Sub-page – Consultation page with online form

Have your say on a more dynamic and resilient economy

Section 1. About you and/or your organisation

Your details

Attribution

1. Whose views does your response represent? (Please include the full names of applicable individuals, groups or organisations).

Independent Payments Forum (IPF). Our mission is to amplify those voices and promote a fair and competitive payments landscape in Australia. Our forum participants include:

The Australasian Association of Convenience Stores (AACS), Australasian Convenience and Petroleum Marketers Association (ACAPMA), Australian Hotels Association (AHA), Australian Lottery & Newsagents Association (ALNA), Australian Restaurants and Cafes Association (ARCA), Master Grocers Association (MGA Independent Businesses Australia), Independent Cinemas Australia, Next Payments, News Xpress, National Retail Association.

Our small business participants alone represent more than 100,000 retail shop fronts, newsagents, restaurants, cafes, service stations, convenience stores, cinemas, gift shops and independent supermarkets, hardware stores and liquor outlets across Australia. We have also proactively engaged with many others in the payments ecosystem to canvas their views and insights.

2. Do any of the attributed parties identify as Aboriginal or Torres Strait Islander/are any identified organisations an Aboriginal and/or Torres Strait Islander organisation?

- No

Consent

3. Do the attributed parties consent to the PC publishing your response on our website and referring to it in our reports?

- Yes, with attribution

We will only publish your response if it meets our community guidelines. We are unable to refer to unpublished responses within our report.

For further information on how we handle your information visit our Privacy Policy and Information Policy.

4. Guidelines and policies agreement

- I have read and agree to the above guidelines and policies.

Providing supporting documents (optional)

At this stage of the inquiry, we are only accepting and reviewing supporting documents that meet the following criteria:

- They contain data, charts and supporting information relevant to the policy areas and questions we are asking in this round of consultation
- The attributed participant(s) hold the copyright for the information contained in the documents
- The documents don't include any personal or identifying information.

There will be an opportunity to provide submissions on our policy reform ideas when we release our interim report.

5. Will you be providing any documents to support your response?

- No, integrated into response

How to provide a supporting document

Once you have submitted your response via the 'Submit' button below, you will receive a confirmation email from us. Please reply to this confirmation email with your supporting documents attached.

For accessibility reasons, we prefer Microsoft Word documents.

Once we receive your supporting documents, we will review them alongside your response. If your contributions meet our community guidelines, and you have provided consent, we will publish them to engage.pc.gov.au within 14 days.

We are seeking responses to questions on two policy reform areas.

Which policy reform areas would you like to respond to?

- **Reduce the impact of regulation on business dynamism**
  Reducing excessive or inappropriate regulation can unshackle business and enhance business dynamism and productivity. We are interested in your experience with regulation, both good and bad.

Section 3. Reduce the impact of regulation on business dynamism

All regulations have costs and benefits. Good governance involves only introducing new regulations when the expected benefits exceed the expected costs and when this net benefit is larger than that of other options.

In the first question, we want to hear your views on what regulations are good for business dynamism and resilience.

6. What areas of regulation do you see as *enhancing* business dynamism and resilience? What are the reasons for your answer?

Merchant Card Fees

Aspects of the current regulation in the payments system offers loopholes, leads to inefficiency and facilitates complexity in a system that is the backbone of our economy.

The adoption of principles-based regulation in the payments system aimed at efficiency would significantly reduce complexity and cost for Australia's more than 2 million small and medium sized businesses[1].

The move to electronic payments in Australia has been led by "cash replacement" positioning from the payments industry which has been allowed to continue without adoption of appropriate mechanisms to reduce costs and improve efficiencies.

For example, Australians now make 15.3 billion card payments worth $1.02 trillion a year, as we quickly move away from cash. The vast majority of these are on debit cards - 76% of total purchases and 77% at Point of Sale (POS)[2].

Transaction fees charged by Australia's banks, payments platforms and card companies for providing card payments to retailers and merchants now amount to $6.4 billion[3]

Due to deliberate marketing strategies by the industry to move away from cash, Australians now carry about 48 million debit cards, 17 million credit cards and over 20 million smart phones[4] capable of making payments at over one million terminals[5] across the country, and at almost 100,000 stores online.[6]

Interchange Fees

The current interchange regulatory regime enables dozens of fee categories that can be leveraged to the detriment of Australian businesses. Visa alone has more than 50 interchange categories for debit card transactions in Australia.[7]

Australia's current interchange caps allow for a broad range of interchange fee categories that invariably lead to bad outcomes for small and medium businesses. Currently, interchange is usually set to the lowest possible rate for big businesses like Coles and Woolworths, while the small businesses they compete with get much higher rates, of up to 800% more.

The same situation exists with credit card interchange. Rates at 0.18% for Mastercard and 0.21% for Visa are available to Australia's biggest retailers under Strategic Rate 1, while other categories of merchants are set much higher rates up to 0.8%.

The Black Economy Taskforce in Recommendation 3.3 of its 2017 report considered that there was little justification for the imposition of significant interchange fees in mature card systems.[8] More recently, in its 2018 Inquiry into Competition in the Australian Financial System, the Productivity Commission's recommendation (17.1) was that the Payments System Board ban card payment interchange fees altogether.[9]

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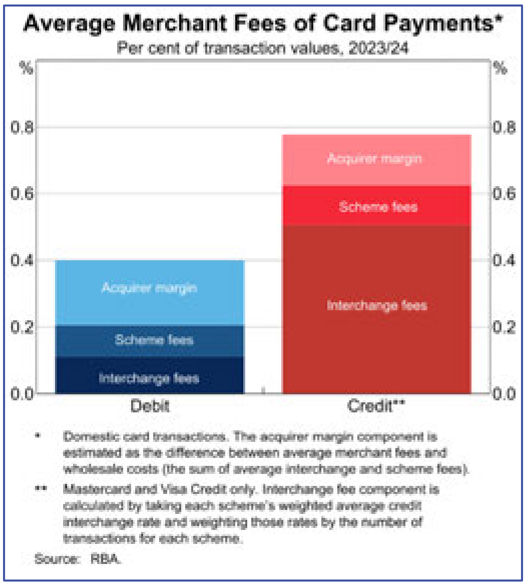
[1] https://www.asbfeo.gov.au/small-business-data-portal/number-small-businesses-australia
[2] Reserve Bank of Australia Retail Payments Data, September 2024: https://www.rba.gov.au/statistics/frequency/retail-payments/2024/retail-payments-0924.html
[3] Reserve Bank of Australia, 2024, *Merchant Card Payment Costs and Surcharging – Issues Paper – October 2024.*
[4] Statistica: https://www.statista.com/statistics/467753/forecast-of-smartphone-users-in-australia/#:~:text=In%202017%2C%20the%20number%20of,87%20percent%20in%20the%20country
[5] Australian Payments Network, Device Statistics: https://www.auspaynet.com.au/resources/device-statistics
[6] https://www.ibisworld.com/au/number-of-businesses/online-shopping/1837/
[7] https://www.visa.com.au/about-visa/interchange.html
[8] The Australian Government the Treasury, 2017, *Black Economy Taskforce – Final Report,* pp.61-62.
[9] Productivity Commission, *Competition in the Australian Financial System, Inquiry Report*, p.48

Scheme Fees:



Scheme fees make up a large portion of merchant service fees but remain unregulated in Australia. The RBA reports $1.8 billion in ”net” scheme fees was paid in Australia in 2023/24, largely to US based corporations - this is presumably calculated after rebates are paid out to banks. No gross number has been published so total fees could be much larger.

“In 2023/24, Australian acquirers paid around $1.4 billion of scheme fees (net of rebates) and issuers paid $0.4 billion. These fees are ultimately passed on to merchants and consumers, with the scheme fees charged to acquirers accounting for around one-fifth of the total card payment costs for Australian merchants,” the RBA says.[10]

The current regulatory regime enables international card schemes to have as many as 400 scheme and processing fees[11] associated with a simple card payment.

The opaque nature and deliberate complexity of scheme fees is a running joke in many parts of the payments industry which is forced to pay in advance for these fees, in US$.

In the UK where surcharging was banned in 2018 and scheme fees remain unregulated, The Payment Systems Regulator found in their 2025 Market review of card scheme and processing fees that “Mastercard and Visa increased their core scheme and processing fees to acquirers by at least 25% since 2017, costing businesses at least £170million extra per year. This increased cost of doing business in the UK impacts on UK businesses’ ability to invest and grow, and could lead to direct economic constraints, particularly for small merchants.”[12]

The European Commission is currently investigating the fees charged by Visa and Mastercard after a group of Europe's biggest retailers asked it to take action under EU antitrust rules. According to reports in Bloomberg, the competition regulator has an “ongoing investigation” and has sent requests for information asking about the fees they charge financial institutions to provide services to retailers.[13]

Regulating scheme fees would go a long way to keeping costs down and enhancing business resilience for Australian small and medium businesses.

Surcharging:

Inadequate regulation on surcharging has led to the widespread inefficiency in card payments in Australia through the use of blended, fixed rate and bundled pricing resulting in:

- higher prices for small businesses and their customers, and

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[10] https://www.rba.gov.au/payments-and-infrastructure/review-of-retail-payments-regulation/2024/pdf/merchant-card-payment-costs-and-surcharging-oct-2024.pdf p.14
[11] Westpac Banking Corporation, December 2024, *Review of merchants’ card payments costs and surcharging submission to the Reserve Bank of Australia*
[12] https://psr.org.uk/publications/market-reviews/mr22110-market-review-of-card-scheme-and-processing-fees-final-report/
[13] https://www.bloomberg.com/news/articles/2025-05-23/visa-mastercard-fees-hit-by-new-round-of-eu-antitrust-scrutiny?sref=zNmRQ0gk&embedded-checkout=true&utm_source=payday-news.beehiiv.com&utm_medium=referral&utm_campaign=european-retailers-urge-clamp-down-on-card-fees-after-interchange-caps-fail-to-stop-pain

- cross subsidisation of high-cost credit cards being paid for by people who choose to use cheaper forms of payment such as debit cards.

The reason surcharging has become relatively unpopular is that it is a real – yet rarely seen – reflection of specific and very high underlying costs faced by small and medium businesses.

Without a significant reduction in card fees and simple, principles-based regulation, abolishing surcharging will remove this transparency and further increase inefficiency.

The RBA's surcharging regulations were introduced in 2003 following the 1996–1997 Financial System Inquiry and joint research on card payments by the RBA and the Australian Competition and Consumer Commission (ACCC). The RBA's regulations aimed to promote the efficiency of the payments system by encouraging consumers to use lower cost payment methods and put competitive pressure on card networks to lower their wholesale fees.

This was a commendable objective, failed only by the form of the regulation itself, and its policing - which is directed solely at merchants, rather than the payments industry that profits from it.

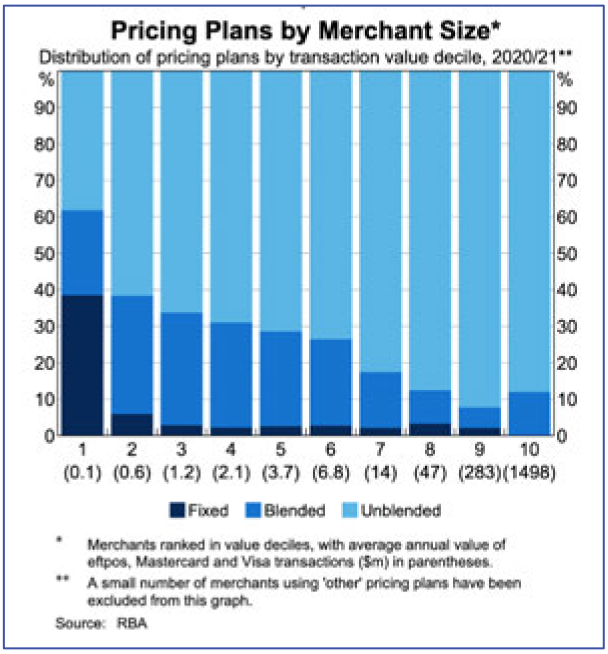
Due to the poor use of regulatory language, particularly around the term 'cost of acceptance', this regulation has enabled the payments industry to interpret the meaning to their commercial advantage leading to the application of pricing constructs such as blended rates. These pricing constructs have the exact opposite effect to that intended by the regulation. Instead of promoting the use of lower-cost payment products, they promote inefficiency and increased costs by cross-subsidising expensive premium credit cards and increasing the cost of debit.

At a minimum, the surcharging regime should be kept in place until there is real, on the ground, material progress in reducing merchant costs and decoupling debit and credit card fees. When these cost reductions are actually evident in surcharging, then the government can be confident there is a regulatory process underway that can actually reduce costs and promote efficiency.

Any proposed ban on surcharging should not be introduced until proposed amendments to the Payment Systems (Regulation) Act 1998 have passed parliament so that Payment Service Providers (PSPs) can be captured in regulation.

Importantly, any fees associated with customer choice add-ons, with clear benefits that exist for consumers, such as the ability to pre-book seats, skip queues etc, should be separated from any proposed surcharge ban, as should weekend and holiday surcharge rates, as they are not linked to payments processing.

In an ideal world, surcharging stays in place but becomes irrelevant because technology, AI and computing power reduce payments costs to negligible levels. If surcharging goes away, we'll not get that publicly visible check and businesses will be forced to either absorb the costs or pass these onto consumers.



<u>Blended rates:</u>

Since the practice of blended pricing was first introduced in 2016, it has been adopted by large sections of the PSP and acquiring industry for their small business customers. These pricing plans are usually coupled with the ability for merchants to easily surcharge these costs back to consumers. Meanwhile, big business is offered far more cost-effective interchange plus plus plans at much lower rates.[14]

Fees range from about 1.1% to over 2% per transaction, regardless of whether the transaction is made on a simple debit card or a premium credit card.

Introduction of these pricing plans by big banks coincided with debit overtaking credit in terms of total transaction value, and may have been seen as a way of recouping lost credit card revenue.

Small and medium merchants have been targeted by banks and PSPs for these high fee pricing constructs which are sometimes marketed as "free eftpos" or similar as enticements.

If surcharging is banned, businesses will then need to navigate expensive, unregulated and overly complex and opaque fee structures without the ability to pass on costs to consumers, potentially leading to inflation and increasing costs for all consumers (including those using cash and A2A payments), or job losses.

The Productivity Commission would understand the difficulties of attempting to absorb the costs of a percentage-based fee (1-2%) on the majority (70%+ on cards) of a retail or hospitality business' sales revenue, particularly when those businesses are operating on a profit margin of between 3-7%.

These costs are not insignificant. The AFR recently published a story about a single pub in South Australia paying $140,000 in card fees a year. That business was being charged a relatively "low" 1% per transaction blended rate.[15]

Elements of the payments and banking industry have flippantly said these fees should be "absorbed" by small business as part of the "cost of doing business". However, IPF argues that cost of card payments, particularly debit card payments, should be considered a "cost of doing business" for deposit holding banks that issue cards to customers as the primary means of accessing their own money.

<u>Loopholes:</u>

It is a key component of any payments regulation or legislation to ensure that it closes any loopholes that may be exploited to the detriment of businesses or consumers, or both. There are a number of

[14] Reserve Bank of Australia, 2022, 'The Cost of Card Payments for Merchants', https://www.rba.gov.au/publications/bulletin/2022/sep/the-cost-of-card-payments-for-merchants.html

[15] https://www.afr.com/companies/financial-services/small-business-says-labor-s-card-surcharge-ban-will-be-inflationary-20250501-p5lvsa

examples across the payments industry where we have seen gaps in rules that have been exploited through calculated strategies by industry participants. These have led to unintended, negative consequences for both merchants and consumers.

Three examples of these behaviours, and where industry self-regulation has clearly failed are:

1. Surcharging of blended pricing – which sees merchants and consumers paying much higher rates for debit card transactions
2. Least Cost Routing – which has been implemented by some industry participants in ways that benefit PSPs and acquirers, rather than merchants and their customers
3. Broad scheme fee and interchange fee ranges – which see small merchants paying much higher rates than big merchants

As such, Australia is a world-leader in the take up of electronic payments, but massive increases in the volume of card transactions have not resulted in the fee reductions you would expect to see with this critical mass, despite previous regulatory intervention on interchange.

The lion's share of the payments fee burden for card payments in Australia is currently shouldered by small businesses and their customers due to unfair pricing constructs and loopholes in the regulation which enable cross subsidization of costs to small business, masked by complexity and opacity.

To enhance business dynamism and resilience, regulators need to:

- Take the necessary steps to reign in the loopholes that have plagued electronic payment fees both here, and around the world;
- Significantly increase transparency of card fees and charges;
- Create a level playing field for small business and their customers who often pay five times more for card payments than the big businesses they compete with; and
- Make all fees transparent and published. This includes scheme fees.

PSRA:

The RBA has recognised that there are other payments issues that have implications for the safety, efficiency and competitiveness of the payments system, and has flagged that subsequent phases of the payments Review will focus on a range of issues in the broader payments ecosystem, including issues that would be better addressed after the passage of proposed amendments to the *Payment Systems (Regulation) Act 1998* currently before the Australian Parliament.

We would argue that without the passing of the PSRA amendments that the RBA in their current review are not able to enhance business dynamism and resilience, as they do not have the ability to legislate and regulate effectively.

The Chair of the Australian Competition and Consumer Commission (ACCC), Gina Cass-Gottlieb, provided evidence to the Standing Committee on Economics in parliament on February 14 noting that: "It is an important point about the importance of the proposed amendments in the bill for the Payment Systems (Regulation) Act, because they expand the definition of 'payment providers' and those who provide services in relation to it … There are amendments proposed there that would expand the jurisdiction of regulation, which is very important, but that is not currently the case at this time."[16]

Currently the ACCC only has the power to penalise merchants for excessive surcharges, not PSPs for charging high merchant fees.

During the meeting, Jeremy Laxale MP also acknowledged the shortcomings of current legislation: "While small businesses can be investigated for excessive surcharging, the ACCC confirmed that

[16] https://payday-news.beehiiv.com/p/mp-urges-treasurer-and-rba-to-act-on-blended-debit-card-pricing

merchant providers and banks cannot, this is despite average domestic debit costs being under 0.5%, yet blended rate costs being charged out to businesses at a rate of up to 2.5%. Tired and ineffective rules need urgent reform."[17]

Given the potential constraints faced by the RBA around payments regulation, IPF is increasingly concerned that the current Review of Merchant Card Payment Costs and Surcharging will not be able to achieve a workable, efficient and equitable result that is in the public interest.

The review is being conducted without the benefit of new legislation and the regulatory muscle to take on international players and fintechs which now represent a significant part of the acquiring and PSP market. This may make it difficult for the RBA to tackle systemic issues such as blended rates and definitions associated with the cost of acceptance.

The potential to reduce scheme fees is also vexed with the prospect of possible litigation (although we are encouraged by recent activity around this issue in both the EU and UK).

Without decisive action on issues like scheme fees and blended rates, IPF fears inequitable and unacceptable fees will continue to be borne by smaller merchants who can least afford it, or passed on to all customers in higher prices, including those customers who chose to use cash in order to avoid fees resulting in inflation.

Another unexpected consequence could be a reduction in competition in the acquiring market, as some fintechs may be forced out of business.

Under these circumstances, we believe the RBA should pause work on its current review until such time as the PSRA reforms are in place and all of these issues can be tackled properly and fairly in one review.

The prospect of this legislation being passed quickly is significantly enhanced by the outcome of the recent election.

The amendments to the Act would also tackle potential issues raised in the RBA's recent Proposed Decommissioning of the Bulk Electronic Clearing System – RBA Risk Assessment, and migration to the New Payments Platform, including end user costs.

New Payments Platform (NPP):

While IPF supports and understands the benefits of the NPP, it must not be done in a rushed or inefficient way to meet an arbitrary industry deadline of 2030.

The payments industry must take immediate steps to protect and regulate fees on critical payments like wages, superannuation, health, welfare and pensions that are being migrated from the aging Bulk Electronic Clearing System (BECS).

The RBA has pointed out that even a small increase in fees across BECS current volume of 3.5 billion payments worth $17.4 trillion will represent a significant cost impost for governments and business, and potentially consumers.

While AP+ publishes wholesale NPP pricing on its website[18], current pricing for end users of NPP is not well understood or regulated. Further clarity is needed urgently.

[17] https://payday-news.beehiiv.com/p/mp-urges-treasurer-and-rba-to-act-on-blended-debit-card-pricing
[18] https://www.auspayplus.com.au/brands/nppa-fees-and-pricing

The RBA acknowledges that although is it the principal regulator of Australia's payments system, the safety and resilience of payment systems are not formally subject to regulatory oversight.

There is a real danger in proceeding with NPP and expanding the A2A payments landscape without ensuring that government and regulators have the power to supervise and regulate effectively to ensure public interest is at the forefront of the A2A transition.

Designation and regulation of the platform needs to extend to the wholesale fees and other costs associated with using the NPP network, as it does today with card payments.

The RBA in its Risk Assessment acknowledges that:

> *Concerns around the ongoing cost of NPP payments are acute for end users who regularly make large volumes of payments, including large business and government payers. Business and government end users are price sensitive, especially in cases where the additional functionality offered by the NPP is not presently perceived to be beneficial. There is a considerable risk to an orderly transition if end users are unwilling to migrate payments due to NPP transaction pricing being perceived to be too high."*

One example is superannuation. Given the number of contribution transactions expected annually in a payday super environment – around 500 million - even a fraction of a cent extra per transaction embeds massive new costs into the system.

The Gateway Network Governance Body (GNGB) has also expressed concern that the cost structure for payments over NPP is also very different to BECS, and could create challenges for adoption:

"The NPP website states that wholesale costs are continuing to decrease as volume on the platform increases which will be equivalent to the wholesale fees for BECS transactions, however, costs for the use of PayID registration and PayTo, as well as NPP provider margin, are also expected on top of those transaction fees. This creates challenges for adoption, as the payer's costs are outside of its control, making it difficult to rely on consistent cost structures to factor into product offerings."

Black Economy:

There has been a failing in the enforcement of the regulation in the payments industry in relation to the black economy, specifically related to the Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF) and the obligations to Know Your Customer (KYC).

AUSTRAC has acknowledged that: "The AML/CTF Act requires reporting entities to identify, mitigate and manage the risk that their products and services may be used to facilitate money laundering or other serious and organised crimes. This includes illicit tobacco".

"Reporting entities, such as providers of electronic payments systems, must undertake know your customer processes, report suspicious matters, and conduct additional verification checks where appropriate in relation to customers. Businesses including tobacco shops may be customers of various reporting entities."[19]

There is clear evidence that illegal tobacco and vapes are being processed via payments terminals and ATMs provided by numerous banks and PSPs who are not properly managing KYC processes.

The failure to enforce this legislation leads to poor economic outcomes for legitimate businesses, including convenience stores, supermarkets, tobacconists to the benefit of organised crime.

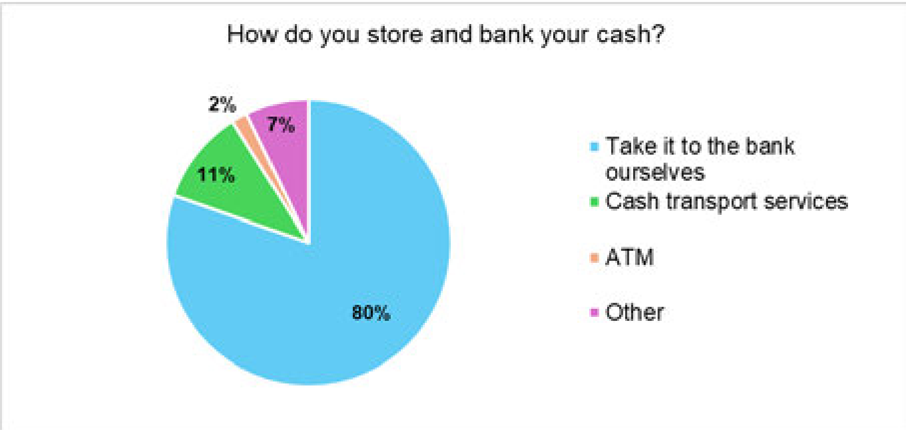
[19] https://payday-news.beehiiv.com/p/austrac-expects-payments-industry-to-know-and-report-illegal-tobacco-sellers

Cash Mandate:

The proposed cash mandate legislation and regulation needs to ensure that the shift towards digital payments which has been aggressively pursued by big banks for more than four decades, does not continue to disadvantage those who rely on cash payments, including people in regional areas, small businesses and regional banks.

It should also not disadvantage those who provide cash services and have been forced to fill the gap left by major banks which have removed ATMs and closed branches, particularly in regional Australia. These businesses, including service stations, independent supermarkets, pubs and clubs, in some cases do not fit the cash mandate definition but provide citizens with cash to transact at businesses that do.

In a recent survey of IPF participants, businesses showed that they use bank branches for their cash handling services:



IPF participants in regional hotels often use ATMs to recycle cash but still need to visit bank branches regularly for cash handling, coins, and large floats, particularly around peak times such as "show day" or "cup day". This often involves up to 100km round trips. They say the post office has cash, but not enough to top up a pub.

There is a significant intersection of policy between the proposed cash mandate, reports about Treasury considering a regional banking Community Service Obligation,[20] and costs associated with debit card acceptance currently being considered by the Reserve Bank of Australia. IPF submits that these three outputs of these three inquiries are linked, and any mandates or regulation must be seen as a package of reforms to improve access to cash and reduce the cost of digital payments.

7. How has your regulatory burden changed over time?

Merchant Card Fees:

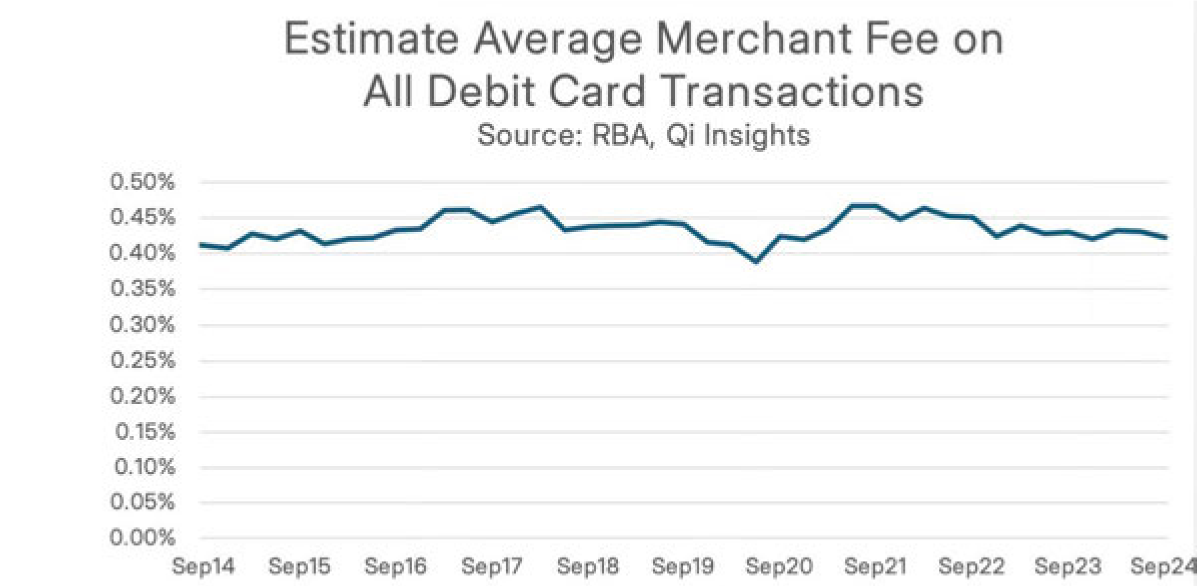
More needs to be done to reduce the $6.4 billion[21] in card fees charged by Australia's banks, payments platforms and card companies for providing simple card payment services to retailers and merchants.

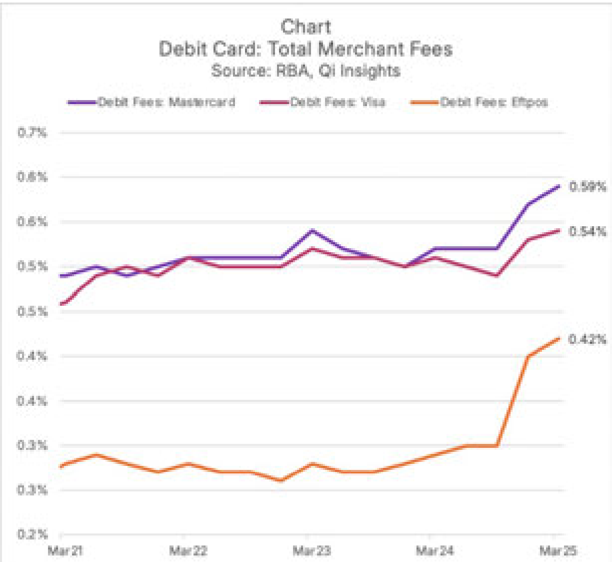
[20] Wind, E., 2024 'Banks could face levy for failing to meet 'baseline' services in regional Australia, Treasury proposal suggests', in *The Guardian,* https://www.theguardian.com/australia-news/2024/nov/16/banks-could-face-levy-for-failing-to-meet-baseline-services-in-regional-australia-treasury-proposal-suggests

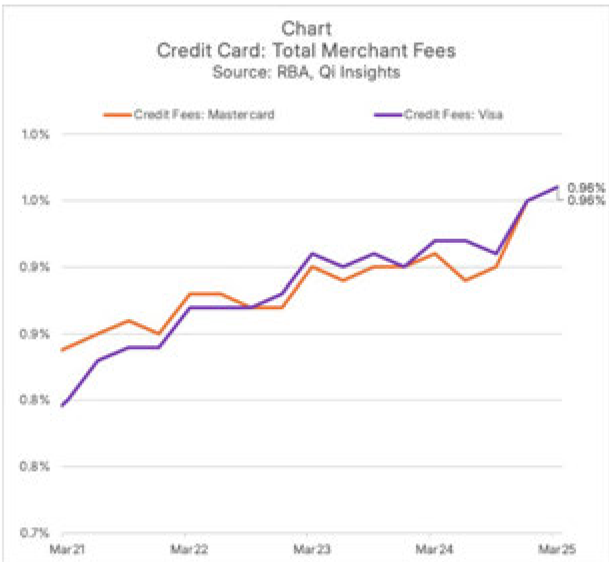
[21] Reserve Bank of Australia, 2024, *Merchant Card Payment Costs and Surcharging – Issues Paper – October 2024.*

When debit cards were first introduced in the 1980s as a replacement for cash, interchange fees for both transactions and cash out services were positive for merchants. That means merchant acquirers were paid by issuing banks via interchange to accept card payments and to offer cash out services to consumers. With the introduction of Visa and Mastercard debit in the 1990s, a reverse interchange decision by eftpos in the early 2000s, merchants began to see significant cost imposts from card payments which were quickly becoming ubiquitous.

Despite rapid growth in debit card transactions, debit card fees have defied network economics and remained stubbornly high over the past decade, even with standard regulatory intervention on interchange rates.

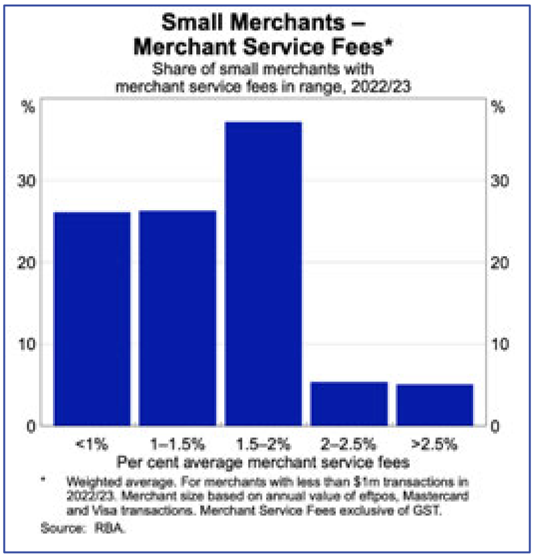






Small business currently subsidise the special pricing deals offered to large retailers, most of which are not transparent but allowed under the current regulations. These deals advantage big business through unfair pricing including:

- Much lower interchange rates
- Lower scheme fees and rebates
- Lower margins



The introduction of inadequate and poorly worded surcharging regulation has led to even less transparency in card fees, greater inefficiencies and costs, and a regulatory burden imposed on small businesses, rather than the payments industry that profits from it.

8. What regulations do you find time-consuming, overly complex or otherwise constraining business dynamism and resilience? What are the reasons for your answer?

Question 14 and 15 have been combined below.

9. Can you share any specific examples of where you think a regulator has done a good or bad job of understanding and reducing regulatory burden on businesses and why?

Merchant card fees- negatives:

- Overly complex interchange regime, enabled by loose regulation and generous caps that exploited to promote cross subsidisation in favour of big business to the detriment of small business
- Opaque, unregulated and unpublished scheme fees that are non-negotiable for small and medium businesses
- Unregulated billing that shows little detail around what these fees are or why they are being charged
- Other “services” included under the ill-defined term “cost of acceptance” including data analytics, POS provision, inventory, rewards points etc
- Technology-based rather than principles-based pricing, leading to market distortions and over-pricing of payments methods such as mobile payments e.g., a card payment should be priced the same, no matter what form factor

‘Cost of Acceptance’

- Poorly defined term 'cost of acceptance' has allowed PSPs to include a range of non-payments fees such as data analytics, POS provision, inventory, rewards points etc, into their merchant services fees for payments processing via blended pricing
- The poor definition has enabled blended pricing which has the exact opposite effect to the stated intent of the regulation e.g. "to promote the efficiency of the payments system by encouraging consumers to use lower cost payment methods and put competitive pressure on card networks to lower their wholesale fees".

<u>Surcharging</u>

- Policing and regulatory obligation is directed solely at merchants (rate setting, signage), rather than the payments industry that profits from it and often builds it into the technology systems automatically.
- IPF fears current calls to "ban surcharging" via regulation will again punish merchants rather than fixing the cause of this issue (excessive fees), reduce transparency and possibly capture other fees for services such as the ability to pre-book seats, skip queues etc, that consumers have knowingly sought out and value.

<u>Lack of regulation schemes</u>

- Scheme fees make up a significant proportion of the wholesale cost of card payments and are currently completely unregulated. Additional fees are added with little explanation. Any attempt to promote efficiency in the payment system and reduce the cost of payments without addressing this issue will fail, as we have seen in other jurisdictions, including the UK and Europe.

<u>AUSTRAC – Black economy obligations</u>

- Provision of payments terminals and ATMs to businesses without complying with (or enforcement of) KYC obligations and reporting with regard to trade in products, such as illegal tobacco, has led to poor economic outcomes for legitimate businesses, including convenience stores, supermarkets, tobacconists to the benefit of organised crime.

<u>Large parts of industry not covered by regulation</u>

- Large parts of the payments industry are currently unregulated including participants with significant market share such as Apple, Google, Square, Stripe, Zeller, SmartPay, and the New Payments Platform.
- Without the passing of the PSRA amendments and subsequent Ministerial designations, the RBA is not able to enhance business dynamism and resilience effectively.
- The RBA should pause work on its current Review of Merchant Card Payment Costs and Surcharging, and any proposed ban on surcharging, until such time as the PSRA reforms are in place and all of these issues can be tackled properly and fairly in one review.
- The amendments to the Act would also enable regulators to more effectively deal with issues raised in the RBA's recent Proposed Decommissioning of the Bulk Electronic Clearing System – RBA Risk Assessment, and migration to the New Payments Platform, including end user costs, resilience and interoperability.