30 June 2026

By email

Submission on commercial card interchange fee regulation

Executive summary

Paymark Limited (Paymark) welcomes the Commerce Commission’s consultation on the *Commercial Credit Card Interchange Fee Regulation for Mastercard and Visa Networks – Draft Decision and Reasons Paper* published 4 June 2026 (the **consultation document**). We support the Commission’s proposed intervention to reduce commercial card interchange fees, given the materially higher acceptance costs imposed on merchants and the limited competitive constraint currently operating on those costs.

Paymark submits, however, that interchange fee caps should not be considered in isolation. The Commission should also address the Honour All Cards rule, which can require merchants that accept scheme cards to accept higher-cost commercial cards as part of the same acceptance bundle. This limits merchant choice and weakens competitive pressure on schemes, issuers and cardholders to consider lower-cost payment options.

Paymark encourages the Commission to consider a broader regulatory response that addresses both price and choice. In particular, merchants should be able to decline commercial cards, or categories of commercial cards, while continuing to accept other Mastercard and Visa cards, provided customers receive clear and accurate information at the point of sale.

About Paymark

Paymark was established in the 1980s to enable the transition from cash to electronic payments through the introduction of EFTPOS. That innovation placed New Zealand at the forefront of global payments for decades, delivering a ubiquitous, low-cost and highly inclusive domestic debit system that benefited consumers, merchants and the wider economy.

Today, Paymark remains New Zealand’s leading payments innovator. We design, build and operate payments infrastructure and products, including card processing, payment gateways and open banking payment solutions. Our submission is informed by our experience operating core payment infrastructure and supporting merchants with the practical realities of accepting, routing and processing retail scheme card payments. We are a New Zealand-registered business employing around 200 people locally and, since 2 June 2026, part of Cuscal Limited, an ASX-listed corporation.

Response to the Commission’s consultation questions

This submission responds to the Commission’s request for stakeholder views on the proposed regulation of commercial credit card interchange fees, the impact of commercial card costs on businesses, whether the proposed caps are sufficient to promote competition and efficiency, and whether further regulatory measures may be required to address related payment system costs and incentives.

Paymark supports regulation of commercial card interchange fees. Commercial cards impose materially higher costs on merchants, and those costs are likely to be reflected in prices paid by consumers and businesses.

While fee caps are necessary, they are not sufficient. The Commission should also consider whether mandatory acceptance rules, including the Honour All Cards rule, prevent merchants from responding to higher-cost card categories through ordinary commercial decision-making.

Commercial card costs and merchant choice

The Commission has identified that New Zealand businesses currently pay approximately $125 million each year in interchange fees to accept Mastercard and Visa commercial credit cards, and that commercial credit cards make up a small share of transactions but generate a disproportionately large share of interchange fees. The Commission's proposed caps are expected to reduce business costs by approximately $40 million annually.

These figures demonstrate that commercial cards are a distinct cost category, with materially different economics from personal debit and credit cards. However, merchants are often unable to respond to that cost difference through differentiated acceptance decisions.

In a competitive payments market, merchants should be able to decide whether the cost of accepting a particular payment method is justified by the value it provides. Where a card category is high-cost and primarily funds cardholder benefits, such as rewards, insurance or interest-free periods, merchants should not be compelled to accept that category merely because they wish to accept lower-cost cards on the same scheme network.

The Honour All Cards rule undermines efficient price signals

The Honour All Cards rule bundles merchant acceptance of lower-cost and higher-cost cards. A merchant that wishes to accept widely used personal cards may also be required to accept commercial cards, reducing its ability to manage acceptance costs and weakening incentives on schemes and issuers.

The rule also weakens price signals to commercial card users. If merchants cannot decline commercial cards, cardholders and businesses have less incentive to consider lower-cost alternatives. The resulting costs are embedded in merchant service fees and may ultimately be passed through in retail prices, meaning that consumers and businesses that do not receive commercial card benefits may nevertheless contribute to funding those benefits.

Removing the rule for commercial cards would not require merchants to decline those cards. It would simply give them the option to do so where acceptance costs are not justified.

Interchange fee caps are necessary but not sufficient

We support the Commission's proposal to cap commercial card interchange fees. However, a regulated cap should not be treated as a substitute for merchant choice, particularly where mandatory acceptance rules continue to apply.

In addition, the effectiveness of interchange regulation depends on whether reductions flow through to lower merchant service fees and lower overall acceptance costs. If merchants remain unable to reject or steer away from commercial cards, scheme and issuer incentives to keep total acceptance costs low may remain limited.

A further risk is that reductions in regulated interchange may be offset by increases in unregulated scheme and processing fees. International experience shows this is not theoretical. In the United Kingdom, the Payment Systems Regulator found that Mastercard and Visa increased core scheme and processing fees to acquirers by at least 25% since 2017, costing businesses at least £170 million extra per year, in a market where the regulator found limited competitive constraint and poor transparency over card acceptance costs.[1] European regulators have also increased scrutiny of Visa and Mastercard scheme fees, including whether fee structures are transparent, justified and subject to effective competitive pressure.[2] This reinforces the need for the Commission to consider the full cost stack of commercial card acceptance, rather than interchange in isolation.

For that reason, the Commission should address both price and choice. Interchange caps reduce one component of cost; limiting the Honour All Cards rule would address the mechanism that prevents merchants from responding to those costs.

Scheme mandates can impose significant indirect costs on merchants

Interchange fees are only one part of the true cost of commercial card acceptance. Commercial card products and related scheme mandates can also require POS software changes, terminal configuration, certification, operational process changes, reporting, staff training, customer communications and, where legacy equipment cannot support the required functionality, hardware upgrades or replacement.

Visa's Fleet 2.0 programme provides a useful example of how commercial card innovation can shift implementation costs onto merchants. Publicly available material describes Visa Fleet 2.0 as involving enhanced data, chip-based functionality, cardholder prompts, and new messages between the merchant and issuer. Industry guidance also indicates that affected fuel and service station merchants may need compatible POS systems, card readers, PIN pads, dispensers, software, firmware and certification support, and that some legacy equipment may require upgrades, retrofits or replacement. In addition, payment networks such as Paymark are required to implement system changes in advance of this new product being issued or accepted.

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1 See Payment Systems Regulator, MR22/1.10 Market review of card scheme and processing fees: final report, 6 March 2025

2 See RTÉ / Reuters, EU widens probe into Visa and Mastercard fees, 26 May 2025

The issue is not whether such products may benefit fleet operators, issuers or schemes. It is whether merchants (and payment networks) should be required to incur material implementation and compliance costs for a card category that merchants do not want to accept or that has very few issuers.

If schemes and issuers can introduce new commercial card products and mandate technical support, the costs and risks of innovation should be subject to normal commercial discipline rather than imposed downstream through mandatory acceptance rules.

Learn from others

International experience demonstrates that regulators can distinguish between rules that preserve network integrity and rules that unnecessarily constrain merchant choice. In 2007, the Reserve Bank of Australia distinguished between an "honour all issuers" rule, which may support network efficiency, and an "honour all products" rule, which can prevent merchants from declining higher-cost products introduced under the same scheme brand.

In 2016, the European Union restricted the Honour All Cards rule, and payment card schemes could no longer apply a rule requiring a merchant that accepts a card-based payment instrument issued by one issuer to also accept other card-based payment instruments issued under the same scheme, subject only to a limited carve-out for consumer cards of the same brand and the same category of prepaid, debit or credit card. This allowed merchants to refuse materially different categories, including commercial cards, while preserving the ability of schemes to prevent refusal based on the identity of the issuer or cardholder.

That distinction is directly relevant to commercial cards. Merchants should not discriminate between issuers within a card category, but they should be able to decide whether to accept materially different card products, including commercial cards, where those products carry higher interchange fees, scheme fees, mandate costs or compliance obligations.

This approach would allow normal competitive pressure to apply to the price and acceptance of commercial card products, while preserving the ability of card networks to operate efficiently and consistently across issuers.

A more coherent regulatory approach

We recommend that the Commission consider using its powers under the Retail Payment System Act 2022 to introduce a regulatory measure that prevents scheme rules or acquirer arrangements from requiring merchants to accept commercial cards as a condition of accepting other Mastercard or Visa cards.

At a minimum, the measure should provide that merchants may:

- accept personal debit and credit cards while declining commercial cards;
- decline categories of commercial cards that carry materially higher acceptance costs or disproportionate implementation obligations;
- apply differential acceptance or steering rules in a transparent and non-misleading way;
- receive clear information from acquirers about the cost of accepting commercial cards compared with other card types; and

- communicate any card acceptance limitations clearly to customers before payment is initiated.

This approach would preserve consumer and business choice while ensuring that commercial card acceptance is based on a genuine commercial decision by the merchant. It would also ensure that scheme-led product changes are subject to commercial discipline rather than imposed through mandatory acceptance rules.

Implementation considerations

Any change to the Honour All Cards rule should be practical for merchants, acquirers, schemes and customers. Acquirers and schemes should support merchant-level configuration so merchants can identify and decline commercial cards where they choose to do so.

The Commission should consider clear implementation timeframes, merchant guidance, and monitoring of whether scheme rules, technical settings or contractual terms continue to limit merchant choice in practice.

The Commission should also monitor whether new scheme mandates create material downstream costs for merchants. Where mandates require POS upgrades, certification work, hardware replacement or operational changes, merchants should receive sufficient notice, transparent cost information and a genuine ability to decide whether continued acceptance remains commercially justified.

Merchants should receive sufficiently granular cost information to support informed acceptance decisions, and customers should receive clear information where a merchant chooses not to accept commercial cards.

Conclusion

The Commission's proposed regulation of commercial card interchange fees is an important step toward reducing merchant payment costs. To deliver a more competitive and efficient outcome, however, the Commission should also address the rule that prevents merchants from choosing which card categories they accept.

Removing the Honour All Cards rule for commercial cards would give merchants meaningful control over high-cost payment acceptance, strengthen competitive pressure on schemes and issuers, and ensure that new scheme mandates are subject to commercial choice rather than imposed through mandatory acceptance rules. This would complement interchange fee caps and provide a more durable response to the features that currently allow commercial card costs to remain high.

Paymark would welcome further engagement with the Commission on how commercial card regulation can best support competition, efficiency and merchant choice in New Zealand's retail payment system. Should you wish to discuss any of the points raised in this submission, please do not hesitate to contact Julia Nicol, Head of Public Affairs, Regulatory & Corporate Communications, at julia.nicol@paymark.co.nz.