

18 September 2017

Steve Wiggins
Chief Executive Officer
Payments NZ
PO Box 11418
Manners Street
WELLINGTON 6142

Dear Steve

TRANSPARENCY AROUND MERCHANT SERVICE FEES

I am writing to follow up on our conversation on Friday 15 September regarding the Payments NZ project to improve the transparency and usefulness of information provided to merchants by both banks and schemes, to enable merchants's decision making to be improved, and to assist them to assess their options for negotiating better merchant service fees.

As you know, we think that there are significant issues regarding the level of merchant service fees in New Zealand, and we have called for significant improvements in transparency in order to facilitate more effective conversations between merchants and banks about the charges imposed.

As we discussed, our ideal outcome from your current process would be to have the disclosure information published on the Payments NZ website on a six-monthly basis. We suggest that all information should be provided by each bank (and published by Payments NZ) , as well as national average rates being calculated and published by Payments NZ.

In order to give best effect to the Minister of Commerce's wish to see more transparent and useful information provided to merchants, we propose that the following information be disclosed:

Information to be disclosed by acquiring banks

1. Merchant Service Fee charges

- a) average merchant service fees for all Visa and Mastercard credit transactions; including both a total average, and a breakdown by card present, card not present and mail order/telephone order transactions;
- b) average merchant service fees for all Visa and Mastercard contactless debit transactions;
- c) average merchant service fees for Visa and Mastercard debit cards mail order/ telephone order transactions;
- d) average merchant service fees for EFTPOS transactions (including swiped and dipped scheme debit cards);
- e) average merchant service fees for any other credit card transactions.

All average values should be expressed as a percentage, calculated by taking the total dollar values of merchant service fees charged in each category listed above, divided by the total dollar value of merchant revenues in each category.

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2. *Cost information*

- a) a breakdown of the average cost of processing each category of transaction above, including (but not limited to) Interchange fees, Scheme Fees, data processing fees, switching fees, acquirer margins, and any applicable other fees or costs);
- b) a full list of interchange rates that apply to international cards when used in New Zealand (to complement the existing published list of domestic interchange rates);

3. *Access to unbundled rates*

- a) whether acquiring banks are willing to provide an unbundled rate structure for credit and contactless debit transactions.

Information to be disclosed by issuing banks

4. *Costs of interchange*

- a) a breakdown of interchange costs, including (but not limited to) loyalty programme fees or costs; issuer margins; scheme fees, data processing fees, switching fees, or any other costs.

Information to be disclosed by schemes

5. *Strategic merchant information*

- a) each scheme's strategic merchant rates for credit and contactless debit transactions; and
- b) the criteria for accessing each strategic merchant rate.

Project governance

After discussing this issue with our members, we also believe that this initiative should be given its own governance structure within Payments NZ with equal participation from the banks, schemes and retailers. We also recommend that this governance group be chaired by you as the Chief Executive of Payments NZ. An initiative such as this needs that high level of visibility and gravitas which we do not believe will be forthcoming from the CECS committee whose mandate as you know is specifically designed to govern the specifications and compliance around non-Scheme related domestic payments (EFTPOS).

I would be very happy to discuss this further, and look forward to engagement in this process moving forward.

Yours sincerely



Greg Harford
General Manager, Public Affairs