

Agency recouping of merchant interchange fees

Where they are empowered to do so, NSW Government agencies can impose a surcharge to recoup their merchant interchange fees on a cost recovery basis. Agencies are required to comply with Reserve Bank of Australia Standard No. 3 of 2016, Scheme rules relating to merchant pricing for credit, debit and prepaid card transactions.

Background

A cost of acceptance is incurred by government agencies and State-Owned Corporations (SOC'S) when they accept card payment from customers.

NSW Government agencies are required to apply the rules issued under *Standard No. 3 of 2016, 'Scheme rules relating to merchant pricing for credit, debit and prepaid card transactions'* (RBA Standard No. 3), issued by the Reserve Bank of Australia (RBA), when recovering the cost of acceptance.

This Circular replaces Treasury Circular 12/13 'Agency recouping of merchant interchange fees'.

Cost of acceptance and cost recovery

Agencies can recover merchant service charges on a cost recovery basis provided they are empowered to do so.¹

Agencies are required to review their cost of acceptance, and only surcharge on a cost recovery basis via a surcharge when accepting card scheme payments.

Cost of acceptance fees must only be reflective of cost recovery directly applicable to card schemes as per the advice of RBA Standard No. 3.

Surcharges must be either percentage-based or, if expressed as a fixed amount, must not be excessive for any relevant transaction amount (for example EFTPOS charges are usually billed as a flat rate fee by a service provider, while MasterCard and Visa fees are usually billed by an acquirer as a percentage).

Cost of acceptance calculation

Agencies receive a monthly and annual statement from their service provider identifying the standard cost of acceptance for each of the card payment types. Additional to the cost of acceptance identified there are other eligible costs that can be included in the calculation to determine agencies final cost of acceptance as per RBA guidance material and ACCC, Q & A: Payment surcharges.

¹ There may be some agencies which provide services under a statutory scheme where there is no legal authority for the recovery of merchant service charges.

Cost of acceptance is required to be reviewed by agencies on an annual basis to ensure any surcharges remain current and on a cost recovery basis only. Service providers are required to provide an annual statement each July for the previous financial year outlining agency's annual average cost of acceptance.

Agencies must ensure they maintain documentation as evidence of the calculation of the cost of acceptance in the event a surcharge is applied as per ACCC guidelines.

From time to time NSW Treasury will request agencies forward details relating to cost of acceptance, including but not limited to the total amount of income from fees/surcharges for each card scheme; average fees/surcharges charged by the agency per transaction under each card scheme; and cost of acceptance information as provided to agencies by their service provider.

NSW Treasury may also request from time to time that agencies confirm, in writing, their compliance with RBA Standard No. 3, noting that the onus for compliance with the RBA direction rests within the agency.

Disclosure

With the implementation of this surcharge, agencies must ensure that they have a system in place to make customers aware that the surcharge fee will apply and state the amount of the surcharge before they enter into the transaction.

Key Resources

Reserve Bank of Australia - <http://www.rba.gov.au/>

Australian Competition and Consumer Commission - [www.accc.gov.au/surcharging / payment](http://www.accc.gov.au/surcharging/payment)

VISA - [visa surcharging-merchants](http://visa.com/au/surcharging-merchants)

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