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## Chinese bank card UnionPay gains traction in Canada

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Chinese bank card UnionPay, the most widely held and fastest growing in the world, is gaining traction in Canada as the number of tourists arriving from China expands sharply.

With many Chinese travellers keen on making big-ticket purchases here, high-end merchants are finding it worthwhile to accept UnionPay debit and credit cards in addition to the more familiar plastic.

UnionPay was set up with the approval of the Chinese government about 15 years ago. The organization handles interbank clearance and settlement in China, but it has also grown to become one of the world's biggest card companies, outpacing its two big international rivals on several measures. There are now more UnionPay debit and credit cards issued – almost 5.5 billion in 40 countries – than those from Visa and MasterCard combined, according to the Nilson Report, which tracks international card use.

Total debit and credit purchases on UnionPay hit \$8.8-trillion (U.S.) in 2015, up 30 per cent from the year before – far faster growth than at the other two cards, Nilson reported.

UnionPay first established a beachhead in Canada in 2009, just a year before this country was given “approved destination status” by the Chinese government, a designation that sharply boosted Chinese travel to Canada because it allowed direct-to-consumer tourism advertising in China and permitted Chinese group visits.

But it is only in the past couple of years that the wider acceptance of the Chinese card has become a factor in drawing Chinese tourists to Canada, at the same time making it easier for them to spend more at Canadian hotels, stores and destinations.

China is now the world's largest source of tourism spending and the number of Chinese tourists coming to Canada has more than doubled in the past five years – to about 500,000 in 2015. That means making tourists from China comfortable has become a high priority for the industry here.

Accepting UnionPay “is one of the important tools” in attracting Chinese tourists and encouraging them to return, said Grace Xin, a specialist in Chinese travel at the Tourism Industry Association of Canada. It is

particularly useful if they are looking to buy high-cost luxury items while here, she said.

About 70,000 Canadian merchants currently accept UnionPay debit and credit cards, and they can be used to withdraw cash from about 85 per cent of Canadian automated teller machines. (By contrast, there are about 800,000 merchants in Canada that accept Visa credit cards.) Of the five big banks, all except Toronto-Dominion allow UnionPay cards to be used in ATMs, and TD is expected to join in soon.

UnionPay says most of the Canadian merchants that accept the cards are duty-free shops, department stores, chains and jewellery shops frequented by tourists.

Spending volume on UnionPay has more than doubled in the past year, according to Moneris Solutions Corp., the largest payment processor in Canada. “There is pent-up demand from Chinese visitors to use UnionPay,” said Jeff Guthrie, chief sales officer at Moneris. “It is their preferred method of payment.”

The average transaction size for a UnionPay purchase in Canada is \$2,500 (Canadian), an astonishing 25 times the overall average debit card transaction, Mr. Guthrie said. That’s partly because tourists tend to spend on bigger-ticket items – hotel rooms or car rentals, for example – compared to domestic shoppers who might be using a debit card for a coffee. But it also reflects the tendency of Chinese tourists to do a lot of shopping when travelling overseas. “What is unique is that the Chinese visitor comes over to spend,” Mr. Guthrie said. “They are often shopping for people back home as well.”

The main concentrations of retail outlets that accept UnionPay are in British Columbia’s lower mainland and in Toronto, the two regions where the bulk of Chinese visitors spend their time. The cards are also used frequently by Chinese foreign students living in Canada.

Their use is expected to broaden geographically, however, as Chinese visitors explore more regions of Canada. New non-stop flights from Beijing to Montreal and Calgary are making it easier for Chinese citizens to go farther afield than in the past.

At Fairmount Jasper Park Lodge in Alberta, for example, UnionPay is not yet accepted but “it is in the plan for the near future,” said public relations manager Teresa Marshall, because of an increase in Chinese visitors expected from a new non-stop Beijing-Calgary flight that Hainan Airlines is set to begin this week.

Duty-free shops at the Calgary airport have added UnionPay to the list of cards they accept, in preparation for the increase in Chinese travellers.

At the Yorkdale Shopping Centre in Toronto, UnionPay cards have been accepted by some merchants since the fall of 2013. Claire Santamaria, the mall’s general manager, said studies it conducted showed there was “explosive growth in the spend by Chinese shoppers,” and adopting UnionPay was a logical way to appeal to them.

While fewer than 30 of the 250 stores at Yorkdale accept the cards directly, visitors can buy a mall-wide

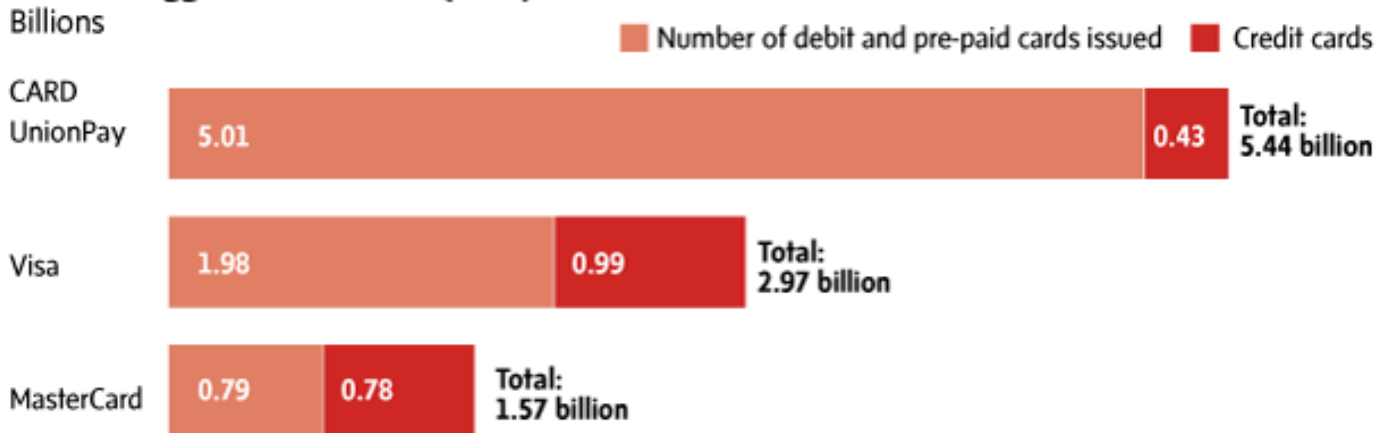
gift card with their UnionPay card at a guest services desk, then use it for purchases in any of the other outlets.

Ms. Santamaria said Chinese shoppers include tour groups, people visiting family and friends in the Toronto area, and the families of Chinese students who are here to help their children settle in when their studies begin.

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