

Voluntary Commitments and Codes of Conduct

Code of Conduct for the Credit and Debit Card Industry in Canada

Purpose

The purpose of the Code is to demonstrate the industry's commitment to:

- Ensuring that merchants are fully aware of the costs associated with accepting credit and debit card payments thereby allowing merchants to reasonably forecast their monthly costs related to accepting such payments.
- Providing merchants with increased pricing flexibility to encourage consumers to choose the lowest-cost payment option.
- Allowing merchants to freely choose which payment options they will accept.

Scope

The Code applies to credit and debit card networks, (referred to herein as payment card networks), and their participants (e.g. card issuers and acquirers¹).

The payment card networks that choose to adopt the Code will abide by the policies outlined below and ensure compliance by their participants. The Code of Conduct will be incorporated, in its entirety, into the payment card networks' contracts, governing rules and regulations.

The Code will apply within 90 days of being adopted by the card networks and their participants. Networks and acquirers will have up to nine months to implement Element 1. Issuers will have up to one year to re-issue cards already in circulation that contravene Element 6 or 7.

Requirements for Payment Card Networks

By adopting the Code, payment card networks agree to provide any requested information regarding actions taken by themselves or participants to the Financial Consumer Agency of Canada, for the purpose of monitoring compliance with the Code. In addition, payment card networks agree to pay for the fees associated with monitoring compliance with the Code, as determined by the Financial Consumer Agency of Canada.

Policy Elements

1. Increased Transparency and Disclosure by Payment Card Networks and Acquirers to Merchants

The payment card networks and their participants will work with merchants, either directly or through merchant associations, to ensure that merchant – acquirer agreements and monthly statements include a sufficient level of detail and are easy to understand. Payment card networks will make all applicable interchange rates easily available on their websites. In addition, payment card networks will post any upcoming changes to these fees once they have been provided to acquirers.

Payment card network rules will ensure that merchant statements include the following information:

- Effective merchant discount rate² for each type of payment card from a payment card network;
- Interchange rates and, if applicable, all other rates charged to the merchants by the acquirer;
- The number and volume of transactions for each type of payment transaction;
- The total amount of fees applicable to each rate; and,

- Details of each fee and to which payment card network they relate.

This information must be presented in a manner that is clear, simple and not misleading.

2. Payment card network rules will ensure that merchants will receive a minimum of 90 days notice of any fee increases or the introduction of a new fee related to any credit or debit card transactions. Payment card networks will provide at least 90 days notice to acquirers for rate and / or fee changes and at least 180 days notice for structural changes³.

Notification is not required for fee changes made in accordance with pre-determined fee schedules, such as those based on merchant sales volume, provided that the schedules are included in the merchant's contract.

3. Payment card network rules will ensure that following notification of a fee increase or the introduction of a new fee, merchants will be allowed to cancel their contracts without penalty.

By signing a contract with an acquirer, a merchant will have the right to cost certainty over the course of their contract. As a result, in the event of a fee increase or the introduction of a new fee, merchants will be allowed to opt out of their contracts, without facing any form of penalty, within 90 days of receiving notice of the fee increase or the introduction of a new fee.

Merchants may not cancel their contracts in relation to fee increases made in accordance with pre-determined fee schedules, such as those based on merchant sales volume, provided that the schedules are included in the merchant's contract.

4. Payment card network rules will ensure that merchants who accept credit card payments from a particular network will not be obligated to accept debit card payments from that same payment card network, and vice versa.

Payment card networks will not require merchants to accept both credit and debit payments from their payment card network. A merchant can choose to accept only credit or debit payments from a network without having to accept both.

5. Payment card network rules will ensure that merchants will be allowed to provide discounts for different methods of payment (e.g. cash, debit card, credit card). Merchants will also be allowed to provide differential discounts among different payment card networks.

Discounts will be allowed for any payment method. As well, differential discounting will be permitted between payment card networks.

Any discounts must be clearly marked at the point-of-sale.

6. Competing domestic applications from different networks shall not be offered on the same debit card. However, non-competing complementary domestic applications from different networks may exist on the same debit card.

A debit card may contain multiple applications, such as PIN-based and contactless. A card may not have applications from more than one network to process each type of domestic transaction, such as point-of-sale, Internet, telephone, etc. This limitation does not apply to ABM or international transactions.

7. Payment card networks will ensure that co-badged debit cards are equally branded.

Payment card network rules shall ensure that the payment networks available on payment cards will be clearly indicated. Payment card networks will not include rules that require that issuers give preferential branding to their brand over others. To ensure equal branding, brand logos must be the same size, located on the same side of the card and both brand logos must be either in colour or black and white.

8. Payment card network rules will ensure that debit and credit card functions shall not co-reside on the same payment card.

Debit and credit cards have very distinct characteristics, such as providing access to a deposit account or a credit card account. These accounts have specific provisions and fees attached to them. Given the specific features associated with

debit and credit cards, and their corresponding accounts, such cards shall be issued as separate payment cards. Consumer confusion would be minimized by not allowing debit and credit card functions to co-reside on the same payment card.

9. Payment card network rules will require that premium credit and debit cards may only be given to consumers who apply for or consent to such cards. In addition, premium payment cards shall only be given to a well-defined class of cardholders based on individual spending and/or income thresholds and not on the average of an issuer's portfolio.

Premium payment cards have a higher than average interchange rate. They must be targeted at individuals who meet specific spending and/or income levels.

10. Payment card network rules will ensure that negative option acceptance is not allowed.

If payment card networks introduce new products or services, merchants shall not be obligated to accept those new products or services. Merchants must provide their express consent to accept the new products or services.

¹ "Acquirers" are entities that enable merchants to accept payments by credit or debit card, by providing merchants with access to a payment card network for the transmission or processing of payments.

² The effective merchant discount rate is calculated as the total fees paid by the merchant to an acquirer, related to the processing of a specific type of payment card from a payment card network, divided by the total sales volume for that type of payment card.

³ Structural changes are significant changes to the fee structure for a payment card network. This includes the introduction of new types of interchange or other fees, a change to the interchange rate structure or the introduction of a new type of credit or debit card.