



Regulation of Payment Service Providers: Tranche 1 Exposure Draft Legislation

Status of Reforms

The Government is progressing Tranche 1 of the payments licensing reforms, which modernise the regulatory framework for payment service providers (**PSPs**).

Draft legislation for these reforms has been released in two sub-tranches.

Tranche 1a draft legislation, covering core concepts and licensing obligations, was consulted on from 9 October to 6 November 2025. 51 submissions were received. Stakeholder feedback has informed updates to Tranche 1a legislation and explanatory materials, as well as the design of certain policy features not in **Tranche 1a**. This includes feedback on safeguarding requirements and exclusions and exemptions which affect the scope of the licensing regime.

This release covers the full package of legislation for Tranche 1, including:

- **Updates to Tranche 1a draft legislation**, including adjustments to the:
 - definitions of several payment functions, including stored value facilities (SVFs), payment initiation services and payment technology and enablement services (PTES), to better align with the intended policy
 - core concepts related to tokenised SVFs to better align with policy intent, including clarification stablecoin tokens are not separately treated as financial products
 - disclosure requirements applied to tokenised SVFs.
- **Draft legislation for detailed policy elements not covered in Tranche 1a**, including:
 - requirements for safeguarding payment-related monies
 - licensing exemptions and exclusions
 - APRA powers for major SVF providers and designated PSPs
 - consequential amendments to the *Australian Securities and Investments Commission Act 2001* (ASIC Act) consumer protections
 - a framework for unclaimed monies
 - a rule making power for a mandatory, revised ePayments Code
 - transitional arrangements.
- **Draft regulations for licensing exemptions and exclusions.**

The draft regulations are an early and partial draft included to assist stakeholders in understanding the proposed regulatory perimeter. These regulations will be expanded upon to cover other policy elements, subject to further consultation, and are intended to be finalised following passage of the legislation into Parliament.

Stakeholder feedback will be considered in finalising the legislation for introduction in 2026.

Updated Policy Specifications

Table 1: Summary of Policy Specifications for Tranche 1 Reforms

Framework	Policy Features
<p>Financial Services Regulation: AFS Licence</p>	<p>Payment functions regulated as financial products:</p> <ul style="list-style-type: none"> • SVFs e.g. prepaid cards. • Tokenised SVFs e.g. stablecoins. Digital tokens attached to rights under tokenised SVFs are not themselves financial products. • Payment instruments e.g. debit cards. <p>Payment functions regulated as financial services:</p> <ul style="list-style-type: none"> • Payment initiation services e.g. direct debit services. • Payment facilitation services e.g. merchant acquiring services, cross-border transfer services. • Payment technology and enablement services (PTES) e.g. payment gateways. Purely ‘back-end’ services are not regulated. <p>Existing obligations applicable to licensees include:</p> <ul style="list-style-type: none"> • general obligations e.g. general conduct and capability, risk management and reporting. • specific obligations relating to financial products e.g. product disclosure and design requirements. • specific obligations where services are provided to retail clients e.g. dispute resolution. <p>New reform-specific obligations include:</p> <ul style="list-style-type: none"> • obligations to support dispute resolution where PSPs provide services to other licensees (rather than directly to retail clients). • disclosure requirements for tokenised SVFs. • prohibitions on SVFs paying interest benefits. • a right to redeem money held in an SVF. • ASIC powers to obtain information from unlicensed PSPs. <p>Safeguarding payment-related monies is a new reform-specific obligation to address risks of payment money being lost due to failure of a PSP. Applies to PSPs who hold payment money.</p> <p>Safeguarding obligations are included in both the AFS licensing and prudential frameworks. APRA can make prudential standards that permit use of different safeguarding methods. For PSPs solely regulated by ASIC, the default method requires PSPs to segregate and hold funds in a trust account with an authorised deposit-taking institution (ADI). PSPs can apply to ASIC for approval to use other methods, such as insurance or a guarantee.</p> <p>While based on existing ‘client money’ provisions, the new safeguarding obligations operate separately to ensure clear separation of payment-related money and reduce risks through commingling with other money held by licensees.</p> <p>Most existing exclusions and exemptions continue to apply. This includes the single payee exclusion, and new exemptions and exclusions based on current ASIC legislative instruments covering a range of facilities, i.e. low-value facilities, gift facilities, loyalty schemes, prepaid mobile facilities and road toll facilities. The previous proposal to replace some of these exemptions with a ‘limited network’ exemption has not been progressed, as it would have changed the scope of some existing exemptions (e.g. for gift facilities).</p> <p>Where appropriate, existing exemptions and exclusions have been modified to account for the updated payment products and services, e.g. exemptions for low-value facilities have been modified to capture payment services.</p> <p>Some exclusions are being removed or narrowed. The credit facility exclusion is being narrowed and will not cover payment services intended to be regulated, and the exclusion for certain electronic funds transfer facilities will be removed.</p> <p>A new commercial agent exemption is included for payment activities incidental to other commercial relationships.</p>

Framework	Policy Features
Prudential Regulation	<p>The existing prudential regime for Purchased Payment Facilities (PPFs) will be replaced by a new framework for certain regulated payment entities that pose financial stability risks.</p> <p>The new prudential regime will apply to major SVF providers (including tokenised SVF providers), who hold \$200 million or more in stored value (on a corporate group aggregate basis), and enable users to redeem funds in Australian currency. The regime also applies to providers of payment facilitation services and SVFs, designated by the Minister. Other SVF providers may also 'opt-in' if approved.</p> <p>A streamlined process for registration with APRA has been developed (rather than a licensing process).</p> <p>SVF accounts are not protected by the Financial Claims Scheme, and APRA will not have equivalent duties to exercise resolution powers to protect customers. Instead, safeguarding helps protect user funds in an insolvency.</p> <p>Differences in risks posed by SVF providers compared with ADIs support a proportionate regulatory approach by APRA, centred on financial stability.</p>
Unclaimed monies rules	Rules will allow for unclaimed money held by major SVF providers to be transferred to ASIC, and procedures for return to customers.
ASIC Act consumer protection regime	Consequential amendments to definitions of financial products and services in the ASIC Act, to support application of ASIC powers and to extend consumer protection measures to payment products and services. The definition of non-cash payment facility will be retained for the purposes of the ASIC Act consumer protections.
ePayments Code	Rule-making power to allow the Minister to set baseline consumer protections and introduce a mandatory, revised ePayments Code.
Transitional Arrangements	<p>Amendments commence 12 months after Royal Assent.</p> <p>Transitional arrangements vary depending on whether an entity already holds an AFS licence with payment-related authorisations.</p> <ul style="list-style-type: none"> • PSPs without relevant authorisations have 6 months after commencement to apply. If an application is made within 6 months, the PSP can continue to provide regulated activities while the application is being considered, subject to some core obligations. If an application is not made within 6 months, obligations apply i.e. at 18 months after Royal Assent. • PSPs with relevant authorisations have 1 month after commencement to apply for a variation. A streamlined process will apply to update the existing licence. If an application is not made within 1 month, obligations apply i.e. at 13 months after Royal Assent. • For prudential regulation, authorised PPF providers will become registered major SVF providers. For other entities, a transition period will align to the Corporations Act transition periods (1 month or 6 months depending on AFS licence status). <p>Some core obligations will be switched on while applications are still being considered, to support consumer protection and minimise risk of a more extended period of disparity in regulatory obligations.</p>