



## STAFF REPORT ACTION REQUIRED

### Review of Method of Payment Fees in Taxicabs

<b>Date:</b>	June 14, 2011
<b>To:</b>	Licensing and Standards Committee
<b>From:</b>	Jim Hart, Executive Director, Municipal Licensing and Standards
<b>Wards:</b>	All
<b>Reference Number:</b>	P:\2011\Cluster B\MLS\LS11016

#### **SUMMARY**

This is a staff initiated report to address the issue of additional fees to use debit and credit cards as a method of payment. This issue arose at a Taxi Industry meeting that took place on March 2, 2011.

Although there have been few customer complaints, taxicab drivers have expressed their concern over the issue of debit and credit card fees. Drivers have indicated that customers are not always aware of the additional fees when they choose to pay with a debit or credit card and that they sometimes become upset or even challenge the right to charge the fees.

Greater use of debit and credit cards in taxicabs will mean less cash in taxicabs and a lower risk of robbery for drivers. For this reason, many drivers want customers to be encouraged to use debit and credit cards. Greater use, of course, also increases the chances of complaints over method-of-payment fees.

This report describes the debit and credit card markets in Canada and how debit and credit cards are used in the taxicab industry.

Staff recommend that the riding public be made aware of method-of-payment fees, by the use of a conspicuously placed sign in the taxicab. Staff also recommend that taxicabs not be allowed to operate when their debit or credit card processing equipment is not functioning.

The City Solicitor was consulted in the preparation of this report.

Public notice has been given in a manner prescribed in the Toronto Municipal Code Chapter 162, Notice, Public.

## **RECOMMENDATIONS**

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The Executive Director, Municipal Licensing and Standards Division recommends that City Council:

1. Amend Toronto Municipal Code Chapter 545, Licensing Article VIII, Owners and Drivers of Cabs to require that:
  - a) Any cab equipped with the means to accept debit or credit card payments shall not be allowed to operate without a sign affixed to each rear passenger door in a manner and in a location satisfactory to the Municipal Licensing and Standards Division to indicate clearly to any passenger upon entering or intending to enter the said vehicle the amount of any fee charged for making payment with a debit or credit card;
  - b) A driver or owner driving his or her cab, upon being asked by a passenger whether he or she accepts debit or credit cards as a form of payment for the fare shall inform the passenger of any additional fees that would be incurred as a result of paying with either type of card; and
  - c) No owner or driver operate or permit to operate a cab equipped with the means to accept debit or credit card payments without such equipment being operable.
2. Amend Toronto Municipal Code Chapter 545, Appendix C, Tariff A to indicate that a fee for paying with either debit or credit card may apply.

### **Implementation Points**

Municipal Licensing and Standards, Licensing Services shall be responsible for ensuring that the required signs are satisfactory to the Executive Director or his or her designate.

### **Financial Impact**

There is no financial impact as a result of the recommendations of this report beyond what has already been approved in the current year's operating budget for Municipal Licensing and Standards.

The Deputy City Manager and Chief Financial Officer has reviewed this report and agrees with the financial impact information.

### **DECISION HISTORY**

This is a staff initiated report to address the issue of additional charges to use debit and credit cards as a method of payment. This issue arose at a Taxi Industry meeting that took place on March 2, 2011.

## ISSUE BACKGROUND

At its meeting on March 2, 2011, the Taxi Industry expressed concerns about additional fees for the use of debit and credit cards. Stakeholders requested that customers be informed that drivers only carry limited amounts of funds, and that customers are encouraged to use debit and credit cards.

Research by Staff shows that there are more issues relevant to the use and fees of credit and debit cards. Some of the issues are: the public may not be aware of the fees related to using debit and credit cards; some complaints by customers that drivers are not always willing to use the credit card terminal and have to pay cash instead; there are high costs related to providing debit and credit card services, and the drivers or owners are forced to bear most of these costs.

## COMMENTS

### Payment Card Network

In Canada, the Credit Card and Debit Card Network is federally governed by the Payment Card Networks Act. The purpose of this Act is to regulate national payment card networks and the commercial practices of payment card network operators, such as Interac, for debit transactions, and Visa and MasterCard, for credit card transactions.

The Act also gives the Minister of Finance the power to regulate the market conduct of the credit and debit card networks and their participants, if necessary.

The Financial Consumer Agency of Canada (FCAC) supervises payment card network operators to monitor their compliance with the Code of Conduct and with any regulations in the Payment Card Networks Act.

### Debit Card Model in Canada

In Canada, point-of-sale debit card transactions are structured in accordance with what is known as the four-party model, the parties being the *cardholder*, the *merchant* (or service provider), the *card issuer* and the *payment processor* (or acquirer). A fifth participant is the *Interac Association*

- i. **Cardholders** (consumers and businesses that use debit cards to purchase goods and services)
- ii. **Merchants** (sellers of goods and services that accept debit cards for payment)
- iii. **Issuers** (financial institutions that issue debit cards to consumers)
- iv. **Acquirers** (financial institutions that supply debit Card Network Services to merchants for the purpose of processing credit card transactions)
- v. **Interac Association** (a not-for-profit national payment network. Operates exclusively in Canada and is essentially the sole provider of domestic debit card network services).

### **How Debit Card Fees Are Incurred**

Fees are incurred at various points in the debit card transaction. An *interchange fee* is a set amount per transaction retained by a card issuer when it settles the bill with a merchant's payment processor on behalf of a cardholder. In Canada, the interchange fee for point-of-sale debit card transactions through the Interac Association's network is zero.

The Interac Association receives its income from switch fees, which are paid by the card issuer and the payment processor for each transaction. The switch fee, which is set at the estimated cost-recovery level, is currently \$0.007299 for every point-of-sale transaction. The total switch fee is \$0.014598 per debit transaction.

In 2006, the Interac Association processed approximately 3.29 billion debit card transactions. Using a median merchant discount fee of \$0.12 per transaction the total estimated merchant cost for these transactions in 2006 was approximately \$395 million.

Diagram 3 in Appendix A summarises the debit card payment process.

### **Customer Transaction Surcharges**

As a not-for-profit organization, Interac Association does not directly charge fees to customers. The Interac Association member (i.e., the organization that provides the merchant with the payment terminal), in association with the merchant, may impose a customer surcharge for the use of the Interac service.

If the member, in association with the merchant, has decided to impose a surcharge, the surcharge must be properly displayed on the PIN Pad screen, providing customers the option of cancelling the transaction without cost if they do not want to pay the surcharge.

### **Credit Card Model in Canada**

In Canada, the major credit card companies (Visa and MasterCard) have the same structure as Debit four-party model: the cardholder, the merchant (or service provider), the card issuer and the payment processor (or acquirer).

According to a Bank of Canada study in 2006, merchants paid 2 to 4 per cent for every credit card transaction.

### **How Credit Card Fees Are Incurred**

Fees and other costs are incurred at various points in the credit card transaction. As previously mentioned, the card issuer retains an interchange fee when it transfers funds for the purchase to the payment processor. This fee is usually a certain percentage of the total transaction value, as set by the credit card company. Currently, the interchange rates that Visa sets differ according to merchant sector, transaction volume for each merchant, and type of transaction.

Visa's interchange fees range from 1.21% of the transaction value for gas stations and 1.36% of the transaction value for grocery stores with a Classic, Gold or Platinum Visa card to 2% of the transaction value for some transactions that take place online or

otherwise without the physical presence of the credit card. In Canada, Visa's average effective interchange fee is currently 1.6% of the transaction value. MasterCard does not disclose its interchange fee in Canada.

Interchange fees may help to finance the following card-issuer costs: the interest-free period, credit losses, fraud and fraud prevention, authorizing, receiving, verifying and reconciling transactions; and funding credit card loyalty (rewards) programs.

In addition to receiving the purchase payment (less the interchange fee) from the card issuer, the payment processor charges the merchant an amount known as the merchant discount fee; this covers, among other things, the cost of the processing services it provides to merchants. The payment processor deposits the remainder of the cardholder's bill in the merchant's account.

The merchant discount fee is a certain percentage of the transaction value and may include the cost of the interchange fee, the cost of transaction processing, terminal rental and customer service; and the acquirer's or processor's margin, among other costs.

Additionally, the credit card company may charge a network access fee to the payment processor for each credit card transaction; if that is the case, the payment processor can pass on that cost to the merchant through the merchant discount fee.

The credit card company generates revenue primarily from network access fees that are linked to payment volume and/or the number of transactions processed using its branded cards. These fees are paid by the card issuer and/or the payment processor.

Neither Visa nor MasterCard discloses the network access fees charged to card issuers and/or payment processors for credit card transactions.

Finally, the cardholder is charged interest by the card issuer on his or her monthly credit card bill on any amounts that remain unpaid after the interest-free period. Several credit cards also require the cardholder to pay an annual *fee* to the card issuer.

Diagram 4 in Appendix A summarises the credit card payment process.

### **Merchant Cost of Credit Card Transactions**

According to a 2006 Bank of Canada survey, of 500 merchants, credit cards are, overall, the most expensive method of payment in Canada. In the fiscal year ending October 31, 2006, the median merchant discount fee on credit card transactions for the survey sample was 2% of the transaction value. In that year, about \$214.7 billion in purchases were made with Visa and MasterCard credit cards.

Using these figures, the total estimated merchant cost for all Visa and MasterCard credit card transactions in the fiscal year ending October 31, 2006 was about \$4.3 billion; a large proportion of this amount is to card issuers through the interchange fee.

Merchants usually pass some or all of the increased costs resulting from high Card Acceptance Fees onto their customers by increasing retail prices for goods and services. These costs are borne by all customers of a merchant, including those that use other methods of payment, such as cash, debit cards or credit cards with lower Card Acceptance Fees.

These fees are generally set as a percentage of the transaction price and are withdrawn from the funds reimbursed to merchants through the credit card network. For example, a Card Acceptance Fee of 2% would result in a merchant reimbursement of \$98 for a \$100 transaction, with the remaining \$2 constituting the fee.

### **The Use of Payment Cards in the Taxi Industry**

In the last few years, there has been an increase in the usage of credit and debit cards as an alternative to paying with cash. As a result, brokerages in Toronto have been providing credit card terminals that drivers can use to accommodate customers. While some brokerages buy the terminals, others rent these terminals from service providers and then lease them to the drivers or taxi owners (who in turn pay a fee for their usage).

Recently, some brokerages have begun mandating that all taxis that are part of their fleets must be equipped with these terminals. This may result in more business, as there is greater flexibility in how the riding public may pay.

Brokerages rely on different payment processors to perform the credit and debit card transactions on the three major networks (Interac for debit, and Visa and MasterCard for credit cards).

This results in different kinds of contracts and different payment systems and fees. Since no two taxi brokerages have the exact same type of contract and "model", it is very hard to describe and harmonize what is currently in place.

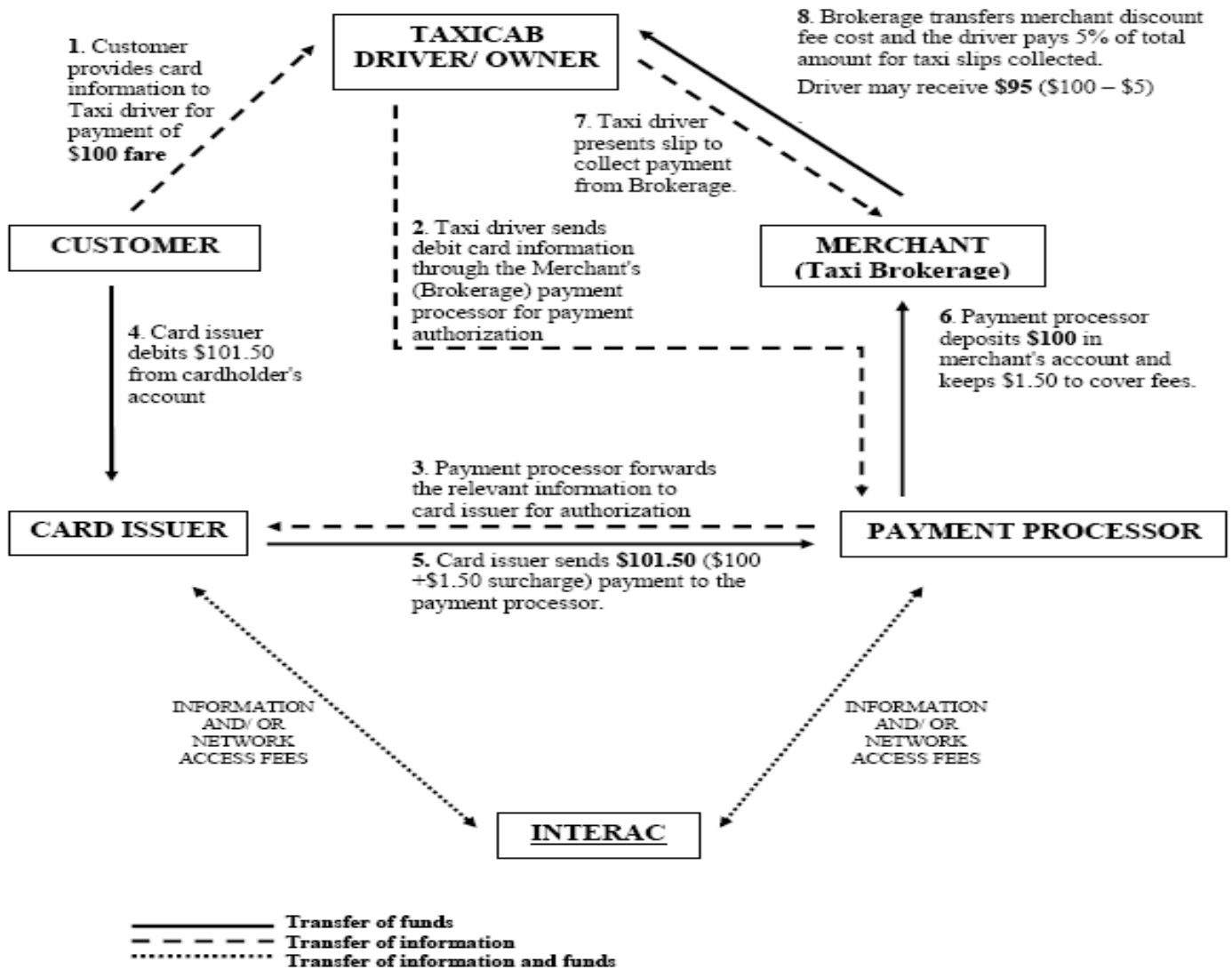
There are many costs associated with these terminals such as "airtime or wireless fees" for data plans, card processing fees, and merchant fees (which the Brokerages generally pass on to the drivers). However, every payment processor directly charges the customer a surcharge that ranges from \$1.25 to \$1.50 for every debit card payment. Similarly, all Taxi brokerages charge the drivers between 5-6% for every credit card transaction slip that is cashed. The Merchant fee cost is transferred to the driver and is included in the 5-6% fee. Some payment processors chosen by some brokerages may also charge a \$0.50 network fee. This fee is retained by the payment processor, not the brokerage.

For illustrative purposes, a \$100 fare is used in Diagrams 1 and 2. A debit surcharge of \$1.50 and a merchant discount rate of 4% are assumed.

1. The customer pays their \$100 fare by using a debit card.
2. The taxi driver sends the cardholder's card information to the Merchant's (taxicab brokerage) payment processor for payment authorization.

3. Payment processor forwards this information (through Interac's network) to the card issuer for payment authorization. Payment processor pays "network access fee" to the card company.
4. The card issuer debits \$101.50 from customer's account.

**Diagram 1 – Model of debit card Transactions in Taxicabs**



5. The card issuer transfers \$101.50 to the payment processor. For this debit card transaction, there is a surcharge of \$1.50. Card issuer sends \$101.50 to the payment processor (who retains \$1.50 to cover various costs).

6. The payment processor transfers \$100 to the merchant's account after deducting the \$1.50 as its own fees.
7. Taxi driver presents slip to collect payment from brokerage.
8. Brokerage transfers merchant discount fee cost and charges the driver approximately 5% of total amount for taxi slips collected. The driver may receive **\$95** (\$100 – \$5). In this specific case, the model adopted by this brokerage uses the \$5 to cover for the many costs associated with providing the taxi with the terminals (e.g. part of monthly terminal rental fee, data plan, and processing fees, labor costs for cashing slips, etc).

Generally, other models may not include the 5% fee; however, they cover their costs by using other methods. For example, they may require that the drivers pay a monthly terminal rental fee, processing fees, and part of the data plan.

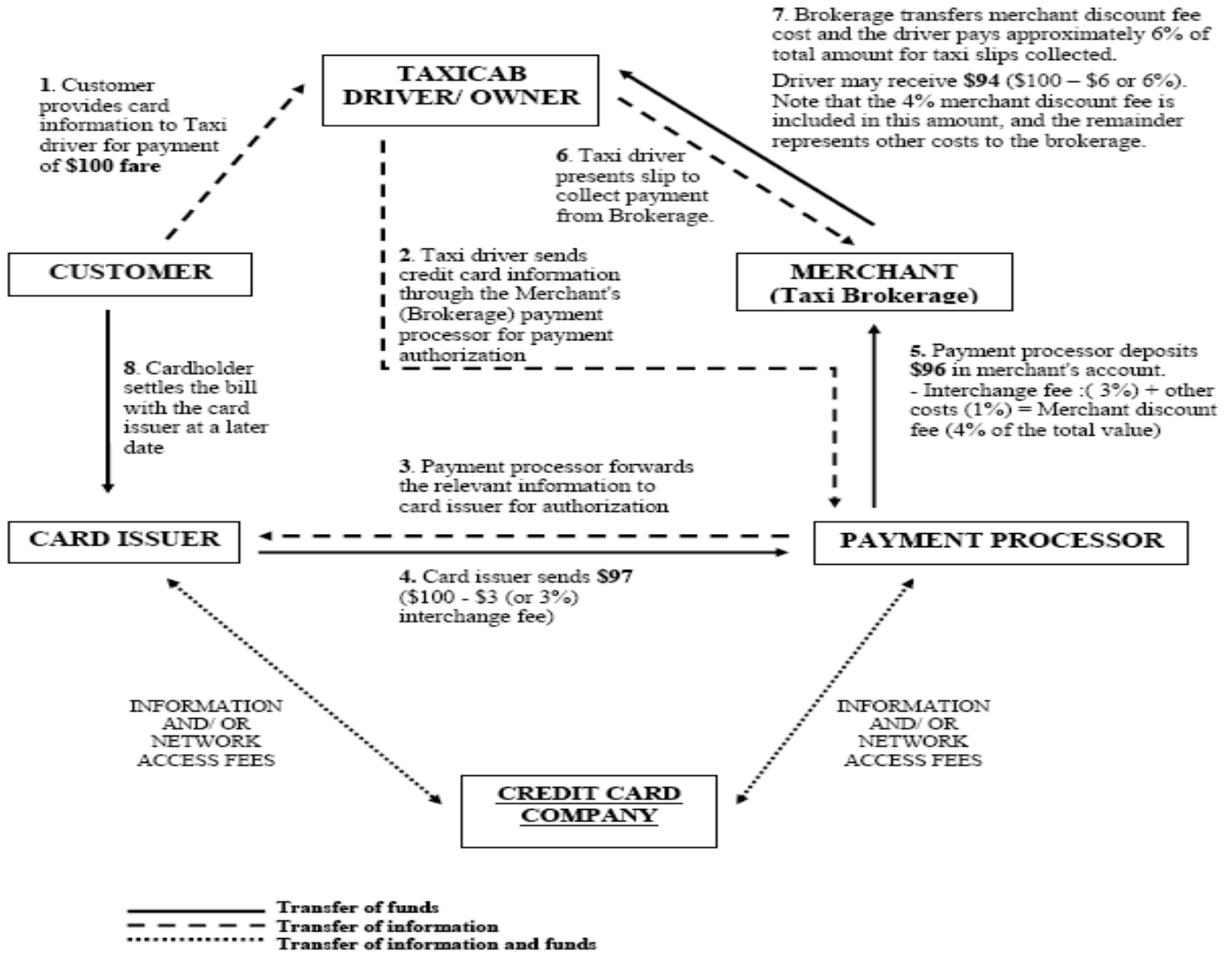
Credit card transaction:

1. The customer pays their \$100 fare by using a credit card.
2. The taxi driver sends the cardholder's card information to the Merchant's (taxicab brokerage) payment processor for payment authorization.
3. Payment processor forwards this information through the credit card company's network to the card issuer for payment authorization. Payment processor pays "network access fee" to the card company.
4. The card issuer sends \$97 to the payment processor. The card issuer retains interchange fee (\$3), which is a certain percentage of the total transaction value (interchange fee of 3% of \$100 = \$3). Card issuer retains \$13 and payment processor receives \$97). Card issuer pays network access fee for using the card company's network.
5. The payment processor transfers \$96 to the merchant's account after deducting its own \$1 fee. Total merchant discount fee is 4% of the total amount, or \$100.

Some brokerages may allow the payment processor to directly charge the customer a \$0.50 processing fee. In this case, however, the customer pays \$100.50 or \$0.50 more.

6. Taxi driver presents slip to collect payment from brokerage.

**Diagram 4 – Model of Credit Card Transaction in Taxicabs**



7. Brokerage transfers merchant discount fee cost and charges the driver approximately 6% of total amount for taxi slips collected. Driver may receive **\$94** (\$100 - \$6 or 6%). Note that the 4% merchant discount fee is included in this amount, and the remainder represents other costs to the brokerage.

8. Cardholder settles the \$100 bill with the card issuer at a later date.

### **Other Jurisdictions in Canada**

Major cities in the province of Ontario and in Canada do not mandate credit cards acceptance and processing. However, as a means to increase competition and meet customer demand for alternative sources of payment, most brokerages are offering these services. The current by-law regulating the taxi industry in Toronto does not take payment processing fees into account.

### **Other Jurisdictions in the U.S.A**

According to research by the International Association of Transportation Regulators (IATR), the cities of Boston, Chicago, Las Vegas, New York City, Philadelphia and San Francisco are some of the cities that presently mandate credit and debit card acceptance. This requirement may be mandated by Municipal law, or it may be undertaken by City taxi companies.

In the City of Chicago, taxicabs must accept credit cards, unless the taxicab is independently owned and operated – that is, the cab is not affiliated with a brokerage. The brokerage is allowed to pass on to the driver a maximum of 5% for the merchant fee.

In New York City, the Taxi and Limousine Commission expressly says that:

1. An Owner who is a merchant is permitted to charge the Driver a pass-along of not more than five percent (5%) of the total credit/debit charges incurred during the Driver's shift.
2. Merchants are not permitted to charge a pass-along to any passenger for credit/debit card transactions.

The commission also says that drivers must have the credit card terminal working at all times, and are not allowed to operate the vehicle if the machine is not working.

### **Options Reviewed**

1. No additional requirements

Staff considered not imposing any additional requirements on the industry. However, two negative outcomes could arise:

- a. As the number of credit and debit card transactions continue to increase, there could also be a corresponding rise in complaints from the riding public, especially from those who are not knowledgeable of the current practices.

- b. Brokerages may "pass on" some of their cost to the customers by charging them \$0.50 for credit card transactions (some may already be doing this).

There is a possibility that the cost for providing this service will increase and result in a rise in how much the customer would be charged. Since the brokerages pay high fees and are responsible to pay other costs associated with this service, the fact that taxis may charge more in the future is not a farfetched argument.

- 2. Revise the Taxi Fare model and account for the new costs in providing this type of service.

In Toronto, most businesses that accept debit and credit cards transfer the cost for providing this service to customers through the price of their goods and services. This means that all customers bear the costs regardless of which method of payment they use (e.g. cash).

This model, however, does not ultimately address the challenges of the taxi industry because:

- a) As the merchant, the brokerage passes on the cost to the driver, but the driver cannot pass this cost on to the customer. Drivers bear the cost of providing the service instead.
- b) Other merchants are usually able to set their own prices. In this case, the City of Toronto sets and regulates the fares brokerages and drivers may charge the customer.

Therefore, the only way to shift the payment burden from the drivers is to review and adjust the taxicab fares to include and reflect the cost of high fees associated with providing debit and credit card payments. Higher fees, however, could dampen overall business. Depending on the arrangement between driver, owner and brokerage, higher fares may not accrue significantly to driver.

- 3. The City of Toronto may set and regulate a maximum fee that the brokerages may charge the driver or owner.

Some cities in the U.S.A mandate credit card acceptance and also set and regulate a maximum fee or percentage that brokerages may charge drivers. This prevents brokerages from setting fees that are too high in order to make a greater profit, while the driver is left to bear the cost. This model requires that the City regulate third party agreements, which it may arguably not be able to do.

4. Expressly ban the charge of these fees.

The City could amend the by-law to expressly prohibit the charge of these "surcharge" fees and keep them from being passed on to the consumer. The current by-law provisions say that passengers need only pay the amount shown in the meter. However, it is not specific as to whether this applies to credit or debit card surcharges. The City must have a valid municipal purpose for not allowing such fees to be passed on to consumers. The concerns heard by ML&S appear to revolve around the right to know and not so much around the charging of the fees themselves or their amount. For this reason, at this time ML&S does not believe that banning the fees is an issue of consumer protection.

5. Amend Toronto Municipal Code Chapter 545, Licensing Article VIII, Owners and Drivers of Cabs to require that:

- a) Any cab equipped with the means to accept debit or credit card payments shall not be allowed to operate without a conspicuously placed sign, as approved by the Executive Director, or his or her designate, to indicate the amount of any fee charged above and beyond those in Appendix C, Tariff A, for making payment with a debit or credit card.

In recent years, there has been an increase in the usage and demand for credit card terminals. However, many taxi customers may not be aware that there may be fees associated with using debit and credit cards as payment methods.

Drivers have expressed concerns that they only carry limited amounts of funds, and some may want customers to be encouraged to use debit and credit cards.

This suggested sign would inform customers of these fees and encourage them to use the debit and credit cards as payment methods.

- b) No owner or driver shall operate, or permit to operate, a cab equipped with the means to accept debit or credit card payments without such equipment being operable.

The taxi industry and some riding customers are very aware of the fact that some drivers may not always be willing to use the credit card terminals (due to the fees they pay). This may force customers to pay with cash instead, which may not be their primary payment option. This provision would prevent drivers from not using the terminal when it is perfectly operable.

Staff believe that this is the best option to pursue because it addresses the main concern that drivers presented at the consultation that took place in March. From a safety perspective, there is a general preference for greater use of debit and credit cards in taxicabs, which would mean less holding of cash and thus a lower risk of being robbed.

However, drivers also indicated that customers are not always aware of the additional fees when they choose to pay with a debit or credit card and that they sometimes become upset or even challenge the right of drivers to charge the fees. By posting a conspicuous sign, passengers will be forewarned of the charges associated with paying using either a debit or credit card.

## **CONTACT**

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## **SIGNATURE**

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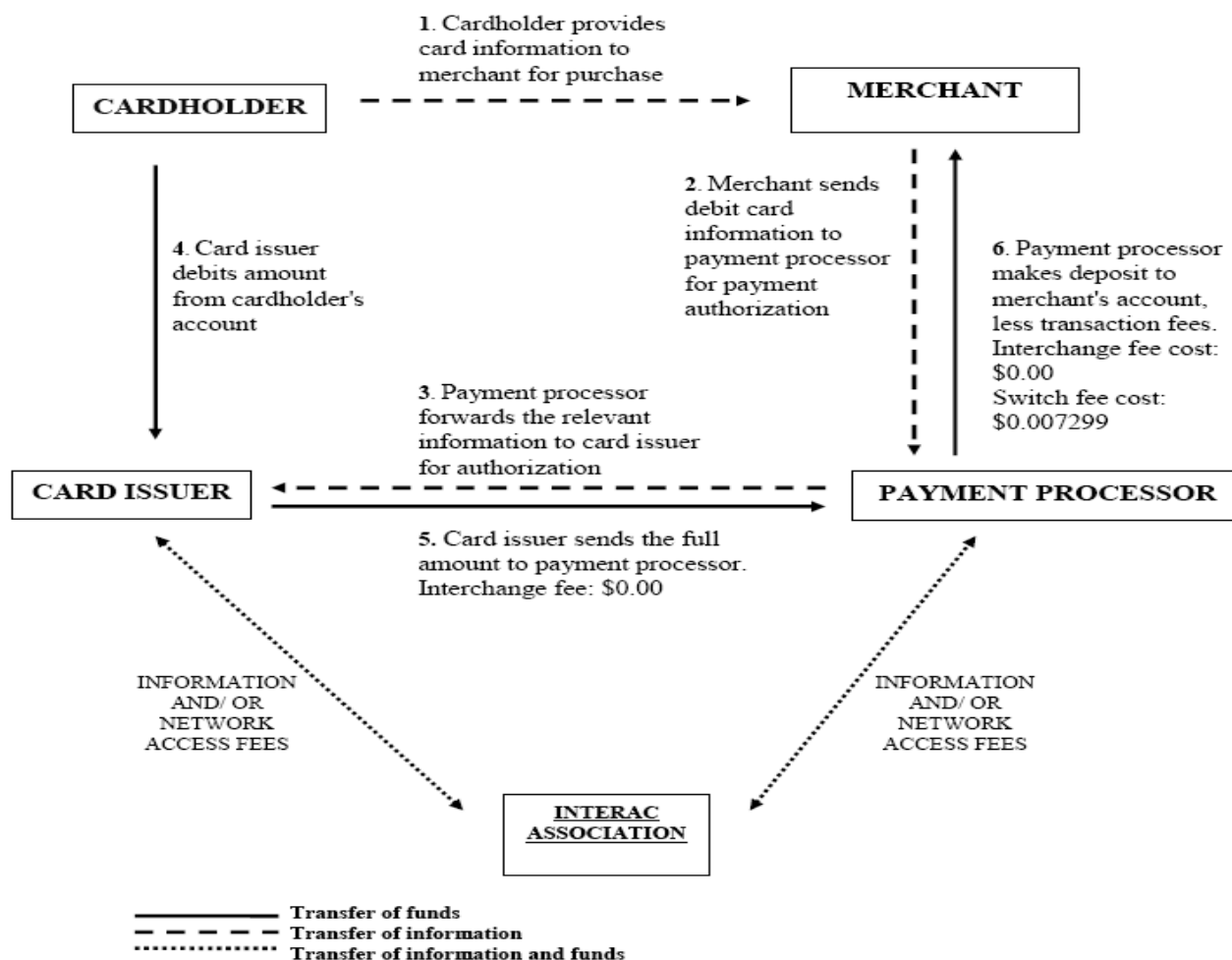
Jim Hart  
Executive Director  
Municipal Licensing & Standards

## **ATTACHMENTS**

Appendix A: How Debit and Credit Card Transactions Occur  
Appendix B: Definitions

APPENDIX A: How Debit and Credit Card Transactions Occur

**Diagram 3 - How Debit Card Transactions Occur**



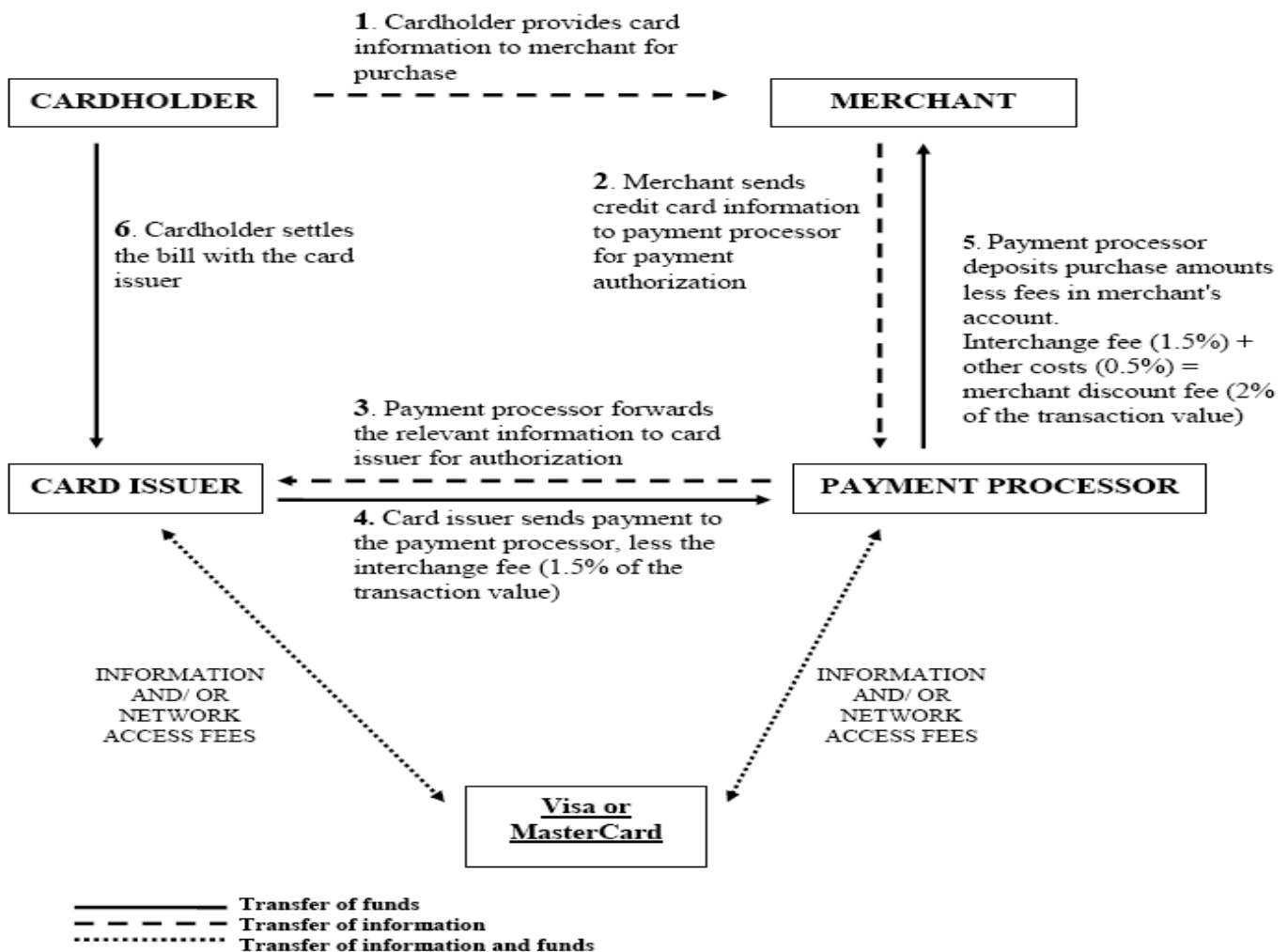
1. To begin a debit card transaction, the **cardholder** who desires to purchase goods and/or services presents the **merchant** with his or her debit card.
2. The merchant sends the cardholder's debit card information to the **payment processor** for payment authorization.
3. Payment processor forwards this information through the **Interac Association's network** to the **card issuer** for payment authorization. The payment processor owes **\$0.007299** as a switch fee for using Interac's network.
4. Once the payment is authorized, the card issuer debits the cardholder's account.
5. The card issuer withdraws the funds for the purchase from the cardholder's account and transfers these funds to the payment processor. There is no interchange fee.

- When the payment processor deposits the value of the transaction in the merchant's account, an amount known as the **merchant discount fee** is withheld.

This merchant discount fee covers the payment processor's fixed costs (such as the capital investment), variable costs (such as the rental cost of the point-of-sale terminal, labour and transaction costs, including the switch fee) and the processor's profit margin. Again, no interchange fee is paid.

According to a Bank of Canada study in 2006, the median merchant discount fee paid by merchants to the payment processor for each debit transaction was **\$0.12**.

**Diagram 4 - How Credit Card Transactions Occur**



- To begin a credit card transaction, the cardholder who wishes to purchase goods and/or services presents the merchant with his or her credit card.

2. The merchant sends the cardholder's credit card information to the payment processor for payment authorization.
3. Payment processor forwards this information through Visa's or MasterCard's network to the card issuer for payment authorization. Once the payment is authorized, the merchant charges the purchase to the credit card and provides the goods and/or services to the cardholder. Payment processor pays "network access fee" to Visa or MasterCard.
4. The card issuer pays the payment processor for the cardholder's purchase. Card issuer retains interchange fee, which is a certain percentage of the total transaction value (i.e. \$100 transaction and interchange fee of 1.5% = \$98.5. Card issuer retains \$1.50 and payment processor receives \$98.50). Card issuer pays network access fee for using Visa's or MasterCard's network.
5. The payment processor then transfers the remainder of the funds to the merchant after deducting its own fees. This new fee constitutes the merchant discount fee.
6. The cardholder is required to pay the full value of the purchase to the card issuer at a later date.

## APPENDIX B: Definitions

### A

#### **Acquirers**

Entities that enable merchants to accept payments by credit or debit card, by providing merchants with access to a payment card network for the transmission or processing of payments.

This includes authorization and processing of credit card transactions, as well as point-of-sale services, such as credit card terminals.

### C

#### **Cardholder**

Uses the debit card to make point-of-sale purchases; the funds to cover those purchases are withdrawn from the cardholder's account once the card issuer has given authorization.

#### **Card Issuer**

Issues debit cards to the cardholder, debits his or her account and settles point-of-sale debit card transactions with the merchant's payment processor. It pays a switch fee to the Interac Association. The card issuer is generally a bank or credit union.

#### **Credit Card Issuers**

Financial institutions, such as banks, credit unions and caisse populaires, issue credit cards in Canada.

The issuers set annual credit card fees and interest rates charged to card holders and determine reward levels for programs like air miles and cash back.

#### **Credit Card Network**

Visa and MasterCard operate the two largest credit card networks in Canada. Through their networks, Visa and MasterCard provide infrastructure and services such as authorization and settlement of transactions for customers who pay using their respective network's brand of credit cards.

#### **Card Acceptance Fee**

Card acceptance fees are paid by merchants each time a customer pays for a good or service with a credit card. The fees are a percentage of the purchase price paid to the merchant by the customer.

Fees range from 2 percent to 4 percent or more, and are higher on premium credit cards. Fees are distributed in different proportions to the credit card network, the issuer and the acquirer.

The card acceptance fee has three components: the network fee, the interchange fee and the service fee.

## **I**

### **Interac Association**

A not-for-profit organization that operates Canada's debit card network. Its membership sets the interchange fees for the transactions processed through its network. The switch fee is set at the cost-recovery level.

**Interchange Fee:** A portion of the debit card transaction retained by the card issuer when it pays the payment processor. It is set by the debit card network, in this case the Interac Association.

### **Interchange Fee**

The amount retained by issuers, such as banks and financial institutions. It is the largest fee, representing 80 percent or more of the total card acceptance fee. Increases in interchange fees have consistently resulted in increases in card acceptance fees.

## **M**

### **Merchant**

Accepts the debit card as payment from the cardholder and receives debit card processing services from the payment processor, for which the merchant discount fee is paid.

### **Merchant Discount Fee**

At present, a flat transaction fee paid by the merchant to the payment processor for the services it provides to the merchant; it includes the cost of the payment processor's switch fee.

## **N**

**Network Fee:** The network fee is the amount retained by Visa or MasterCard.

## **P**

### **Payment Card**

A credit or debit card — or any other prescribed device — used to access a credit or debit account on terms specified by the issuer. It does not include a credit card issued for use only with the merchants identified on the card.

**Payment Card Network**

An electronic payment system — other than a prescribed payment system — used to accept, transmit or process transactions made by payment card for money, goods or services and to transfer information and funds among issuers, acquirers, merchants and payment card users.

**Payment card network operator**

An entity that operates or manages a payment card network, including by establishing standards and procedures for the acceptance, transmission or processing of payment transactions and by facilitating the electronic transfer of information and funds.

**Payment Processor:** Transmits information and payment between the card issuer and the merchant to which it provides card processing services and charges the merchant discount fee.

Debit payment processors include Chase Paymentech, Desjardins Group, First Data, Global Payments, Moneris Solutions, Peoples Trust, and TD Merchant Services.

**S**

**Switch Fee:** A flat per-transaction network access fee (currently \$0.007299) paid by the payment processor and by the card issuer to the Interac Association to cover its costs for debit card transactions.

**Service Fee:** The service fee is the amount retained by acquirers who process the transactions for merchants.