



## RESERVE BANK OF AUSTRALIA

### *Payment Systems (Regulation) Act 1998*

#### **Variation to Standards Relating to Merchant Surcharging**

This notice is published in accordance with the requirements set out in Section 29(2)(a) of the *Payment Systems (Regulation) Act 1998*.

The Reserve Bank of Australia hereby varies the following standards, as described below:

- I. The Standard entitled *Standard No. 2, Merchant Pricing for Credit Card Purchases*, gazetted on 27 August 2002, as it applies to the designated credit card system operated in Australia known as the MasterCard system or the MasterCard network card system;
- II. The Standard entitled *Standard No. 2, Merchant Pricing for Credit Card Purchases*, gazetted on 27 August 2002, as it applies to the designated credit card system operated in Australia known as the VISA system or the VISA network card system; and
- III. The Standard entitled *The 'Honour All Cards' Rule in the Visa Debit and Visa Credit Card Systems and the 'No Surcharge' Rule in the Visa Debit System*, gazetted on 7 July 2006.

**I. The Standard entitled *Standard No. 2, Merchant Pricing for Credit Card Purchases*, gazetted on 27 August 2002, as it applies to the designated credit card system operated in Australia known as the MasterCard system or the MasterCard network card system**

1. under the heading entitled 'Objective'

*after*

by providing merchants the freedom to

*insert*

make a reasonable

2. before the heading entitled 'Application'

*insert a heading entitled*

Amended and restated Standard

3. under the heading entitled 'Amended and restated Standard'

*insert*

1. This Standard is an amended and restated Standard of that gazetted on 27 August 2002.

4. Paragraphs 1 through to 10

*Renumber as paragraphs 2 through to 11*

5. Paragraph 3

*after*

referred to

*delete*

as follows

*insert*

in this Standard

6. Paragraph 4, for each term

*delete*

double quotation marks “ ”

*substitute*

single quotation marks ‘ ’

7. Paragraph 4, in the term ‘credit card transaction’ or ‘transaction’

*delete*

cardholder

*substitute*

card holder

8. Paragraph 4

*after*

the term ‘merchant’

*insert*

‘merchant service fee’ means a transaction-based fee charged to a merchant for acquiring credit card transactions from that merchant whether collected on an *ad valorem* or flat-fee basis, or charged as a blended rate across all credit card types or on an interchange plus acquirer margin basis or any other basis;

9. Paragraph 8

*after*

Standard

*delete*

comes

*insert*

originally came

*after*

1 January 2003.

*insert*

This Standard as amended and restated comes into force on 1 January 2013.

#### 10. Paragraph 9

*after*

shall prohibit

*delete*

a merchant from charging a credit cardholder any fee or surcharge for a credit card transaction.

*insert*

:

- (i) a merchant from recovering part or all of the reasonable cost of acceptance of credit cards issued under the Scheme by the merchant charging fees or surcharges to credit card holders; or
- (ii) a merchant, in recovering part or all of the reasonable cost of acceptance of credit cards issued under the Scheme, from applying different fees or surcharges to credit card holders for different card types either within the Scheme or across card schemes.

#### 11. Paragraph 10

*delete*

10. Notwithstanding paragraph 8, an acquirer and a merchant may agree that the amount of any such fee or surcharge charged to a credit cardholder will be limited to the fees incurred by the merchant in respect of a credit card transaction.

*insert*

10. For the purposes of paragraph 9, the merchant's cost of acceptance of credit cards issued under the Scheme may, for the purpose of determination of a fee or surcharge, be determined by reference to:

- (i) the cost to the merchant of the credit card transaction in relation to which the fee or surcharge is to be levied;
- (ii) the average cost to the merchant of acceptance of all credit cards of all types issued under the Scheme; or
- (iii) the average cost to the merchant of acceptance of a subset of credit cards issued under the Scheme that includes the type of credit card in relation to which the fee or surcharge is to be levied,

and includes, but is not necessarily limited to, in the case of (i), the applicable merchant service fee and, in the case of (ii) and (iii), all applicable merchant service fees.

#### 12. Paragraph 11

*after*

provisions of this Standard

*insert*

(as amended) either before, or

*after*

as soon as practicable after

*insert*

,

*after*

this Standard

*insert*

(as amended)

**II. The Standard entitled *Standard No. 2, Merchant Pricing for Credit Card Purchases*, gazetted on 27 August 2002, as it applies to the designated credit card system operated in Australia known as the VISA system or the VISA network card system**

1. under the heading entitled 'Objective'

*after*

by providing merchants the freedom to

*insert*

make a reasonable

2. before the heading entitled 'Application'

*insert a heading entitled*

Amended and restated Standard

3. under the heading entitled 'Amended and restated Standard'

*insert*

1. This Standard is an amended and restated Standard of that gazetted on 27 August 2002.

4. Paragraphs 1 through to 10

*Renumber as paragraphs 2 through to 11*

5. Paragraph 3

*after*

referred to

*delete*

as follows

*insert*

in this Standard

6. Paragraph 4, for each term

*delete*

double quotation marks “ ”

*substitute*

single quotation marks ‘ ’

7. Paragraph 4, in the term ‘credit card transaction’ or ‘transaction’

*delete*

cardholder

*substitute*

card holder

8. Paragraph 4

*after*

the term ‘merchant’

*insert*

‘merchant service fee’ means a transaction-based fee charged to a merchant for acquiring credit card transactions from that merchant whether collected on an *ad valorem* or flat-fee basis, or charged as a blended rate across all credit card types or on an interchange plus acquirer margin basis or any other basis;

9. Paragraph 8

*after*

Standard

*delete*

comes

*insert*

originally came

*after*

1 January 2003.

*insert*

This Standard as amended and restated comes into force on 1 January 2013.

10. Paragraph 9

*after*

shall prohibit

*delete*

a merchant from charging a credit cardholder any fee or surcharge for a credit card transaction.

*insert*

:

- (i) a merchant from recovering part or all of the reasonable cost of acceptance of credit cards issued under the Scheme by the merchant charging fees or surcharges to credit card holders; or
- (ii) a merchant, in recovering part or all of the reasonable cost of acceptance of credit cards issued under the Scheme, from applying different fees or surcharges to credit card holders for different card types either within the Scheme or across card schemes.

11. Paragraph 10

*delete*

10. Notwithstanding paragraph 8, an acquirer and a merchant may agree that the amount of any such fee or surcharge charged to a credit cardholder will be limited to the fees incurred by the merchant in respect of a credit card transaction.

*insert*

10. For the purposes of paragraph 9, the merchant's cost of acceptance of credit cards issued under the Scheme may, for the purpose of determination of a fee or surcharge, be determined by reference to:

- (i) the cost to the merchant of the credit card transaction in relation to which the fee or surcharge is to be levied;
- (ii) the average cost to the merchant of acceptance of all credit cards of all types issued under the Scheme; or
- (iii) the average cost to the merchant of acceptance of a subset of credit cards issued under the Scheme that includes the type of credit card in relation to which the fee or surcharge is to be levied,

and includes, but is not necessarily limited to, in the case of (i), the applicable merchant service fee and, in the case of (ii) and (iii), all applicable merchant service fees.

12. Paragraph 11

*after*

provisions of this Standard

*insert*

(as amended) either before, or  
*after*  
as soon as practicable after  
*insert*  
,  
*after*  
this Standard  
*insert*  
(as amended)

**III. The Standard entitled *The ‘Honour All Cards’ Rule in the Visa Debit and Visa Credit Card Systems and the ‘No Surcharge’ Rule in the Visa Debit System, gazetted on 7 July 2006***

1. before the heading entitled ‘Application’

*insert the heading entitled*  
Amended and restated Standard

2. under the heading entitled ‘Amended and restated Standard’

*insert*

1. This Standard is an amended and restated Standard of that gazetted on 7 July 2006.

3. Paragraphs 1 through to 11

*Renumber as 2 through to 12*

4. Paragraph 3

*after*

12 April 2001

*insert*

(together referred to as the ‘Scheme’)

5. Paragraph 4

*after*

the definition of ‘merchant’

*insert*

‘merchant service fee’ means a transaction-based fee charged to a merchant for acquiring Visa Debit card transactions from that merchant whether collected on an *ad valorem* or flat-fee basis, or charged as a blended rate with Visa credit cards or on an interchange plus acquirer margin basis or any other basis;

6. Paragraph 4, in the definition of ‘Visa credit card transaction’

*delete*

cardholder

*substitute*

card holder

7. Paragraph 4, in the definition of ‘Visa Debit card transaction’

*delete*

cardholder

*substitute*

card holder

6. Paragraph 8

*after*

Standard

*delete*

comes

*insert*

originally came

*after*

1 January 2007.

*insert*

This Standard as amended and restated comes into force on 1 January 2013.

7. Paragraph 9

*after*

shall prohibit

*delete*

a merchant from charging a Visa Debit cardholder any fee or surcharge for a Visa Debit card transaction.

*insert*

:

- (i) a merchant from recovering part or all of the reasonable cost of acceptance of Visa Debit cards issued under the Scheme by the merchant charging fees or surcharges to Visa Debit card holders; or

- (ii) a merchant, in recovering part or all of the reasonable cost of acceptance of Visa Debit cards issued under the Scheme, from applying different fees or surcharges to Visa Debit card holders for different card types either within the Scheme or across card schemes.

#### 8. Paragraph 10

*delete*

- 10. Notwithstanding paragraph 8, an acquirer and a merchant may agree that the amount of any such fee or surcharge charged to a Visa Debit cardholder will be limited to the fees incurred by the merchant in respect of a Visa Debit card transaction.

*insert*

- 10. For the purposes of paragraph 9, the merchant's cost of acceptance of Visa Debit cards issued under the Scheme may, for the purpose of determination of a fee or surcharge, be determined by reference to:

- (i) the cost to the merchant of the Visa Debit card transaction in relation to which the fee or surcharge is to be levied;
- (ii) the average cost to the merchant of acceptance of all Visa Debit cards of all types issued under the Scheme; or
- (iii) the average cost to the merchant of acceptance of a subset of Visa Debit cards issued under the Scheme that includes the type of debit card in relation to which the fee or surcharge is to be levied,

and includes, but is not necessarily limited to, in the case of (i), the applicable merchant service fee and, in the case of (ii) and (iii), all applicable merchant service fees.

#### 9. Paragraphs 12a. through to 12d.

*Remember as paragraphs 12(i) through to 12(iv)*

#### 10. Paragraph 12(iv)

*after*

this Standard

*insert*

(as amended) either before, or as soon as practicable after, this Standard (as amended) comes into force

*delete*

This requirement must be met by 31 December 2007.

## **Purpose and effect of the variation of the Standards**

The purpose of this variation to the Standards is to improve efficiency in the Australian payments system by providing better price signals to cardholders about the relative costs of different payment methods. It is intended to help address surcharging practices that potentially compromise price signals – such as surcharging in excess of card acceptance costs – which appear to have become more widespread in recent years.

The variation allows for the rules of the designated credit card systems and the Visa Debit system, as well as the participants in the respective systems, to limit fees or surcharges imposed by a merchant to an amount that is the reasonable cost of acceptance, while at the same time ensuring that neither the rules of the systems nor the participants of the systems are able to prohibit merchants from fully recovering their costs. The merchant's cost of acceptance is defined in the Standards to include, but is not necessarily limited to, the applicable merchant service fee or fees. The variation also provides that neither the rules of the systems nor the participants of the systems are able to prohibit a merchant from applying different surcharges for different card types either within a system or across card systems.

By allowing the designated credit card systems and the Visa Debit system to limit surcharges to the reasonable cost of card acceptance, the effect of the variation is to enable these systems to address cases where merchants are surcharging in excess of their reasonable card acceptance costs. At the same time, by continuing to allow merchants to fully pass on legitimate costs of accepting cards, the variation has the effect of helping to ensure that appropriate price signals can be given to consumers, and that proper market disciplines are enabled in negotiations over card acceptance costs between acquirers and merchants. Both these effects are likely to lead to more efficient use of payment instruments by cardholders.

Signed



Glenn Stevens  
Governor  
Reserve Bank of Australia

12 June 2012