-555854>

<sup>4</sup> See: <https://consult.treasury.gov.au/c2025-707578>

Important policy changes since 2023 also support the need for an update to the Strategic Plan, particularly the introduction of the SPF and the announced dates for closure of the cheques system.

### **RBA Review of retail payments**

The BCA supported a review of the regulation of merchant costs and surcharging, given the substantial changes in the use of payments over recent decades. The most significant trend is the large switch from paper-based payments to electronic payments, particularly card payments.

While a review was needed, the current RBA Review of these issues is only a partial review. The Review is limited to surcharging and interchange regulation of the four party card schemes (eftpos, Mastercard and Visa) and is not considering the broader payments ecosystem. The RBA Review is taking this narrower approach even though Parliament in 2025 passed amendments to the PSRA that would permit the RBA to conduct a wider review covering all relevant issues.

The BCA has previously argued (in the attached submission) for a holistic review in the context of the broader payments ecosystem and this can now occur given the RBA's expanded regulatory remit. A holistic review would give payments system participants confidence in the proposed changes and avoid unintended consequences at variance with the RBA's mandate to promote competition and efficiency in the payments system.

A broader review would consider how the existing regime of interchange and surcharging regulation should be adapted to the rapidly evolving payments ecosystem. The regulation of card payments should avoid creating barriers to the wider adoption of digital technologies that have productivity and consumer benefits.

The BCA also considers:

- The RBA's proposal for the removal of surcharging on credit and debit cards is appropriate, although there is support among some BCA members for removing surcharging on debit and prepaid cards only. Our previous submission (attached) noted many reasons to remove surcharging, including the end-to-end cost of cash being higher than the cost of card payments,<sup>5</sup> so surcharging sends the wrong price signal.
- The RBA's proposed changes to interchange fee caps are likely to result in fees being passed on to merchants and consumers in different ways, such as through increased card and bank account fees.
- The competitive effects of dual network debit cards combined with least cost routing has resulted in debit interchange falling below current regulatory caps. This suggests competition has had the desired effect on interchange fees, and does not necessitate more binding regulation.
- The current interchange regulation on both debit and credit cards should be retained pending further consultation on how the RBA plans to regulate the broader payments ecosystem.
- BCA members note there is not a strong demand from merchants or customers for additional transparency or information in relation to payment fees or costs. Additional transparency may be

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<sup>5</sup> Boston Consulting Group, The Hidden Cost of Cash and the True Cost of Electronic Payments in Europe and the UK, available from: [https://www.linkedin.com/posts/jean-dobbeni-bb03259\\_white-paper-the-hidden-cost-of-cash-activity-6910249434027028480-DK7q/](https://www.linkedin.com/posts/jean-dobbeni-bb03259_white-paper-the-hidden-cost-of-cash-activity-6910249434027028480-DK7q/)

warranted, but this should only occur based on a well-established case with benefits exceeding costs.

More details on the BCA's views on the current RBA Review are in the attached submission.

## Reliability

Reliability is a key characteristic of payment systems. In general, Australia has high reliability systems, with the most recent RBA data showing all major retail payment services had availability of 99.8 per cent or better in late 2024.<sup>6</sup> However, more can be done and payment providers should have the appropriate incentives to improve reliability, including through ongoing publication of reliability statistics, adequate incentives for investment in reliability, and competition.

Regulations play a part in encouraging reliability, but we do not consider penalties for interruptions are generally warranted as competition for customers should already provide adequate incentives for providers to provide reliability.

## Resilience & BECS closure

The related concept of resilience is also important. Given the critical importance of payments to the economy, the payment system needs strong protections against cyber threats and multiple levels of redundancy. Given this, the BCA supports the recent decision of the payment industry to remove a target closure date for the Bulk Entry Clearance System (BECS).<sup>7</sup>

This decision will enable BECS to remain an important back-up if a major payment system fails. It will also reduce Australia's vulnerability to a major cyber intrusion – in turn making Australia a less valuable target. In addition, the removal of the BECS closure date reduces the risk of a rushed transition that could be costly with higher risk of failure.

However, the BCA encourages the payment industry to plan for ongoing innovation in fast payments, such as by implementing bulk payments on the New Payments Platform (NPP) and addressing any remaining barriers to the use of the NPP in retail contexts. The deferral of the BECS closure should not mean that innovation on the NPP can be similarly deferred.

## Innovation

Innovation is essential to Australia's payment system. We have seen numerous innovations over recent decades including the NPP, card chips, Tap to Pay, digital wallets, banking apps, and biometric authentication. Significant innovation is expected to be needed in coming years, including the upgrades to the NPP to accommodate bulk payments, the need to address quantum cryptography risks, and the likely expansion of AI in the payments system.

To ensure ongoing investment and innovation will occur, it is important that the payment system provides the appropriate returns to investment, innovation and intellectual property. Regulatory interventions should make sure ensure that all players have an adequate return and not seek to stifle these returns.

## Licensing

As the Government and Parliament looks to consider reforms to payment licensing in 2026, we encourage these reforms to be proportionate and risk based. Payment products that introduce more

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<sup>6</sup> Jared Griffiths and Matthew Joyce (2024) The Reliability of Retail Payment Services, RBA Bulletin, October.

<sup>7</sup> See: [https://auspaynet.com.au/insights/Media-Release/BECS\\_outlook](https://auspaynet.com.au/insights/Media-Release/BECS_outlook)

risks to consumers or the economy should be subject to higher obligations than those that introduce fewer risks. A risk-based approach would better facilitate new entrants to the market that initially offer products to a smaller consumer base. This would support greater competition and productivity in the sector.

There also should, in general, be consistency in regulation – similar risks should be subject to similar regulation. For example, a payment product should be subject to similar regulation regardless of the type of entity that offers the product. Conversely, different products should be treated with appropriately different regulation based on risk.

### **General comments on regulatory processes**

The BCA encourages the Government and regulators, particularly the RBA, to ensure that regulatory best practice is followed, including through appropriate consultation on all interventions. In this context, we support the decision of the RBA to take more time to deliberate on the current retail payments review. It is more important to get regulation right than to do regulation quickly.

We also support best practice regulatory process in the consultations on the payments licensing proposals. One issue raised by members is that it can be challenging to provide a holistic comment on licensing proposals when they are only available for consultation in tranches and not together.

### **Scams**

Scams are a major issue in payments. Our members have been taking many proactive steps to address scams. The SPF and the sector-specific codes under the SPF will build on these efforts but need to be complemented by consumer education, complementary government action,<sup>8</sup> and law enforcement against bad actors. Business is keen to work with the Government on the ongoing development of the SPF and complementary actions.

There are important risks to the rollout of the SPF, particularly the lack of alignment of the start dates for Internal Dispute Resolution and External Dispute Resolution under the SPF. These risks may introduce additional costs, while limiting the SPF's initial effectiveness, as detailed in the BCA's submission on the SPF.<sup>9</sup>

If you wish to discuss this submission, please contact me on [pero.stojanovski@bca.com.au](mailto:pero.stojanovski@bca.com.au) or 0402 833 124.

Yours sincerely

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<sup>8</sup> This could include increased identification requirements for the registration of companies.

<sup>9</sup> See: <https://www.bca.com.au/reports-submissions/>