

### **What is “surcharging”?**

MasterCard and Visa recently announced changes to their operating rules and regulations to allow merchants to charge extra fees (called surcharging) to customers who pay with a MasterCard or Visa credit card, subject to certain requirements. The rule changes, effective January 27, 2013, resulted from a class settlement agreement to resolve antitrust claims involving MasterCard and Visa’s interchange and merchant acceptance rules in the U.S. and its territories. Details regarding the proposed settlement can be found at [www.paymentcardsettlement.com](http://www.paymentcardsettlement.com).

### **What does this mean to me?**

This settlement allows a merchant to pass on an additional fee to a consumer's bill when he or she uses a MasterCard or Visa Credit card for payment.

### **Can I add a surcharge to my credit card transactions?**

Merchants who choose to surcharge must follow the rules and regulations outlined by MasterCard ([www.mastercardmerchant.com](http://www.mastercardmerchant.com)) and Visa ([www.visa.com/merchantsurcharging](http://www.visa.com/merchantsurcharging)).

### **MasterCard and Visa Rules *(see above websites for full details):***

- You must notify MasterCard and/or Visa and your Acquirer 30 days prior to implementing a surcharge.
- You cannot surcharge Debit transactions (signature or PIN, including Prepaid cards) or refunds back to cardholders.
- You must return the surcharge back to the cardholder when issuing refunds. For partial refunds you must pro-rate the surcharge amount.
- You must clearly disclose at the point-of-entry that you surcharge credit cards. (See page Acquirer Surcharge Form)
- You must clearly disclose at the point-of-sale and in the transaction receipt the amount of the surcharge. (See Acquirer Surcharge Form)
- If surcharging at the brand level (All MasterCard and/or Visa credit and commercial cards), the amount for MasterCard and/or Visa is your average Merchant Discount Rate (<sup>1</sup>MDR).
- If surcharging at the product level (i.e., reward cards only), the surcharge amount for MasterCard and/or Visa is your average Merchant Discount Rate (<sup>1</sup>MDR) less the Durbin Amendment Cap for regulated debit cards
- The surcharge amount for MasterCard and Visa cannot exceed 4% (even if your MDR is greater than 4%).
- Merchants assessing convenience fees or services fees (where allowed) cannot also assess a surcharge fee. Only the convenience fee/service fee or surcharge fee can be applied.

<sup>1</sup>To determine your Merchant Discount Rate, you should perform a comparison of your MasterCard and/or Visa Credit card cost of acceptance (the average effective interchange rate plus the average of all network fees imposed applicable to MasterCard and/or Visa credit card transactions for the proceeding one or twelve months). If surcharging at the product level, you must subtract the regulated debit interchange cap from your MDR. Both MasterCard and Visa have a cost of acceptance for their cards by merchant category available on their websites if you are unable to determine your MDR. You may find these documents, other helpful surcharging materials, as well as instructions on how you must notify MasterCard [www.mastercardmerchant.com](http://www.mastercardmerchant.com) and/or Visa [www.visa.com/merchantsurcharging](http://www.visa.com/merchantsurcharging) your intent to surcharge.

### **What should I think about before I decide to surcharge?**

Surcharging is a tempting new program, however, all merchants must take a moment to consider if the following:

- How will this impact your customer’s experience?
- Are your competitor’s surcharging?
- What must be disclosed and the process to ensure you and your staff follow the rules and regulations.
- The cost of credit card processing.
- Are you complying with all applicable state or federal laws? Currently, 10 U.S. states have surcharging restrictions including California, Colorado, Connecticut, Florida, Kansas, Maine, Massachusetts, New York, Oklahoma and Texas.

### **If I decide to participate, what steps do I need to take?**

Merchants that wish to implement a surcharge must notify MasterCard, Visa, and their Acquirer 30 days prior to surcharging.

- For Visa, merchants will complete the online notification form at Visa’s website [www.visa.com/merchantsurcharging](http://www.visa.com/merchantsurcharging)
- For MasterCard, merchants must email MasterCard at [merchant\\_surcharge\\_notification@mastercard.com](mailto:merchant_surcharge_notification@mastercard.com)
- For the Acquirer, the merchant must submit the “Acquirer Surcharge Form” to notify the acquirer of their intent to implement surcharging. The acquirer must register the merchant with MasterCard within 10 days of receipt of the merchant notification.

**Please Note: Although a merchant may complete the aforementioned surcharging requirements, the merchant will not have the ability to surcharge any earlier than mid to late 2013 due to system enhancements needed in order to support this change.**