Response to the Commerce Commission on Commercial Credit Card Interchange Fee Regulation for Mastercard and Visa Networks – Draft Decision and Reasons Paper

Table of contents

Cover letter

20 July 2026

Bryan Chapple
Commissioner
Commerce Commission
44 The Terrace
Wellington 6140
New Zealand

Submitted electronically: paymentsteam@comcom.govt.nz

Dear Commissioner Chapple,

Visa welcomes the opportunity to share our perspectives with the Commerce Commission (the Commission) on **Commercial Credit Card Interchange Fee Regulation for Mastercard and Visa Networks - Draft Decision and Reasons Paper** (Draft Decision)[1].

Visa's submission is underpinned by independent expert analysis to support the Commission reaching well-considered, evidence-based conclusions. In engaging on this consultation, Visa has commissioned independent economists, **[Redacted]** a firm with deep expertise in payments economics, competition and extensive experience applying rigorous analytical methods. **[Redacted]** independent economic assessment directly addresses issues outlined in the Draft Decision and provides compelling evidence on how the Commission's proposals may impact **competition, issuer incentives, and the availability of credit to small-and medium-sized businesses (SMEs)** in New Zealand.

The key topics in Visa's submission include:

1. **Commercial credit card products are structurally different from consumer cards**, with higher issuer costs and materially greater reliance on interchange revenue to sustain short-term credit, working capital solutions and value-added services.
    a. The proposed caps can be expected to materially reduce issuer profitability, which could reduce the availability of commercial credit products relied upon by many SMEs for short-term financing and working capital management. This could constrain access to credit for SMEs and diminish incentives for issuers to invest in the development, enhancement, and innovation of commercial payment solutions.
    b. Reduced interchange revenue **may negatively affect fintech-led innovation and new entry**, where sustainable revenue streams are critical to developing and scaling new products, services, and business models.
2. **Globally, regulators have generally refrained from capping commercial card interchange,** reflecting a recognition that commercial products are different from consumer products – thus, we recommend that any divergence in New Zealand from this global approach be

[1] Commercial Credit Card Interchange Fee Regulation – Draft Decision and Reasons Paper – July 2026

based on robust evidence to ensure it does not inadvertently harm competition or efficiency.

3. There is a **credible risk that if commercial interchange is capped in four-party schemes, there will be a shift toward substitution with higher cost payment networks,** including three-party schemes such as American Express, with the unintended consequence of failing to reduce (or even potentially increasing) the merchants' overall costs of payment method acceptance, contrary to the Commission's intended policy objectives.
4. The proposed limiting mechanism will have material competitive and practical implications. Firstly, the limiting mechanism would entrench serious competitive inequity. Secondly, it will discourage schemes from interchange adjustments and targeted pricing initiatives needed to adapt to changing ecosystem dynamics, including to support merchant acceptance, incentivize adoption of new technologies, innovation, and broader ecosystem objectives. By anchoring schemes to historical rates, **the limiting mechanism will have the practical implications of reducing innovation, creating competitive distortions** between payment networks, and undermining incentives to develop solutions that enhance efficiency, security, and competition in the payments ecosystem.

Taken together, these findings indicate that the Draft Decision may not fully achieve its intended objectives of promoting competition and efficiency and could give rise to unintended consequences for competition, innovation, and SME access to commercial credit. In addition, the Commission is proposing significant further intervention before the impacts of earlier interchange regulation[2] have been fully implemented, observed, and assessed. Proceeding with additional intervention in the absence of sufficient evidence regarding the effectiveness and consequences of existing measures risks creating regulatory uncertainty and unintended market distortions. A more measured approach would allow time for the current regulatory settings to take effect and for their impacts to be properly evaluated before further intervention is contemplated.

Visa encourages the Commission to ensure that the final framework is designed in a way that is proportionate, competitively neutral, operationally workable, and capable of supporting continued investment, innovation, security, and SME access to commercial payment products. In particular, the Commission should not proceed with the proposed limiting mechanism and instead engage directly with Visa among others, on alternatives that could provide the Commission with the assurances it is seeking, without freezing historical pricing decisions or discouraging future below-cap concessions that may support merchant, innovation, security, or broader ecosystem objectives.

[Redacted]

[2] Commerce Commission, Retail payment system, Interchange Fee Regulation – Final Decision and Reasons Paper - July 2025

We remain committed to working collaboratively with the Commission and we would continue to be available to engage further on the issues raised in this submission, including any potential alternative approaches that may assist the Commission in its decision-making process. We make this offer in the spirit of seeking to continue building a digital payments ecosystem that supports New Zealand's economic ambitions and delivers secure, efficient, and inclusive outcomes for all.

Yours sincerely,

David Peacock
Country Manager – New Zealand and Pacific Islands
Visa Worldwide (New Zealand) Limited

Overview

Any consideration of commercial credit regulation requires a proportionate and evidence-based approach that takes account of the distinctive characteristics of commercial cards.

Visa acknowledges the Commission's objective of promoting competition and efficiency in the retail payments system for the benefit of New Zealand's merchants and consumers. We recognise the Commission's ongoing efforts to assess the functioning of the payments ecosystem and to ensure that regulatory settings remain appropriate in light of evolving market conditions.

At the same time, Visa is concerned about the proposed extension of interchange fee regulation to commercial credit cards. Such an extension would significantly expand the current regulatory framework into a segment of the market that is structurally distinct from consumer card products. Extending price regulation into the commercial credit segment, therefore, warrants careful consideration, a particularly robust evidential basis, as well as a clear demonstration that the proposed approach is necessary and proportionate. However, the analysis underlying the approach proposed in the Commission's Draft Decision and Reasons Paper is limited[3]. Any regulatory framework needs to be calibrated in a way that preserves competition, innovation, SME access to credit, and competitive neutrality. We do not believe that the consultation in its current form achieves that.

Visa has previously raised concerns with the Commission regarding the regulation of commercial credit cards. Notably, in its July 2025 Final Decision, the Commission decided not to regulate commercial credit cards at that time and instead indicated that further analysis was required before intervention may proceed. As discussed below, questions remain regarding the Commission's evidentiary basis for intervention, the treatment of merchant benefits and the calibration of any proposed caps. In its submission of March 2025, Visa highlighted that commercial credit products differ in important respects from consumer payment products, including in their use cases, cost structures and revenue dynamics, and role within the broader payments and financial ecosystem.[4]

These characteristics have implications for how interchange operates within the commercial segment. Interchange revenue plays an important role in supporting ongoing innovation in commercial card products and services, including solutions that streamline business payments, enhance expense management, improve cashflow visibility, and strengthen payment controls. It also supports the provision of credit, the management of risk, and the delivery of value-added services to business customers.[5] Together, these functions and innovations help businesses operate more efficiently, support the digitisation of commercial processes, and contribute to productivity gains across the wider New Zealand economy. These considerations are relevant not only to domestic commercial card activity but also to cross-border commercial transactions, which generate sales for New Zealand merchants and suppliers through spending by foreign businesses and commercial cardholders. As a result, the application of regulatory approaches developed in the context of consumer payments are unlikely to translate effectively to

---

[3] **[Redacted]**

[4] Visa Response to the Commerce Commission on Interchange fee regulation - March 2025, Response to Questions 5, 6.

[5] Visa Response to the Commerce Commission on Interchange fee regulation - March 2025, Response to Question 5

commercial credit products, and may give rise to unintended outcomes if applied without sufficient adjustment, including the risk of creating an uneven competitive dynamic between four-party schemes subject to interchange fee regulation and unregulated three-party models.

These competition concerns extend beyond existing market participants. Competition in the commercial card segment also depends on the ability of new providers to enter the market and compete. Commercial payments are an area where fintechs, smaller issuers, and other emerging providers can introduce new products and services, including improved expense management tools, more flexible financing solutions, and features tailored to the needs of businesses. If regulation materially reduces the economic viability of commercial card issuance, it may weaken incentives for these providers to enter, invest in, or expand within New Zealand. Over time, this could leave New Zealand businesses with fewer innovative payment solutions and reduce the competitive pressure that naturally arises when new providers compete for customers.

A practical example of this innovation is emerging in fleet and business vehicle payments in New Zealand. Fleet is an open-loop digital fleet management solution that provides businesses with a single payment credential that can be used across fuel, EV charging, vehicle maintenance, tolls, and other vehicle-related expenses. The solution includes real-time spend controls, instant provisioning to mobile wallets, and enhanced reporting capabilities. Fleet is also offered as a white-label platform, enabling fuel retailers, co-operatives, and fleet operators to launch their own branded fleet propositions without developing the underlying technology themselves. The development of these specialised commercial payment solutions requires material and ongoing investment by issuers. Visa is concerned that regulatory settings which materially reduce commercial card economics – such as what the Commission is proposing - may weaken incentives for issuers, fintechs, and other payment providers to make similar investments in future product innovation.

These concerns are compounded by the fact that the case for regulatory intervention in this segment has not been established with a sufficiently robust evidence base. Independent economic analysis from **[Redacted]** raises questions about the quantitative basis[6] for the Commission’s proposed rates and whether sufficient weight has been given to the distinctive economics of commercial cards.

Visa is also concerned by the Commission's proposed "limiting mechanism", under which interchange rates would be capped at the lower of the regulatory cap or the scheme's published rate as of 1 December 2025.[7] This proposed mechanism would effectively anchor future pricing flexibility to existing rate settings and give rise to additional competitive and efficiency concerns beyond even the proposed rates. In practice, the limiting mechanism **[Redacted]** discourage future voluntary reductions below the regulatory caps, and reduce flexibility to introduce targeted pricing initiatives that support innovation, security, and other ecosystem objectives.

In light of these considerations, including the significant competition, efficiency, and innovation concerns arising from the proposed limiting mechanism, Visa remains concerned that the current proposal may not achieve the Commission’s objectives and recommends that its final position carefully consider the issues outlined below.

[6] **[Redacted]**
[7] Commercial Credit Card Interchange Fee Regulation – Draft Decision and Reasons Paper – July 2026, para 3.69, 3.71.

The Commission's proposals do not adequately take into account the distinct characteristics and economics of commercial credit

Commercial credit cards are structurally and economically distinct from consumer payment products: These differences are critical to understanding the role of interchange within the commercial credit segment. Commercial cards are commonly used in business-to-business transactions and support a range of functions beyond payments, including low-cost working capital solutions, improved cash flow management, and operational efficiency (e.g., tools to track, manage, and control expenses).[8] In many cases, commercial cards are used in negotiated transactions between businesses, meaning that the standard efficiency concerns regarding interchange do not apply in the same way as in consumer markets.[9]

These benefits extend beyond financing. A Visa-commissioned KoreFusion study found that when businesses adopt commercial card payments, they can boost sales and significantly improve cash flow and operational efficiency[10]. Commercial cards help modernise B2B commerce and promote a more efficient, digitised payments ecosystem, aligning with the Commission's long-term objectives.

These products also operate on a different economic model: Commercial card portfolios, particularly corporate cards, generate limited interest income because balances are generally paid in full and are, therefore, more dependent on interchange revenue to support issuance, short-term credit and working capital requirements, and the delivery of associated services[11]. A material reduction in interchange, particularly at the levels proposed, risks undermining the viability of these products and may reduce the availability of associated credit and services. **[Redacted]**[12].

This interchange revenue supports provision of credit as well as critical value-added services – for example, robust expense management platforms, detailed reporting, fraud mitigation tools, and automated reconciliation features that businesses rely on daily. The provision of these services, and the continued development of commercial card capabilities more broadly, require ongoing investment by issuers to maintain and innovate (for example, in virtual cards and advanced AI-driven reconciliation solutions), further underscoring the need for sustainable interchange-funded economics to support these offerings[13]. Importantly, the Commission has estimated that its proposed framework would produce an implied weighted average commercial credit interchange rate of approximately 0.78 per cent for domestic[14]. **[Redacted]**

---

[8] Visa Response to the Commerce Commission on Interchange fee regulation - March 2025, Response to Question 6, Appendix C.

[9] Visa Response to the Commerce Commission on Interchange fee regulation - March 2025, p. 14; **[Redacted]**

[10] KoreFusion report - Quantifying the Value of B2B Card Acceptance to Large Asia Pacific Suppliers

[11] Visa Response to the Commerce Commission on Interchange fee regulation - March 2025, Response to Question 6; **[Redacted]**

[12] **[Redacted]**

[13] **[Redacted]**

[14] Commercial Credit Card Interchange Fee Regulation – Draft Decision and Reasons Paper – July 2026, p 34

[Redacted]

This means the practical impact of the proposal is significantly more restrictive than the Commission's own benchmark suggests. Visa encourages the Commission to take this practical effect into account in its final decision.

The implications of this funding model are particularly significant for SMEs: In New Zealand, SMEs comprise roughly 97% of all enterprises and contribute approximately 42 per cent of economic value, underscoring their importance to economic resilience and growth[15]. SMEs depend on commercial credit cards to manage cash flow, smooth out income fluctuations, and fund day-to-day operations. **[Redacted]** analysis indicates that the proposed caps would render commercial card portfolios loss making, potentially rendering these products unviable[16] – effectively turning these card programs into loss-making ventures and severely eroding issuers' incentives to maintain or expand them. If issuers' economics are materially weakened, access to commercial credit products for SMEs may be reduced over time – especially for newer or smaller businesses with limited access to traditional bank loans.

Notably, about 17 per cent of New Zealand SMEs currently operate with less than one month's cash reserves (and about 30 per cent have under three months' reserves), highlighting their vulnerability to any reduction in available credit[17]. This reflects the fact that the business environment is already challenging – New Zealand's SME liquidations are at the highest level since the Global Financial Crisis – and so any contraction in commercial card credit could further jeopardise the viability of many small businesses[18]. Importantly, alternative sources of financing are often more expensive, less flexible, and more administratively burdensome than commercial card products.

Reduced access to working capital may also constrain business purchasing activity, as SMEs rely on commercial cards to fund day-to-day expenditure. This can have flow-on effects for the merchants that supply them, particularly smaller businesses that benefit from the increased sales and payment certainty associated with commercial card usage. Any contraction in SME credit availability would, therefore, have implications beyond individual businesses and directly undermine New Zealand's economic resilience, given SMEs' outsized role in employment, innovation, and overall economic growth. This outcome would run counter to the Commission's objective of a competitive, efficient payments system serving the long-term interests of merchants and consumers.

The Commission's proposed caps on cross-border commercial transactions raise distinct concerns for New Zealand merchants and international commerce: Cross-border commercial transactions facilitate spending by overseas businesses and commercial cardholders with New Zealand merchants and suppliers, including in sectors such as travel, hospitality and business tourism. These transactions support broader trade, investment and commercial activity involving New Zealand businesses and generate sales that might not otherwise occur. Any reduction in incentives to support cross-border commercial transactions may result in lower transaction acceptance, higher decline rates and lost sales for merchants. These risks are

[15] Small business and manufacturing | Ministry of Business, Innovation & Employment

[16] **[Redacted]**

[17] Small businesses running low on cash reserves as fuel and KiwiSaver costs surge

[18] Business.Scoop, Insolvencies Hit Highest Annual Level Since The GFC, 20 February 2026

particularly relevant where the Commission proposes to cap foreign-issued commercial transactions despite their distinct economics and role in facilitating international business spending.

Visa recognises that the Commission has sought to distinguish between domestic commercial and consumer transactions by acknowledging the higher costs, unique economics, and broader value associated with commercial card products[19]. However, the proposed treatment of foreign-issued commercial transactions does not appear to reflect those same distinctions. Under the Draft Decision, foreign-issued commercial transactions are effectively treated in a manner that results in outcomes broadly comparable to foreign-issued consumer transactions, despite the Commission's broader recognition that commercial products differ structurally from consumer products[20].

Visa recommends that foreign-issued commercial transactions remain outside the scope of interchange fee regulation, reflecting their distinct business purpose and economic characteristics. The Commission has recognised elsewhere in the Draft Decision that commercial cards involve distinct economics, costs, risks, and merchant benefits. [21] Consistent with that recognition, Visa encourages the Commission to maintain an appropriate degree of differentiation between foreign-issued commercial and foreign-issued consumer transactions. A differentiated approach would better reflect the underlying economics of these products and support regulatory settings that preserve competition, innovation, SME access to credit, and competitive neutrality. It would better support continued investment in the infrastructure, security capabilities, and services that facilitate international commercial payments and cross-border economic activity involving New Zealand businesses. As such, we do not consider that the proposed framework, in its current form, appropriately reflects the distinct characteristics of foreign-issued commercial transactions.

Commercial cards also generate broader efficiencies and benefits for both businesses that use these products and merchants that accept them: These products can improve cash flow management, reduce administrative and reconciliation costs, and provide benefits associated with reduced payment friction, including higher demand and shift transactions away from costly alternatives like invoicing.[22] These benefits are not fully captured by the Commission's narrow focus on reducing merchant service fees and should be factored in to any assessment of the overall impact of regulation.

These benefits extend beyond payment acceptance and can contribute more broadly to productivity and digital efficiency in the business sector. By streamlining B2B payments – reducing manual invoicing, speeding up settlement, and simplifying reconciliation – commercial cards improve working-capital management, support SMEs' ability to accept and receive payments efficiently, and reduce administrative burdens for buyers and suppliers alike.

By contrast, introducing regulation that is likely to result in a shift away from commercial cards to slower, less automated methods (such as invoicing) would reintroduce frictions – delayed payments, higher processing costs, and greater complexity – undermining productivity gains. In the cross-border context, reduced incentives to support foreign-issued commercial card

---

[19] Commercial Credit Card Interchange Fee Regulation – Draft Decision and Reasons Paper – July 2026, p 35

[20] Commercial Credit Card Interchange Fee Regulation – Draft Decision and Reasons Paper – July 2026, p 41-43

[21] Commercial Credit Card Interchange Fee Regulation – Draft Decision and Reasons Paper – July 2026, p 41-43

[22] **[Redacted]**

transactions may also affect spending by overseas businesses and commercial cardholders with New Zealand merchants and suppliers. This raises serious concern that the Draft Decision, in practice, could stall progress toward a more efficient, digital payments system for New Zealand businesses to the detriment of the broader economy.

At the same time, the extent to which reductions in commercial credit interchange would translate into lower costs for merchants remains uncertain: The Commission's analysis is contingent on the extent to which reductions in interchange would be passed through to merchants and consumers. However, the Commission itself acknowledges that reductions in interchange fees may not translate fully or automatically into lower merchant service fees, with pass-through depending on acquirer behaviour, merchant pricing arrangements, and broader market responses.[23] The analysis also does not fully account for substitution effects, including the potential for transaction volumes to shift toward alternative and more expensive payment methods, like American Express. Even modest levels of switching to higher-cost alternatives could offset or eliminate any expected reductions in merchant service fees.[24]

There is also a risk that regulation may give rise to unintended negative outcomes in the payments ecosystem: Reductions in interchange may lead to adjustments in issuer behaviour, including reductions in commercial card benefits and services, changes to fraud controls, decline-rate practices or other measures that may increase payment friction, and reduced incentives to invest in innovation, security, and value-added services.[25] In addition, introducing caps in the commercial segment may distort competition by creating an uneven regulatory framework between four-party schemes subject to interchange fee regulation and three-party models that sit outside that framework.[26] Over time, this may weaken the ability of four-party schemes to compete effectively and could lead to shifts in transaction volumes toward higher-cost alternatives, such as American Express, which are not subject to the same regulatory framework. **[Redacted]**[27].

This may not only affect the viability of existing commercial card programs but also reduce incentives for smaller issuers to compete in the segment and for prospective entrants to invest in developing new commercial card offerings for the New Zealand market.

Reduced issuer participation and investment may also diminish competitive pressure on higher-cost, unregulated alternatives, such as American Express. **[Redacted]**

---

[23] Commercial Credit Card Interchange Fee Regulation – Draft Decision and Reasons Paper – June 2026, section 4.3-4.5.

[24] Visa Response to the Commerce Commission on Interchange fee regulation - March 2025, Response to Question 6; **[Redacted]**

[25] Visa Response to the Commerce Commission on Interchange fee regulation - March 2025, Responses to Questions 4, 6; **[Redacted]**

Commercial Credit Card Interchange Fee Regulation - Draft Decision and Reasons Paper - June 2026, section 2.48 ("Decline rates arise from issuer fraud-prevention measures and can impose costs on merchants and cardholders through lost transactions").

[26] Visa Response to the Commerce Commission on Interchange fee regulation - March 2025, Response to Question 6; **[Redacted]**

[27] **[Redacted]**

[Redacted][28] Such substitution would offset or even exceed the intended merchant cost reductions, leaving merchants no better off and undermining the intervention's effectiveness. The Reserve Bank of Australia (RBA), in its Conclusions Paper, recognised the competitive advantage that American Express has gained over regulated four-party card schemes, noting that it is the largest issuer of commercial cards and that, on average, it is more costly for merchants to accept than Visa credit cards[29].

Commercial cards also provide an important source of short-term credit and working capital for many SMEs. This credit facility benefits not only the businesses that use it, but also the merchants that sell to them, by supporting purchasing activity that might otherwise be delayed or foregone. To the extent lower interchange revenue reduces the availability or attractiveness of commercial card products, it may constrain business spending and reduce sales for merchants. These potential outcomes – fewer competitors, less SME credit, diminished innovation, migration to costlier payment methods, and reduced merchant sales – run counter to the Commission's goal of promoting competition and efficiency in the long term.

Taken together, these considerations suggest that the proposed caps may have impacts that extend beyond the immediate objective of reducing merchant costs. The analysis presented in this submission highlights the risk that the Draft Decision could constrain SME access to credit, reduce incentives for investment and innovation, and lead to substitution toward less efficient or higher-cost payment options.

The proposed limiting mechanism raises additional competition and efficiency concerns beyond the proposed caps themselves

The Commission has proposed a limiting mechanism under which interchange rates would be capped at the applicable regulatory cap or the scheme's published rate as at 1 December 2025, whichever is lower[30] . The Commission has indicated that the objective of the limiting mechanism is to ensure that the benefits of any cap are not undermined through future repricing[31].

Unlike a conventional interchange cap, this approach would effectively hardwire existing pricing decisions into the future regulatory framework. [Redacted][32]

[28] [Redacted]

[29] RBA, Review of Merchant Card Payment Costs and Surcharging - Conclusions Paper, 31 March 2026, p. 11

[30] Commercial Credit Card Interchange Fee Regulation – Draft Decision and Reasons Paper – July 2026, para 3.69, 3.71.

[31] Commercial Credit Card Interchange Fee Regulation – Draft Decision and Reasons Paper – July 2026, p 8

[32] Interchange | Visa

[Redacted][33]

Interchange is often used to support broader ecosystem objectives, including encouraging acceptance in priority sectors, supporting essential services, improving security outcomes, and promoting the adoption of new payment capabilities. If schemes that introduce targeted concessions risk being constrained at lower levels than competitors for comparable transactions, they may become less willing to employ interchange in this way in future. As a result, rather than promoting competition and efficiency, the mechanism risks creating distortions that reduce incentives to invest in innovation and broader ecosystem development.

If the Commission determines that a safeguard is required, a more appropriate approach would be to retain standard interchange caps without the limiting mechanism and engage directly with schemes regarding alternative mechanisms or other ways to allay concerns about upward movement in interchange from historically lower industry rates.

The Commission's three-step methodology does not provide a sufficient basis for setting commercial credit interchange caps

Step 1 -- Benchmarking against Australia does not provide a suitable basis for the proposed caps: The Commission's first step places significant weight on Australia as the primary reference point for benchmarking. While this may seem like a suitable point of comparison, it does not, on its own, establish that the proposed caps are appropriate for the New Zealand commercial credit segment.

Such reliance on Australia is inherently limited. The Commission itself notes that other comparator jurisdictions, including the United Kingdom and European Union, cannot be used as benchmarks because commercial credit interchange is not regulated in those jurisdictions and relevant data is not available.[34] As a result, Australia is effectively the only available comparator for benchmarking purposes, which limits the robustness of the Commission's approach.

Moreover, there are significant structural differences between the Australian and New Zealand commercial card markets that make direct comparisons difficult. Commercial card penetration is materially higher in Australia, with card-based B2B payments accounting for approximately 3.6 per cent of spend compared with 1.9 per cent in New Zealand[35]. Australia also has a broader and more competitive commercial card ecosystem, with an estimated 10-15 issuers offering business and corporate credit card programmes, including major banks, regional and tier-two institutions, and an emerging fintech presence. In contrast, New Zealand's market is substantially smaller and more concentrated, with approximately six commercial card issuers. The underlying business population also differs significantly. Australia has approximately 2.7 million SMEs, compared with around 600,000 in New Zealand, meaning the Australian SME

[33] [Redacted]

[34] Commercial Credit Card Interchange Fee Regulation – Draft Decision and Reasons Paper – July 2026, section 2.30.

[35] Juniper Research, B2B Payments Report 2025

market is around 4.4 times larger. These differences are relevant because issuer scale, portfolio economics, competitive dynamics, and investment incentives can differ materially between larger and smaller markets[36].

While the Commission relies on Australia as a benchmark, it does not clearly set out how that benchmark has been used to derive the specific cap levels proposed for New Zealand. Instead, the Commission builds on its existing consumer card framework, without fully developing how that approach leads to appropriate levels for commercial credit.[37] As a result, the connection between the Australian benchmark and the proposed caps in New Zealand is difficult to establish.

More fundamentally, evidence from Australia does not demonstrate that regulating commercial credit interchange delivers the Commission's intended outcomes. Instead, it highlights the potential for unintended effects, including shifts in transaction volumes toward unregulated or higher-cost alternatives.[38] Such a shift can materially offset, and in some cases eliminate, any expected reductions in merchant costs.[39] In this context, Australia is better understood as illustrating the risks of commercial credit interchange regulation, rather than providing a sound basis for calibrating caps in New Zealand.

Step 2 -- The Commission's assessment of New Zealand-specific considerations point to a more cautious approach: The Commission's second step tests whether features of the New Zealand market support applying benchmarked commercial credit interchange caps.[40] In doing so, it considers a range of New Zealand-specific factors, including the prevalence of SMEs, issuer participation and competition, and the role of alternative providers such as American Express. While these considerations are relevant, the Commission's assessment does not demonstrate how they support the proposed cap levels. Instead, several of the factors the Commission identifies point to the need for greater caution before intervening in a relatively small and specialised segment of the payments market.

This is particularly evident in the Commission's consideration of SMEs. While the Commission recognises that New Zealand's economy is characterised by a high prevalence of small businesses, it focuses primarily on the implications for merchant bargaining power and merchant costs.[41] It gives less attention to the important role that commercial credit products play in supporting business cash flow, working capital, and access to short-term financing.[42] **[Redacted]**[43]

Evidence also indicates that SMEs face challenges accessing finance, while

[36] (AU source: https://www.abs.gov.au/statistics/economy/business-indicators/counts-australian-businesses-including-entries-and-exits/latest-release) (NZ Source: https://www.stats.govt.nz/information-releases/new-zealand-business-demography-statistics-at-february-2025/)

[37] Commercial Credit Card Interchange Fee Regulation – Draft Decision and Reasons Paper – July 2026, section 3.7, 3.45.

[38] **[Redacted]**

[39] **[Redacted]**

[40] Commercial Credit Card Interchange Fee Regulation – Draft Decision and Reasons Paper – July 2026, section 2.31-2.42, 3.13-3.26, 3.49-3.56.

[41] Commercial Credit Card Interchange Fee Regulation – Draft Decision and Reasons Paper – July 2026, section 2.35-2.37.

[42] **[Redacted]**

[43] **[Redacted]**

commercial credit products can provide a source of short-term lending and working capital.[44] These considerations suggest that the implications of the Commission's SME analysis extend beyond merchant bargaining power and merchant costs.

Similarly, the Commission considers that the proposed caps will continue to provide incentives for smaller and challenger issuers to participate in commercial credit card issuance and compete with incumbents on service quality, pricing, and innovation.[45] However, the extent to which commercial card issuance would remain economically viable under the proposed caps is not explored. Rather, **[Redacted]** analysis suggests that materially lower interchange revenue could affect the viability of some commercial card portfolios.[46]

The Commission also concludes that the risk of substitution to providers such as American Express does not undermine the rationale for regulation because American Express currently represents only a relatively small share of commercial card transactions in New Zealand.[47] However, focusing primarily on American Express' current market share does not take account of the potential for market dynamics to change quickly following regulation. Australia's experience demonstrates the potential for American Express to expand rapidly in the commercial card segment, suggesting that the current market share may not be a reliable indicator of future competitive environment.[48] Together, these factors suggest that shifts toward alternative, unregulated payment providers may be more significant than the Commission assumes, with the potential to reduce or offset the expected benefits of the proposed caps.

Step 3 -- The Commission's assessment of costs and benefits does not fully capture the role of commercial credit products: The Commission's third step considers the costs and benefits associated with different transaction types and how those considerations should inform the proposed commercial credit caps.[49] While the assessment recognises certain issuer costs and merchant benefits associated with commercial credit cards, it is not always clear how those considerations are weighed against one another in determining the proposed caps.[50]

However, the analysis focuses primarily on merchant acceptance costs and gives less attention to the broader benefits associated with commercial credit products, including their role in supporting productivity, payment efficiency, business digitisation, and broader access to commercial credit. Independent analysis also suggests that commercial credit cards provide benefits beyond payment acceptance, including supporting short-term lending, working-capital management, broader access to credit for businesses, and payments innovation and value-added services that help businesses operate more efficiently.[51] As a result, the assessment does

[44] **[Redacted]**

[45] Commercial Credit Card Interchange Fee Regulation – Draft Decision and Reasons Paper – July 2026, section 2.18.

[46] **[Redacted]**

[47] Commercial Credit Card Interchange Fee Regulation – Draft Decision and Reasons Paper – July 2026, section 2.42.

[48] **[Redacted]**

[49] Commercial Credit Card Interchange Fee Regulation – Draft Decision and Reasons Paper – July 2026, section 2.43.

[50] Commercial Credit Card Interchange Fee Regulation – Draft Decision and Reasons Paper – July 2026, section 3.6-3.7

[51] **[Redacted]**

not fully reflect the broader role that commercial credit products play within the payments and financial ecosystem.

More broadly, the Commission's assessment places significant weight on expected reductions in merchant costs, while giving more limited consideration to how issuers may respond to materially lower interchange revenue.[52] Taken together, these considerations suggest that the costs and benefits relevant to commercial credit products may not be fully reflected in the proposed caps.

The Commission's three-step assessment of foreign-issued commercial transactions is difficult to reconcile with its broader analysis of commercial cards: Throughout the Draft Decision, the Commission recognises that commercial card products differ from consumer card products in important respects, including their use cases, economics, benefits, and competitive dynamics.[53] These distinctions underpin the Commission's decision to assess commercial cards separately from consumer cards. However, when assessing cross-border transactions, the Commission proposes to apply essentially the same foreign-issued premium to commercial transactions as it applies to consumer transactions.[54] It bases this approach on the conclusion that foreign-issued commercial cards provide no material added merchant benefits relative to foreign-issued personal credit cards and face the same issuer cost drivers, such that no additional differentiation between consumer and commercial transactions at the cross-border level is warranted.[55]

It is, therefore, not clear why the characteristics that distinguish commercial cards from consumer cards in the domestic context cease to be relevant once a transaction occurs in a cross-border setting. This is particularly so given the Commission's own finding that commercial credit cards have higher fraud prevalence and higher fraud loss rates than personal credit cards, as well as higher administrative costs.[56] Commercial cards continue to support distinct business use cases and operate under a different economic model, irrespective of whether a transaction is domestic or cross-border. While the Commission acknowledges certain benefits associated with foreign-issued transactions generally[57], its analysis appears to focus primarily on whether foreign-issued commercial transactions provide additional benefits beyond those associated with foreign-issued personal cards. This does not fully address the broader question of whether the commercial characteristics that justify differentiated treatment elsewhere in the Draft Decision remain relevant in the cross-border context. Nor does it clearly explain why the commercial card attributes that warrant separate consideration throughout the remainder of the Draft Decision should be treated differently once the transaction involves a foreign-issued card. As a result, the rationale for applying a broadly similar approach to foreign-issued commercial and consumer transactions is not fully articulated in the Draft Decision.

---

[52] [Redacted]

[53] Commercial Credit Card Interchange Fee Regulation – Draft Decision and Reasons Paper – July 2026 Section 2.17-2.18, 2.38-2.42.

[54] Commercial Credit Card Interchange Fee Regulation – Draft Decision and Reasons Paper – July 2026, section 3.45.

[55] Commerce Commission New Zealand, Retail payment system, Interchange Fee Regulation for Mastercard and Visa Networks – Final Decision and Reasons Paper, ¶ 3.43.

[56] Commercial Credit Card Interchange Fee Regulation – Draft Decision and Reasons Paper – July 2026, section 3.28-3.29

[57] Commercial Credit Card Interchange Fee Regulation – Draft Decision and Reasons Paper – July 2026, section 3.44

The sections that follow set out Visa's detailed responses to the Commission's questions, drawing on independent economic analysis and international experience to assess risks arising from the Draft Decision and their implications for the long-term performance of New Zealand's payments ecosystem.

Response to Commission's questions

	Targeted Questions and responses
1.	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).

Visa Response:

Capping commercial interchange could **increase costs and reduce benefits for merchants and small businesses, while undermining competition** – ultimately failing to deliver the intended benefits under the Retail Payment System Act (RPSA). Analysis from **[Redacted]** – using New Zealand issuer data – shows the Draft Decision's proposals would render commercial card portfolios loss making, potentially rendering these products unviable[58]. Any resulting cutbacks in commercial card offerings would directly reduce SMEs' access to short-term credit and valuable services, while driving transactions to higher-cost payment methods (such as **unregulated American Express cards and inefficient invoice payments**) that could increase overall costs for merchants. These potential outcomes conflict with the Commission's own statutory aims of fostering competition and efficiency for the long-term benefit of merchants and consumers.

[Redacted][59] [60]

For corporate products (which typically have no revolving interest, as balances are paid in full each month), interchange is critical to cover costs. A substantial cut in interchange would make many of these credit products economically unviable[61] for banks and other

[58] **[Redacted]**

[59] **[Redacted]**

[60] **[Redacted]**

[61] **[Redacted]**

issuers, jeopardising the availability of short-term credit and value-added services for businesses.

[Redacted][62]

Importantly, any effort by issuers to recoup lost interchange revenue – whether by raising cardholder fees or slashing card benefits – would be extremely difficult in practice. **[Redacted]**[63]

The net effect of the proposed regulation would be a significant shift in transaction volumes to higher-cost networks and payment methods, leaving merchants worse off over time. The assumption that merchants and acquirers would enjoy enduring cost savings is undermined by the probability of substitution to costlier alternatives.

[Redacted][64][65]

As discussed in more depth below, we consider it highly unlikely that issuers could impose fee increases or quality reductions of this magnitude without losing a significant number of customers to American Express. Contrary to the Commission's position that lower interchange revenue would encourage issuer entry, under the proposed interchange fee caps, it is highly unlikely that challenger issuers could successfully enter the market, as **[Redacted]** analysis indicates that even established issuers would struggle to sustain profitability. **[Redacted]** estimates of issuer profitability also cast doubt on whether issuers have the ability or incentive to invest in future innovations[66].

More broadly, substituting away from four-party card payments could expose merchants to significant, often-hidden costs built into traditional B2B payment methods. An independent Asia-Pacific study by KoreFusion of large suppliers (including New Zealand) found that processing business payments through bank transfers and other traditional means can carry aggregate costs of around 4.7 per cent of invoice value[67]. These costs stem from multiple sources – direct expenses such as invoice processing, reconciliation, exception handling, collections, various fees, and third-party financing; and indirect costs

[62] [Redacted]

[63] [Redacted]

[64] [Redacted]

[65] [Redacted]

[66] [Redacted]

[67] KoreFusion report on Quantifying the value of B2B card acceptance to Large Asia Pacific Suppliers, p 3

such as working capital drag from slower payment cycles and bad debt losses. This evidence underscores that if regulation weakens the viability of four-party commercial cards and causes transactions to shift toward such less efficient payment methods (or unregulated three-party schemes), merchants could face higher net costs and operational burdens.

Such outcomes are directly counter to the goals of promoting competition and efficiency[68] in the payments system. Visa, therefore, urges the Commission to carefully consider international experience and the evidence provided by **[Redacted]**, showing that unintended consequences – especially substitution to unregulated alternatives – can severely undermine the benefits of regulation and lead to adverse impacts for merchants, SMEs, and consumers alike.

The proposed treatment of foreign-issued commercial transactions also warrants careful consideration. Throughout the Draft Decision, the Commission recognises that commercial cards differ from consumer cards in terms of economics, risk, costs and merchant benefits[69]. However, the proposed cross-border framework does not appear to fully reflect those distinctions and results in foreign-issued commercial transactions being treated in a manner broadly comparable to foreign-issued consumer transactions. Visa recommends that foreign-issued commercial transactions remain outside the scope of interchange fee regulation. Any regulatory framework needs to be calibrated in a way that preserves competition, innovation, SME access to credit, and competitive neutrality. In Visa's view, the consultation in its current form does not achieve that. Maintaining a meaningful premium for foreign-issued commercial transactions relative to foreign-issued consumer transactions would be more consistent with the Commission's broader recognition that commercial card products are structurally different and continue to support distinct international business, trade, and travel-related activity that benefits the New Zealand economy.

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

- 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.

[68] Retail Payment System Act 2022, Purpose

[69] Commercial Credit Card Interchange Fee Regulation – Draft Decision and Reasons Paper – July 2026, p 41-43

Visa Response:

Visa considers that the Commission's reliance on Australian benchmarks requires careful interpretation. Australia has a significantly larger and more mature commercial card ecosystem, with higher card penetration, a broader issuer base, and a substantially larger SME population than New Zealand. We strongly encourage the Commission to take account of how these differences affect issuer economics, investment incentives, and competitive dynamics, limiting the extent to which Australian outcomes can be directly applied to New Zealand. In addition, the Commission should be alert to Australia's regulatory framework having resulted in an uneven playing field, caused by asymmetric regulation distorting competition to the detriment of both merchants and consumers[70].

The RBA's recent review of card fees explicitly recognised that commercial card products warrant a higher interchange cap to account for their distinct economics. It is notable that the RBA, in its Conclusions Paper, concluded that it was in the public interest to retain a cap for interchange fees on commercial credit card transactions acquired in Australia at 0.8 per cent. The RBA specifically stated that "significant cuts to interchange on these cards could have adverse impacts on competition between issuers subject to interchange regulation and American Express that is not subject to interchange regulation."[71] The Commission's own analysis indicates that, following the proposed caps, New Zealand's implied weighted average interchange rate would be 0.78 per cent[72]. **[Redacted]**[73]

This represents a significantly more restrictive outcome than Australia's 0.78 per cent and suggests that the effective regulatory setting in New Zealand would sit well below that of a closely comparable jurisdiction.

Issuer incentives and behaviour

The RBA explicitly recognised that tightening regulation of commercial credit interchange carried risks to participation and competition. In particular, stakeholder evidence considered by the RBA indicated that material reductions in interchange could affect issuer incentives, including the potential for issuers to scale back issuance or withdraw from the commercial card segment[74].

Visa has observed Australian issuers re-evaluating card value propositions, including customer rewards, following the RBA's decision to reduce consumer credit card interchange. Similar reductions in cardholder value would likely have occurred for commercial cardholders had the RBA proceeded with the proposal in its Consultation Paper to reduce commercial credit interchange to 0.30 per cent[75].

---

[70] **[Redacted]**

[71] RBA Conclusions Paper on review of retail payments, p54.

[72] Commercial credit card interchange fee regulation – Draft Decision and Reasons Paper – July 2026, p 34

[73] **[Redacted]**

[74] RBA Conclusions Paper on review of retail payments

[75] Review of Merchant card payment costs and surcharging - Consultation paper - July 2025

Of even greater concern is the risk that, in an environment of materially lower interchange revenue, issuers would redirect investment away from small business commercial cardholders. SME customers are more costly to serve, and Visa has observed in Australia that the new 0.50 per cent premium for commercial credit card interchange has not, to date, proven sufficient to drive the level of issuer focus on this customer segment that had been anticipated.

The RBA's own summary of submissions to its consultation acknowledged that commercial cards provide critical working capital for small businesses and eliminate invoice-raising burdens[76] — benefits that depend on a viable issuer business model. If commercial card interchange were to be compressed to levels that render portfolios loss-making small business commercial cardholders would likely be negatively impacted as providing credit would become unprofitable. This would constrain access to working capital for small businesses, driving them to seek capital from higher-cost, unregulated alternatives, such as three-party networks.

Evidence from Australian stakeholder submissions also demonstrates the impact to small businesses. Fintech Australia and the Small Business Association of Australia emphasised that commercial cards are a vital source of working capital for SMEs, many of whom struggle to access traditional finance, and that removing the economic viability of commercial card issuance would eliminate a critical financing tool for SMEs.[77]

Competition with three-party networks

The Australian experience illustrates the risk of asymmetric regulatory outcomes, as Visa continues to see the competitive distortion between American Express and four-party networks play out. This is particularly so, given that the RBA has further reduced the consumer credit interchange cap to 0.3 per cent for regulated four-party networks, while three-party networks continue to remain outside of regulation.

[Redacted][78]

In particular, American Express operates at materially higher effective merchant service fee levels than four-party schemes in New Zealand[79]. At the same time, **[Redacted]** finds that American Express is already widely accepted across merchants, representing a substantial share of commercial transaction value, and is well positioned to expand further in the commercial segment.[80]

Against this backdrop, Visa considers that the additional 0.10 per cent premium is unlikely to be sufficient to promote stable and sustainable market outcomes. While the Commission recognises the risk of disruption, the relevant competitive constraint is not a

[76] RBA (2025), Summary of submissions, p 13.

[77] Fintech Australia, Review of Merchant Card Payment Costs and Surcharging, p 37.

[78] **[Redacted]**

[79] **[Redacted]**

[80] **[Redacted]**

marginal increment above four-party interchange levels, but a materially higher effective price point at which three-party schemes operate in practice.

3. 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).

Visa Response:

Visa remains concerned that the Commission's proposed 0.10 per cent incremental premium for commercial credit interchange significantly understates the distinct costs and benefits associated with these products. In particular, as **[Redacted]** finds, commercial credit cards involve material additional issuer costs and substantial positive externalities for merchants – both of which are not adequately captured by a 0.10 per cent premium.[81]

Incremental issuer costs

On the issuer side, commercial card portfolios are structurally more costly to operate. **[Redacted]** identifies higher fraud and credit risk exposure, greater administrative complexity, and the provision of tailored value-added services, including expense management, data reporting, and corporate account management, as major drivers in commercial card portfolios[82].

These costs are reflected in part by the heavy reliance of commercial card portfolios on interchange revenues: **[Redacted]**[83]

which are significantly higher than the share for consumer card portfolios. This revenue structure exists because commercial cards are intended as **working-capital tools rather than interest-bearing credit lines, meaning they** are often "charge" or paid-in-full products (no revolving interest income), making interchange a critical funding source. In short, commercial cards carry incremental issuer costs that far exceed those of personal cards — and these costs are currently covered by proportionally higher interchange.

Commercial credit transactions, particularly cross-border, carry a structurally higher risk and cost profile, which justifies differentiated pricing. Fraud data demonstrates a significant uplift in risk, with cross-border activity consistently exhibiting materially higher

[81] **[Redacted]**

[82] **[Redacted]**

[83] **[Redacted]**

fraud rates **[Redacted]** than domestic transactions, particularly in card-not-present environments. This elevated risk is compounded by the inherent complexity of cross-border payments, which require compliance with multiple regulatory regimes, foreign exchange handling, and additional processing infrastructure. As a result, issuers must invest in more advanced fraud detection, authentication, and monitoring capabilities to mitigate these risks. Such investment in security and fraud prevention is more important than ever given the rapid pace of technological advancements.

Furthermore, commercial credit portfolios are typically associated with higher transaction values and greater exposure to international use cases, increasing the potential loss severity per fraud event. This combination of higher fraud incidence, greater operational complexity, and increased loss exposure necessitates a higher cost base to ensure continued investment in fraud prevention and secure transaction processing.

This necessitates greater investment in fraud detection, monitoring, and prevention capabilities, and results in higher underlying fraud-related costs for issuers. These costs are not adequately captured by a marginal adjustment to interchange rates.

Merchant benefits

On the merchant side, **[Redacted]** finds that commercial cards also deliver incremental benefits. They reduce administrative burdens compared to trade credit (invoices) by streamlining expense management, automating reconciliation, and ensuring timely payment[84]. These efficiencies are consistent with broader evidence regarding B2B payments, which shows that invoice-based processes can delay payments and tie up working capital, with receivables representing cash that cannot be deployed by the business until collected[85].

In New Zealand, small businesses wait an average of 23.8 to 24.8 days to be fully paid after issuing an invoice, and clients take about an additional 4.5 days beyond the agreed-upon due date to settle[86]. Commercial cards directly mitigate these frictions by enabling faster and more predictable settlement; reduced collections effort; and improved working capital outcomes.

Research cited by **[Redacted]** identifies multiple merchant advantages from accepting commercial cards – from reducing days-sales-outstanding to enabling increased business spending **[Redacted]**[87]**.** Such evidence underscores the positive externalities of commercial card usage, which the Commission appears to be undervaluing.

Given these considerations, Visa is concerned that a 0.10 per cent premium is insufficient to reflect the true incremental costs and benefits of commercial cards. In practical effect, the proposed limiting mechanism means that **[Redacted]** Commission's stated 0.78 per cent implied weighted average, **[Redacted]** A larger

---

[84] [Redacted]

[85] [Redacted]

[86] https://www.xero.com/nz/resources/small-business-insights/latest-new-zealand/

[87] [Redacted]

differential would more appropriately account for the substantially higher program costs (such as fraud risk and service infrastructure) and the substantial merchant benefits (namely, efficiency and working-capital improvements) inherent in these products.

4. 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.

Visa Response:

Visa submits that the proposed interchange caps could discourage future entry by challenger issuers and could even lead to existing smaller issuers retreating from this segment — resulting in fewer players and less competition. In New Zealand, commercial payments have been regarded as a promising growth vertical where new entrants (including fintechs and smaller banks) might differentiate and expand. These new entrants often rely on interchange revenue to fund their business models and innovations. A drastic 60–70 per cent cut in that revenue would make it not commercially viable to enter the market, effectively removing this pathway for competition.

[Redacted] analysis underscores this barrier to entry. Its independent economic study indicates that under the caps, four-party commercial card issuance becomes unviable (or barely break-even)[88]. This suggests that even "established issuers would struggle to sustain profitability[89]" under the proposed rates. It follows that small or new issuers — with higher per-card costs and no large customer base — would be left with an untenable business case. Indeed, **[Redacted]** concludes it is "highly unlikely that challenger issuers could successfully enter the market[90]" in such circumstances. Simply put, the proposed caps would deprive new entrants of a crucial revenue stream to support their initial market entry and innovative offerings.

For existing smaller issuers, the caps pose a similar threat. Smaller banks and non-bank issuers have fewer ways to absorb a large revenue loss. They can neither cross-subsidise from other large business lines nor achieve instant scale to offset reduced interchange. We are concerned that some smaller current issuers of commercial credit cards would have to scale back their programs or exit entirely. Materially lower commercial card economics may discourage entry, investment, and innovation by fintechs and challenger providers seeking to compete in the commercial payments market. This outcome — fewer active issuers and reduced prospective entrants — is the opposite of a competitive environment from which the New Zealand economy would benefit. It would leave business credit customers with fewer choices and less incentive for product innovation.

[88] [Redacted]

[89] [Redacted]

[90] [Redacted]

To provide a particular example, Australian **evidence** submitted to the RBA indicates that caps perceived as too low have already **prompted some small issuers to delay or reconsider launching new card products**, fearful that they cannot recover costs. The RBA's consultation heard that a substantial interchange cut could render commercial cards "not commercially viable" for entrants, and even suggested that in **China**, major global banks withdrew from the commercial card segment after interchange was slashed to 0.45 per cent[91].

5. 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.

Visa Response:

The published schedule includes numerous industry-specific categories which have maximum interchange rates at or below the proposed caps.

Summary of Visa New Zealand commercial credit interchange categories

Fee Program	Visa Commercial IRF rates
Industry Program – Government	0.20%
Industry Program – Charities	0.30%#
Industry Program – Utilities	0.30%
Recurring Payments Program	0.70%

[Redacted]

6. 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.

[91] Interchange | Summary of Submissions to the Review of Merchant Card Payment Costs and Surcharging Consultation Paper | RBA

Visa response:

[Redacted]

7. 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.

Visa Response:

[Redacted][92]

Visa is concerned that the Commission's proposed limiting mechanism will have material competitive and practical implications. By anchoring future rates to a scheme-specific historical figure, the limiting mechanism would materially weaken incentives to introduce preferential rates **[Redacted]**.

For these reasons (elaborated below), Visa does not consider the limiting mechanism to be necessary or proportionate to achieving the Commission's objectives, and recommends that it not be introduced. However, if the Commission remains concerned about future pricing, Visa encourages it to engage directly with Visa (and other schemes) on any assurances the Commission may seek.

[Redacted]

[92] [Redacted]

[Redacted]

Impact on Innovation

[Redacted] the mechanism would materially weaken incentives to introduce preferential interchange rates below the regulated caps in the future: Preferential rates are commonly introduced to support specific policy or ecosystem objectives, such as encourage acceptance in priority sectors, support essential services, promote innovation, improve security outcomes, or incentivise adoption of new payment capabilities. These programs are inherently dynamic and depend on schemes retaining the ability to review, adjust, or withdraw them as objectives are met or market conditions evolve.

By effectively locking in any voluntary reduction below the regulated cap, the proposed mechanism would undermine the commercial rationale for offering such concessions in the first place. The mechanism would therefore create a strong disincentive for schemes to go below the regulated cap, even where these preferential rates could deliver near-term merchant benefits or support broader ecosystem outcomes. This would reduce flexibility to respond to stakeholder needs, constrain the ability to tailor interchange to sector-specific conditions, and weaken incentives for market participants to adopt new technologies and behaviours that enhance payment system efficiency and security.

For example, in 2020 Visa proactively lowered contactless debit and credit card interchange rates by about 10-20 bps to spur merchant adoption of tap-and-go payments in New Zealand. This reduction in interchange fees was intended to lower costs for merchants and encourage greater adoption of contactless (especially crucial during the COVID-19 pandemic, when the New Zealand Government strongly encouraged the acceptance of contact-free payments[93] to reduce transmission risk). Under a backward-looking cap, such targeted, pro-innovation fee reductions would effectively be locked in permanently, discouraging networks from offering similar incentives in future.

The overall effect would be counterproductive to the Commission's objective of promoting efficiency, competition, and innovation to support the long-term interests of New Zealand businesses and consumers. In effect, the mechanism discourages the very conduct the Commission should seek to encourage: voluntary, targeted reductions below the regulated interchange caps.

Statutory purpose

Given the context and nature of the industry fee programs, Visa is concerned that the Commission's proposal to incorporate commercial pricing decisions into the regulatory cap is inconsistent with the statutory purpose of the RPSA. The draft decision prioritises short-term fee reduction over competition, innovation, and dynamic efficiency. In

[93] COVID-19 - Make contactless payment/deliver/ordering available

particular, the 1 December 2025 cap is arbitrary and lacks competitive neutrality because it treats similar transactions differently without objective justification. Furthermore, incorporating commercial pricing decisions into the regulatory cap is not authorised by the RPSA. This is especially so where the Commission has not demonstrated that those rates promote competition and efficiency. In addition, ensuring that the aggregate savings of interchange fees resulting from the caps are not undermined by repricing up to the cap is not a relevant consideration under the RPSA.

8. 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.

Visa response:

Visa's view, based on acquirer feedback, is that a two-to-three-month implementation window be insufficient to implement the proposed commercial credit card interchange caps and any associated limiting mechanism. A significantly longer implementation timeframe is necessary to ensure a smooth, accurate, and coordinated implementation across the industry. This assessment is grounded in both recent experience with interchange regulation in New Zealand, the inherent operational complexities of implementing new interchange caps and is aligned with Visa's previous advice to the Commission on the need for materially longer lead times.

The Commission's July 2025 Final Decision ("Final Decision") on personal card interchange fees itself recognised the need for a staggered implementation timeframe well beyond 2-3 months. In that case, domestic personal credit card cap changes were only required by 1 December 2025 — roughly 4.5 months after the Final Decision — and new caps for previously unregulated categories (such as foreign-issued cards) had a longer lead time, coming into effect on 1 May 2026 (approximately 9.5 months later). The Commission emphasised that this staggered approach balanced timely savings with the operational feasibility of making complex system changes[94].

In particular, the Final Decision explicitly noted the "numerous steps involved in accurately implementing interchange fee changes which require a coordinated response across the industry[95]," such as repricing merchants, impact analysis, technology and system changes, testing, contractual amendments, customer communication, and education. These interdependent tasks are substantial and cannot be rushed without risking serious disruption. The Commission further observed that "allowing nine months to implement changes for foreign-issued cards[96]" was necessary because implementing those changes

[94] Interchange Fee Regulation for Mastercard and Visa Networks – Final Decision and Reasons Paper, p 68

[95] Interchange Fee Regulation for Mastercard and Visa Networks – Final Decision and Reasons Paper, p 69

[96] Interchange Fee Regulation for Mastercard and Visa Networks – Final Decision and Reasons Paper, p 69

was more complex and required coordination with overseas parties. This logic directly applies to the current proposal. Visa's earlier submissions have identified that even changes to existing interchange structures typically require a minimum of six months to implement. If anything, the introduction of new commercial credit card caps — and particularly the limiting mechanism — would entail even greater complexity and coordination than the 2025 changes, making a short implementation unworkable.

Acquirers must coordinate closely with card schemes and issuers to update system configurations, test transactions under the new rates, and adjust their merchant billing processes. Re-pricing and merchant communication are particularly sensitive: acquirers will need to determine how to adjust merchant service fee (MSF) structures in light of the interchange reduction. For large merchants on interchange-plus pricing, changes should flow through automatically once the scheme's rates change, but acquirers must still update internal systems and verify that new fee calculations (including the limiting mechanism conditions) are correctly implemented across all transaction types. For smaller merchants on blended or fixed-rate plans, acquirers may need to reassess and potentially renegotiate pricing or issue contractual notices to pass on savings, which requires additional time for communication and compliance (and often a specified notice period).

Additionally, the proposed timeline coincides with the year-end holiday period, which is operationally one of the busiest for the payments industry. December and January encompass the peak retail trading season, during which transaction volumes are at their highest and merchants are particularly reliant on stable and resilient payment infrastructure. Implementing major system adjustments during this peak season could strain acquirer and scheme resources and elevate the risk of merchant service issues, potentially leading to negative impacts for themselves as well as consumers. More specifically, introducing major configuration changes or new mechanisms within this period poses the heightened risk of errors, disruptions to merchant billing, or other unintended consequences. These risks could be further exacerbated by reduced operational capacity during the summer holiday period. Acquirers and schemes typically freeze non-essential system changes during peak seasons to maintain service continuity.

We wish to reiterate that Visa has established release periods, as set out in the Business Enhancement Release framework (typically twice a year in April and October), which are specifically designed to optimally manage significant changes impacting the industry. These release periods provide sufficient time for all stakeholders to prepare and implement necessary changes effectively, minimising operational risks and ensuring continued stability across the digital payments ecosystem. Regulatory- or industry-driven changes that align with these release periods facilitate smooth implementation and industry-wide readiness compared to any efforts to introduce changes outside the release periods.

Notably, the Commission itself acknowledged in 2025 that implementing foreign-issued card caps needed to account for "global change release windows" and "pre-existing minimum notice periods"[97]. A rushed approach could force acquirers (and the schemes that support them) to attempt risky ad hoc system changes outside scheduled releases, or face non-compliance. A longer, well-planned implementation period timeline is far more

[97] Interchange Fee Regulation for Mastercard and Visa Networks – Final Decision and Reasons Paper, p 69

likely to ensure an accurate and incident-free rollout. If implementation is to be accelerated, a staggered approach should be adopted whereby domestic commercial credit changes are implemented first, with foreign-issued commercial credit changes following later to reflect their additional international, technical, and operational complexity. However, even under a staggered approach, at least six months would be required for the earliest implementation of domestic commercial credit changes, with additional time needed for foreign-issued commercial transactions.

9. 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.

Visa response:

From a card issuer perspective, a two-to-three-month implementation period is also insufficient, particularly because issuer preparations are deeply intertwined with acquirer and network readiness. In other words, issuers cannot effect these changes in isolation. Issuers face multiple practical challenges in adjusting prices, systems, and contracts to align with a new interchange cap, and must rely on acquirers and card schemes to execute changes seamlessly across the entire payment ecosystem. A lead-time of mere 10-12 weeks would not allow for the necessary coordination and risk mitigation.

Issuers must undertake substantial internal work to adapt to lower interchange revenues and new interchange structures. They also need to update their internal accounting systems, including revenue recognition processes, loyalty/rewards program funding models, and overall financial forecasting to account for reduced interchange inflows. These financial adjustments must be planned and implemented carefully to ensure business continuity. Simply put, the internal recalibration of issuer financial models and contractual arrangements cannot be rushed without risk of error or unintended consequences.

Issuers' readiness is fundamentally linked to acquirer and network implementation. If acquirers or payment processors are not fully prepared to operate under the new fee caps by the deadline, there could be inconsistencies in merchant pricing or unsettled fee discrepancies during the early days of the new regime. Such misalignment raises operational and reputational risks for issuers as well. Issuers, therefore, have a strong interest in ensuring that all participants — including **merchants and their acquirers — are fully prepared and aligned in implementing the new caps**. This alignment can be achieved only through an **adequate lead time and close coordination with the card schemes and acquirer partners**. Issuers will also rely on the **card networks** to make central system changes (such as any "limiting mechanism" requirements) that underpin the interchange adjustments; insufficient time would jeopardise the meticulous end-to-end testing required for such changes across all parties.

For these reasons, Visa's view — reflecting feedback from issuers — is that a two-to-three-month window is insufficient for a safe, coordinated implementation that spans issuers, acquirers, and merchants.

About Visa

Visa is a world leader in digital payments, facilitating transactions between consumers, retailers, financial institutions and government entities across more than 200 countries and territories. Our mission is to connect the world through the most innovative, convenient, reliable and secure payments network, enabling individuals, businesses and economies to thrive. We believe that financial inclusion is foundational to the future of money movement.

Building the future of commerce

In New Zealand, Visa has a physical presence in Auckland. Together with our New Zealand financial institution, fintech and retail partners, as well as our technology partners, we are committed to building a future of commerce that fosters the country's economic growth and innovation. One way we are realising this is through Visa Partner Portal and Fintech Fast Track. Programs, which provide New Zealand fintechs with access to Visa's technologies, networks, products and services. This enables businesses to scale their solutions for the benefit of consumers, businesses and the economy.

Additionally, Visa is a member of Digital Identity NZ and Fintech NZ and contributes to these groups, especially through our global experience and perspectives. We also have close relationships with Payments New Zealand, Retail New Zealand and the New Zealand Bankers Association, and we regularly consult with them on matters relating to the New Zealand digital payments ecosystem.

Enabling convenience, security, and trust

As a network business built on partnerships, Visa continues to enable new payment flows and expand acceptance, ensuring that every New Zealander can pay, and be paid, in a secure and convenient manner. We work with the broader digital payments ecosystem to ensure security is at the forefront of payments technology innovation, including tokenisation, AI-powered fraud prevention, biometrics and digital identity solutions. In 2025, Visa launched the Visa Security Roadmap: 2025-2028, outlining how ecosystem partners in New Zealand can collectively work towards a more secure ecosystem, including through implementing new measures to counter cybercrime for New Zealand businesses.

Supporting New Zealand businesses

Enabling New Zealand businesses to thrive is at the heart of Visa's mission. As the digital economy advances, Visa is committed to enabling New Zealand businesses to adapt and grow through payments innovation. Visa has supported Visa Wellington on a Plate for more than 15 years, the largest food festival in the Southern Hemisphere sponsored by Visa. The festival plays an important role in attracting visitors to the region and showcasing Wellington's creativity and vibrant hospitality industry on a global stage.

To learn more, visit www.visa.co.nz