



12 November 2025

Director
Payments Reform Unit
The Treasury
Langton Crescent
Parkes ACT 2600
paymentslicensingconsultation@treasury.gov.au

Dear Director

REGULATION OF PAYMENT SERVICE PROVIDERS – TRANCHE 1A DRAFT LEGISLATION

The Australian Finance Industry Association (AFIA) is the only peak body representing the entire finance industry in Australia¹. We appreciate the opportunity to respond to Treasury's consultation on the regulation of Payment Service Providers².

We represent over 150 members, including bank and non-bank lenders, finance companies, fintechs, providers of vehicle and equipment finance, car rental and fleet providers, and service providers in the finance industry. We are the voice for advancing a world-class finance industry and our members are at the forefront of innovation in consumer and business finance in Australia. Our members finance Australia's future.

We collaborate with our members, governments, regulators and customer representatives to promote competition and innovation, deliver better customer outcomes, and create a resilient, inclusive, and sustainable future. We provide new policy, data, and insights to support our advocacy in building a more prosperous Australia.

¹ [Australian Finance Industry Association \(afia.asn.au\)](https://afia.asn.au).

² [Regulation of Payment Service Providers – Tranche 1a draft legislation - Consult hub](#)
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INTRODUCTORY COMMENTS

A strategic priority of AFIA is to advocate for a regulatory framework that is fit for the future. We recognise that consumer payment patterns in Australia have shifted substantially since previous major reviews of the Australian financial system.

AFIA continues to support the Treasury's payment systems reform agenda, insofar as it is fit-for-purpose now and in the future and can support continued innovation for the benefit of consumers, businesses, and the broader economy.

AFIA's position regarding the regulation of payments is that it should:

1. Be targeted and right-sized – proportionate, scalable, and functions-based.
2. Support competition and innovation, specifically, ensuring open access to facilitate mobile and contactless payments.
3. Balance financial stability and consumer protection, which is particularly important to ensure vulnerable customers are not disadvantaged with this next evolution and we avoid a new 'digital divide' in Australia.
4. Exist alongside self-regulation which should continue to play an important role in setting high standards, getting ahead of change and customer expectations, and adapting existing frameworks to drive better customer outcomes.
5. Be efficient and effective – supportive of Australia retaining our global position as a financial centre and an incubator for ideas and responsive to this dynamic environment.

Our response builds on AFIA's [previous submissions](#) to Treasury, reflecting our ongoing commitment to ensuring the payments system remains fit-for-purpose, supports innovation, and balances financial stability with consumer protection. We welcome the opportunity to engage further on the proposed reforms and their implications for our diverse membership, particularly as we strongly endorse a regulatory framework that supports activity or function-based regulation to ensure flexibility and proportionality for our members.

STREAMLINED LICENSING APPROACH

The Tranche 1a exposure draft legislation introduces separate financial products (e.g. SVFs, tokenised SVFs, payment instruments) and services (e.g. payment initiation, facilitation, technology, and enablement), potentially requiring multiple Australian Financial Services Licence (AFSL) authorisations for payments providers. AFIA members offering multiple payment functions will face increased regulatory costs from multiple licensing applications, potential duplicative obligations across activities, and complex regulatory navigation.

AFIA's position on licensing continues to be for a singular payment licence as well as joint guidance from ASIC, AUSTRAC, APRA, ACCC, and RBA via a single website portal. This would be closer to how the Financial Conduct Authority (FCA) operates in the United Kingdom (UK), where firms are authorised as an Authorised Payment Institution (API) to provide regulated payment services. This system requires one

authorisation to provide payment services. Pre-Brexit, this licence also facilitated 'passporting' to European Economic Area countries. The Government should consider the merits of enabling a similar function, which could facilitate the provision of modern payments methods in the Pacific region by Australian regulated payment service providers.

AFIA acknowledges the coordination challenges of such an approach but encourages harmonisation efforts to reduce complexity for industry in ongoing compliance once the regime commences. It is important to note that frequently when 'red tape reduction' exercises are undertaken by government, it is highlighted by stakeholders that the greatest benefit comes from the policy design process ex-ante, rather than retrospectively looking at what can be done to alleviate regulatory burden. We strongly encourage Treasury to weigh up the costs and perceived benefits of the proposed approach, versus an approach closer to that of the UK.

If a single licence approach is not adopted, AFIA welcomes any effort to streamline licensing obligations between the respective regulators and considerations as to how to minimise compliance burden for industry participants in dealing with multiple regulators.

SAFEGUARDING SVFS

The Tranche 1a definition of major SVF providers (Section 761ED) defers the \$200 million threshold to regulations, marking a practical increase from the current \$10 million Purchased Payment Facility (PPF) threshold. AFIA welcomes this threshold adjustment, however, it is still not clear that the threshold indicates a level of funds that would necessitate a prudential regulator's involvement in the management of an SVF. It would be useful to understand Treasury's methodology in calculating this threshold to be able to provide further comments. We would also encourage setting a point in the future or a mechanism to consider the appropriate level of funds which *should* trigger prudential regulation.

We note that the draft package provides for two options in the management of a payment-related SVF:

1. Manage under **\$200m in stored value**: ASIC regulation, annual audits, and public reporting requirements; or
2. Become a **'major' SVF provider** (greater than \$200 million in stored value): APRA prudential regulation.

Regarding SVFs that are not 'major', we appreciate that in principle the funds are to be kept in a trust account and separate from the operating bank account(s) of the issuer. We agree with the policy intent that users have comfort that the funds are managed appropriately and available upon redemption. It is unclear if all funds issued would be required to be held in a trust account.

AFIA would encourage that Treasury consider policy which strikes the right balance, where funds remain available for redemption without imposing such regulatory burden that SVFs become competitively disadvantaged.

We understand that APRA treatment of major SVFs will be considered and discussed under Tranche 1b in 2026. We look forward to early engagement to further understand the extent of the proposed requirements.

EPAYMENTS CODE RULEMAKING POWER

The deferred but flagged ministerial power to mandate the ePayments Code (currently voluntary) would benefit from a comprehensive Treasury-led review to address current uncertainties, inconsistent application, and gaps. AFIA looks forward to helping inform a future review in due course.

A FIT-FOR-PURPOSE REGULATORY SANDBOX

AFIA welcomes the Assistant Treasurer's announcement of an independent review of the Enhanced Regulatory Sandbox³ with the expanded scope to consider the AI use cases and a technologically futureproof environment for responsible innovation.

The sandbox should represent a real opportunity for businesses to test products for demand, suitability, and viability. Without expanding the sandbox to accommodate for responsible innovation, the increase in regulatory cost will stifle the ability for homegrown innovation in fintech. AFIA looks forward to helping inform the independent review and ensure that the sandbox encourages legitimate innovation that brings financially innovative products to the benefit of consumers to the market.

AFIA supports the activity-based, risk-based approach to regulating payment service providers but cautions that increasing regulation may hinder experimentation and financial innovation. AFIA recommends expanding the enhanced regulatory sandbox to allow large-scale experimentation before triggering full regulatory obligations.

PROPOSED TIMELINE

AFIA welcomes Treasury's efforts to show key pieces of draft legislation early for comment. It is difficult to make fulsome comments on the proposed regulatory framework without seeing the complete package. The truncated process, with two consultations on separate elements of the design of the primary Bill followed by a proposed consultation on secondary legislation (rules) after passage, makes it difficult to provide comments on the proposed reforms as a whole. We respectfully request that Treasury presents the proposed regulatory reforms packaged as a whole to be able to provide meaningful commentary.

An ideal process would be the entire Bill and regulations are put to consultation for a detailed consideration (e.g. 60 days). Failing this, we would strongly encourage a 60-day consultation on the Bill, and also the Regulations. It is difficult to obtain meaningful feedback to inform Treasury's policy advice to the Minister and the overall design of a new regulatory regime with any less time, and the current piecemeal approach.

³ <https://ministers.treasury.gov.au/ministers/daniel-mulino-2025/media-releases/independent-review-enhanced-regulatory-sandbox>

Further, we recommend that a period of two years from the day after Royal Assent remains the most appropriate transition period for industry to have the full regulatory obligations apply. Businesses require the certainty of the full package, both primary legislation and rules, to be able to plan resourcing and overall implementation. Feedback from members based on the Buy Now Pay Later (BNPL) reforms indicated that an arbitrary date set in the primary legislation caused significant additional costs, uncertainty and implementation difficulties which would have been avoided with a better planned transition period.

CLOSING COMMENTS

Thank you for providing the opportunity to respond to this consultation. AFIA looks forward to a continued focus on improving innovation, competition, and efficiency in the payments sector to support Australia's economy and ensure the regulatory framework is fit for the future.

Should you wish to discuss our submission or require additional information, please contact Ben Jordan, Senior Policy Advisor at ben.jordan@afia.asn.au.

Yours sincerely



Roza Lozusic
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