

18 DECEMBER 2024

# Retail Payment System

## [Draft] Mastercard and Visa Interchange Fee Network Standard 2025

*This draft pricing standard is supported by the draft decision and reasons paper*



## **[Draft] Mastercard and Visa Interchange Fee Network Standard 2025**

The Commerce Commission proposes to issue this network standard under sections 17 and 20(1)(b)(i) of the Retail Payment System Act 2022 (**Act**).

### **1. Title**

This standard is the Mastercard and Visa Interchange Fee Network Standard 2025.

### **2. Commencement date**

This standard comes into effect on 1 November 2025 (commencement date).

### **3. Revocation and replacement**

3.1 This standard revokes and replaces the initial pricing standard in subpart 3 of Part 1 of Schedule 1 of the Act with effect on and from the commencement date.

3.2 For the purposes of clause 3.1, the 'initial pricing standard' includes any term defined in subpart 1 of Part 1 of Schedule 1 of the Act for the purpose of that standard.

### **4. Application**

This standard applies to each of the following designated networks:

4.1 the retail payment network known as Mastercard credit which is subject to a designation order under clause 3 of Schedule 1 of the Act (Mastercard credit network);

4.2 the retail payment network known as Mastercard debit which is subject to a designation order under clause 4 of Schedule 1 of the Act (Mastercard debit network);

4.3 the retail payment network known as Visa credit which is subject to a designation order under clause 5 of Schedule 1 of the Act (Visa credit network); and

4.4 the retail payment network known as Visa debit which is subject to a designation order under clause 6 of Schedule 1 of the Act (Visa debit network).

### **5. Expiry date**

This standard continues in force in respect of a designated network until the earliest of:

5.1 the date that is 10 years after the commencement date;

5.2 the date on which the standard is revoked or replaced under section 23 of the Act; or

5.3 the date on which the network ceases to be a designated network.

## 6. Interpretation

6.1 In this standard, unless the context otherwise requires,—

6.1.1 **acquirer** means, in relation to a network, a participant of that network which provides services, directly or indirectly, to a merchant to allow that merchant to accept card payments on the network;

6.1.2 **Act** means the Retail Payment System Act 2022;

6.1.3 **benefit** means:

- (a) a payment, receipt, rebate, refund, or allowance;
- (b) in relation to any good or service received or receivable:
  - (i) where there is a regular price for that good or service, any discount or deduction from that price;
  - (ii) where there is not a regular price for that good or service, an amount by which the fair value of the good or service exceeds the payment or other similar financial consideration provided for it; and
  - (iii) any monetary or non-monetary benefit (however named or described) of a similar nature to, or having the same effect as, any benefit of the kind specified in paragraph (a) or (b) above;

6.1.4 **card** means any physical, digital or tokenised payment credential;

6.1.5 **card-present payment method** means a retail payment where:

- (a) the consumer and their card are present at the merchant's physical point of sale device (including any unattended point of sale device) at the time the payment is initiated; and
- (b) the consumer's card is electronically read by the merchant's physical point of sale device;

6.1.6 **commencement date** has the meaning in clause 2;

6.1.7 **core service** means, in relation to a network, a service provided by the scheme of that network that meets the following requirements:

- (a) the service is used by a participant of the network in relation to cards that can be used for retail payments on the network;
- (b) without the service, it would not be possible for an issuer to act as an issuer on the network;
- (c) the service (however named or described) relates to one or more of the following core functions:
  - (i) the licensing of the scheme's brands and other intellectual property owned by, or licensed to, the scheme;
  - (ii) the connection to or maintenance of the systems which are necessary to connect to in order to be a participant of the network;
  - (iii) transaction processing (including processing of chargebacks and refunds);
  - (iv) clearing and settlement (including clearing and settlement of chargebacks and refunds);
  - (v) authentication;
  - (vi) authorisation;
  - (vii) stand-in processing, clearing and settlement;
  - (viii) fraud prevention; and
  - (ix) handling, investigating and settling disputes, and requests for chargebacks and refunds.

A service relates to a core function in clause 6.1.7.(c) even if it involves or includes incidental services necessary to support that core function;

- 6.1.8 **credit networks** means the Mastercard credit network and Visa credit network referred to in clause 4;
- 6.1.9 **debit networks** means the Mastercard debit network and Visa debit network referred to in clause 4;
- 6.1.10 **designated networks** means the networks referred to in clause 4;
- 6.1.11 **domestic transaction** means a retail payment at a merchant outlet located in New Zealand using a card issued by a New Zealand issuer;
- 6.1.12 **fair value** means, in relation to any good or service:

- (a) subject to paragraph (b), the amount that would be paid to acquire the good or service in an orderly transaction between independent, unrelated and well-informed parties at the earlier of:
  - (i) the date the good or service was first provided to the issuer; or
  - (ii) the date the good or service was committed to be provided to the issuer; but
- (b) if at any subsequent time the amount that would be paid to acquire the good or service in an orderly transaction between independent, unrelated and well informed parties (**revised value**) is materially different from the amount determined in accordance with paragraph (a) (or, if any adjustment is made in accordance with this paragraph, the most recent such adjustment), the fair value may be adjusted to that revised value provided:
  - (i) use of that revised value as fair value is fair and reasonable; and
  - (ii) the fair value may be adjusted to a revised value no more than once in a reporting period;

6.1.13 **inbound cross-border transaction** means a retail payment at a merchant outlet located in New Zealand using a card issued by an issuer based outside of New Zealand;

6.1.14 **initial reporting period** means:

- (a) in relation to a new issuer, the period commencing on the first date on which any receipt or payment referred to in clause 8.2.2 or 8.2.3 was paid, became payable, was earned or accrued, or became receivable by or to the new issuer and ending on the last day of the first full reporting period following the date on which the new issuer begins publicly offering to issue cards for a scheme to consumers; and
- (b) in relation to a switching issuer, the period commencing on the first date on which any receipt or payment referred to in clause 8.2.2 or 8.2.3 was paid, became payable, was earned or accrued, or became receivable by or to the switching issuer from or to the switching issuer's new scheme and ending on the last day of the first full reporting period following the date on which the switching issuer begins publicly offering to issue cards of the new scheme to consumers;

6.1.15 **issuer** means, in relation to a network:

- (a) a participant of that network that has contractual relationships with its customers under which it issues cards for that network to those customers or their nominees; and
- (b) for the purposes of the obligations in clauses 8.1 and 8.2, any person described in paragraph (a) except a participant that solely issues prepaid cards for that network;

6.1.16 **Mastercard** means Mastercard International Incorporated and all of its related companies, including Mastercard New Zealand Limited and Mastercard Asia/Pacific Pte. Ltd.;

6.1.17 **Mastercard networks** means the Mastercard credit network and Mastercard debit network;

6.1.18 **merchant outlet** means a sales outlet used by a merchant to conduct a retail payment, for example, a retail store or website;

6.1.19 **merchant outlet located in New Zealand** means:

- (a) a retail store located in New Zealand; and
- (b) for a merchant resident in New Zealand, any online sales channel (such as a website);

6.1.20 **new issuer** means, in relation to a scheme, an issuer that has begun issuing cards (except prepaid cards) of that scheme but has not before that time issued cards for any scheme in New Zealand;

6.1.21 **per transaction** means, in relation to a maximum percentage, an amount calculated on a per transaction basis according to value;

6.1.22 **prepaid card** means a card used to access funds stored in a prepaid or prefunded account or a card where monetary value is stored on a chip, but excludes any credit card;

6.1.23 **regular price** means, in relation to a good or a service, the price at which the supplier is regularly supplying goods or services of the same description to entities of a class, group or type that includes the issuer at that time;

6.1.24 **related company** has the meaning given in section 2(3) of the Companies Act 1993;

6.1.25 **reporting period** means:

- (a) the first reporting period, being:

- (b) for any new issuer or switching issuer, the initial reporting period; or
- (c) for any other issuer, the period from the commencement date until 30 June 2026; and
- (d) in each subsequent case, a 12-month reporting period ending 30 June;

6.1.26 **scheme** means:

- (a) in respect of the Visa networks, Visa; and
- (b) in respect of the Mastercard networks, Mastercard;

6.1.27 **switching issuer** means an issuer which has switched from predominately issuing cards of a scheme to predominately issuing cards of the other scheme. For example, an issuer which switches from predominately issuing Visa cards to predominately issuing Mastercard cards;

6.1.28 **Visa** means Visa Worldwide Pte. Limited and all of its related companies, including Visa Worldwide (New Zealand) Limited; and

6.1.29 **Visa networks** means the Visa credit network and Visa debit network.

6.2 In this standard, unless stated otherwise:

- 6.2.1 subject to clause 3.2, terms defined in the Act have the same meaning in this standard;
- 6.2.2 a reference to 'including' and similar language does not imply any limitation;
- 6.2.3 a reference to a 'person' includes a natural person, body corporate, an association of persons (whether corporate or not), a trust, governmental or other regulatory body, authority or entity; and
- 6.2.4 the singular includes the plural and vice versa.

## 7. **Interchange fee caps applying to the designated networks**

7.1 The interchange fee for any domestic transaction on a designated network, excluding any transaction using a prepaid card, must not exceed:

- 7.1.1 in the case of any contacted-card-present payment method:
  - (a) on a debit network, 0.00% per transaction; and
  - (b) on a credit network, 0.20% per transaction;

- 7.1.2 in the case of any contactless-card-present payment method, 0.20% per transaction; and
- 7.1.3 in the case of any online or any other payment method, 0.40% per transaction.
- 7.2 The interchange fee for any inbound cross-border transaction on a designated network must not exceed:
  - 7.2.1 in the case of any contacted-card-present payment method or contactless-card-present payment method, 0.60% per transaction; and
  - 7.2.2 in the case of any online or any other payment method, 1.15% per transaction.
- 7.3 An interchange fee may be charged as a flat fee so long as that fee complies with the applicable cap in clause 7.1 or 7.2 when expressed as a percentage of the transaction value.
- 7.4 Without limiting any other obligations owed by a participant under this standard, Mastercard must do all things reasonably necessary on its part to ensure compliance with the interchange fee caps in clauses 7.1 and 7.2 for all transactions on the Mastercard networks.
- 7.5 Without limiting any other obligations owed by a participant under this standard, Visa must do all things reasonably necessary on its part to ensure compliance with the interchange fee caps in clauses 7.1 and 7.2 for all transactions on the Visa networks.

## 8. **Anti-avoidance**

### *Prohibition of net compensation*

- 8.1 A scheme must not arrange for or permit a New Zealand issuer to receive, directly or indirectly, net compensation.
- 8.2 Subject to clause 8.3, for the purpose of this clause:
  - 8.2.1 **net compensation** is received by an issuer from a scheme if, in respect of a reporting period, the issuer's receipts from the scheme exceed the issuer's payments to the scheme.
  - 8.2.2 an **issuer's receipts**, in respect of a scheme and reporting period, is the total amount of benefits that meet the incentive test that are earned or accrued during, or receivable in respect of, the reporting period and payable, allowable, or otherwise to be provided, directly or indirectly, by the scheme to the issuer.
  - 8.2.3 an **issuer's payments**, in respect of a scheme and reporting period, is the total amount paid or payable, directly or indirectly, by the issuer



to the scheme in relation to core services provided by the scheme during or in respect of the reporting period.

- 8.2.4 a benefit meets the **incentive test** in relation to a scheme (whether or not it relates to a core service) if it is given for a purpose of, or has or will likely have the effect of, one or more of the following:
- (a) incentivising the entry into a contract relating to the issue of cards of the scheme, including any benefit for an issuer agreeing to issue cards of the scheme;
  - (b) incentivising or funding the marketing of cards of the scheme;
  - (c) promoting or incentivising the issuance or use of cards of the scheme;
  - (d) providing or funding incentives to holders of cards of the scheme to use those cards; or
  - (e) rewarding an issuer for meeting or exceeding thresholds relating to the volume, value, or type of transactions processed.
- 8.2.5 where a benefit or payment relates to more than one reporting period:
- (a) subject to paragraph (b), the benefit or payment must be allocated between reporting periods in a way that fairly and reasonably aligns the benefit or payment to the reporting period to which it relates, either on a pro-rata basis based on the number of months in each relevant reporting period to which the benefit or payment relates or on some other basis which accords with generally accepted accounting practice; and
  - (b) the benefit or payment may not be allocated to any reporting period the whole of which occurs before or after the term of the contract or arrangement under which the benefit or payment is payable, receivable or allowable.
- 8.2.6 an issuer who adopts a particular methodology permitted by clause 8.2.5 for allocating or apportioning benefits or payments must continue to use the same method consistently from one reporting period to the next.
- 8.2.7 an amount treated as an issuer payment in the calculation of net compensation in respect of a reporting period cannot be included as an issuer payment in the calculation of net compensation for any other reporting period.

- 8.2.8 a reference to an amount paid or received by an issuer refers to an amount paid or received in its capacity as an issuer.
- 8.2.9 an amount is paid to or from a scheme if it is paid to or from another party at the direction of the scheme.
- 8.3 In respect of any new issuer or switching issuer, the obligations in clauses 8.1 and 8.2:
  - 8.3.1 first apply to the relevant scheme for the initial reporting period, such that those obligations are read as though each reference to 'reporting period' is to the 'initial reporting period'; and
  - 8.3.2 apply for each subsequent reporting period after the initial reporting period.

*Obligations on Mastercard and Visa*

- 8.4 Each of Mastercard and Visa, either alone or together with one or more persons, must not act in a manner which has the purpose or effect of subverting the intent of:
  - 8.4.1 the interchange fee caps applying to domestic transactions set out in clause 7.1 together with the prohibition on net compensation set out in clauses 8.1 and 8.2; or
  - 8.4.2 the interchange fee caps applying to inbound cross-border transactions set out in clause 7.2.