Interchange Fees

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Do you agree that the VISA MIF (multilateral interchange fee) should be based on the following cost categories of Issuers:

- Processing fee

- Free funding period: This corresponds, for deferred debit cards, to the cost of any time difference between payment to the acquirer and debiting of funds from the cardholder's current account. For credit cards, it corresponds only to the cost of any time difference between payment to the acquirer and the time when either payment must be made by the cardholder, or the balance of the credit card bill rolled over into the extended credit facility, to which a rate of interest is applied (that is, it does not include any costs arising from the granting of extended credit to cardholders). For debit cards, it represents only the processing time necessary to debit the transaction to the cardholder account; for deferred debit and credit cards it represents also the extra interest-free period before which payment must be made or extended credit used.

- Payment guarantee - Visa does not use the terminology 'payment guarantee'. In the present decision, this term is used to describe the promise of the issuing bank to honour payments to the acquiring bank, even those which turn out to be, inter alia, fraudulent or for which the cardholder ultimately defaults, on condition that the merchant undertakes all the security checks necessary to enable the issuing bank to promise payment. As concerns default losses, only losses occurring during the free-funding period are to be included in the MIF cost.

Who in your opinion should pay for network and/or infrastructure improvements in a card payment system? Should this be paid by card associations/issuers? Should this be passed on to the merchants?

Knowing that interchange fees are paid to the Issuing Bank, do you believe that the revenues from cardholders are materially lower than the costs incurred by the issuing banks?

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