



Canadian Merchant Class Settlement Mastercard Frequently Asked Questions Merchant Surcharge

Q. What is a surcharge?

A. A surcharge is an additional fee that a merchant adds on a transaction when a consumer uses a credit card for payment.

Q. Why did Mastercard modify its No Surcharge Rule to permit surcharging?

A. As a result of an approved settlement with merchants, effective October 6, 2022, Mastercard will modify its standards to permit Canadian merchants to surcharge Mastercard credit cards, as long as merchants comply with certain limitations that can be found in the modified standards. The key requirements are that the merchant not surcharge customers more than it costs the merchant to accept Mastercard credit cards, and that it accurately informs consumers about the surcharge. Please refer to Chapter 12 – Canada Region, Rule 5.12.2 Charges to Cardholders of the *Mastercard Rules*.

Q. What is the process that a merchant must follow in order to surcharge Mastercard credit cards?

A. A merchant that elects to apply a surcharge to its consumers who pay with Mastercard credit cards must:

1. provide both Mastercard and its acquirer with a minimum of thirty (30) days advance written notice, of its intention to surcharge prior to implementing a surcharge.
2. disclose its surcharging practices to cardholder at the point of interaction (POI) and on the cardholder's receipt.
3. apply a surcharge amount that complies with the surcharge rate detailed in the standards.

A merchant may apply a surcharge at either the Mastercard brand level or the product level.

Q. How does a merchant notify Mastercard of its intent to surcharge? *Note: Beginning September 6, 2022, Mastercard will enable the online merchant notification form.*

A. Beginning September 6, 2022, merchants can go to www.mastercard.ca/surchargedisclosure for instructions on how to notify Mastercard. The merchant will be required to provide the merchant's name, address, phone, email, number of locations surcharging, type of channel and whether it intends to surcharge at the brand or product level. The merchant must also provide the name of its acquirer or processor.

- Q. Will a response be sent from Mastercard to merchants after they submit their email notification that they intend to surcharge?**
- A. No. After submitting the webform, an auto response is displayed on the screen. No other notification will be sent to the merchant.
- Q. What is the surcharge amount that a merchant can charge?**
- A. A merchant may apply a surcharge amount that does not exceed the lower of (i) the established “cap” amount, and (ii) the average merchant discount rate that the merchant pays for Mastercard credit card acceptance.
- Q. Are there any limits on the level of the fee that a merchant can charge?**
- A. Yes. A Canadian merchant may assess a surcharge that does not exceed the merchant discount rate for the applicable credit card surcharged. There is also an absolute maximum surcharge cap that is set at max of 2.4%.
- Q. How does a merchant calculate the maximum amount for the brand level surcharge that it can apply to Mastercard credit card?**
- A. It is the merchant’s average effective merchant discount rate applicable to Mastercard credit card transactions at the merchant for the preceding one or twelve months, as the merchant’s option, or the cap, whichever is lower.
- Q. How does a merchant determine its Mastercard credit surcharge maximum amount for a particular product?**
- A. If the merchant chooses to surcharge at the product level, the merchant must determine its average effective merchant discount rate for the product type for which it is surcharging. The surcharge amount must be the same for all Mastercard credit cards of the particular product type that the merchant has chosen to surcharge if surcharging at the product level, and cannot exceed the maximum cap.
- Q. Is a merchant permitted to surcharge on all Mastercard cards?**
- A. No. Merchants are only permitted to surcharge Mastercard consumer and corporate credit cards. Mastercard continues to prohibit surcharging of debit cards and prepaid cards.
- Q. How can a merchant determine if a card is a Debit Mastercard (including prepaid) card?**
- A. Debit Mastercard cards are visually identifiable with the “Debit” word mark on the front of the card. In addition, Debit Mastercard cards are electronically identifiable by a bank identification number (BIN). Merchants that are unsure or have questions about identifying a Debit Mastercard should contact their acquirer for assistance.
- Q. Is surcharging permitted in both face-to-face and card-not-present environments?**
- A. Yes. A merchant can choose to surcharge in one or both environments.



Q. Can a surcharge be charged in other countries than Canada?

A. Merchants in other countries should consult the regional *Mastercard Rules* manual and applicable laws to determine whether or not surcharging is permitted.

Q. Does Mastercard’s allowance of surcharging take precedent over Provincial laws that may prohibit or restrict surcharging?

A. No. Merchants must continue to comply with applicable Provincial or Federal laws, including but not limited to Provincial laws that may prohibit or restrict surcharging of credit transactions, and Federal and Provincial laws regarding deceptive or misleading disclosures.

Q. If a merchant accepts credit card brands such as American Express or PayPal, is the merchant permitted to surcharge Mastercard credit cards?

A. Yes, although in order to surcharge Mastercard credit cards a merchant may also be required to surcharge the cards of competing brands depending on the costs of those brands to the merchant and those brands’ surcharging restrictions. The chart below provides examples:

Competing Credit Card Brands – Surcharging Policy	Is the Merchant Permitted to Surcharge Mastercard Credit Cards?
A merchant accepts competing credit card brands that all permit surcharging with no restrictions	<p>The Merchant may surcharge Mastercard credit transactions regardless of whether or not it surcharges Visa.</p> <p>With respect to other Competitive Payment Card Brands (Amex and PayPal), the Merchant may surcharge Mastercard credit card transactions at no higher percentage rate (or flat fee equivalent) than it surcharges transactions conducted on such Competitive Credit Card Brand.</p>
A merchant accepts competing credit card brands that permit surcharging but limit the circumstances under which a merchant may surcharge those brands (e.g., a non-discrimination rule requiring merchants to surcharge all other brands), AND The competing credit card brands cost the same or more than the Mastercard Cost of Acceptance for the merchant	<p>The Merchant may surcharge Mastercard credit transactions only if it also surcharges the competing credit card brands</p> <p>The merchant cannot surcharge Mastercard credit transactions more than the competing credit card brand.</p>
A merchant accepts competing credit card brands that prohibit surcharging	The merchant may only surcharge Mastercard credit transactions if it also surcharges the competing credit card brands



Q. What are the point-of-sale disclosure requirements for merchants?

A. A merchant must prominently display a clear disclosure of the merchant's surcharge policy at the point of store entry or when conducting an e-commerce transaction, on the first page that references credit card brands. The disclosure must include a statement that the surcharge the merchant imposes is not greater than the merchant's merchant discount rate for Mastercard credit card transactions.

Merchants are free to develop their own signage that meets surcharging requirements and are permitted to combine brand messages if more than one credit card brand is surcharged (e.g., Visa and Mastercard). The below verbiage is provided as an example of compliant surcharge disclosure under Mastercard's standards.

- We impose a surcharge on credit cards that is not greater than our cost of acceptance
- We impose a surcharge of __ % on the total transaction amount on Mastercard credit card products, which is not greater than our cost of acceptance. We do not surcharge Debit Mastercard cards.

Note that a merchant is responsible for ensuring that its surcharging disclosure also complies with any applicable Provincial and Federal laws.

Q. What is the difference between a surcharge and a convenience fee?

A. A surcharge is any fee charged in connection with a transaction that is not charged if another payment method is used. A fee (such as a bona fide commission, postage, expedited service or convenience fees, and the like) imposed on all like transactions regardless of the form of payment used (e.g., cash, cheque) is deemed a "convenience fee".

Q. Can a merchant charge both a surcharge and a convenience fee?

A. No. If a merchant chooses to surcharge credit transactions, they cannot assess a convenience fee for Mastercard credit transactions.

Q. Must a merchant separately set out the surcharge on the customer's receipt?

A. Yes, a merchant must provide clear disclosure of the amount of the surcharge on the cardholder's receipt. There are additional merchant disclosure requirements with respect to the merchant's surcharging practices at both the point of entry of the store and point of sale that are detailed in the standards. Mastercard does not have specific requirements regarding how this should be displayed as long as it meets the requirements of the settlement agreement.

The disclosure could be as simple as a line item after the subtotal with a description indicating the amount is a surcharge.

Q. Is the surcharge amount included in the return amount if a transaction that had a surcharge applied is returned?

A. On a return the purchase amount plus the surcharge should be credited to the cardholder. On a partial return the corresponding percentage of the surcharge should be returned.



Q. Is the surcharge amount included in the chargeback amount if a transaction that has a surcharge applied is charged back?

A. On a chargeback the purchase amount plus the surcharge should be credited to the cardholder. On a partial chargeback the corresponding percentage of the surcharge should be returned.

Q. What will Mastercard do to address merchant non-compliance events?

A. Mastercard worked diligently in the settlement agreement negotiations to place safeguards around the modification of the No Surcharge Rules (NSR) that were designed to ensure that consumers are not faced with unfair, unexpected or exorbitant fees at the point of sale. As with all Mastercard standards, customers and merchants are expected to comply with these changes. Mastercard will use existing compliance procedures to address merchant non-compliance events.

