EPAA SUBMISSION TO

REVIEW OF PAYMENTS SYSTEM REGULATION

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Please find attached the submission of the Emerging Payments Association Asia (EPAA) to the "*Review of Payments System Regulation*" ("the Review") released by the Reserve Bank of Australia (RBA) on 25 June 2026.

EPAA's goal is to unify the payments agenda in the region, drive business development and improve the regulatory landscape for all organisations within the payments value chain. We are a community of payments organisations whose goal is to strengthen and expand the payments industry for the benefit of all stakeholders. More information about EPAA is available on our website www.emergingpaymentsasia.org.

Please note, that while we have consulted with our membership, any views expressed in this submission are solely the views of EPAA and do not necessarily represent the views of individual contributors, EPAA Ambassadors or EPAA Members.

As well, EPAA has not answered all of the consultation questions. We have focussed our responses where we believe there is the greatest impact on the future direction of the Australian payments ecosystem and are relevant to policymakers and industry in the Asia-Pacific (APAC).

1. Introduction

EPAA has been broadly supportive of the Australian Government's payments reform agenda. We believe that modernising payments regulation and infrastructure in Australia, to better meet the needs of an increasingly complex and ever-changing ecosystem and to keep Australia as a desirable place to do business in, remains a necessary and laudable goal.

EPAA welcomes the opportunity to provide feedback to the RBA on both its payment regulation priorities and areas that may require further regulatory activity.

The Review comes at a pivotal time for Australia's payments ecosystem, with rapid innovation across mobile payments, digital wallets, account-to-account transfers, tokenisation, AI-enabled commerce and cross-border payments. These developments are reshaping how consumers pay, how merchants accept payments, and how providers are able to enter the Australian market, access and use infrastructure and compete effectively.

On this basis, EPAA supports the RBA's objective of ensuring that Australia's payments system remains competitive, efficient, safe and resilient, through regulatory clarity, proportionality, international alignment and technology-neutrality. We believe the Review is an opportunity for the RBA to actively encourage and enable an open, competitive, innovative payments ecosystem for Australia, underpinned by consumer choice, confidence, trust, safety, security and international competitiveness. EPAA looks forward to continued engagement with the RBA throughout the Review process.

2. Response to Consultation Questions

AI Agents for Payments

9. Are there competition, efficiency and/or financial safety issues relating to the use of AI agents for payments in e-commerce? If so, are there any regulatory actions that the RBA should consider?

EPAA believes that AI has the potential to become a revolutionary force within payments. It is already being applied for purposes of risk management, fraud and cybersecurity.Increasingly, it is being used for greater efficiencies in terms of liquidity management, treasury and operations.

In addition, much of the recent interest in AI is around its use in agentic commerce. This is where an individual or a business can assign an AI agent or agents to act on their behalf. That agent can scour the internet for the best deals, negotiate on price, place orders and make payments, organise insurance or delivery etc.

The benefits of agentic commerce are significant - reducing friction for consumers and saving them time and money, while e-commerce platform and payment service providers and merchants will be able to offer a more streamlined and personalised experience through a new interface, potentially while reducing their own overheads.

Despite this significant upside, there is currently no agreed standard for core elements of agentic payments: how AI agents are identified and authenticated (particularly across borders), how liability is allocated when an agent exceeds its mandate, how fraud systems distinguish legitimate machine-speed behaviour from compromise, or how disputes are resolved when software, and not a person, initiates a transaction. These gaps create material operational, legal and consumer-protection risks as agentic commerce becomes more widely adopted.

While regulation may need to play a role, we believe that the industry can address many of these issues through working collaboratively.This includes through the consideration of open and non-proprietary standards for agent identity and authentication.

To this end, EPAA has recently established the AI & Agentic Payments Working Group, the first industry-wide initiative in APAC focused on developing practical, interoperable standards.[1]

This group will progress shared approaches to agent identity and authentication, trust and liability frameworks, commercially viable models for agentic commerce, and coordinated engagement with ASEAN and APEC regulators. Its outputs will feed into EPAA's 18-month regional engagement program, culminating in formal policy recommendations at the 51st ASEAN Summit and APEC Economic Leaders' Week in 2027.

We believe this work can contribute to creating the necessary guardrails so that consumers and merchants are protected while allowing the benefits of agentic commerce to flow.

We believe there may be significant synergies with regulators, given the RBA's interest on AI agents in e-commerce. We also believe there are synergies with the wider review of the regulation of agentic commerce by the Australian government, announced on 20 July.[2]

We would be pleased to share this work with the RBA as it progresses and to engage with the Australian Government on how this can contribute to the wider agenda on AI and agentic commerce enablement. An industry working group to formulate standards and practices could be one way to ensure there is proper engagement and coordination between the public and private sectors.

Mobile Payments

10. Are there competition, efficiency and/or financial safety issues relating to mobile payments? If so, are there any regulatory actions that the RBA should consider?

Digital wallets are now a primary interface for consumer payments in Australia, and EPAA has consistently emphasised that regulatory settings must reflect this.
EPAA believes a technology-neutral, proportionate, fit-for-purpose risk based and interoperable approach to the regulation of wallets and wallet providers is needed.
Digital wallets should be treated as a component of payments infrastructure, with obligations aligned to risk, consistent across the ecosystem, and designed to support innovation, competition and consumer protection.

On this basis, we would propose:

- Improved transparency of wallet-related fees and tokenisation costs.
- Ensure non-discriminatory access to mobile wallet functionality (including hardware secured element and NFC), even if this requires staged or collaborative approaches.This could include removal of device level restrictions and greater access for third party apps.
- Clear disclosure of steering or routing behaviour by wallet providers.
- Ensure effective and non-discriminatory access to mobile wallet functionality, including NFC and relevant device functionality, on fair, reasonable and transparent terms. Access should be sufficient to enable third-party wallet and payment providers to offer genuinely competitive services, including appropriate access to authentication and payment initiation functionality, rather than being limited to technical access that does not provide functional equivalence.

International developments provide a useful reference point. In the European Union, regulatory and competition interventions have sought to increase interoperability and third-party access within mobile ecosystems, including access to NFC functionality for competing mobile wallets. These developments illustrate that effective access can extend beyond the underlying technology to the functionality necessary for third-party providers to compete effectively, while maintaining appropriate security and privacy safeguards.

Given the increasingly central role of mobile wallets in everyday payments, EPAA believes the RBA should consider mobile wallet interoperability and effective access to NFC and other relevant device functionality as a near-term regulatory priority. Australia should consider whether

similar principles are appropriate for the Australian market, with the objective of ensuring that control of device-level functionality does not become a barrier to competition, innovation or consumer choice.

Three-Party Networks

11. Are there competition, efficiency and/or financial safety issues relating to three-party networks? If so, what regulatory action should the RBA consider?

Non-Designated Card Networks

12. Does the current regulatory treatment of non-designated card networks such as JCB and UnionPay remain appropriate given their limited scale in Australia, or would formal regulation of these networks by the RBA better support competition, efficiency and financial safety in the payments system?

Buy Now Pay Later (BNPL)

13. Are there competition, efficiency and/or financial safety issues relating to BNPL providers, including their surcharging rules and interactions with card schemes? If so, what regulatory action should be considered?

Overall, we believe that the RBA's regulation of interchange fees for the major card schemes has created a market distortion. Ideally, we would want to see robust competition, rather than regulation, being the mechanism that places downward pressure on pricing.

However, an approach in Australia where price regulation is abandoned seems unlikely, given the recent decision to reduce interchange fee caps further and to reverse course on the treatment of surcharging.

The extension of the regulatory perimeter of fee regulation to three-party and non-designated card networks, as well as "buy now, pay later" providers, creates a challenging and complex situation.

We believe in a level playing field on the basis of "same activity, same risk, same regulation". On this basis, we would support extension of interchange regulation when a card network meets a sufficient size to exercise market power, particularly when it operates as a four-party system by entering into distribution arrangements with acquirers.

The trigger for when a scheme or provider reaches sufficient scale to be regulated, however, remains opaque. Transparent and objective thresholds for when an entity becomes subject to RBA designation would provide clarity and promote certainty, which assists significantly for those entities wanting to make investment decisions.

The arguments for extending this regulatory perimeter beyond this is not particularly strong in our opinion. We believe that any decision to extend fee regulation should be done with great care to avoid further "hardwiring" this approach into the Australian payments ecosystem. Any ill-considered intervention risks moving into areas that have not been subject to price regulation, such as merchant fees.

Further this regulation is about payments and not about credit provision, which is regulated separately. BNPL has been widely adopted by Australian consumers, providing a genuine alternative to traditional forms of credit and a useful tool for managing cash flow, particularly as people are facing cost of living challenges.

It offers flexibility and transparency and is a clear example of the kind of competition and innovation that should be encouraged.

BNPL is subject to regulation, in particular within Australia's consumer credit framework. Providers are subject to conduct, disclosure and responsible lending-style obligations under that regime. As such, EPAA does not consider that additional regulatory intervention specific to BNPL surcharging or its interaction with card schemes is warranted at this time.

Account-to-Account (A2A) Payments

14. What is needed to grow A2A adoption, including addressing merchant liability, consumer experience, and integration complexity?

We have provided detailed input into the A2A Vision process undertaken by the Roundtable.

In this process, we have indicated our support for:

- Expanded access for NPP. This access should be commercially viable and not merely technically viable. Often smaller PSPs can remain dependent on sponsoring or infrastructure providers, which may have varying onboarding, commercial and technical requirements. We would support greater transparency and consistency across access arrangements and the ability to transition more easily and efficiently between providers;

- Greater consistency across financial institutions to enable PayTo to scale effectively. Differences in agreement management, exceptions and customer experience can create frictions despite common underlying infrastructure;

- Enhanced retail payments support, including at point-of-sale (such as QR Code initiation and a robust fraud prevention and dispute resolution processes); and

- Cross-border integration (for example, support for ISO 20022 and ensuring NPP can connect to networks such as Nexus).

We also believe there need to be greater clarity on the governance of the A2A Roadmap, as the process to date has been somewhat obscure, particularly in terms of the mandate of the Roundtable, its composition and how decisions are being made and how those decisions will be implemented. This also includes clarity on the RBA's role as both a regulator and a participant in the Roundtable process.

15. Is regulatory action needed to promote competition between cards and A2A payments?

We are of the view that enhanced functionality for A2A payments, as outlined above, is the best way to ensure that A2A can be a viable alternative to card payments. However, we believe that enhancements should be driven by market demand, rather than through regulatory mandate.

In respect to regulation, we do not believe that regulatory intervention is required to promote this competition. However, A2A payments are often at a structural disadvantage to card payments, for example being subject to more onerous AML/CTF requirements due to the treatment of A2A versus card payments in FATF Recommendation 16.Any such disadvantages should be addressed.

Cryptography

16. Are stronger cryptographic standards needed to address inconsistent tokenisation, fragmented key management, and weak offshore practices?

Since 2024, EPAA has, through its Quantum Safe Cryptography Working Group, brought together APAC and global payments service providers and networks and other relevant stakeholders in the payments ecosystem to evaluate the impact of the quantum threat on the existing cryptography and security mechanisms currently adopted by the industry and to support preparedness for the payment service providers and the wider ecosystem. The objective has been to maintain the security and trust of payment networks, as well as regulation compliance in the post quantum era.

With a focus on information and education, the Quantum Safe Cryptography Working Group has set out the steps it believes organisations should consider, including:

- Mapping how and where encryption is used, including in vendor systems.
- Building a cryptographic inventory to identify which cryptographic assets exist and are most vulnerable.
- Transitioning to quantum-safe algorithms such as Post-Quantum Cryptography (PQC), which are now standardised by the National Institute of Standards and Technology (NIST) in the US.
- Enabling systems to support cryptographic agility so that new algorithms can be rapidly adopted in the event that existing algorithms are compromised.
- Reviewing supplier contracts and procurement processes to include new expectations related to the quantum-safe migration, such as requesting vendors to provide a Cryptographic Bill of Materials (CBOM).
- Updating policies on data retention and securely deleting data that is no longer necessary.
- Building cross-functional teams to manage risk, compliance, operations, and security collectively, as well as product and client-facing tools.

Overseas Card-Not-Present (CNP) Fraud

17. Is regulatory intervention needed to address rising overseas CNP fraud, including offshore merchants not meeting Australian standards and uneven fraud tools across PSPs?

The fight against fraud demands a holistic and multi-layered approach, including adaptive regulation, real-time intelligence, cross-sector accountability, strong enforcement, and consumer empowerment.

Cross-border payments are especially vulnerable to fraud. AI is further shifting the fraud landscape, both as a new fraud vector as well as a means of detection.

In addition to card fraud there is A2A fraud, and it is important that this also be addressed, particularly as A2A systems are being interconnected to better provide cross border payments.

Therefore, EPAA believes this should be an area that the RBA can examine while facilitating industry collaboration.

To this end, EPAA has established its Fraud and Scams Working Group. This has been established to examine how the industry is able to better collaborate to

combat rising fraud and scams, particularly in a cross-border context and with a particular focus on the APAC region.

The work to date has included reviews of the regulatory treatment of scams and fraud across the APAC region, as well as statistical methodology. The work has noted the limitation associated with the unauthorised / authorised payments dichotomy and the need for a more robust approach to a taxonomy, one that uses a signals approach as an alternative. This would be based on a "whole of ecosystem" approach and would look at what information each party involved in a transaction has visibility of and their ability to take action.

As with our work on Agentic Commerce and Quantum Safe Cryptography, EPAA would be pleased to share this work with the RBA as it progresses.

Other Issues

18. Are there any other issues that may have implications for the design and implementation of the RBA's payments system regulation?

We believe that it is important for the RBA to consider dependencies for work done elsewhere.

In addition to those we have already mentioned, we note that the NSW Payments Strategy has recently been released. Given the size of the NSW Government as a user of payments, we believe it is important to take into account relevant strategies, initiatives or developments when deciding on priorities and regulatory action.

EPAA is happy to expand further on the items raised in this submission. If you do have any comments or questions, please feel free to contact me at camilla.bullock@emergingpaymentsasia.org or EPAA's Policy Lead Dr Brad Pragnell at brad.pragnell@34south45north.com.

We look forward to continued engagement with the RBA.

Kind regards,

Camilla Bullock
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