



Update on credit card / electronic surcharging

Tuesday 22 February, 12:00pm (AEDST)

Presented by Dean Long

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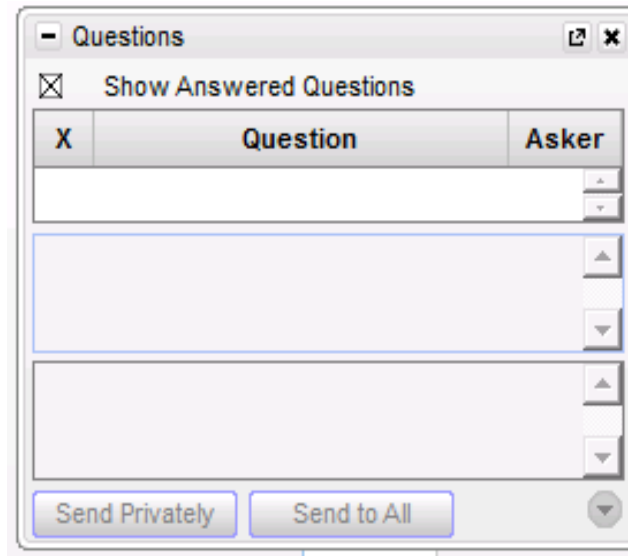
House Keeping;

- Session will be recorded
- Presentation will be available at www.afta.com.au
- Audience will be on mute
- Q & A can be submitted throughout the presentation but will be answered at the end of the presentation



Questions?

Via your "Question" tool shown below





What will we cover today.



- What has been announced since October 2016?
- What the changes mean for your business?
- Establishing what your new surcharge rate
- Extended time for questions



- Large business have been complying with the new surcharging regulations since 1 September 2016
- To date no formal breaches have been released by the ACCC
- Consumers have decreased the number of complaints about surcharging
- Medium and small merchants are next



Time table for implementation

1 September
2016

1 June 2017

1 July 2017

1 September
2017

1 July 2018

Acquirer will provide an Cost of
Acceptance Statement

Allowable items to be calculated and
surcharge rates set.

All businesses must comply with new
regulations on permitted surcharge

*Ensure rate of surcharge complies with
the new standards.*

Large Business must have
complied with the new
regulations

New inter-change rates will come
into affect

Yearly review of
your surcharge rate



Surcharging from 1 September 2017?

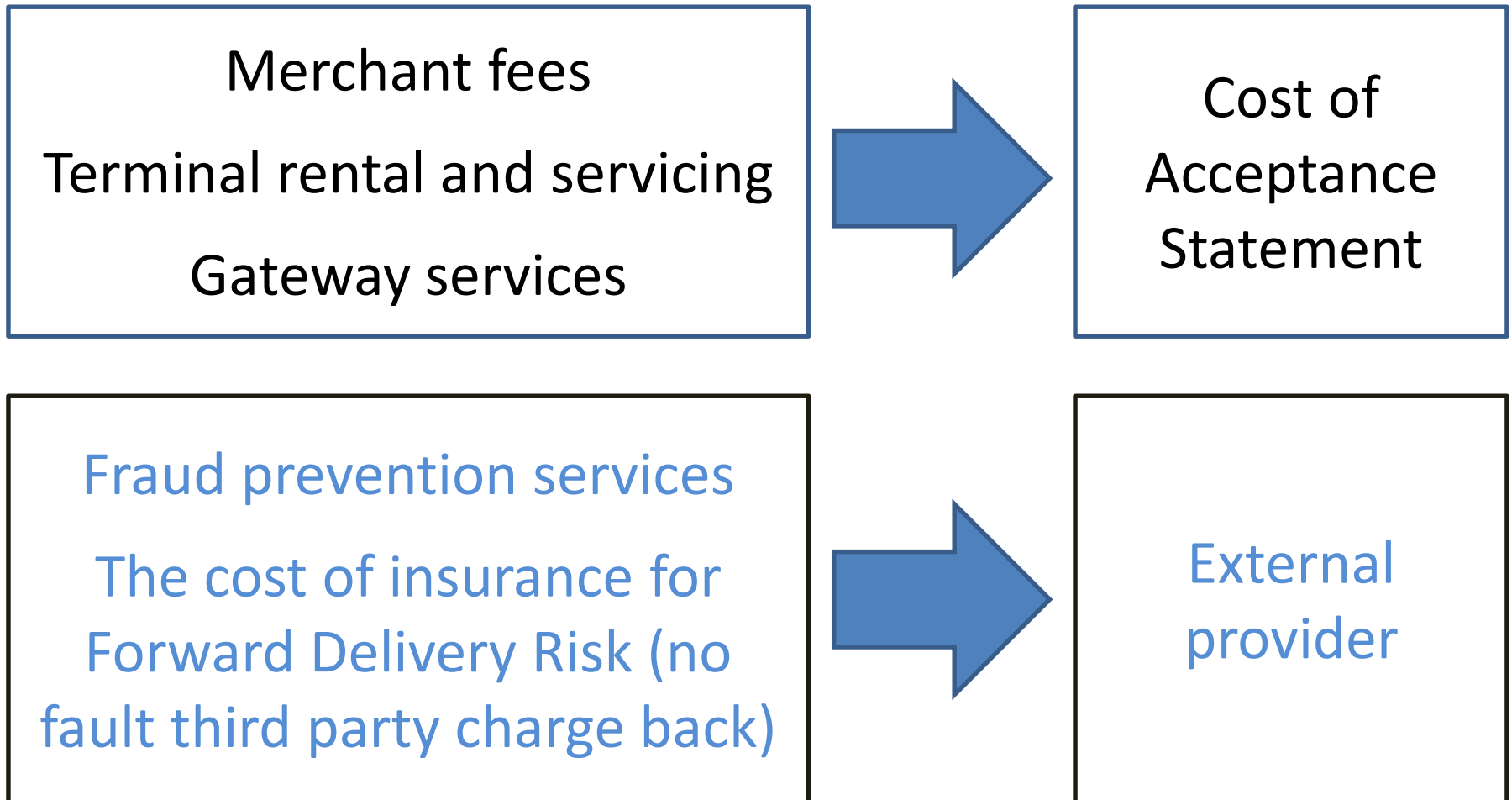
You can still apply a surcharge.

You must only surcharge the actual cost.

- *It must be demonstrable and not include any internal costs.*

You are not allowed to blend to create an average surcharge.

5 permissible costs that can be included in your surcharge





Merchant Service Fee - *it will change*

Interchange rates will be capped and assessed more regularly.

The cost to you as a merchant should reduce by 1 June 2017.

Customers who use cards for reward points will most likely see a reduction in the number of points they can earn.



Cost of Acceptance Statement – Acquirer (*financial institution*)

Card Scheme	Card Type	Number of transactions	MSF as a percentage
MasterCard	Credit	369	1.1
MasterCard	Debit	200	0.1
Visa	Credit	342	1.2
Visa	Debit	200	0.1
Total credit	<i>n/a</i>	711	<i>n/a</i>
Total debit	<i>n/a</i>	400	<i>n/a</i>

Annual Statement - Amex

Card Type	Number of transactions	MSF as a percentage
Green	45	2.1
Black	20	3.2
Amex Companion	90	1.6
Total	155	<i>n/a</i>



Cost of Acceptance Statement

Cost of Acceptance (COA) Statement

Your average payment costs for the month of <month>, based on the definitions in the Reserve Bank's surcharging Standard were:

Visa Credit	Visa Debit	MasterCard Credit	Debit MasterCard	eftpos	UnionPay International
0.92%	0.48%	0.90%	0.50%	0.13% or \$0.086	1.20%

Visa credit
and debit

Companion
Amex

MasterCard
credit and
debit

Merchant Fees

Terminal
rental

International
fees

Gateway fees

Fraud Prevention

A Total View of Business Risks



Coupons
and promotions



POS
transactions



Card-not-
present fraud



Any electronic
payment
method



Employee
theft and
other abuse



Policy and
program abuse



Online scams
and cons

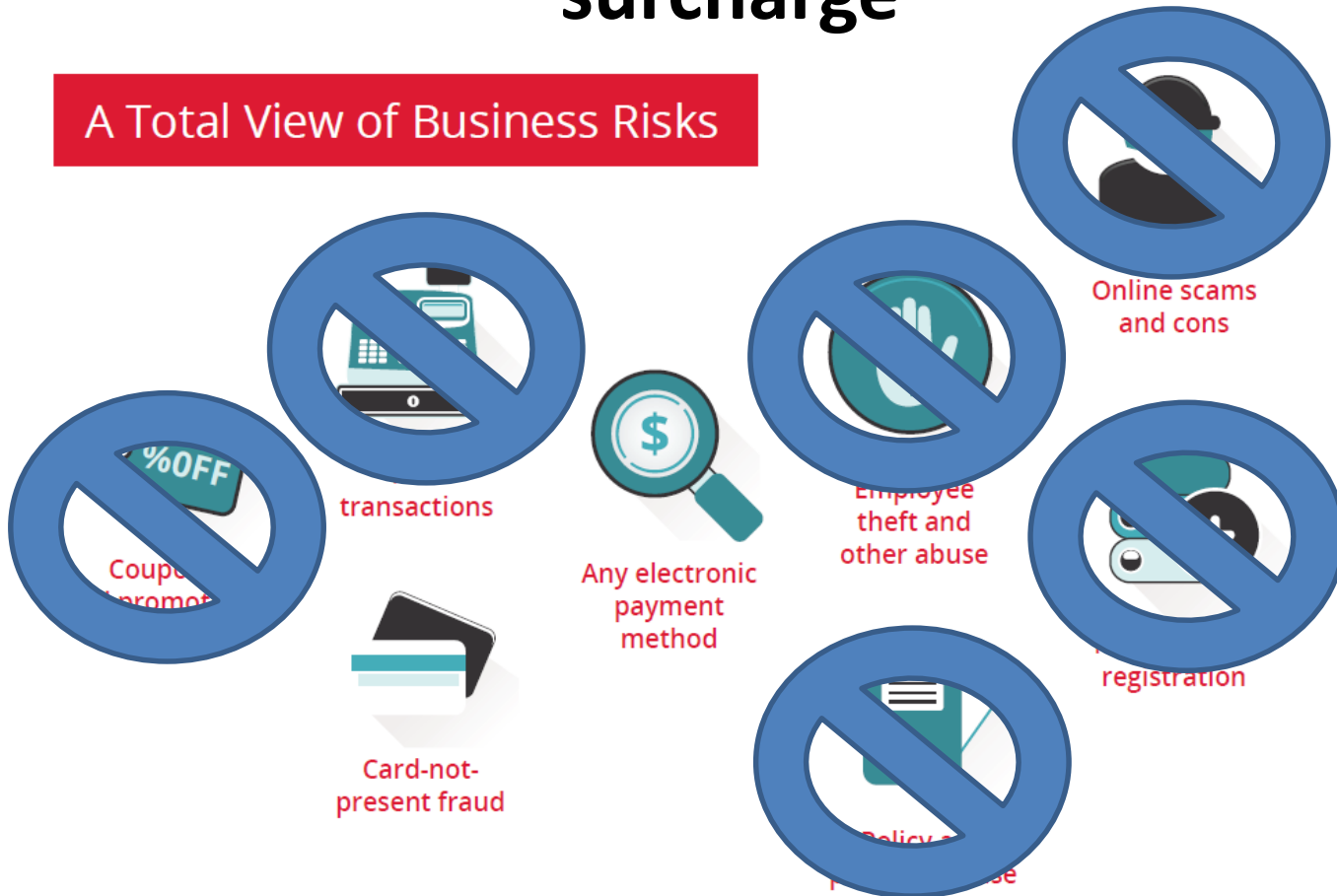


New account
registration



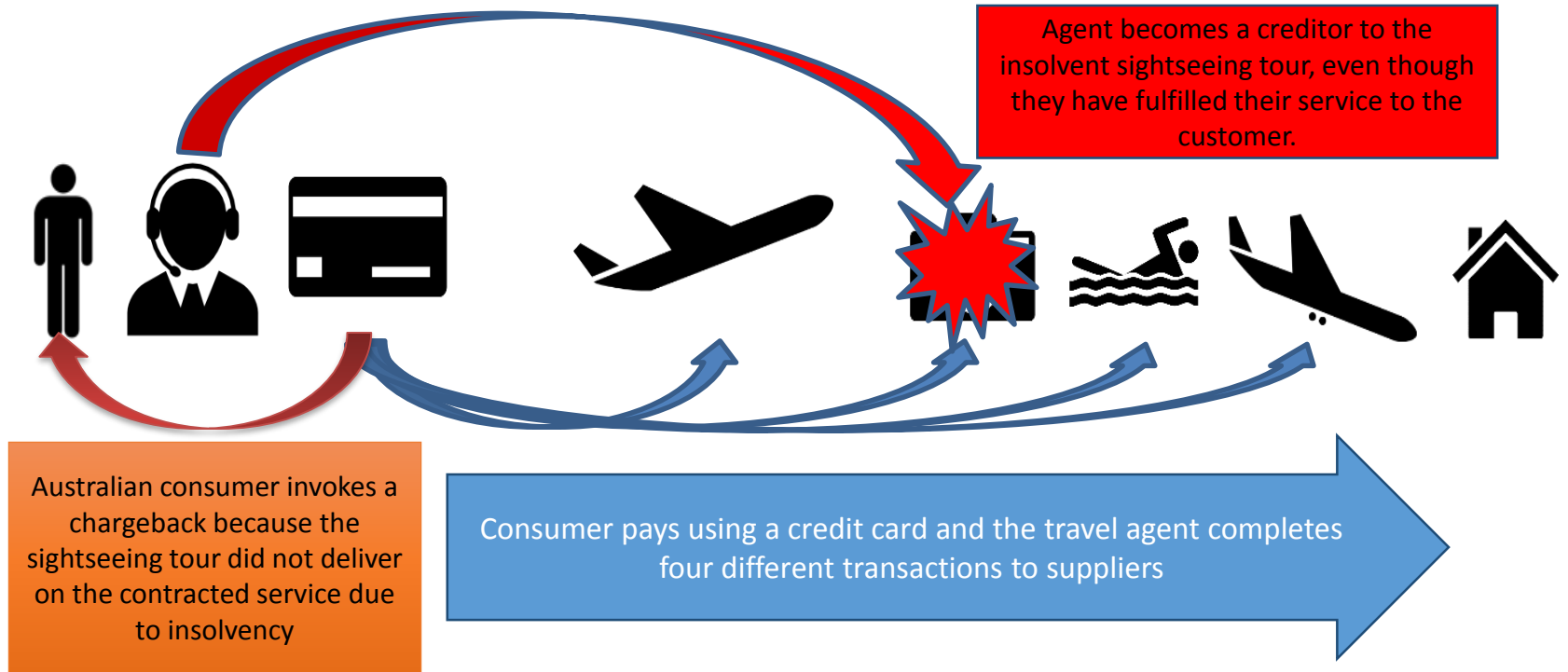
Fraud Prevention what could be included in your surcharge

A Total View of Business Risks





The cost of insurance for (FDR) - *no fault third party chargeback*





How do you work out the new surcharge?

You will need all of the information we have just spoken about:

- Annual Cost of Acceptance Statement from your acquirers
- Receipts from your service providers for electronic fraud prevention and FDR insurance.

External Providers 1 – *Fraud prevention and FDR insurance (hypothetical)*

Receipt for fraud prevention services

External provider ABN
12345678912

Service delivered
Credit card fraud prevention

Coverage period
1 July 2016 – 30 June 2017

Cost
\$3,000

Receipt for FDR Insurance

External Provider ABN
12345678913

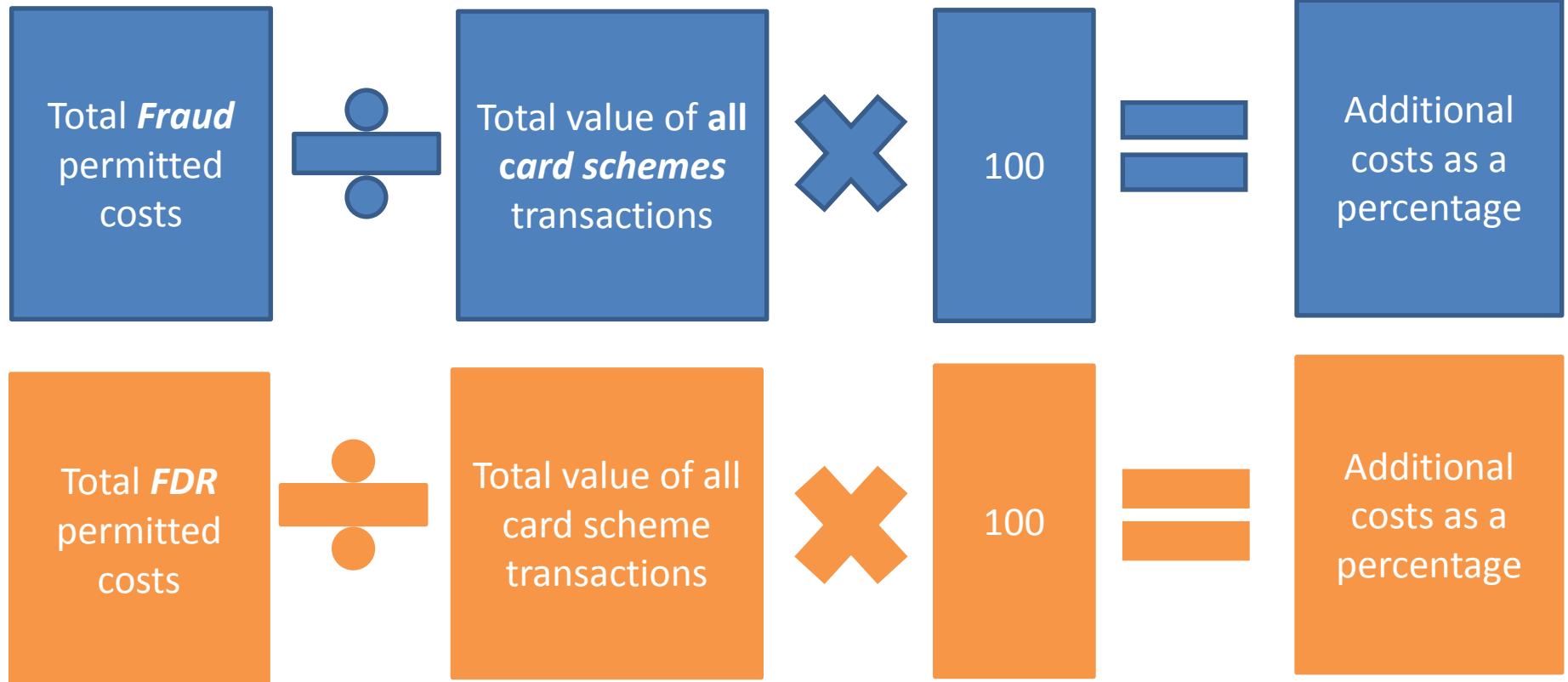
Service delivered
FDR Insurance

Coverage period
1 July 2016 – 30 June 2017

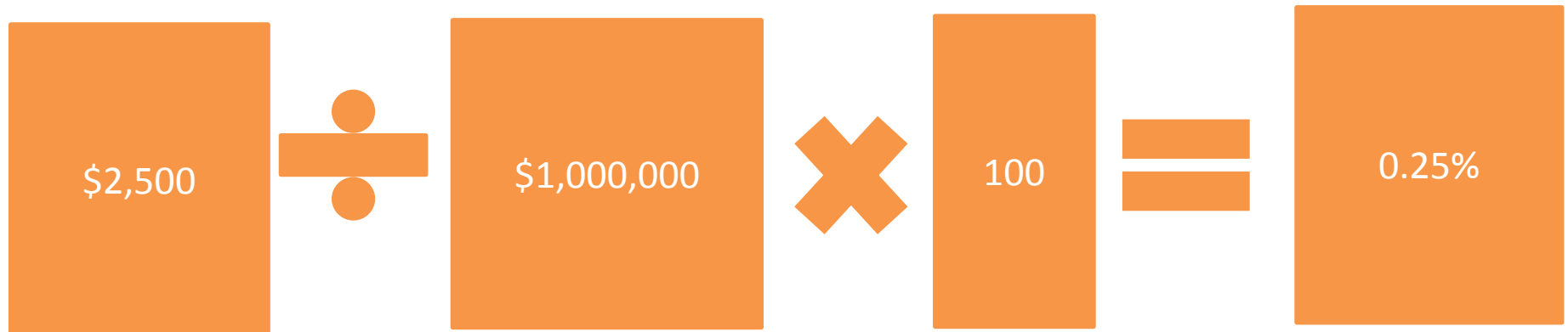
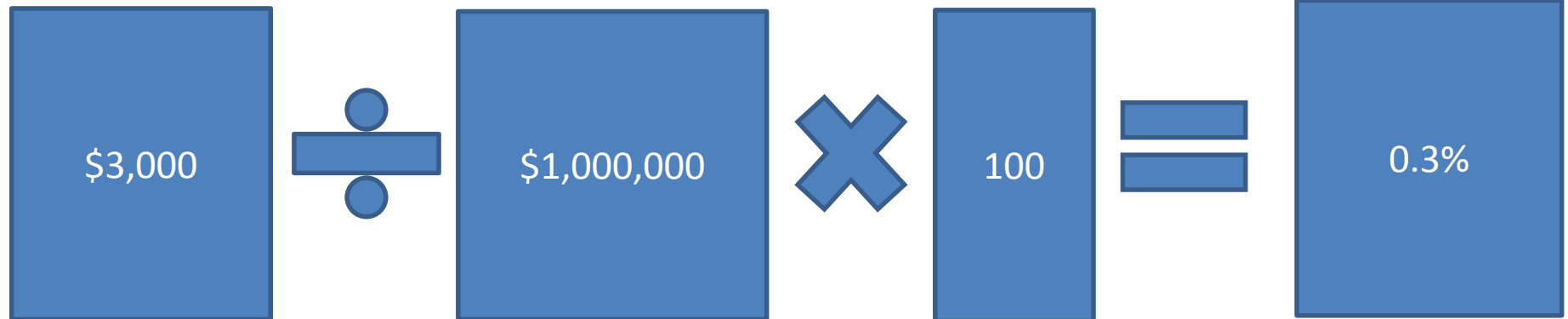
Cost
\$2,500

Total other permitted surcharge fees = \$5,500

Attributing fraud prevention and FDR Costs



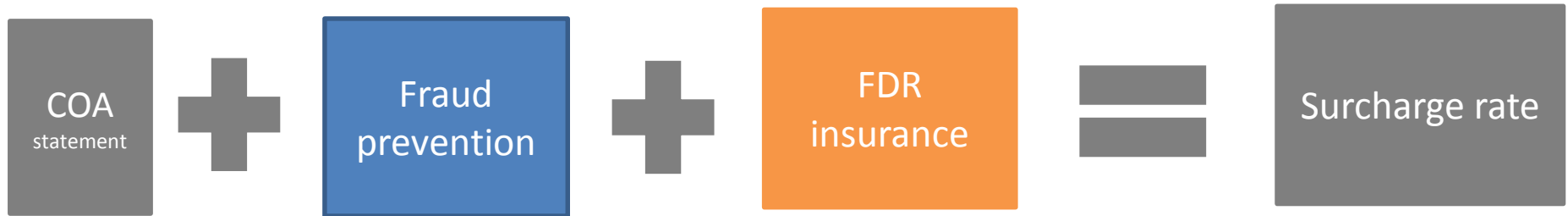
Attributing fraud prevention and FDR Costs





Example 1 - Your permitted surcharge rate

Simple Formula



MasterCard Credit Example



External Providers 2 – *Fraud prevention and FDR insurance (hypothetical)*

Receipt for fraud prevention services

External provider ABN
12345678912

Service delivered
Credit card fraud prevention

Coverage period
1 July 2016 – 30 June 2017

Cost
0.1%

Receipt for FDR Insurance

External Provider ABN
12345678913

Service delivered
FDR Insurance

Coverage period
1 July 2016 – 30 June 2017

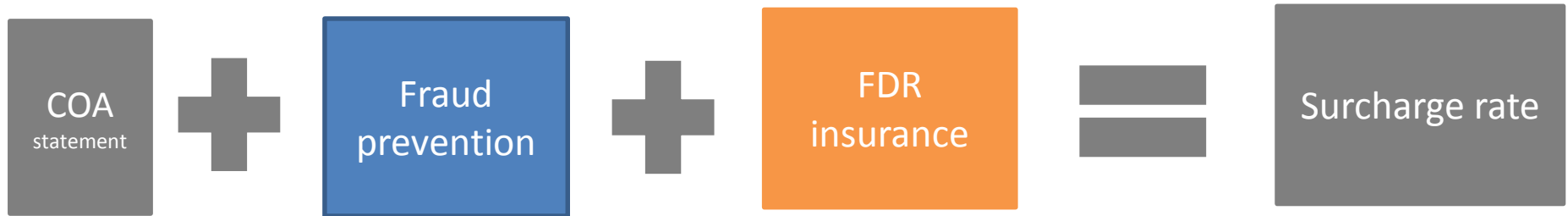
Cost
0.30%

Total other permitted surcharge levies= 0.4%



Example 2 - Your permitted surcharge rate

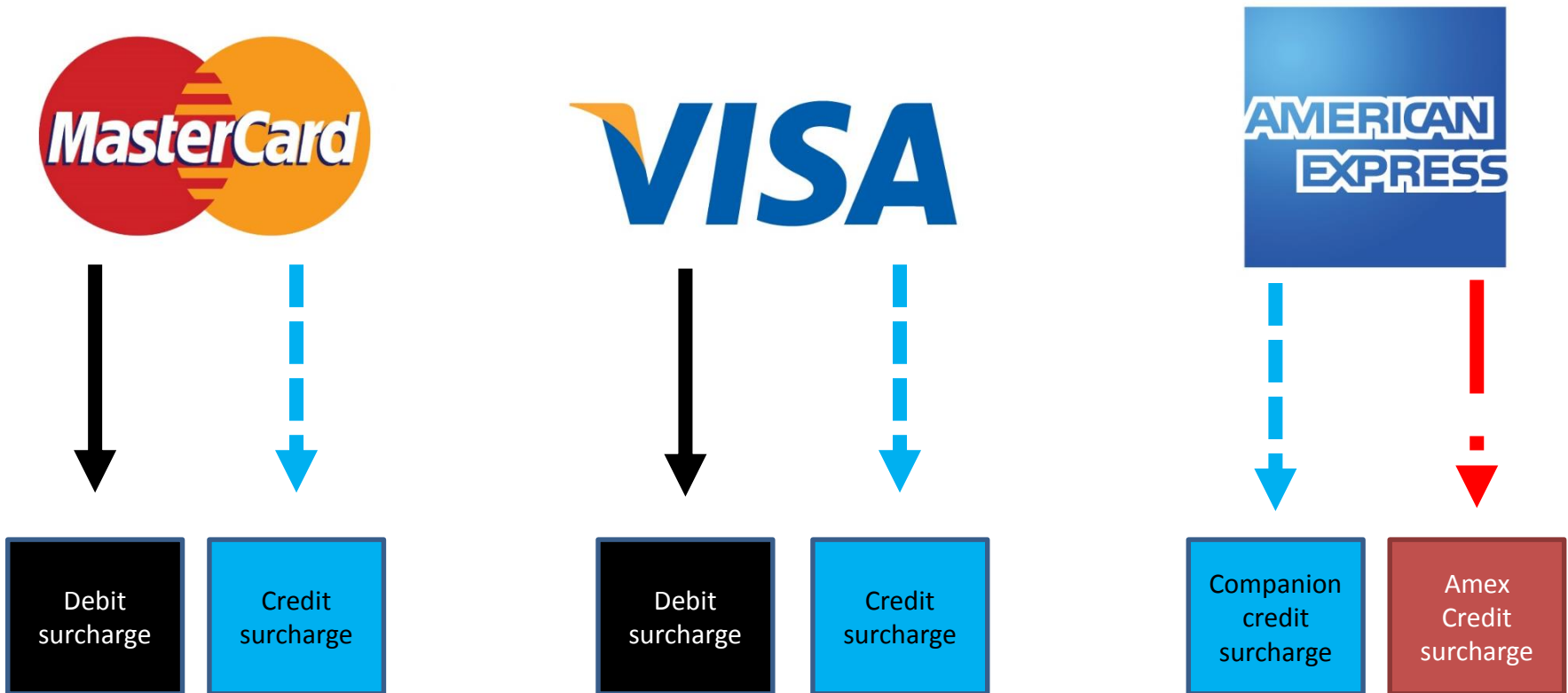
Simple Formula



MasterCard Credit Example



Applying your surcharge rates



Always express your surcharge rate as a percentage.



Remember you will need the following to set your new surcharge rate

- Annual Cost of Acceptance Statement from all acquires (including Amex)
- Receipts from your service providers for electronic fraud prevention and FDR insurance.



Quick Summary:

- You will only need to review your surcharge rate every year.
- Only charge what you can prove.
- RELAX - You still have 6 months until the new laws come into affect.





Questions



Where can I find further information?

[AFTA electronic payment support material](#)

<http://www.afta.com.au/afta/afta-at-work/electronic-payments>

[RBA](#) and the [ACCC](#)

Your bank, payment facilitator and acquirer