

Business

# Visa, Mastercard Agree to Cut Canada Interchange Fees

By [Doug Alexander](#)

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- ▶ New agreement will see average fees of 1.4% starting in 2020
- ▶ Canadian businesses could save \$192 million, government says

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## In this article

MA  
**MASTERCARD INC-A**

204.75 USD  
▲ +1.54 +0.76%

V  
**VISA INC-CLASS A**

140.94 USD  
▼ -0.39 -0.28%

AXP  
**AMERICAN EXPRESS**

103.83 USD  
▲ +0.80 +0.78%

TD  
**TORONTO-DOM BANK**

78.75 CAD  
▲ +0.05 +0.06%

[Visa Inc.](#) and [Mastercard Inc.](#) agreed to cut Canadian credit-card transaction fees in a move that could save smaller businesses \$192 million (\$192 million) a year and crimp revenue for Canadian lenders.

The U.S. companies agreed to reduce the average annual interchange rate in Canada by 10 basis points to 1.4 percent on credit cards, Canada's finance department said Thursday in a statement. The new rate takes effect in 2020 and runs for five years. The government estimated that small and medium-sized businesses could save C\$25,000 over the period.



“The voluntary commitments announced today are good news for Canadian businesses that accept credit cards, and good news for Canadian consumers,” Finance Minister Bill Morneau said in a statement. “With lower interchange fees, businesses will be able to save money that they can use to invest, grow and create more jobs.”

The agreement follows a similar move

<https://www.bloomberg.com/news/articles/2014-11-04/visa-takes-lead-in-cutting-interchange-fees-in-canada> in April 2015. Visa and Mastercard lowered their average interchange rate to 1.5 percent on Canadian cards in a five-year commitment amid pressure from the federal government.

“Mastercard continues to take a fair and balanced approach to further enhance the value of electronic payments for businesses and consumers,” Mastercard said in a statement.

Visa said in a statement it “looks forward to continuing to work closely with the government, financial institutions and merchants across the country to promote a competitive, efficient, innovative and secure payment system in Canada.”

[American Express Co.](#) agreed separately to support “objective, greater fairness and transparency,” the government said. AmEx doesn’t operate on an interchange model for its fees. The New York-based company remains “committed to improving the function of the Canadian credit card ecosystem,” company spokesman David Barnes said in an email.

## **Biggest Impact**

The change affects Canada's lenders more than the card companies. Card issuers, which include the banks and credit unions, receive the majority of the swipe fee that's passed along to the payments-card networks. Lenders use the revenue from the fees to maintain the payments network system, and to pay for loyalty programs and other benefits.

"Banks in Canada provide value for merchants and consumers across the country through a secure, reliable, cost-effective payment card network system," the Canadian Bankers Association said in a statement. "Canada's flexible interchange rates are among the lowest among jurisdictions including the United States, Latin America and the Asia Pacific region."

Toronto-Dominion Bank is Canada's largest credit-card issuer on outstanding balances, followed by Royal Bank of Canada and Canadian Imperial Bank of Commerce, according to 2017 data compiled by the Nilson Report, a payments-industry publication. The purchase volume of 23 card issuers in Canada reached \$10 billion last year, Nilson said.

– *With assistance by Jennifer Surane*

*(Corrects to show that AmEx made a separate agreement.)*