

Mastercard Canada Interchange Rate Programs

Overview and Frequently Asked Questions

Overview

As part of Mastercard Canada's ongoing compliance with the Federal Government's voluntary Code of Conduct for the Credit and Debit Card Industry in Canada, we have posted our interchange rate information on our web site. Previously, Mastercard made its interchange rates available to its merchant partners by request.

For almost 40 years, Mastercard has established default interchange fees (the setting of interchange rates in the absence of a bilateral arrangement between the issuer and acquirer, or the issuer and a merchant). The setting of default interchange rates has proven to be the most efficient way to balance costs in the system, and promote a strong, competitive payments industry that benefits cardholders, merchants and financial institutions.

It is important to note that Mastercard does not collect interchange. Rather, Mastercard sets default interchange rates in order to maximize the value and benefits that payment system participants – including cardholders and merchants - receive from the Mastercard network.

Our average consumer interchange rate is 1.40%, which means that for the average \$100 purchase made on a Mastercard® credit card in Canada, the interchange fee is \$1.40. For the small fee they pay their acquirer, merchants who accept payment cards receive many benefits, including guaranteed payment, increased sales, ecommerce capability, reduced cash handling costs, automatic currency conversion, and access to millions of international cardholders in-store and online.

Overall, our rates range from 0.87% (for Core Contactless transactions) to 2.69% (for Muse Mastercard™ Standard transactions), and depend on a number of factors including the type of merchant, the form of the transaction such as point of sale or ecommerce, and the type of card, such as standard, premium or corporate.

Frequently Asked Questions

What is interchange and who receives interchange revenues and why?

The interchange fee is paid by an acquirer to an issuer in connection with a payment card transaction. The interchange fee helps to partially reimburse the issuer for the many activities it performs and costs it incurs that enable the acquirer to provide significant benefits and value to its merchant customers.

These issuer costs include funding, credit losses, billing and collections, customer service, fraud prevention and fraud losses, data processing, compliance, and account acquisition costs, among others. Since the issuer and acquirer often are not the same entity in a four-party system, the interchange fee is paid in recognition of the benefits provided by an issuer in connection with a particular transaction.

Who charges interchange?

In the Mastercard network, card issuers - not Mastercard - receive the interchange fees. Merchants pay merchant discount fees, or merchant service charges, to acquirers for card payment acceptance. Interchange is a cost that acquirers typically include in merchant service charges. Interchange forms a portion, but not all, of that merchant fee for credit card transactions.

Does Mastercard receive revenue from interchange?

No. Mastercard generates its own revenues from the fees that we charge our customer financial institutions for providing transaction processing and other payment-related services.

Who pays for interchange?

Consumers do not pay interchange fees or merchant service fees. The merchant pays the merchant service charge to the acquirer, the financial institution that has contracted with the merchant to accept cards. However, a substantial portion of the benefits the merchant receives comes from the value of the network and services performed by the issuing bank. For example, the issuing bank extends credit to a consumer, which enables the sale, and the issuer assumes the risks of non-payment. To partially compensate the issuer for this imbalance, the acquirer pays the issuer the interchange fee, helping defray grace periods, processing costs, and fraud and credit losses. The interchange fee only covers a portion of the costs incurred by the issuer.

Where can interchange rates be found?

Mastercard's interchange rates are posted on [mastercard.ca](https://www.mastercard.ca). While we are confident that these documents will provide you the information needed to understand the interchange rates, we also recognize that this information is being made available to a very diverse audience, with diverse needs and expectations.

That's why we also encourage merchants to speak with their acquirer, or other card acceptance service provider, if they have questions regarding any aspect of Mastercard interchange rates, acceptance of Mastercard® cards, or their card acceptance agreements.

What are the merchant benefits of accepting credit cards?

Merchants receive extraordinary benefits from card acceptance, including increased revenues, the ability to make sales on credit without taking any credit risk, guaranteed payment, reduced cash handling, customer convenience and satisfaction, e-commerce facilitation, international purchase handling, automatic currency conversion and settlement, among other benefits. In sum, merchants secure incremental sales as well as bigger ticket purchases with the luxury of the risk of credit losses and fraud losses falling on the issuing banks.