



# UNDERSTANDING THE PRICING OF CARD PAYMENT TRANSACTIONS

January 2016

## Interchange

### fees for payments

**These fees are paid between banks.** They are paid by the merchant's bank to the cardholder's bank and help to cover the expenses caused by a card transaction.

**These fees pay for the services** that the cardholder's bank provides to the merchant's bank. These include managing debits and credits, clearing, settlement, guaranteeing payment and contributing to the cost of collective measures for security and the fight against fraud.

**These fees enable inter-bank business and universal payment.**

A CB cardholder can thus pay a merchant, whatever their respective banks.

This also enables merchants to accept a much wider range of cards, thus giving them opportunities for additional business.

It is a virtuous system of payment which benefits everyone. It is essential to enable competing banks to cooperate and to have all customers benefit from the ease of use, speed and security of payment by CB bank card.

**These fees are governed** by a European regulation which has limited them since 2015.

## Interchange

### fees for payments

applicable from 5 December 2015 in the CB system

CATEGORY OF CARDS	RATES PER TRANSACTION
<b>GOVERNED BY EUROPEAN REGULATION 2015/751</b>	
DEBIT	0.2%
CREDIT	0.3%
UNIVERSAL*	0.23%
PREPAID	0.2%
<b>OUTSIDE THE SCOPE OF THE REGULATION</b>	
COMMERCIAL	0.9%

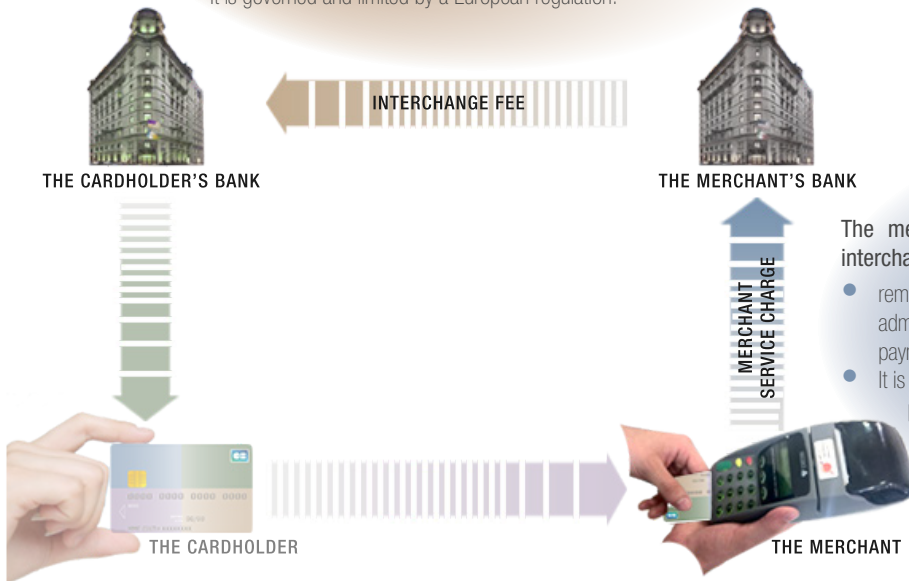
\*UNIVERSAL : category of cards authorised until 5/12/2016

# Fees in the context of a card payment transaction

## INTERCHANGE FEE

The interchange fee for payments partly covers the costs of the issuing bank and notably:

- the expenses for infrastructure and operation (request for authorisation, clearing, international network connections, debit/credit,...),
- the contribution to collective security measures,
- coverage of the risk of fraud, payment guarantee.
- It is governed and limited by a European regulation.



## MERCHANT SERVICE CHARGE

The merchant service charge may include all or part of the interchange fee and pays for the following services:

- remote collection, recovery, incoming payment, accounting, administration of accounts... Other card services such as renting the payment terminal, maintenance,...
- It is adjusted according to the volume of activity, the extent of services provided, risks, rate of fraud,...
- It is set in a contract freely negotiated between the merchant and its bank.

# 2

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**INTERCHANGE FEES AND MERCHANT SERVICE CHARGE ARE THE SAME THING.**

**FALSE**

The interchange fee for payments is a fee paid by the merchant's bank to the cardholder's bank. This fee covers the services that the cardholder's bank provides for the merchant's bank so that it can pay the amounts authorised by the cardholder. It includes the cost of processing and securing transactions. This interchange fee is now governed by a European regulation which limits it to 0.2% for transactions with a debit card and to 0.3% for transactions with a credit card. It should be noted that, during a transitory period of one year, the European regulation authorises a temporary limit of 0.23% for transactions for which it cannot be identified whether they come from a debit card or a credit card.

The merchant's fee is the fee that the merchant pays to its bank. It may include all or part of the payment interchange fee and covers all of the services that the merchant benefits from: payment guarantee, remote collection, recovery, account administration,

accounting and subscription to specific services such as renting a terminal.

It is adjusted according to the volume of activity per card and the nature of the commercial activity. This fee is fixed in a contract freely negotiated between the bank and the merchant.

**THE MERCHANT SERVICE CHARGE CANNOT BE HIGHER THAN THE INTERCHANGE FEE.**

**FALSE**

These 2 fees do not cover the same services. The merchant service charge may include all or part of the interchange fee for payments and also covers the specific services to which the merchant has subscribed from its bank. It is adjusted according to the volumes in question and the extent of services subscribed.

The European regulation recognises this principle and specifies that the merchant service charge corresponds to an interchange fee «plus» which is therefore always higher than the interchange fee.



GRUPEMENT DES CARTES BANCAIRES CB

151 bis, rue Saint Honoré  
75001 PARIS

www.cartes-bancaires.com