Level 29
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Review of Payments System Regulation

August 2026

The Australian Retail Council (ARC) welcomes the opportunity to respond to the Reserve Bank of Australia's Review of Payments System Regulation Issues Paper.

ARC represents the Australian retail sector. Valued at $444 billion, retail supports more than 1.4 million jobs, including employing more young Australians than any other industry. Retail is embedded throughout the economy and plays a critical role in communities across metropolitan, regional and rural Australia. ARC advocates for policies and reforms that strengthen worker safety, support business resilience and drive the long-term prosperity of Australian retail and the millions who rely on it.

General comments

Retailers seek a payments system that promotes competition, transparency and innovation while avoiding unnecessary costs, regulatory burdens and operational risks. Prioritising reforms that improve merchant choice, competition and transparency is critical to delivering better outcomes for retailers and consumers.

Retailers should be able to choose their payment providers and payment methods, access lower-cost routing options and change providers without unreasonable technical, operational, contractual or commercial barriers. Competition should be assessed by whether merchants can exercise that choice in practice, rather than solely by whether alternative providers or technical capabilities exist.

Integrated payment platforms, mobile wallets and tokenisation can provide substantial benefits. However, they should not restrict merchant choice, create unnecessary barriers to switching or obscure the costs associated with accepting different payment methods.

As new payment technologies and use cases emerge, including through agentic and AI-initiated payments, regulation should preserve clear responsibility for fraud, refunds and disputed transactions. Reform should not transfer additional costs or liability to merchants without a corresponding benefit.

ARC considers reform should:

- preserve genuine merchant choice across in-person, online and mobile payment environments;
- support the effective availability of least-cost routing and competition between debit networks;
- address unreasonable technical, contractual or commercial barriers that restrict merchants from choosing or changing payment providers;
- promote effective portability of payment tokens and merchant payment data;
- ensure mobile wallets and emerging payment interfaces do not restrict merchant choice or access to lower-cost payment methods; and
- ensure reforms do not unfairly transfer costs, liability or operational risk to merchants.

We recommend an approach that applies common principles across payment services where appropriate, while avoiding a one-size-fits-all approach and targeting intervention at clearly demonstrated competition or efficiency concerns.

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Detailed comments

1. Merchant choice and payment costs

The RBA should prioritise barriers that prevent merchants from practically accessing lower-cost payment options or exercising genuine choice over payment providers, networks and payment methods.

Least-cost routing should remain effective as transactions move from physical cards to online and mobile environments. The competitive benefits of dual-network debit cards should not depend on how a transaction is initiated.

The Issues Paper identifies a significant gap between the availability and enablement of least-cost routing for online transactions, together with technical and commercial barriers involving acquirers, payment service providers, gateways and newer payment methods. The effectiveness of least-cost routing should be assessed by reference to the proportion of eligible transaction volume actually routed through lower-cost networks, rather than capability alone.

The RBA should assess whether these barriers are justified and whether targeted action is required to ensure that routing choice is available in practice. Any response should be proportionate and account for implementation costs.

Integrated e-commerce and point-of-sale platforms can provide substantial efficiencies. However, the presence of multiple providers does not amount to effective competition where merchants face significant operational, technical or commercial barriers to switching.

Merchants should have clear information on available payment providers, third-party processing fees, contractual restrictions and the practical implications of changing providers or platforms.

The RBA should address arrangements that materially restrict competition through discriminatory charges, unreasonable self-preferencing or technical barriers to merchant choice.

2. Token portability and switching providers

Merchants should be able to change payment providers without losing access to stored payment credentials or facing disproportionate technical, operational or customer disruption.

Difficulties transferring payment tokens can create failed transactions, customer attrition and material barriers to switching. The existing standard for transferring merchant payment-related data does not fully address token portability.

The RBA should support industry-led improvements to token portability and only consider targeted intervention where clear barriers to merchant switching remain. Any intervention should avoid imposing additional regulatory or compliance burdens on retailers.

Token-portability arrangements should support secure and timely transfers, minimise disruption and establish clear responsibilities between relevant payment system participants.

3. Mobile wallets and merchant payment gatekeepers

Mobile wallets and other digital intermediaries are increasingly acting as gatekeepers between merchants and consumers. They should not restrict merchant choice, determine transaction routing or influence payment selection without appropriate transparency and regard to merchant cost and competition.

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As payments become embedded within broader technology ecosystems, competition may increasingly occur between platforms and ecosystems rather than solely between underlying payment rails. The RBA should examine whether these arrangements restrict competition between payment methods or networks, inhibit least-cost routing, limit access by competing providers or reduce transparency over payment costs.

Regulatory attention should focus on conduct that has a material effect on competition, merchant costs or innovation, rather than the size or business model of a provider alone.

The same principles should apply to emerging payment interfaces, including AI-enabled purchasing tools. Merchants should retain appropriate visibility over accepted payment methods, transaction costs, routing and the allocation of liability for disputed transactions.

The Issues Paper identifies risks that emerging payment interfaces may select payment methods based on commercial incentives, impose additional merchant fees and create uncertainty over disputes and liability.

The RBA should establish clear, technology-neutral principles at an early stage to preserve merchant choice, cost transparency and clear liability arrangements, while avoiding prescriptive regulation before the operation and effects of these technologies are sufficiently understood.

4. Competition across payment methods

Regulation should support competition between payment methods while ensuring that costs, risks and responsibilities remain transparent.

Payment services should be assessed against common principles relating to competition, merchant choice, transparency and financial safety. This should not result in a one-size-fits-all approach. Regulatory treatment should reflect differences in function, business model and risk, and intervention should be directed at clearly demonstrated market failures or material competition concerns.

Account-to-account payments may become a meaningful alternative to cards in retail settings. Broader adoption will depend on reliable payment confirmation, interoperability, clear refund and dispute processes, effective fraud protections and transparent pricing.

Alternative payment methods should not transfer fraud, reimbursement or administrative costs onto merchants. Retailers should also not be required to incur material integration costs without a clear commercial and operational benefit.

The RBA should examine whether contractual restrictions or market conditions materially limit merchants' ability to negotiate terms, recover reasonable acceptance costs or offer customers lower-cost alternatives. Higher merchant costs alone should not be treated as evidence of market failure. Any intervention should be targeted, proportionate and supported by clear evidence of a material competition or efficiency concern.

ARC welcomes the opportunity to continue engaging with the RBA as it determines its regulatory priorities. Any queries in relation to this submission can be directed to policy@retail.org.au.

AUSTRALIAN RETAIL COUNCIL

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About ARC

ARC represents the Australian retail sector. Valued at $444 billion, retail is the nation's second largest private sector employer, supporting more than 1.5 million jobs, including more young Australians aged 15 to 24 years than any other industry. ARC's membership is diverse. From family-owned small and independent businesses, comprising 95 per cent of our membership, to large national and international retailers supporting communities across metropolitan and regional Australia. With more than 155,000 retail outlets nationwide and a growing online presence, the retail sector is embedded throughout the economy, playing a critical role in the supply chain of Australian businesses. ARC advocates for polices and reform that drive growth, resilience, and long-term prosperity for Australian retail and the millions who rely on it. At a time of rapid change, from technological disruption and international competition to shifting consumer behaviour and sustainability expectations, effective policy settings are critical for retailers, workers, consumers, and communities.