



Mastercard Rules

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Introduction

Mastercard will modify its Standards to permit merchants in Canada to surcharge Mastercard Credit Card Transactions. The associated changes to the Standards become effective 6 October 2022 and incorporated into the *Mastercard Rules* manual.

Chapter 12 Canada Region

5.12.2 Charges to Cardholders

Effective 6 October, 2022, in the Canada Region, the Rule on this subject is modified as follows, with respect to Mastercard Credit Card Transactions, as the term Mastercard Credit Card Transaction is defined herein. For all other Transactions, the global Rule applies.

Definitions

Solely for the purposes of Rule 5.12.2 in this "Canada Region Rules" chapter, the following terms have the meanings set forth below:

1. "Cardholder" means the authorized user of a Mastercard Credit Card.
2. "Competitive Credit Card Brand" includes the brand of Credit Card or electronic credit payment form of the following payment networks: American Express and PayPal.
3. "Credit Card" means a card or other device that may be used to defer payment of debt or incur debt and defer its payment.
4. 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.
5. "Mastercard Credit Card" means a Credit Card bearing the Mastercard brand.
6. "Mastercard Credit Card Transaction" means a Transaction in which a Mastercard Credit Card is presented for payment and that is performed in accordance with the Standards.
7. The "Maximum Surcharge Cap" shall be the lesser of (i) 2.4%; or (ii) 1% plus Mastercard's average annual effective rate of interchange for credit card Transactions in Canada as set out in any voluntary or mandatory commitment to a Canadian governmental entity or otherwise reasonably determined by Mastercard if not so regulated, expressed as a percentage of Transaction value.
8. "Surcharge" means any fixed value or ad valorem fee charged by the Merchant for use of a Mastercard Credit Card. As set forth in this Rule 5.12.2 in this "Canada Region Rules," a Merchant located in the Canada Region may only require a Mastercard Credit Card Cardholder to pay a Surcharge by choosing to apply either, but not both, of the following Surcharge methods:
 1. Brand-level Surcharge—The application of the same Surcharge to all Mastercard Credit Card Transactions regardless of the Issuer.
 2. Product-level Surcharge—The application of the same Surcharge to all Mastercard Credit Card Transactions of the same product type regardless of the Issuer.

General Requirements

The following requirements apply to a Merchant that chooses to impose a Surcharge at the brand level or at the product level:

1. A Merchant that wishes to Surcharge a Mastercard Credit Card Transaction is prohibited from applying a Surcharge at the Issuer level.
2. A Merchant that wishes to Surcharge a Mastercard Credit Card Transaction is prohibited from applying a Surcharge if the Credit Card Transaction already attracts convenience fees or service fees as permitted by Rule 5.12.2.
3. Third party agents are not permitted to surcharge Mastercard Credit Card Transactions.
4. A Merchant may not impose a Surcharge on a Mastercard Credit Card Transaction (whether at the Brand-level or at the Product-level) at any higher percentage rate (or flat fee equivalent) than the Merchant imposes on transactions effected by use of any Competitive Credit Card Brands which Merchant accepts to effect payment. If the Merchant does not accept payment by any Competitive Payment Card Brand then this provision shall not apply to it unless or until the Merchant begins to accept payment by means of a Competitive Credit Card Brand.

5.12.2.1 Brand-level Surcharging

Definitions

Solely for purposes of this Rule 5.12.2.1, "Brand-level Surcharging", the following terms have the meanings set forth below:

1. "After accounting for any discounts or rebates offered by the Merchant at the Point of Interaction (POI)" means that the amount of the Surcharge for a Mastercard Credit Card or a Competitive Credit Card Brand is to include the amount of any discount or rebate that is applied to that card or brand at the POI but which is not equally applied to all Mastercard Credit Card Transactions.
2. "Mastercard Brand-level Surcharge Cap" 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, at the Merchant's option.

The following requirements apply to a Merchant that chooses to impose a Surcharge at the brand level:

1. The same Surcharge must apply to all Mastercard Credit Card Transactions after accounting for any discounts or rebates offered by the Merchant on Mastercard Credit Card Transactions at the POI. However, a Merchant may choose to Surcharge:
 - a. all face-to-face Mastercard Credit Card Transactions, but not non-face-to-face Mastercard Credit Card Transactions, or
 - b. all non-face-to-face Mastercard Credit Card Transactions, but not face-to-face Mastercard Credit Card Transactions, or
 - c. all face-to-face **and** all non-face-to-face Mastercard Credit Card Transactions.
2. The Surcharge assessed on a Mastercard Credit Card Transaction may not exceed the lesser of:
 - a. The Merchant's Mastercard Brand-level Surcharge Cap, or
 - b. The Maximum Surcharge Cap, as published by Mastercard from time to time.

3. The Merchant must comply with the Surcharge disclosure requirements set forth in Rule 5.12.2.3 below.

5.12.2.2 Product-level Surcharging

Definitions

Solely for purposes of this Rule 5.12.2.2, the following terms have the meanings set forth below:

1. "After accounting for any discounts or rebates offered by the Merchant at the POI" means that the amount of the Surcharge for Mastercard Credit Cards of the same Product Type or a Competitive Credit Card Product is to include the amount of any discount or rebate that is applied to that card or product at the POI but which is not equally applied to all Mastercard Credit Card Transactions of the same Product Type.
2. The "Mastercard Product-level Surcharge Cap" for a Mastercard Product Type is the average Effective Merchant Discount Rate applicable to Mastercard Credit Card Transactions of that Product Type at the Merchant for the preceding one month or twelve months, at the Merchant's option.
3. "Product Type" refers to Standard Mastercard, World Mastercard, World Elite Mastercard, Muse Mastercard and any potential similar future product Mastercard Credit Card constructs as defined by Mastercard from time to time.

The following requirements apply to a Merchant that chooses to impose a Surcharge at the product level:

1. The same Surcharge must apply to all Mastercard Credit Card Transactions of the same Product Type (for example, Standard Mastercard, World Mastercard, World Elite Mastercard, Muse Mastercard) after accounting for any discounts or rebates offered by the Merchant at the POI. A Merchant may choose to surcharge:
 - a. all face-to-face Mastercard Credit Card Transactions of the same Product Type, but not non-face-to-face Mastercard Credit Card Transactions of the Product Type, or
 - b. all non-face-to-face Mastercard Credit Card Transactions of the same Product Type, but not face-to-face Mastercard Credit Card Transactions of the Product Type, or
 - c. all face-to-face **and** all non-face-to-face Mastercard Credit Card Transactions of the same Product Type.
2. The Surcharge assessed on a Mastercard Credit Card Transaction may not exceed the lesser of:
 - a. The Merchant's Mastercard Product-level Surcharge Cap for that Product Type, or
 - b. The Maximum Surcharge Cap, as published by Mastercard from time to time.
3. The Merchant must comply with the surcharge disclosure requirements set forth in Rule 5.12.2.3 below.

5.12.2.3 Requirements for Merchant Disclosure of a Surcharge at the POI

1. A Merchant that chooses to Surcharge, either at the brand level or at the product level, must prominently display a clear disclosure of the Merchant's Surcharge policy at all 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 that the Merchant imposes is not greater than the Merchant's Effective Merchant Discount Rate for Mastercard Credit Card Transactions.

2. The Merchant must provide a disclosure of the Merchant's Surcharging practices at the POI or point of sale and that disclosure must not disparage the brand, network, Issuer, or payment card product being used. A statement that the Merchant prefers or requests that a cardholder use a form of payment with lower acceptance costs does not constitute disparagement under this Rule. This disclosure must include:
 - a. The Surcharge percentage that is applied to Mastercard Credit Card Transactions;
 - b. A statement that the Surcharge is being imposed by the Merchant not by Mastercard; and
 - c. A statement that the Surcharge is not greater than the applicable Merchant Discount Rate for Mastercard Credit Card Transactions at the Merchant.

Cardholders must have the opportunity to cancel or opt-out of the Transaction upon disclosure of the Surcharge.

3. A Merchant that chooses to Surcharge must provide clear disclosure of the Surcharge amount (in dollar) on the Transaction receipt.

5.12.2.4 Merchant Notification

A Merchant that chooses to impose a Surcharge must provide Mastercard and its Acquirer with no less than 30 days' advance written notice that the Merchant intends to impose a Surcharge on Mastercard Credit Card Transactions at either the brand level or product level.

For information about how to notify Mastercard, see www.mastercard.ca/surchargedisclosure

5.12.2.5 Transaction Requirements

A Merchant that applies a Mastercard Brand-level Surcharge or a Mastercard Product-level Surcharge must disclose the Surcharge amount (in dollar) on the Transaction Information Document (TID) set forth set forth in Rule 5.12.2.3.

In the event that a Merchant provides a full or partial refund of a purchase Transaction that included a Mastercard Brand-level Surcharge or a Mastercard Product-level Surcharge, the refund Transaction must include the full or prorated Mastercard Brand-level Surcharge or Mastercard Product-level Surcharge amount.

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