

Article Information

Authors: Steven Pettigrove, Luke Higgins, Tahlia Kelly
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Australia's payments system to be overhauled

[Australia's multi-year payments modernisation agenda has marked another milestone with Treasury releasing the Tranche 1 exposure draft legislation for public consultation.](#)

The draft legislation gives practical form to the new function-based regulatory perimeter that is slated to eventually replace Australia's "ageing" non-cash payment (**NCP**) facility authorisation under the financial services licensing regime and the purchased payment facility framework administered principally by the RBA and APRA. The reforms will introduce a number of new financial products and services which are intended to clarify the regulatory treatment of various payment related products and services, including stored value facilities (**SVFs**), stablecoins, remitters and merchant acquiring services.

Modernising the regime

The exposure draft builds on the 'Tranche 1a' consultation [released by Treasury in October 2025](#) and introduces the core architecture of the new regime. The goal is a technology-neutral framework that regulates payments activity based on what a provider does, rather than the technology used to do it. This means treating payment initiators, payment facilitators, embedded-finance platforms, pass-through wallets (e.g. ApplePay) and certain technology providers as similarly regulated.

The effect of this is that a broader range of PSPs will be brought within the Australian financial services licensing framework by requiring providers of specified payment services to hold an Australian Financial Services Licence (**AFSL**). Accompanying this will be enhanced prudential oversight powers for the Australia Prudential Regulation Authority (**APRA**) in respect of major stored value facility (**SVF**) providers, and the introduction of a broad rule-making power to support the implementation of a mandatory, revised 'ePayments Code'.

Materials released

The Tranche 1 package released by Treasury alongside explanatory materials includes:

1. the *Treasury Laws Amendment (Payments System Modernisation) Regulations 2026* (the **Bill**);
2. the *Payment Entities (Prudential Regulation) Bill 2026*;
3. two levy imposition bills; and
4. the *Treasury Laws Amendment (Payments System Modernisation) Regulations 2026* (**Draft Regulations**).

A targeted summary of the broad reforms is provided below.

New regulated products: stored value facilities

One of the most significant changes is the introduction of the SVF authorisation. The new definition turns on two simple ideas:

1. a user transfers funds to a facility *without* immediate payment instructions; and
2. the user has a right to redeem funds standing to the credit of the facility.

This is likely to capture a broader range of contemporary business models such as prepaid cards, consumer wallets, account based products, and other forms of stored or prefunded value. A prohibition on payment of interest or interest-like benefits by SVF providers is proposed to curb regulatory arbitrage and distinguish deposit type products.

Tokenised SVFs (Payment stablecoins)

A subset of SVFs, tokenised SVFs, is introduced to deal with stablecoin-like arrangements referencing a single fiat currency. The draft takes a deliberately restrained approach:

- the *facility* is the financial product, rather than the token itself; and
- secondary token transfers are not regulated as SVF transactions.

This mirrors global approaches where regulation targets the issuer and the underlying reserve structure, not peer-to-peer token movements. It is ostensibly at odds with ASIC's current approach [which regulates stablecoins as NCPFs, subject to limited secondary market relief](#). Under Treasury's proposal, payment stablecoins will be more readily treated as equivalent to electronic cash. Certain instruments will continue to be treated as financial products such as yield bearing stablecoins.

The draft legislation also imposes additional requirements on tokenised SVF to make monthly disclosures of reserves, guarantee redemption rights, and disclose certain changes and events which may be adverse to holders.

Major SVF providers

Treasury proposes a "major SVF" category for large providers. The explanatory material indicates a \$200 million aggregate-credit threshold (still subject to regulations). Major providers would need to register with APRA and comply with APRA-made prudential standards, whilst remaining outside the authorised-deposit taking institution (ADI) framework. A streamlined registration pathway is promised when compared with the full ADI framework. In practice, this effectively gives APRA a new regulatory lane for large stored value facilities and stablecoin issuers.

New AFSL-regulated payment products and services

In addition to payment instruments (e.g. debit cards), which will be regulated as a financial product, the draft introduces three new categories of payment services, each regulated by ASIC as a financial service under the AFSL regime and the Corporations Act:

- Payment facilitation services (**PFS**) - where a provider receives funds and transfers them in accordance with payment instructions (e.g., acquiring, remittance and flow-of-funds models).
- Payment initiation services (**PIS**) - where the provider triggers a non-cash funds transfer without themselves handling the money (e.g., PayTo-enabled initiators, direct debit facilitation).
- Payment technology and enablement services (**PTES**) - the "backbone layer" enabling or transmitting payment instructions (e.g., pass-through wallets, payment gateways, identity-verification layers).

These definitions are designed to regulate the entire payment chain, rather than just the entity that holds or moves customer funds. The changes are likely to bring within the AFSL regime a number of existing business models which have previously relied upon regulatory relief or otherwise fallen outside the regime.

Notwithstanding the breadth of these categories, certain exemptions will continue to apply (e.g. single payer) and certain products are intended to fall outside scope, such as digital asset platforms and self-custodial wallet software which is specifically referenced in the explanatory materials.

Licensing, wholesale status and intermediary obligations

Entities issuing SVFs or payment instruments, or providing PFS, PIS or PTES, will generally require an AFSL or must operate under a licensee's authorisation. The framework applies only to constitutionally-covered corporations, meaning most Australian companies and foreign corporations operating in Australia will be within scope.

Treasury proposes redefining the retail/wholesale boundary for payment services through a value-based threshold (to come via regulations). At the same time, the reforms remove the sophisticated investor exemption for SVFs, payment instruments and payment services. Even dealings with professional clients will carry baseline obligations, including internal dispute resolution and, where retail clients are involved, AFCA membership.

Intermediary PSPs, being those providing services to other PSPs in the value chain, also receive specific obligations. They must take reasonable steps to cooperate with AFCA and with other licensees.

ASIC's expanded powers

ASIC will gain expanded information-gathering powers, allowing it to request information from anyone it reasonably suspects of providing payment services or SVF-related services without appropriate authorisation. This marks a significant expansion in ASIC's ability to investigate unlicensed conduct.

Safeguarding customer money

A new payment-related money framework will apply across SVFs, payment instruments and payment services. While modelled on the existing client-money rules, it is specifically adapted for payment flows. Customer funds are generally expected to be held in segregated trust accounts with Australian ADIs, supported by permitted insurance or alternative mechanisms to be set out in regulations. Dormant balances within major SVFs will be treated consistently with unclaimed-money rules applying to banks.

How this fits into the broader reform landscape

The payments licensing reforms intersect with several ongoing initiatives:

- The [Payments System Modernisation Act 2025](#) modernised the *Payment Systems (Regulation) Act* and expanded designation powers.
- The [digital asset platform licensing framework](#) recently passed by Parliament which will introduce definitions (such as “digital token”) that directly interact with tokenised SVFs.
- ASIC’s 2025 update to [INFO 225](#) which indicates ASIC’s views on how digital asset wallet and payment services interact with the current regime .

Tranche 1 represents the first significant step towards a unified payments regulatory perimeter that can accommodate embedded-finance models, account-to-account payments, digital wallets and tokenised value instruments under one framework.

What’s next?

Consultation on the Tranche 1 exposure draft closed on 9 April 2026. Treasury may entertain limited extensions for comment. Treasury expects to introduce a consolidated Tranche 1 package to Parliament later this year, followed by subordinate regulations and the Tranche 2 reforms, which will deal with access regimes, industry standards and systemic infrastructure settings. A 12 to 18 month transition period is expected with grandfathering arrangements for existing regulated providers.

The proposed reforms mark another significant step in upgrading Australia’s AFSL framework for the 21st century economy. However, the definitions and details are complex and require careful analysis. While the reforms will help to clarify regulatory gaps, some business models will continue to fall outside the regime and benefit from relief. Payments businesses and technology providers should consider their product pipeline and services in light of the proposed reforms and continue to closely monitor developments.

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