

Committee Secretary  
Standing Committee on Economics  
PO Box 6021  
Parliament House  
Canberra ACT 2600

Mr Nick Creevey  
Director, Corporate Affairs A/NZ  
Airwallex  
29 Balfour Street  
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Wednesday, 18 October 2023

**RE: Questions on Notice**

Dear Secretary,

With regards to the Questions on Notice from the Committee's hearing on 3 October 2023 for the *Inquiry into the influence of international digital platforms*, Airwallex provides the following response to the question on notice:

Mr Natrajan: I can probably start with this. Sumukh and Luke, feel free to chime in. I think the regulatory change we're looking at is differentiating the levels of interchange charged. Take an example from Singapore. Interchange is capped on essential services such as utilities and public transport and small businesses. There is no significant cap on higher end goods or B2B services. That would be one suggestion we might make. Another suggestion we might make is to look at the fees charged to us by technology providers and payment networks. If the interchange is capped on the one hand limiting our revenue, ideally we would expect the same to be applied to essentially the monopoly companies that operate and facilitate our product in the first place.

CHAIR: Okay. Is there any more information you can provide us about that second scenario on notice?

Mr Natrajan: Sorry, Chair, can you clarify? Which scenario would that be?

CHAIR: The main focus of this inquiry is looking at where there are competition dynamics that are not good for our economy here in Australia. If there are particular examples where large technology platforms have used market power to limit competition and innovation, that is the sort of information we're looking for. I thought you might like to consider what you can provide to the committee on notice.

Mr Natrajan: Sure. I think we can take that on notice, given the confidentiality agreements we have with our technology partners and our providers right now.

The costs that consumers and businesses face in processing transactions is made up of two parts:

- The costs that providers such as Airwallex incur to provide the service
- And the costs that providers such as Airwallex pass on to consumers



Airwallex is concerned that the current situation - whereby interchange fee costs are regulated to protect consumers - does not account for the cost base for transactions that providers and businesses face. This comes in the unregulated cost portion of the equation which is dominated by tech companies like Apple and Google, and payment facilitation companies like Mastercard and Visa.

Each transaction has a revenue and cost component. The sole source of revenue is interchange. Assessing any charge on the cardholder or customer is out of the question.

Cost comes from fees charged by networks such as Visa and Mastercard, and tech companies such as Apple and Google, which are on top of operating costs for any issuer.

Therefore, interchange fees have to cover all the above costs, which is impossible in several cases because the costs are unregulated.

The RBA could look at tiered interchange fee caps to allow a reasonable level of revenue for issuers, or alternatively regulate the costs side commensurately.

In the current state, only large banks can offer card products without incurring significant financial losses. Australian startups cannot compete, and customers inevitably end up with the same set of options.

Airwallex's position is that the Government should thoroughly examine the interplay between the fees payment providers face and the interchange regulations with a view to promoting more innovation and lower costs for Australians by encouraging competition.

Should you or any members of the Committee have further questions, please don't hesitate to contact me on \_\_\_\_\_ or at \_\_\_\_\_.

Kind regards,

Nick Creevey  
Director, Corporate Affairs ANZ  
Airwallex