Response to Commercial Credit Card Interchange Fee Regulation for Mastercard and Visa Networks - Draft Decision and Reasons Paper

16 July 2026

Introduction

Mastercard welcomes the opportunity to respond to the Commerce Commission's Draft Decision and Reasons Paper on commercial credit card interchange fee regulation for the Mastercard and Visa networks, dated 4 June 2026 (**the Draft Decision**).

Mastercard supports the Commission's statutory objective of promoting competition and efficiency in the New Zealand retail payment system. This submission engages constructively with the Draft Decision and is intended to assist the development of a Final Decision that is well-evidenced and operationally workable.

We welcome the engagement with the Commission on the Draft Decision as currently proposed, and would welcome any further opportunity to engage and discuss the issues. Four issues sit at the centre of our submission. They are developed below, are supported by an independent economic assessment by Keystone Economics, and by international empirical evidence from the comparable markets the Commission itself relies on, including Australia, the European Union (**EU**) and the United Kingdom (**UK**).

First, there is limited evidence of a market failure in commercial cards that would justify the introduction of price regulation on this product. The Commission deferred this issue in its July 2025 Final Decision for lack of sufficient evidence. The Draft Decision does not explain what has materially changed.

Second, commercial cards are a distinct product category, not an incremental variant of consumer credit. The Draft Decision treats commercial cards as a marginal variant of the personal credit product, distinguished only by a 20-basis point differential. This does not reflect what commercial cards are, the features, complexity or how they are used. Commercial cards are cashflow management tools embedded in broader business finance relationships. They enable use by multiple authorised employees of an organisation for the business benefit of that organisation. The relevant comparator is not consumer credit but the B2B alternatives merchants would otherwise use. The price cap differential the Commission has applied does not reflect this distinction.

Third, the proposed caps raise significant questions about competition and network effects across the retail payment system. The Draft Decision recognises that the proposed caps could advantage American Express (**Amex**) and any other three-party network operating outside the regulatory perimeter, and proposes a 10-basis point differential as a mitigant. The Australian experience over more than two decades points to structural rather than transitional substitution, and to higher, not lower, acceptance cost for merchants over time. The proposed caps also compress the interchange revenue on which new entrants and smaller issuers rely to build sustainable economics, the same challenger institutions the Commission has separately identified in its 2024 Personal Banking Services Market Study as central to strengthening competition in the New Zealand banking sector.

Fourth, the consumer benefits anticipated from prior interchange regulation have not materialised on the Commission's own evidence. Independent data shows surcharging by New Zealand merchants has risen materially over the same period. A further round of interchange caps, without first addressing the structural reasons for that outcome, is not supported on the record.

Two further matters require attention: the proposed limiting mechanism reaches beyond the Commission's mandate to cap excessive interchange fees and into broader future pricing control; and the proposed implementation period is materially shorter than what is operationally feasible, particularly for commercial card issuers whose customer arrangements require longer unwinding timelines than personal cards.

This submission is structured by theme, with direct responses to the Commission's nine targeted consultation questions at the end.

Evidentiary Basis and Consumer Pass-through

Evidentiary basis

The Commission deferred commercial credit card regulation in its July 2025 Final Decision on the basis that the evidence was not sufficient to support intervention. The Draft Decision does not identify what has materially changed, what further information has been gathered, from whom, or how the specific gaps the Commission itself identified in July 2025 have been resolved.

A decision deferred for lack of evidence would benefit from an explanation of how that gap has been closed. We would welcome the Commission specifying, on the public record, what has changed and why it is sufficient.

The data baseline is a related consideration. The acquirer monitoring data underpinning the analysis runs only to March 2024.[1] It pre-dates both the December 2025 domestic interchange reductions on personal cards and the May 2026 caps on foreign-issued cards, two material market changes whose effects are not yet visible in the evidence base.

We understand the Draft Decision anticipates broad alignment with Australian outcomes on a weighted-average basis. We address the comparability of Australia in detail below. The narrower point here is that no other jurisdiction has, to date, set commercial credit interchange caps at the absolute levels proposed here through formal regulation. There is therefore no observational evidence on how merchant service fees (**MSF**), transaction volumes, issuer behaviour or substitution will respond.

Consumer pass-through

The consumer benefit case in the Draft Decision rests on a three-step chain: lower interchange leads to lower MSF, which lead to lower retail prices or lower surcharges. None of these steps has been empirically validated from the 2022 round or the July 2025 round of regulation.

The Commission acknowledges that MSF has not meaningfully reduced. The Draft Decision records that the average fell modestly after the 2022 reforms but increased for some merchants[2], attributing the outcome to acquirer pricing decisions rather than regulatory failure. The same acquirers will receive the interchange reduction proposed here.

Independent data shows the consumer-side outcome has moved in the opposite direction to the policy intent. The proportion of New Zealand merchants applying surcharges rose from 20 per cent in 2016, to 49 per cent in 2022 (the year of the first

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[1]Commerce Commission, *Retail Payment System: Interchange Fee Regulation for Mastercard and Visa Networks — Final Decision and Reasons Paper* (17 July 2025).

[2]Draft Decision, page 16.

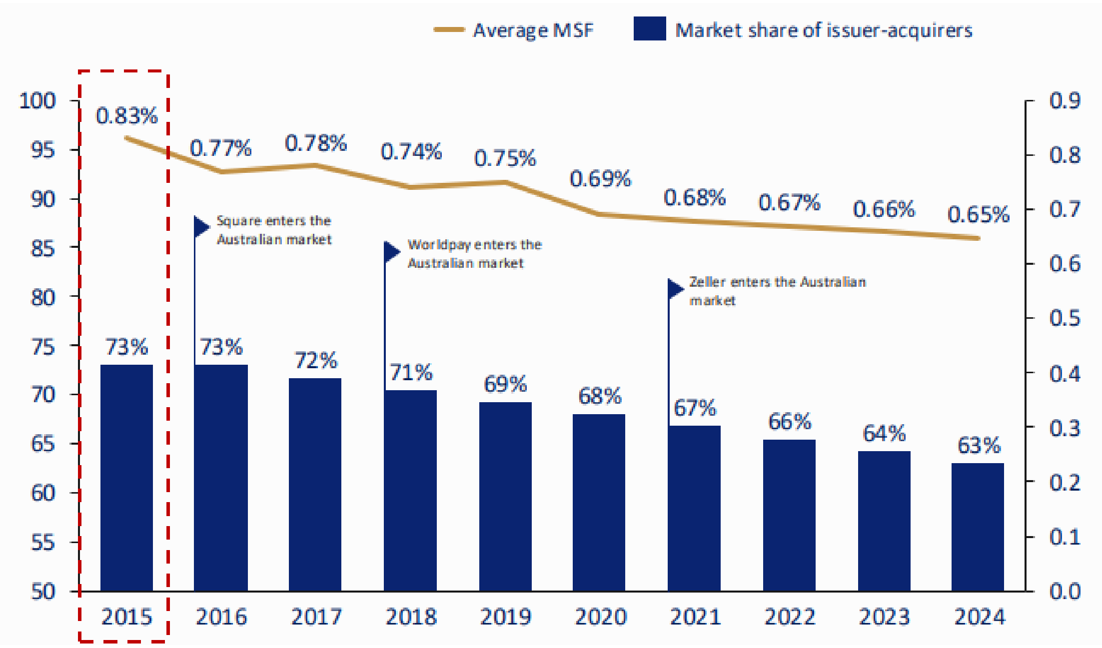
reforms), to 57 per cent in 2024 following further reductions.[3] The Commission's own Kantar Public survey work has identified merchants applying surcharges of up to 7.5 per cent, and surcharges on EFTPOS transactions that should not incur additional cost. Mastercard estimated excessive surcharging in New Zealand at more than $90 million annually in our September 2024 submission.[4]

Surcharging restrictions anticipated in the policy environment have not entered into force. The Retail Payment System (Ban on Merchant Surcharges) Amendment Bill passed first reading in September 2025 but has not progressed to enactment. Without those restrictions, the consumer pass-through chain cannot operate as intended. Further interchange compression in their absence would widen the existing pass-through gap rather than close it.

International evidence is consistent. The Federal Reserve Bank of Richmond's published survey of merchants following the introduction of debit interchange caps under the Durbin Amendment found that 77 per cent of merchants made no change to retail prices, 22 per cent increased prices, and only 1 per cent reduced prices. The pattern of muted or absent consumer pass-through following interchange compression is consistent across the markets where independent analysis has been undertaken.

The Australian evidence points to a positive correlation between increased competition and transparency across the payment service provider market and lower merchant service fees. Independent analysis prepared by Mandala Partners and submitted to the Reserve Bank of Australia found that, as the market share of the four major Australian banks in payment service provider services fell from 77 per cent to 64 per cent between 2018 and 2024, average merchant service fees fell by 12 per cent over the same period.

Figure 1: Average MSF against market share concentration (Aus)



Source: Mandala Research (2024)

[3]Newsroom, *"Commerce Commission clampdown won't stop 'insane' card surcharges"* (17 December 2024), citing RFI Global data.
[4]Kantar Public surveys conducted on behalf of the Commerce Commission. Mastercard's September 2024 submission estimated excessive surcharging at more than $90 million annually; referenced by the Commission in its December 2024 Draft Decision.

This suggests that focusing further interchange compression on schemes and issuers, without addressing the structural conditions across the payments system, is unlikely to produce the consumer outcome the Commission seeks.

Commercial Cards are a Distinct Product Category

The Draft Decision treats commercial cards as a marginal variant of consumer credit, distinguished by a 20-basis point differential. This does not reflect what commercial cards are or how they are used.

Commercial cards are cashflow management tools embedded in broader business finance relationships. They provide spend controls, expense management, virtual card functionality, fraud protection at scale, guaranteed payment to suppliers and short-term working capital. The value is delivered across the buyer–supplier relationship, not narrowly to one side of the transaction. The independent Keystone Economics report at Appendix A provides further detailed analysis on this point. Unlike consumer cards, commercial cards are designed to be used by multiple authorized employees of an organisation (ranging from one to thousands) for the business benefit of that organisation. This alone necessitates completely different levels of controls and value for the organization than is the case for a consumer card account.

The relevant comparator is not consumer credit, cash or EFTPOS, it is the B2B alternatives merchants would otherwise use. A study by Oxera conducted in 2019 across several European countries found that end-to-end administration cost associated with relying on invoicing rather than commercial cards amounted to 4.3 per cent of the average transaction value, rising to 5.6 per cent if the costs of non/late payment are included.[5] Drawing on BCG's New Zealand cost-of-acceptance analysis[6] and the Oxera comparator, commercial cards already deliver positive net value to merchants at current interchange.

Two consequences follow. First, the-10 basis point adjustment understates merchant value. It does not adequately capture the merchant benefit of avoiding trade account administration, guaranteed payment, removal of debt-recovery cost and avoided working-capital tie-up, particularly in a commercial context where transaction values are typically higher than in consumer payments.

Second, the Draft Decision has not explained why, in the card context only, the cardholder is expected to cover the cost of credit provision. In trade account, invoice-based and other commercial credit arrangements, merchants accept those costs as a normal cost of doing business, which is also a material distinction to a personal credit card product construct. The asymmetry has not been articulated, nor sufficiently incorporated in determining the proposed 10bps adjustment.

Competition and Network Effects in Retail Payments

Amex and network effects

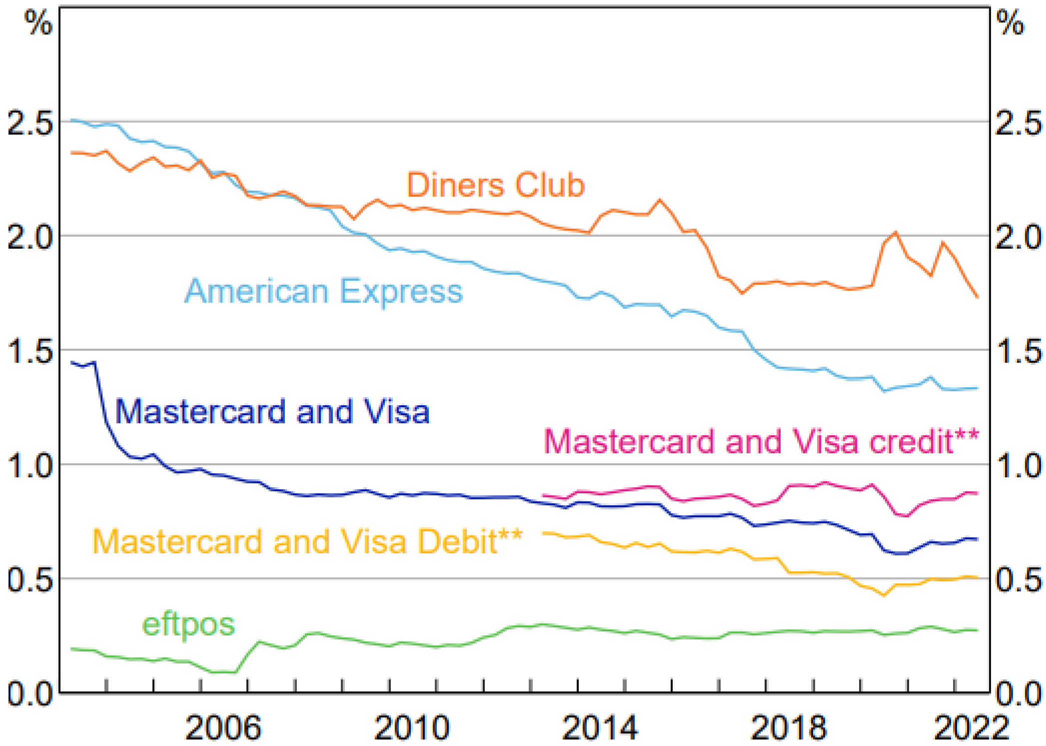
The Commission acknowledges in the Draft Decision that the proposed caps could materially advantage Amex in commercial credit[7] and proposes a 10-basis point

[5] Oxera (2019), 'The economics of commercial cards: briefing paper prepared for Mastercard'
[6] BCG cost-of-acceptance analysis of the New Zealand retail payment system, as cited in Mastercard's prior submissions to the Commerce Commission.

differential as a mitigant. A pricing adjustment is not the most effective instrument for a structural problem that arises from the design of the regulatory perimeter. The differential is not empirically derived, the Commission has not demonstrated, by evidence or modelling, that 10 basis points closes the gap created by leaving a competing network outside the perimeter.

The 10 basis point differential is not calibrated to the actual scale of the distortion it is meant to offset. If a differential is to be applied at all, it should reflect the observed differential between average Amex commercial card MSF and average Visa/Mastercard commercial card MSF in the New Zealand market, which on the Commission's own data is in the order of 40 basis points, see figure 2 below. A differential materially below that differential does not neutralise the competitive advantage the Draft Decision itself acknowledges Amex will gain; it simply narrows it, without any stated evidential basis for why 10 basis points, rather than the observed gap, is the appropriate offset.

Figure 2: Australian Total Merchant Service Fees (% of transaction values acquired)



Source: The Cost of Card Payments for Merchants, Reserve Bank of Australia (2022)

The Australian experience is directly relevant. Regulatory asymmetry, capping interchange on four-party networks while leaving three-party networks unregulated has over more than two decades since the Reserve Bank of Australia's (the RBA) 2003 reforms, allowed Amex to grow into the position the RBA now describes in its March 2026 Conclusions Paper: *"American Express is the largest issuer of commercial cards and on average these cards cost more for merchants to accept than cards processed through the Mastercard and Visa credit networks."*[8] The RBA retained the 0.80 per cent cap on commercial credit in March 2026 to slow further substitution, citing the need to *"support a more even playing field between Mastercard, Visa and American Express"*.

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[8]Reserve Bank of Australia, *Review of Merchant Card Payment Costs and Surcharging — Conclusions Paper* (March 2026), Executive Summary.

The Australian outcome for merchants has been higher acceptance cost in commercial credit, not lower. New Zealand should avoid replicating those outcomes.

The Australian Government has subsequently passed legislation expanding the RBA's powers under the Payment Systems (Regulation) Act 1998 to address this longstanding regulatory asymmetry. The RBA has confirmed it will commence a further review in mid-2026, which will include consideration of public interest issues involving Amex.[9] The direction of policy in Australia is to bring three-party networks within the regulatory perimeter.

The proposed monitoring-and-designation approach may not, on its own, be sufficient. The Draft Decision indicates the Commission will monitor Amex's commercial credit share and may propose designation if its share grows materially. There is no stated threshold and no stated timeline. By the time the share is sufficient to trigger action, four-party economics will have been compressed for years, domestic issuers will have lost ground, and the substitution will be substantially complete.

International benchmarking and market scale

Australia is useful for showing the risk of substitution to Amex, but not for setting the level of New Zealand caps. The more reliable comparator is scale relative to the size of each economy, not a raw dollar figure. On MWE Consulting's independent analysis, commercial card spend equates to around 4.3 per cent of Australian GDP, compared with approximately 1.9 per cent of New Zealand GDP[10], commercial card penetration in New Zealand sits at under half the Australian level once the relative size of each economy is accounted for. Australian issuers therefore operate at materially greater scale, in a market where commercial card use is considerably more embedded. Setting New Zealand caps below the Australian floor, in a smaller and less mature commercial card market, is more likely to increase substitution risk than reduce it.

The international benchmarking is also methodologically incomplete. The EU Interchange Fee Regulation and the UK equivalent both exclude commercial cards from their scope; when commercial cards are properly included, Australian blended interchange sits below both. The EC has expressly decided not to regulate commercial card interchange on multiple occasions, concluding commercial cards should remain outside the IFR's caps, finding no statistically significant evidence of rising fees or merchant service charges on commercial card transactions.

Impact on market competition

Interchange balances participation incentives on both sides of a two-sided market. In setting a cap, the Commission performs the same balancing function networks perform when calibrating interchange rates, weighing the effect on cardholders and issuers against the effect on merchants and acquirers. This is already visible in the consumer credit card market, where interchange reductions have flowed through into higher cardholder fees. The same dynamic applies in the commercial market: if interchange is compressed too far, the effect is not confined to merchants but flows through to competition in the corporate and SME card market, inhibiting new entrants and existing fintechs from competing on equal terms

Regulation of interchange can harm market competition in the retail payment system. Interchange revenue is a critical source of income for new entrants and smaller issuers,

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[9] Ibid

[10] Mastercard analysis, MWE Consulting data (2026)

allowing them to fund product development and customer acquisition before a deposit base and lending book can sustain them. Independent analysis observes that neobanks have traditionally relied heavily on interchange fees to convert customer acquisition into revenue, and that reductions in interchange revenue directly impair the ability of new entrants to achieve sustainable economics.[11]

The Australian experience illustrates the point. Of the neobanks that emerged from Australia's 2018 licensing reforms, Xinja returned its banking licence in December 2020, 86 400 was acquired by NAB in January 2021, and Volt returned its licence in June 2022. Judo Bank remains, having built a business focused on SME lending rather than retail deposit-taking, a business model that does not rely on interchange revenue.

This runs directly against the Commission's own competition objective. The 2024 Personal Banking Services Market Study recommended a suite of measures directed at supporting new entry and expansion in the New Zealand banking sector, and the Government has agreed to all 14 recommendations.[12] Compressing interchange further disadvantages the new entrants and smaller issuers the Commission has separately identified as central to strengthening competition in the sector.

The Limiting Mechanism

The Commission’s mandate is to regulate interchange fees to promote competition and efficiency in the retail payment system, including by addressing excessive interchange fees. The proposed limiting mechanism goes further than current price regulation measures, as it would existing below-cap rates at a historical date and prevents future movement up to the regulated cap, even where the rate would remain non-excessive.

Mastercard considers that the proposed limiting mechanism risks exceeding the proper scope of the Commission's mandate under the *Retail Payment System Act 2022*. It goes beyond setting a maximum interchange fee and extends into imposing an ongoing constraint on lawful future pricing without a clear evidential basis By freezing every category currently below the proposed cap at its 1 December 2025 rate indefinitely, the mechanism regulates the trajectory of future pricing rather than its current level. Mastercard's position is that the mechanism should be removed.

No analysis has been provided to show why 1 December 2025 is an appropriate benchmark for all future periods. A historical snapshot cannot account for changing fraud risk, security investment, product development or market conditions, and the Draft Decision offers no methodology for the date chosen.

The existing anti-circumvention provisions in clause 8.4 of the Network Standard already address regulatory gaming. The Commission has not shown why the cap, combined with those provisions, is insufficient, the mechanism duplicates anti-avoidance protection while permanently constraining legitimate pricing.

The mechanism would adversely affect categories intentionally priced low for legitimate reasons, including charitable transactions and strategic merchant programs designed to encourage acceptance in particular sectors. Issuers continue to bear fraud, processing, servicing, compliance and capital costs on these transactions, and there is

[11]Bain & Company, *As Funding Dries Up, Can Neobanks Diversify Their Revenue Streams?* (December 2022).
[12]Commerce Commission, *Personal Banking Services Market Study Final Report* (2024); Cabinet Paper CBC-24-SUB-0129, *Government's response to the Commerce Commission's competition market study into personal banking services* (December 2024).

no basis for permanently preventing pricing up to the cap regardless of future cost or risk.

In our discussion with Commissioner Chapple on 8 July, the Commission indicated that it is willing to consider alternatives to the limiting mechanism such as a weighted average benchmark. Mastercard welcomes that openness. A weighted-average approach across commercial credit categories, or another objectively calibrated benchmark agreed through public consultation, would better preserve the Commission's objective while allowing legitimate rate movements in response to changing costs, risk, product features and market conditions.

Implementation Timing

The proposed implementation period is materially shorter than what is operationally feasible. A minimum of nine months is required for domestic rate changes and twelve months for cross-border changes, from the date of final announcement. This reflects the time needed for system configuration, customer system changes, scheme rules amendments (including Mastercard Rules Section 8.3 for the Asia Pacific region), customer notifications, contract changes and end-to-end testing.

Commercial card issuers face a longer unwinding process than personal card issuers. Every corporate cardholder agreement requires individual review and amendment. A compressed timeframe creates a real risk of withdrawal of commercial credit products from the New Zealand market in advance of compliance, reducing commercial credit availability for the businesses the Draft Decision is intended to benefit. That consequence runs directly against the policy intent.

Changes should be aligned with established scheme release cycles, when acquirers and issuers are already implementing and testing other changes. The compressed timeline for the July 2025 changes caused implementation impact across schemes, acquirers and issuers, and that experience should not be treated as a baseline for further compression. The current proposal also sits on top of the substantial work the industry is still completing to implement the July 2025 personal cards regulation, a material undertaking in time, personnel and project cost across schemes, issuers and acquirers.

If any reduction proceeds, Mastercard's preferred approach is iterative implementation with published analysis between rounds, consistent with the Commission's own acknowledgement that compliance with a cap does not necessarily equate with achievement of the policy objective. An iterative approach allows the Commission to observe actual market outcomes, including pass-through, surcharging and substitution, before further intervention.

Policy Recommendations

Mastercard supports the Commission's objective of an efficient and competitive retail payment system. The following pathway would better address that objective while avoiding the substantive concerns identified above:

1. **Defer the Final Decision:** pending updated acquirer monitoring data capturing the December 2025 and May 2026 changes; an independent New Zealand-specific cost-of-acceptance study; and forward-looking modelling of Amex substitution risk.
2. **Address surcharging and the structural conditions driving pass-through:** before further interchange compression. The consumer pass-through chain does not

function without them. The Australian evidence on market structure and merchant fees points to a more effective route to merchant cost reduction than further compression of interchange.

3. **Designate American Express as a matter of priority:** structural market distortions should be fixed at source, not addressed through a 10-basis point adjustment. The Commission should designate Amex under the Retail Payment System Act so that it is subject to the same regulatory framework as Mastercard and Visa. Pending designation, any interim differential should match the observed MSF differential between Amex and the regulated networks.
4. **Remove the limiting mechanism:** If the Commission considers it necessary to retain a form of it, adopt an alternative weighted-average benchmark approach across commercial credit categories rather than a per-category lock, allowing legitimate rate changes up to the cap.
5. **Implement any change iteratively:** on minimum nine-month (domestic) and twelve-month (cross-border) timelines, aligned with established scheme release cycles, with published analysis between successive rounds.

Question Responses

Q1: ***We are interested in observations from card schemes on the impact of commercial credit card interchange fee regulation on commercial credit card transactions. For example, we welcome views on:***

- ***Changes in acceptance or transaction volumes following the introduction of such regulation.***
- ***The scale and persistence of any substitution to alternative payment networks (such as American Express).***

Australia is the only jurisdiction that has regulated commercial credit card interchange comparably to the levels proposed here. The Australian experience is therefore the directly relevant evidence.

Regulatory asymmetry, capping interchange on four-party networks while leaving three-party networks unregulated has over more than two decades, allowed Amex to grow into the position the RBA now describes as one of the largest issuers of commercial cards in Australia, and on average more expensive for merchants to accept than four-party alternatives[13].

The RBA retained the 0.80 per cent cap in March 2026 to slow further substitution. The Australian Government has subsequently legislated to expand the RBA's perimeter to address this asymmetry, with a further review commencing mid-2026.[14] The outcome of the Australian experience for merchants is higher commercial card acceptance cost, not lower. The substantive argument is developed in our response above.

Q2: ***We are interested in any views stakeholders may have on our approach at steps 1 and 2 of our methodology, for example on:***

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[13] Reserve Bank of Australia, *Review of Merchant Card Payment Costs and Surcharging, Conclusions Paper* (March 2026)

- ***The relevance of Australia in informing specific elements of our approach, such as issuer incentives and sustaining the ability of smaller card issuers (including smaller banks) or open banking providers to compete, and implied weighted-average outcomes.***
- ***How regulation in Australia has affected issuer behaviour, including any changes to product offerings, pricing, or investment.***
- ***Key contextual similarities or differences between New Zealand and Australia (including the role of three-party networks) that should affect how these comparisons are applied.***
- ***The additional 10 basis-point premium we have applied to promote stable and sustainable market outcomes and mitigate the risk of market disruption.***

Australia is useful for showing the risk of substitution to Amex, but it is not a like-for-like benchmark for setting the level of New Zealand caps. The relevant comparator is scale relative to the size of each economy, not absolute spend. On MWE Consulting's independent analysis, commercial card spend equates to around 4.3 per cent of Australian GDP, compared with approximately 1.9 per cent of New Zealand GDP[15], put simply, commercial card use in New Zealand runs at under half the Australian level once the size of each economy is taken into account. Australian issuers therefore operate with much greater scale than New Zealand issuers, in a market where commercial card use is considerably more mature. Setting New Zealand caps below the Australian floor, in a smaller and less developed commercial card market, is more likely to increase substitution risk than reduce it.

Further, the international benchmarking is methodologically incomplete. The EU Interchange Fee Regulation and the UK equivalent both exclude commercial cards from their scope. When commercial cards are properly included, Australian blended interchange already sits below both. The Commission cannot use EU and UK rates as evidence of conservative calibration when those rates do not regulate the product the Draft Decision regulates. In fact, the EC has expressly decided not to regulate commercial card interchange on multiple occasions, using quantitative evidence in its most recent review. Its own commissioned study and its subsequent formal Article 17 report to the European Parliament and Council both independently concluded that commercial cards should remain outside the IFR's caps, finding no statistically significant evidence of rising fees or merchant service charges on commercial card transactions. [16][17]

The 10 basis point differential is not calibrated to the actual scale of the distortion it is meant to offset. If a differential is to be applied at all, it should reflect the observed differential between average Amex commercial card MSF and average Visa/Mastercard commercial card MSF in the New Zealand market, which on the Commission's own data is in the order of 40 basis points. A differential materially below that differential does not neutralise the competitive advantage the Draft Decision itself acknowledges Amex will gain; it simply narrows it, without any stated

[15] Mastercard analysis, MWE Consulting data (2026)

[16] European Commission (2020) "Study on the application of the Interchange Fee Regulation Final". https://copenhageneconomics.com/wp-content/uploads/2021/12/copenhagen-economics_march_ifr-report.pdf

[17] European Commission, Report from the Commission to the European Parliament and the Council on the application of Regulation (EU) 2015/751 on interchange fees for card-based payment transactions (Article 17 review), submitted 29 June 2020; see also European Commission, "Antitrust: Commission publishes report on the impact of the Interchange Fees Regulation," Press Release IP/20/1217, 29 June 2020. https://ec.europa.eu/commission/presscorner/detail/en/ip_20_1217

evidential basis for why 10 basis points, rather than the observed gap, is the appropriate offset.

Q3: ***We are interested in any views stakeholders may have on our approach at step 3 of our methodology, for example on:***

- ***The additional 10 basis-point premium we have applied above domestic personal credit card interchange to reflect the incremental issuer costs and merchant benefits associated with domestic commercial credit cards.***
- ***The relevance and scale of the incremental issuer costs (fraud losses, fraud-prevention measures, and administrative costs).***
- ***The relevance and scale of the incremental merchant benefits in this context (benefits associated with avoiding the administrative cost of establishing and operating trade accounts).***

The 10-basis point cost-and-benefit differential materially understates merchant value. The correct comparator is B2B alternatives. Oxera analysis estimates the all-in cost of invoice-based commercial payments at 4.3 to 5.6 per cent of transaction value[18]. The merchant benefits the Draft Decision underweights include guaranteed payment on the day of the transaction (removing receivables risk and bad-debt loss), removal of debt-recovery cost and administrative burden, removal of working-capital tie-up between sale and settlement, and removal of merchant credit-underwriting costs. These are present in every commercial card transaction and are not adequately reflected in a 10-basis point differential.

Many of the benefits the Draft Decision treats as accruing to cardholders, rewards, expense management, fraud protection, chargeback rights, also drive transaction volume, support risk management and improve operational efficiency for the merchant. Network value is properly assessed across the system, not allocated to one side.

The Draft Decision has not explained why, in the card context only, the cardholder is expected to cover the cost of credit provision that merchants accept as a cost of doing business in every other commercial credit arrangement. The asymmetry is not articulated.

On the issuer cost side, the Draft Decision accepts that fraud and administrative costs are higher for commercial card transactions but assesses the differential conservatively. New Zealand-specific issuer data supports a higher differential than the Draft Decision allows.

Q4: ***We welcome card issuer views on the role of commercial credit cards in market entry and competition, including whether they are typically not an entry-level product for challenger or smaller issuers. For example, we welcome views on:***

- ***Whether the proposed interchange caps may affect your ability and/or incentives to enter, expand, or compete in commercial credit card issuance.***
- ***Potential impacts on pricing, product viability, or investment decisions.***

This question is best addressed by card issuers directly. From the network perspective, the Draft Decision compresses the unit economics of commercial card issuance most

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[18] Oxera (2019), 'The economics of commercial cards: briefing paper prepared for Mastercard'

acutely for New Zealand domestic issuers, who cannot cross-subsidise from global revenue bases as international issuers can. The Draft Decision therefore disadvantages domestic issuers relative to global competitors, directly in tension with the structural remedies recommended in the Commission's own 2024 Personal Banking Services Market Study to encourage domestic challenger banks and fintechs. The expected outcome is reduced product choice and reduced innovation in commercial cards. The greater competitive pressures on New Zealand domestic issuers may force some to exit issuing and merge with other banks (including foreign banks), smaller issuers will be less-well placed to sustain such financial strain.

Q5: ***We are interested in card scheme views on the extent to which commercial credit card transactions are currently processed below the proposed caps. In particular, please provide information on the proportion of transactions (by volume and value) that occur at interchange rates below the proposed caps, including any industry-specific, strategic, or negotiated rates. Where possible, please provide this separately for domestic and foreign-issued transactions.***

Mastercard currently operates some commercial credit programs and categories with interchange rates below the proposed caps. Further information has been provided confidentially.

Q6: ***We propose that the limiting mechanism apply to domestic commercial credit transactions only, on the basis that foreign-issued transactions do not appear to have preferential interchange categories. Do any preferential, negotiated, or industry-specific interchange rates exist for foreign-issued commercial credit card transactions? If so, please briefly describe their structure and use in practice.***

Mastercard's position on the limiting mechanism does not turn on whether preferential categories exist on the foreign-issued side. The objection is to the mechanism itself, set out above. Where such categories exist on either side of the regulatory perimeter, they reflect legitimate commercial calibration, not avoidance, and the mechanism should not apply to them.

Q7: ***We welcome card scheme views on the practical and compliance implications of the proposed limiting mechanism (i.e. capping fees at the lower of the applicable cap or the published rate as at 1 December 2025). For example, we welcome views on:***

- ***The nature and extent of any implementation or compliance challenges.***
- ***Whether alternative approaches may be more feasible, enforceable, or effective.***

Mastercard's primary position is that the limiting mechanism should be removed in its entirety. The mechanism reaches beyond the Commission's mandate to cap excessive interchange fees and into broader future pricing control.

If the Commission considers the mechanism necessary, Mastercard understands from the 8 July discussion with Commissioner Chapple that the Commission is willing to consider an alternative mechanism such as a weighted average benchmark. The preferred alternative is to permit rate changes up to the cap using a weighted-average benchmark across commercial credit categories, or another objectively calibrated benchmark agreed through consultation with the Commission.

Compliance challenges if the limiting mechanism proceeds in its current form include: loss of pricing flexibility to respond to legitimate change in fraud risk, technology, product features or market conditions, and reduced incentive to invest in commercial card product innovation, since the upside of any successful innovation cannot be reflected in pricing above the 1 December 2025 level. The interaction with the proposed extension of the net compensation prohibition compounds the constraint on the commercial tools available to maintain issuer relationships beyond the headline rate.**Q8:** ***We are interested in card acquirer views on whether a proposed two to three-month implementation period would be sufficient to implement the commercial credit card interchange fee caps and associated limiting mechanism. For example, we welcome views on:***

- ***The adequacy of this timeframe based on your experience.***
- ***Implementing interchange fee changes following the Commission's July 2025 decision, including repricing activity.***

Mastercard is not an acquirer, albeit, from the network perspective and based on acquirer customer engagement, two to three months is materially short of what is operationally feasible. The compressed timelines for the July 2025 domestic changes (effective 1 December 2025) and the May 2026 cross-border changes caused implementation impact across schemes, acquirers and issuers, and should not be regarded as a sustainable baseline for any price regulation implementation window. The work to implement the July 2025 personal cards regulation is still being completed by industry and represents a material undertaking in time, personnel and project cost.

A minimum of nine months is required for domestic rate changes and twelve months for cross-border changes, from the date of final announcement.

Q9: ***We are interested in card issuer views on whether the proposed two-to-three-month implementation period is sufficient to implement required pricing and system changes from an acquiring perspective. For example, we welcome views on:***

- ***The adequacy of the timeframe for implementation.***
- ***Any practical challenges encountered in pricing, systems, or billing changes.***
- ***Impacts on merchant processes, including contract updates or notifications and repricing.***
- ***Coordination considerations with schemes and issuers, including timing dependencies.***

From the network and rules perspective, a minimum of nine months is required for domestic rate changes and twelve months for cross-border changes, from the date of final announcement. This reflects the operational requirements of system configuration, customer system changes, scheme rules amendments, customer notifications, contract changes and end-to-end testing. Mastercard Rules requires amendment to give effect to the Commission's final decision, a global announcement is required, with maximum customer notice. Mastercard will commence this process upon issuance of the Final Decision.

Commercial card issuers face a longer unwinding process than personal card issuers, every corporate cardholder agreement requires individual review and amendment. A compressed timeframe creates a real risk of withdrawal of commercial credit products from the New Zealand market in advance of compliance, reducing commercial credit availability for the businesses the Draft Decision is intended to benefit. Changes should be aligned with established scheme release cycles, and any reduction should be staged with published analysis between rounds. The substantive analysis is set out under "Implementation Timing" above.