COMMERCE COMMISSION NEW ZEALAND
Te Komihana Tauhokohoko

WELLINGTON
Level 9, 44 The Terrace
PO Box 2351, Wellington 6140
New Zealand
Tel: +64 4 924 3600

AUCKLAND
Level 12, 55 Shortland Street
PO Box 105-222, Auckland 1143
New Zealand
Tel: +64 4 924 3600

www.comcom.govt.nz

22 July 2026

[redacted]

Kia ora [redacted]

Official Information Act request 25.262

Thank you for your online enquiry dated 16 June 2026, clarified on 25 June 2026, asking for information about commercial credit card fees under the Official Information Act 1982 (the Act).

We advised you on 15 July 2026 that due to consultations necessary to make a decision on your request, we were unable to meet the statutory 20 day deadline to respond to you. Those consultations are now complete and we provide our response to you below.

You requested the following information:

> *"1. **Evidence relied on for the commercial-card finding**: Please provide any document, analysis, dataset, study, survey, technical note, spreadsheet, working paper, internal memorandum, consultant report, board paper, briefing, aide-memoire, or other material relied on by the Commission in forming its draft views on commercial credit card interchange fees. This includes material relied on for the Commission's findings or statements that:*
>
> *a. interchange fees on commercial card products are significantly higher than the benefits received by businesses accepting those cards;*
> *b. New Zealand businesses currently pay approximately $125 million each year in interchange fees to accept Mastercard and Visa commercial credit cards;*
> *c. the proposed commercial-card caps are expected to reduce merchant service fees by approximately $40 million each year;*
> *d. commercial-card interchange fees are inefficient, excessive, or not justified by issuer costs or merchant benefits;*
> *e. the proposed caps would promote efficiency, competition, or the long-term benefit of merchants and consumers;*
> *f. the proposed caps would affect cardholder rewards, issuer revenue, merchant surcharging, merchant acceptance costs, or the use of alternative payment methods.*

2. ***Ongoing monitoring data and modelling**: The Commission's public material refers to the use of Mastercard and Visa transaction information from the Commission's ongoing monitoring data. Please provide the information, or a non-confidential version of the information, showing:*
    a. *the transaction data relied on;*
    b. *the period covered by that data;*
    c. *the transaction types included and excluded;*
    d. *the treatment of domestic, foreign-issued, card-present, card-not-present, credit, debit, prepaid, personal, and commercial transactions;*
    e. *the inerchange rates applied;*
       the assumptions used to estimate current costs and expected savings;
    f. *the modelling used to estimate the approximately $40 million annual saving;*
    g. *any sensitivity analysis, scenarios, or alternative cap options considered.*

    If the raw data cannot be released, please provide the aggregated data, method, assumptions, and outputs sufficient to allow submitters to understand and test the Commission's reasoning.
3. ***Surveys, feedback, or market research:** Please provide any survey, feedback exercise, market research, interview programme, structured questionnaire, merchant consultation, cardholder consultation, acquirer consultation, issuer consultation, or similar material relied on by the Commission in developing the draft decision. For each relevant survey or feedback process, please provide:*
    a. *the survey instrument or questions;*
    b. *the sample frame;*
    c. *the number of respondents;*
    d. *the categories of respondents;*
    e. *the dates on which responses were collected;*
    f. *the response rate, if known;*
    g. *any weighting or aggregation method;*
    h. *any treatment of outliers;*
    i. *any limitations recorded by the Commission;*
    j. *the anonymised or aggregated outputs;*
    k. *any internal analysis of the results;*
    l. *any document showing how the results were used in the draft decision.*

    This part of the request includes, but is not limited to, any survey or feedback material relied on for the Commission's findings about the benefits businesses receive from commercial cards, the costs merchants face, the ability of merchants to avoid or surcharge those costs, and the likely effect of lower interchange caps.
4. ***Cost studies and comparative studies**: Please provide any cost study, issuer cost study, merchant cost study, international comparison, cross-country study, cross-study, literature review, benchmark analysis, or comparative analysis relied on by the Commission. This includes any material comparing the New Zealand proposal with overseas regulation or evidence, including Australia, the European Union, the United Kingdom, or any other relevant jurisdiction. It also includes any analysis of the Reserve Bank of Australia's work on merchant card*

payment costs, surcharging, issuer costs, or commercial credit card interchange fees.

5. ***Internal documents linking evidence to findings****: Please provide any internal document, table, briefing, issues paper, board paper, recommendation paper, or analysis that links the evidence base to the findings in the draft decision. This includes any document identifying:*
    a. *the problem definition for commercial credit card interchange fees;*
    b. *the options considered;*
    c. *the preferred option;*
    d. *the reasons alternative options were rejected;*
    e. *the basis for the proposed cap level;*
    f. *the expected effects on merchants, issuers, acquirers, card schemes, cardholders, consumers, and alternative payment providers;*
    g. *any risks, limitations, uncertainties, or evidence gaps identified by staff.*
6. ***Confidential information****: I understand some material may contain confidential information. If the Commission considers that any material should be withheld, please provide:*
    a. *a non-confidential version;*
    b. *an aggregated version;*
    c. *a summary of the withheld material; or*
    d. *the method, assumptions, data categories, and conclusions in a form that allows affected parties to understand and test the Commission's reasoning.*

    If the Commission withholds any material, please identify the material withheld and the grounds relied on.
7. ***Timing and urgency:*** *This request is urgent because the draft decision is currently open for consultation, and submissions are due shortly. The information requested is needed to allow affected parties to make an informed submission. Please confirm whether the Commission intends to provide the requested information before submissions close. If the Commission does not expect to provide the information before submissions close, please confirm whether it will:*
    a. *extend the submission deadline;*
    b. *release the information and allow supplementary submissions; or*
    c. *refrain from relying on any undisclosed material in making its final decision.*
8. ***Scope****: For the avoidance of doubt, this request is confined to information held by the Commission that concerns the draft decision on commercial credit card interchange fee regulation for Mastercard and Visa networks. It does not seek every document about retail payment regulation generally. It seeks the evidence, data, modelling, studies, surveys, and analysis relied on for the commercial-card proposal."*

Our Response

There are 61 documents in scope of your request. Eight are released with some information withheld, one is refused and the remainder are withheld in full. Please see the document schedules attached as **Annex 1** and **Annex 2** for full details.

Much of the information within scope of your request has been redacted and/or withheld due to the confidential nature of the information, or to protect the free and frank expression of opinions within the Commission.

The following sections of the Act have been used:

9(2)(ba)(i)	to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority or any enactment, where the making available of the information would be likely to prejudice the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied
9(2)(b)(ii)	to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information
9(2)(g)(i)	to maintain the effective conduct of public affairs through the free and frank expression of opinions by or between or to Ministers of the Crown or members of an organisation or officers and employees of any public service agency or organisation in the course of their duty
9(2)(g)(ii)	to maintain the effective conduct of public affairs through the protection of such Ministers, members of organisations, officers, and employees from improper pressure or harassment
18(d)	the information requested is or will soon be publicly available

With regard to the information that has been withheld under section 9 of the Act, I am satisfied that the reasons for withholding the information at this time are not outweighed by public interest considerations that would make it desirable to make the information available.

Further information

We hope this response has been helpful.

If you have any questions about this response, please do not hesitate to contact us at oia@comcom.govt.nz.

If you are not happy with our response, you have the right to complain to the Ombudsman. Information about how to do this is available at www.ombudsman.parliament.nz.

The Commission will publish this response on our website as part of our proactive release process. Any personal information will be redacted prior to publication.

Ngā mihi nui

Irené Kilford
Senior Advisor | OIA & Information

Annex 1 Document Schedule

Doc #	Title/Description	Decision on Release
Question 1:		
1	Memo to Market Regulation Committee from Commercial Credit Team dated February 2026. Subject: Commercial Credit – Step 3 – Considering Issuer Costs	Released with some information withheld under sections 9(2)(ba)(i), 9(2)(b)(ii) and 9(2)(g)(i)
2	Memo to Market Regulation Committee from Commercial Credit Team dated February 2026. Subject: Domestic Commercial Credit – Step 3 – Merchant Benefits	Released with some information withheld under sections 9(2)(ba)(i), 9(2)(b)(ii) and 9(2)(g)(i)
Question 2:		
	Refer to document 3 from Question 1 above	
Question 3:		
3	Correspondence (submission) from Retail NZ to the Commerce Commission dated 18 March 2025. Publicly available here: Submission	Refused under section 18(d)
4	Memo to Market Regulation Committee from Payments Team dated 19 February 2026. Subject: Update on merchant engagement – Commercial credit cards interchange fees	Released with some information withheld under sections 9(2)(ba)(i) and 9(2)(b)(ii)
	Refer to document 2 from Question 1 above	
5	Memo to Market Regulation Committee from Commercial Credit Team dated February 2026. Subject: Foreign Issued Commercial Credit – Step 3 – Merchant Benefits	Released with some information withheld under sections 9(2)(ba)(i), 9(2)(b)(ii) and 9(2)(g)(i)
Question 4:		
	Refer to document 1 from Question 1 above	
6	Memo to Market Regulation Committee from Payments Team dated 24 March 2026. Subject: Proposed draft position for	Released with some information withheld under

	commercial credit interchange fee regulation	sections 9(2)(ba)(i), 9(2)(b)(ii) and 9(2)(g)(i)
7	Memo to Market Regulation Committee from Commercial Credit Team dated February 2026. Subject: Commercial Credit – Step 1 – Considering Benchmarks	Released with some information withheld under sections 9(2)(ba)(i), 9(2)(b)(ii) and 9(2)(g)(i)
8	Memo to Market Regulation Committee from Commercial Credit Team dated March 2026. Subject – Commercial Credit – Step 2 – Considering the New Zealand Context	Released with some information withheld under sections 9(2)(ba)(i) and 9(2)(b)(ii)
Question 5:		
9	Memo to Market Regulation Committee to Payments Team dated 27 January 2026. Subject Commercial Credit Cards Interchange Fee methodology	Released with some information withheld under sections 9(2)(ba)(i), 9(2)(b)(ii) and 9(2)(g)(i)
	Refer to document 6 from Question 3 above	
	Refer to document 11 from Question 4 above	

Annex 2 Document Schedule for Withheld Documents

The documents listed below are a mixture of emails, excel spreadsheets, file notes and word documents. Although not individually dated, they are all from the period between September 2025 and January 2026. All business names from the document titles are withheld under section 9(2)(ba)(i) of the Act.

Title/Description	Grounds used to withhold
[withheld] meeting 3 Oct 2025 – file note	9(2)(ba)(i) & 9(2)(b)(ii)
[withheld] Commercial Cards Response October 2025	
CONFIDENTIAL – COMMERCIAL CARDS [withheld] Cards Response December 2025 – response to information request	
[withheld] - Response to additional questions on submission (from last year's interchange work)	
[withheld] - Request for Information – Fraud and Credit Loss Trends for Commercial Credit Cards	
Quarterly meeting file note 12 September 2025	
[withheld] response to ComCom questions 26 Sept 2025 (NB password protected) – response to information request	
[withheld] /ComCom: Request for Information – Fraud and Credit Loss Trends for Commercial Credit Cards	
[withheld] email: Request for Information – Fraud and Credit Loss Trends for Commercial Credit Cards	
[withheld] email: Request for Information – Fraud and Credit Loss Trends for Commercial Credit Cards	
[withheld] email: Request for Information – Fraud and Credit Loss Trends for Commercial Credit Cards	
[withheld] initial discussion on commercial credit cards filenote - 08.10.25	
[withheld] Commercial credit responses - 17.11	
[withheld] Request for Information – Fraud and Credit Loss Trends for Commercial Credit Cards	
[withheld] email RE: Following up on Wednesday's commercial credit interchange discussion [CCNZ-IMANAGE.FID327787]	
[withheld] email Re: Request for Information – Fraud and Credit Loss Trends for Commercial Credit Cards	
[withheld] initial discussion on commercial credit cards file note - 26/09/25	
[withheld] Commercial cards: submissions	
[withheld] CONFIDENTIAL email Re: Request for Information – Fraud and Credit Loss Trends for Commercial Credit Cards	
[withheld] email RE: Following up on our interchange fee decisions - commercial cards	
CONFIDENTIAL Filenote – [withheld] Meeting - 15/12/2025 - commercial credit cards	

Title/Description	Grounds used to withhold
Filenote – [withheld] Meeting 15/12/2025 - commercial credit cards	9(2)(ba)(i) & 9(2)(b)(ii)
[withheld] File note - meeting 10 Oct 2025	
[withheld] email: RE: Following up on our interchange fee regulations - commercial credit cards [CCNZ-IMANAGE.FID327046]	
[withheld] email: RE: Following up on our interchange fee regulations - commercial credit cards	
[withheld] discussion on commercial credit cards, trade accounts, other topics file note - 25.09.25	
[withheld] filenote -Dec 2025	
Email re [withheld] documents [CCNZ-IMANAGE.FID469375]	
[withheld] email Re: Commercial Credit Card Payments – following up on our interchange fee regulations & seeking the right contact [CCNZ-IMANAGE.FID464678]	
[withheld] meeting 29 Jan 2026 File note	
[withheld] email FW: Following up on our interchange fee regulations - commercial credit cards	
[RESPONSE] Commercial credit cards - Questions from the Commerce Commission to [withheld] (5715943.1) - ATG.docx	
File note – [withheld] Meeting 08/01/26	
[withheld] email RE: Quick Request – Commercial Credit Card Interchange Fees [CCNZ-IMANAGE.FID442014]	
CONFIDENTIAL - share of spending by merchant segment	
[withheld] Fraud Data	
File note - ComCom / [withheld] - Pricing paper - 26 August	
Email RE: ComCom/ [withheld] discussion re interchange fee consultation paper	
CONFIDENTIAL [withheld] - ComCom Interchange Analysis	
Spreadsheet: [withheld] x critical loss analysis	
[withheld] Email RE: Following up on our interchange fee decisions - commercial cards [CCNZ-IMANAGE.FID326869]	
CONFIDENTIAL [withheld] - Submission on Retail Payment System - Consultation on Costs to businesses and consumers(5250339.1)	
Spreadsheet: Pass-through wt avg unblended share	
Spreadsheet: IN CONFIDENCE Draft Decision Impact Charts	
Spreadsheet: Surcharging analysis	
Spreadsheet: CONFIDENTIAL Reprice estimates compliance data	
Possible cap scenarios for meeting from May 2026	
IN-CONFIDENCE - Considering application of a freeze in our draft decision (Word document)	9(2)(ba)(i), 9(2)(b)(ii) and 9(2)(g)(i)
Analysis – Commercial (Word document)	9(2)(ba)(i), 9(2)(b)(ii) and 9(2)(g)(i)

Title/Description	**Grounds used to withhold**
Email to Commissioners – Update on Commercial Cards Merchant Engagement February 2026	9(2)9g)(ii)

COMMERCE COMMISSION NEW ZEALAND
Te Komihana Tauhokohoko

Document 1

Memorandum

To:	Market Regulation Committee	01.06 N0038
From:	Commercial credit team	
Date:	February 2026	
Classification:	In-Confidence – Commercial	
Subject:	Commercial Credit – Step 3 – Considering Issuer Costs	

Purpose

1. This document outlines the relevant issuer costs we have considered in determining the appropriate premium for commercial credit interchange caps above those of commercial debit payment products (currently capped at **20bps for in person** and **60bps for online** for domestic-issued cards; and **60bps for in person** and **140bps for online** for foreign-issued cards). This will form part of any draft decision. Once we have prepared our drafting for each step we can consider where any premia are appropriate.

Recommendations

2. The preliminary recommendation is to apply a small premium of 9(2)(ba)(i) & 9(2)(b)(ii) [redacted] to commercial credit card interchange due to the minor difference in relevant issuer costs between personal credit and commercial credit.

3. For domestic-issued cards, this premium would apply in addition to the base rate for commercial debit (20bps in-person; 60bps online) and the premium for credit over debit (10bps). s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

4. For foreign-issued cards, the base rate for foreign-issued commercial debit (60bps in-person; 140bps online) and the premium for credit over debit (10bps) sufficiently account for the differences between personal and commercial credit. This would give the same interchange cap as personal credit of **70bps** for in-person commercial credit and **150bps** for online commercial credit, s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

5. s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

Summary of costs considered in this memo

6. This memo is set out in the following sections:

   6.1 What we said in the July Decision

   6.2 Issuer cost considerations for domestic commercial credit cards

   6.3 Issuer cost considerations for foreign-issued commercial credit cards

7. Broadly, the relevant issuer costs that will be considered for commercial cards will be the same as for other card types. This means that the methodology applied to the caps set in the July Decision regarding issuer costs will be generally the same. This will support our decision on commercial cards as our methodology is consistent with previous decisions. Therefore, the categories of relevant issuer costs to be considered are:

   7.1 Fraud losses and prevention costs

   7.2 Decline rates

   7.3 Costs of alternatives

   7.4 Administrative costs

   7.5 Other relevant cost difference to personal cards (potentially negative costs)

   7.6 The RBA cost study is also considered as a sense check

8. While categories of relevant costs are similar to those considered in the July Decision, unique characteristics of commercial cards means that each cost has the potential to be substantially different from those of personal cards. This process was followed for commercial cards in our July Decision, however, with less information available, strong submitter opposition, and little time to research the commercial card market in NZ and globally, the risk of setting a non-optimal rate was higher than for other transaction types. Due to having had more time for analysis and having received further information since our July Decision, we are now in a position to use the methodology to set caps for commercial cards.

9. Some issuer costs that are considered to be less relevant are also discussed. These costs include certain cardholder benefits such as extended interest free periods and cardholder reward schemes. While these card features are funded by issuers, we do not consider it reasonable that merchants indirectly pay for such cardholder benefits through interchange. Credit losses borne by the issuer are also given less weighting in consideration as a cost relevant to the appropriate level of interchange.

10. s 9(2)(g)(i) [redacted]

s 9(2)(g)(i) [redacted]

11. Considerations given to foreign-issued commercial credit cards is discussed in this memo. This compares the differences between domestic-issued commercial credit cards and those that are foreign-issued. The potential differences between foreign-issued commercial cards and the equivalent foreign-issued personal cards are also considered to determine whether a deviation from the caps set for personal foreign-issued cards is appropriate.

What we said in the July Decision

Considering relevant costs

12. *A couple of submitters emphasised the value of issuer input to understand costs and potential under-compensation from lower interchange revenue. Several submitters also said we should undertake a cost study before further regulating interchange fees.*

13. *We recognise the relevance of some issuer costs - it is generally accepted that workably competitive markets have a tendency towards certain outcomes, including the existence of prices that reflect normal rates of return after covering the firm's efficient costs. The consideration of these costs is therefore a factor we have weighed up in our analysis.*

14. *However, the relevance of this consideration should not be overstated in the particular context. Some issuer costs cannot be precisely tied to specific transaction types and, therefore, setting interchange involves significant judgement, as costs do not directly determine pricing. We also note that economic literature on multi-sided markets does not generally support a wholly cost-based approach We have nevertheless considered information provided by submitters on issuer costs when setting interchange fee levels where we consider this is consistent with the statutory purpose. While some issuer costs are relevant and have been taken into account, some issuer costs do not necessarily reflect merchant and consumer benefits.*

15. *In light of the limitations of a cost-based approach noted above, a cost study would still require us to apply a high degree of judgement in setting rates which promote the statutory purpose. Given the significance of the efficiency concerns affecting merchants and consumers and our statutory directive to promote their long-term interests, we determined that the time and resource required to undertake a full cost study was not justified given the limited benefit it would provide.*

16. *We have, however, taken into account costs in our assessment where we consider these are relevant and have considered quantitative data where it has been provided by submitters. Considerations that have determined the relevance of issuer costs include:*

16.1 *If issuers cannot recover their costs, this also reduces the ability of fintechs and small issuers to enter and compete against other card issuers on the Mastercard and Visa platforms. While interchange fee revenue is not the only way issuers can recover relevant costs, it is an important part of an issuer's revenue and their ability to recover costs, particularly for new or smaller issuers and potential market entrants. Therefore, we have taken into account circumstances where costs may not be recoverable, or may be difficult to recover, by issuers through other revenue sources.*

16.2 *We have considered relevant card issuer costs where there is clear merchant benefit for accepting a card payment over other alternative means of accepting payment, such as contactless enabled payments over Eftpos. This involves balancing issuer costs with merchants' costs of card acceptance.*

16.3 *Some issuer costs, such as those associated with fraud prevention, include investments in systems that benefit issuers, merchants and consumers. We have therefore considered the role interchange plays in incentivising these investments and providing issuers with the incentive to continue to invest in these systems. We have also considered the incentives interchange provides for issuers to innovate and develop their payment products.*

17. *We, however, recognise that due to the multi-sided nature of the scheme networks, costs are only one factor in determining an efficient level for interchange fees.*

Four main categories of relevant costs

18. *We considered four main categories of costs: fraud prevalence and costs, decline rates, costs of international transfers, and other relevant costs.*

Fraud prevalence and costs

19. *Submissions noted the higher prevalence of fraud for particular transaction types compared to others. For example, online transactions have a substantially higher rate of fraud compared to in-person transactions. Because fraud protection benefits merchants and consumers, we consider the associated costs are relevant when deciding on appropriate caps. These associated costs include investment by issuers in fraud prevention measures, services provided to deal with fraudulent activity, and fraud losses borne by the issuer. As we explain below, we have taken into account the higher fraud costs associated with online, credit and foreign-issued card transactions in setting caps.*

Decline rates

20. *Submitters identified the risk of increased decline rates for foreign-issued cards with lower interchange. Decline rates constitute a cost to merchants and cardholders through lost transactions. Lost transactions also mean lost interchange revenue for issuers. While we acknowledge the higher costs associated with foreign-issued transactions, we do not consider our new rates will have a material impact on decline rates. This is because we have seen little evidence of such increases in decline rates*

overseas, and no New Zealand issuers have suggested their decline rates vary between jurisdictions based on different interchange fee caps.

21. *As discussed in Chapter 3, we have also taken a conservative approach to setting rates for foreign-issued cards, setting them at the higher end of a reasonable range, and higher, in aggregate, than our comparator jurisdictions. This measured approach gives us further confidence that no material impact on decline rates will occur due to the new interchange fee caps, while enabling us to monitor for any impacts of reduced interchange.*

Costs of international transfers

22. *It currently costs more in New Zealand to receive bank transfers between countries than it does for euro-denominated transactions in the Single Euro Payment Area (SEPA). This has been accounted for in our decision to apply a greater premium on online transactions over in-person transactions for foreign-issued cards than domestic cards. We also have applied a premium to in-person transactions for foreign-issued cards over domestically-issued cards. These premiums, in general, bring the caps for foreign-issued cards materially above the equivalent caps in the EU. We consider this to be necessary as the alternative of bank transfers is currently more expensive for New Zealand than it is for the SEPA.*

Other relevant costs

23. *We also considered other general costs that are necessary for the provision of different payment products and the operation of the payment network. For example, the additional issuer costs associated with issuing a credit card compared to a debit card.*

24. *We have taken these differences in relative costs into account when determining the caps for different types of cards and transactions, as described in the Chapter 3.*

Commercial credit

25. *Based on the information that we currently have, we consider interchange fees on commercial credit cards to be excessive. However, we do not yet have sufficient information to determine an appropriate cap and would need to seek information to undertake this analysis. This is because these card types are not consistently regulated in other jurisdictions and information that we currently hold about relevant costs and benefits is insufficient. We will consider consulting further on interchange fee caps for commercial credit transactions, unless we see these fees come down significantly.*

26. *Submissions suggested that commercial credit cards provide an important line of credit and working capital that supports growth in New Zealand, particularly by small to medium enterprises. Commercial credit cards also provide data management and reporting. Submitters argued that these cards should be funded via interchange as there is no, or relatively low, interest charged on these cards and balances are generally designed to be paid in full each month.*

27. *Some submitters stated that capping commercial credit cards would be inconsistent with international benchmarks. Commercial credit cards are not regulated in many markets and where they are, international benchmarks are generally higher than the levels proposed in the draft decision. Businesses may also migrate to more expensive alternatives, like American Express. Cross-submissions suggested a reduction in interchange could increase costs to businesses through tighter credit conditions, higher fees and fewer value-added features.*

28. *In our view, many of these submissions illustrate that merchants are paying a material premium for benefits they are unlikely to be willing to pay for separately. For example, merchants may be willing to contribute via interchange to support availability of commercial credit, effectively replacing the need for merchant-provided credit. However, merchants have little incentive to do so when it comes to financial reporting and data management services which are provided at no cost to the commercial credit cardholder's business and offer no direct benefit to the merchant. A Retail New Zealand poll also indicated that lower interchange was more important than rewards and other benefits to most of its members.*

Issuer cost considerations for domestic commercial credit cards

Fraud losses and prevention costs

29. We have considered the losses borne by issuers due to fraudulent activity. In the July Decision, we had anecdotal and qualitative information provided to us through submissions that suggested the fraud rate and fraud losses were higher for commercial cards than personal cards. However, we were not provided with data, or any tangible values indicating the degree of the difference which could inform the influence such a factor should have on a premium applied to an interchange fee cap.

30. Since the publication of our July Decision, we have received quantitative information regarding fraud rates and issuer fraud losses through engagement with stakeholders.

s 9(2)(ba)(i), s 9(2)(b)(ii)

[redacted]

s 9(2)(ba)(i), s 9(2)(b)(ii)

[redacted]

33. Selected issuers were also contacted with specific questions regarding their fraud and credit losses. Their responses are summarised below:

	Average net fraud losses (bps)		Average net credit losses (bps)	
	Personal	Commercial	Personal	Commercial
s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]				

34. Focusing on the fraud losses provided by issuers (credit losses are considered to be a less relevant cost to the level of interchange, as discussed later in this memo), the difference between personal and commercial is not consistent. s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

35. While only preliminary, analysis of the fraud costs borne by issuers due to actual fraud losses suggests only a small uplift to the interchange premium for commercial cards over personal cards is appropriate for this difference effect.

36. Regarding fraud prevention costs, we previously have considered the fraud prevalence for each transaction type as a proxy to determine reasonable allowances for the cost of preventing fraud. This includes investment in anti-fraud technology and different processes for approving payments and detecting fraudulent activity. Calculated s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted], the rate of fraud for commercial and personal card transactions is shown below:

	Fraud Events per card	Fraud Events per transaction
Commercial (Total)	s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]	
Consumer		

37. While only preliminary, analysis of the fraud prevalence for commercial card transactions suggests only a small uplift to the interchange premium for commercial cards over personal cards is appropriate. While fraud events per card is slightly lower for commercial credit cards than personal credit cards, according to s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted], fraud event per transaction is the more appropriate measure of fraud prevalence. Therefore, fraud prevalence is higher for commercial credit cards than personal credit cards s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted] putting some upward pressure on the appropriate premium for commercial credit interchange compared to personal credit.

Decline rates

38. Decline rates are an issuer cost that is related to the fraud measures implemented by an issuer. A declined transaction imposes a cost on issuers through the interchange revenue foregone by the declination that otherwise would have been received. A transaction may be declined by an issuer due to fraud prevention measures, triggered by activity flagged as potentially fraudulent. Regarding decline rates as a fraud prevention measure by issuers, we consider our analysis of different fraud prevalence for commercial cards compared to personal cards (above) to account for such variation in fraud risk. Therefore, if issuers are already compensated for higher fraud prevalence through an uplift to the interchange premium for commercial credit, there should be minimal reason for issuers to adjust the threshold for declining transactions on a fraud prevention basis.

39. Another concern regarding decline rates is the possible decision of foreign-based issuers to not enable transactions in New Zealand due to lower interchange revenue than other jurisdictions. If interchange was lowered enough, it may render payment acceptance coverage of New Zealand as not profitable. This is a risk that lowering interchange for foreign-issued cards may invite, especially if interchange is lowered below cost. However, we consider our base rate for foreign-issued commercial debit to be sufficiently high to account for such risk. This is discussed later in this memo in the foreign-issued section.

40. Decline rates as a potential cost to merchants (or a negative benefit) is discussed in the merchant benefits memo.

Costs of alternatives

41. American Express remains the closest alternative to the designated network commercial cards. Merchant trade accounts, or the provision of credit by merchants directly to customers, are also an alternative to commercial credit payment products.

42. In the July Decision, we said: “we have considered relevant card issuer costs where there is clear merchant benefit for accepting a card payment over other alternative means of accepting payment, such as contactless enabled payments over Eftpos. This involves balancing issuer costs with merchants’ costs of card acceptance.”

43. While the relative merchant benefits of accepting commercial cards, operating within a designated network, are discussed in the merchant benefits memo, the cost of alternative payment methods provides further rationale for our consideration of certain issuer costs. In the absence of a lower cost of option for merchants, it is important for any interchange cap to be set at a level that does not make such a payment product unviable and, therefore, does not raise payment acceptance costs for merchants.

44. Although American Express s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted], the small market share means it is not currently a viable alternative for all merchants. Merchant trade accounts, due to the in-house management of credit accounts and the risk of losses being borne by the merchants, incur higher costs for merchants and is therefore a less viable alternative for merchants.

Administrative costs

45. s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

46. [redacted]

47. [redacted]

s 9(2)(ba)(i), s 9(2)(b)(ii)

[redacted]

Other relevant cost differences to personal cards and commercial debit cards

48. A potential negative cost (relative issuer benefit) is higher card fees for commercial payment products compared to personal payment products. Commercial customers may be less price elastic than individual personal customers in response to annual fees. This is because commercial customers/businesses may have a greater ability to pay than individuals for a payment product and access to short term credit. Issuer arguments that commercial cards, due to their higher level of complexity, provide greater cardholder benefit relative to personal cards also supports the logic that commercial customers' willingness to pay may be higher.

49. Issuers are also able to raise card fees for commercial credit cards more easily than for personal credit cards due to their exemption from the CCCFA. The Credit Contracts and Consumer Finance Act 2003 (CCCFA) limits issuers' ability to recoup lost interchange fee revenue through credit fees charged to personal cardholders. Changes to personal credit card fees in response to interchange fee reductions must comply with Section 41 of the CCCFA, which stipulates that personal credit card fees must not be unreasonable. Because of this exemption, issuers have greater ability to adjust card fees in response to changes in interchange revenue for a commercial credit product than a personal credit product, if necessary to fund costs.

50. Although this may allow issuers to reduce or eliminate any impact of reduced interchange for their commercial credit products, this would improve efficiency by reducing the cross subsidisation that occurs to fund cardholder benefits. Therefore, shifting the cost burden of cardholder benefits from merchants towards cardholders.

51. s 9(2)(ba)(i), s 9(2)(b)(ii)

[redacted]

RBA cost study

52. Another consideration is the cost study conducted by the Reserve Bank of Australia (RBA) in their consultation paper published in July 2025. In their paper, the RBA

---

s 9(2)(ba)(i), s 9(2)(ba)(ii)

[redacted]

stated that "There is no clear evidence, including from the Issuer Cost Study, that issuers incur higher costs on commercial cards than on consumer cards on a percentage basis." The costs considered by the RBA, and the comparison of these costs between consumer (personal) and commercial credit is shown in Table 4 below:[3]

Table 4: Estimated Eligible Issuer Costs related to Card Issuing and Processing on Domestic Credit Cards

	Consumer credit[(a)]	Commercial credit
	%[(b)]	%[(b)]
Eligible costs		
- Authorisation and transaction processing	0.02	0.01
- Fees and other costs associated with mobile wallet providers	0.02	0.01
- Fraud	0.03	0.01
- Cost of funding interest-free periods	0.12	0.10
- Net scheme fees	0.06	0.06
Total eligible costs		
- Excluding cost of funding interest-free period	0.13	0.09
- Including cost of funding interest-free period	0.25	0.19

(a) Only includes costs for those institutions that also issue domestic commercial credit cards.
(b) Per cent of transaction value.
Source: RBA.

53. Although there may be differences between the New Zealand and Australian payments markets that result in the cost difference between commercial and personal to vary between the two markets, the RBA cost study provides a useful sense check and comparison. While we have considered the issuer cost information available to us for the New Zealand payments market, we would expect there to be some similarities between the dynamics of commercial and personal cards in New Zealand and Australia. Therefore, the finding that issuer costs are similar for commercial and personal credit products in Australia provides useful information with which to frame the outcome of our own analysis of issuer costs.

Issuer costs considered to be less relevant to the level of interchange

54. As discussed in our July Decision paper, certain issuer costs, including some raised in submissions, are not considered to be as relevant to the level of interchange. Benefits that are exclusively or disproportionately enjoyed by cardholders over merchants do not need to be fully funded indirectly by merchants via interchange and should instead be funded by other sources of revenue for issuers, such as cardholder-facing fees. Alternatively, some costs may be reduced or eliminated if excessive or unnecessary.

55. s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

[3] Reserve Bank of Australia, Review of Merchant Card Payment Costs and Surcharging – Consultation Paper, 15 July 2025. Found at https://www.rba.gov.au/payments-and-infrastructure/review-of-retail-payments-regulation/2025-07/

s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

56. Additionally, regardless of the length of interest-free periods, it is not clear that merchants should fund this cardholder benefit through interchange fees. Although there is likely some benefit enjoyed by merchants created by interest-free periods, through induced consumer demand, a large majority of the total benefit from this offering is likely enjoyed by cardholders. s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

57. s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted] the cost of providing reward scheme points for cardholders. This is a benefit enjoyed by cardholders and is used to encourage uptake of different credit card products by issuers. However, this cost could be reduced by issuers through reducing the generosity of any rewards scheme or removing it from cards. Alternatively, any rewards scheme that aims to attract cardholders could be funded from other sources of revenue that reduce the cross subsidisation from merchants to cardholders. s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

58. s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted] In addition to the reasons above, submitters on our draft decision did not raise credit losses as an important cost difference that should be considered when setting interchange caps.

---

s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

Issuer cost considerations for foreign-issued commercial credit cards

What we said in the July Decision

59. In our July Decision, for personal cards, we set in-person foreign-issued card transactions at 0.60% for debit (including prepaid) and 0.70% for credit; and online foreign-issued card transactions at 1.40% for debit (including prepaid) and 1.50% for credit.

60. *Our final decision remains to regulate interchange for foreign-issued card transactions, but we have revised our proposed caps based on submissions. Consistent with our approach to domestic card caps, we have added differentiated caps for debit and credit cards and excluded commercial credit cards. Foreign-issued prepaid cards are capped at the same level as foreign-issued debit cards.*

61. *Our final decision on foreign-issued in-person transactions applies a premium of 0.40% over domestic in-person transactions, and a premium of 0.80% over domestic online transactions. These caps are, in general, higher than the regulated levels in our comparators. Accordingly, we consider these caps are well-placed to support foreign-issued card spending in New Zealand. We have no conclusive evidence that these caps will lead to higher decline rates of foreign-issued card transactions. We consider these caps are moving towards more efficient levels that better reflect relevant issuer costs and merchant benefits of processing and accepting foreign-issued card transactions in the New Zealand context.*

62. *Some submitters supported an interchange fee cap for foreign-issued cards, while others were against regulating foreign-issued cards. Some preferred a more simplified structure that aligns domestic and foreign-issued card caps. Some submitters disagreed with the proposed caps. Several submitters argued that caps for foreign-issued card transactions could increase decline rates and therefore impact New Zealand businesses, particularly those in tourism and international trade. A cross-submission from Tourism Industry Aotearoa urged us to mitigate the negative impact of regulation on these key industries.*

63. *For example, Mastercard estimated that NZ$600 million in sales could be lost due to international issuers declining transactions. This was based on the 27% increase in decline rates on interregional transactions following the European Commission's introduction of interchange fee caps on cross-border transactions in 2019. Mastercard stated that increases in decline rates reflected changes in issuer behaviour in response to interchange fee regulation.*

64. *Our final decision reflects greater compensation for higher fraud risk in foreign-issued card transactions, particularly online transactions, where the risk is highest compared to domestic transactions, as raised by multiple submitters.*

65. *These higher caps also reflect the greater relative merchant benefits of accepting Mastercard and Visa cards for cross-border transactions. Alternatives such as Eftpos for in-person transactions and account-to-account solutions for online transactions are not viable options for merchants. We consider merchants' greater convenience*

benefits of accepting Mastercard and Visa for foreign-issued card transactions warrant higher caps compared to domestic caps.

66. *Foreign-issued commercial credit card transactions remain uncapped, consistent with our approach to domestic commercial credit cards.*

Issuer cost considerations for foreign-issued commercial credit cards

67. We consider the issuer costs, specific to foreign-issued cards, considered for personal credit cards to be appropriate for commercial credit cards. Sufficient consideration has been given to all aspects of foreign-issued cards and there is little evidence to suggest that the conservative (high) caps decided upon for foreign-issued personal cards would inhibit foreign-issued commercial cards in New Zealand.

68. The small differences in issuer costs identified for commercial cards compared to personal cards can, therefore, be reasonably considered to be accounted for in the existing foreign-issued personal interchange caps. These existing caps also include foreign-issued commercial debit.

69. All foreign-issued cards are associated with higher costs and more limited viable alternatives, effects that both put upward pressure on the appropriate level of interchange, compared to domestic-issued cards. Because our foreign-issued caps for personal and commercial debit cards already account for these characteristics, attempting to start from a different interchange level would be unnecessary and may result in double counting of allowances for costs in an interchange premium.

70. While the issuer cost differences between commercial and personal credit, identified for cards issued domestically, are likely consistent for foreign-issued cards, this is negated by how we consider costs for foreign-issuers. We want to ensure foreign issuers receive sufficient interchange so to not limit transaction acceptance and service coverage of New Zealand. However, with New Zealand transactions making up a small portion of foreign issuers' total transactions, there is less risk of adverse impacts to the payments market if interchange is set a level too restrictive. We are also less concerned with supporting issuance and providing incentives for small issuers and new entrants in other jurisdictions.

71. This justifies the application of the same, small premium to foreign-issued commercial credit interchange fees as is suggested for domestic commercial credit above the equivalent personal credit cards as well as commercial debit cards.

Document 2

Domestic commercial credit card interchange fee – Domestic Benefits Memo

To:	Market Regulation Committee
From:	Commercial credit team
Date:	February 2026
Classification:	In-confidence – Commercial
Subject:	Domestic Commercial Credit – Step 3 - Merchant Benefits

Purpose

1. This document outlines our initial assessment of which potential merchant benefits we consider relevant when determining appropriate premia for domestic commercial credit.

Recommendations

2. It is recommended that the Market Regulation Committee, **provide feedback** on our assessment of the potential merchant benefits and subsequent premia to be applied for Step 3 of the interchange fee cap.

3. Our initial views on which merchant benefits are outlined in the table below. Where relevant, we have considered how the potential merchant benefit applies to both large merchants and smaller merchants.

COMMERCE COMMISSION NEW ZEALAND
Te Komihana Tauhokohoko

Table 1 Summary of our views – merchant benefit premia

Potential merchant benefit	Small Merchant	Large merchant	Premium above commercial debit	Premium above personal credit
Network externality benefits	No difference		No	No
Transaction processing efficiency and speed	No difference		No	No
Guaranteed payment and settlement certainty	No difference		Yes	No
Fraud protection and security	No difference		Yes	No
Access to online commerce	No difference		Yes	No
Facilitation of higher-value transactions	No difference		Yes	No
Outsourced provision of credit – cost of alternatives to the merchant	Trade accounts as alternatives may be a valid option	As high number of transactions, administration costs of alternatives increase	Yes	Yes
Outsourced provision of credit to commercial cardholders and relationship to inducing additional demand	Credit provision to small business commercial credit cardholders may induce demand but likely similar to personal credit cardholders due to similar collateral used to cover defaults for small business commercial credit and personal credit	Credit provision to large business commercial cardholders unlikely to induce merchant demand beyond expenditure limits of card	Yes	No

Background

4. In the recent interchange decision and reasons paper (July 2025), we considered commercial credit interchange fees are high and not well constrained by competition but that we had insufficient evidence to determine what an appropriate and reasonable cap should be. We signalled that we would:

    4.1 continue to monitor domestic commercial credit fees and market outcomes,

    4.2 consider future regulation if fees did not reduce materially or continue to appear unreasonable.[1]

[1] Page 65 https://www.comcom.govt.nz/assets/pdf_file/0032/367457/Retail-Payment-System-Interchange-fee-regulation-for-Mastercard-and-Visa-networks-Final-Decision-and-Reasons-Paper-17-July-2025.pdf

5. In accordance with a draft decision on commercial cards interchange fees, any potential merchant benefits and the subsequent premia on commercial credit interchange caps are subject to stakeholder consultation and feedback.

Methodology

6. Our starting point is to begin with the caps applied to commercial debit at 20BP and personal credit card at 30BP and, with card not present subject to an additional 40BP. This is to ensure that any premia relevant to domestic commercial credit are incremental to the premia already applied to existing caps and strike the appropriate balance for where the funding for potential merchant benefits should come from.

7. We have considered two key types of potential merchant benefits:

   7.1 those that accrue to merchants directly from accepting domestic commercial credit cards; and

   7.2 value-added services that commercial credit cardholders receive which indirectly benefit merchants.

Value-added commercial card holder benefits

8. In line with our previous decision and reasons, value-added services that are exclusively, or disproportionately, enjoyed by commercial credit with no indirect benefit to merchants, are not considered as part of our Step 3 methodology. Instead, such commercial card holder benefits can be funded from other fees eg card holder fees rather than via interchange.[2] For completeness, exclusive commercial card holder benefits are outlined in **Annex A.**

Use of submissions

9. As we did not apply a cap on domestic commercial credit cards as part of the July 2025 decision, our responses to submissions on domestic commercial credit were limited. As part of this analysis, we have used the submissions, as well engagement material collected since the July 2025 decision (see below).

Engagement

10. Since September 2025, as part of the commercial credit cards interchange fee work, we have conducted engagement with range of stakeholders, including issuers, schemes, overseas payment regulators, merchants and their associations.

11. We have focused our merchant engagement on sectors where the acceptance of commercial cards is prevalent, such as s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

[2] Page 64 https://www.comcom.govt.nz/assets/pdf_file/0032/367457/Retail-Payment-System-Interchange-fee-regulation-for-Mastercard-and-Visa-networks-Final-Decision-and-Reasons-Paper-17-July-2025.pdf

s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]. This has been informed by information submitted as part of the December 2024, draft decision consultation.[3]

12. This memo includes information gained from this engagement. We note however, that the number of merchants and/or merchant associations who participated during this process is small and there may be limitations to applying these insights across all merchants. To address this gap, we propose to conduct additional targeted merchant engagement, as part of consultation activity, once a draft decision is published.

Relevant merchant benefits

13. We have identified and assessed the following merchant benefits, as identified by stakeholders either through submissions and/or engagement:

    13.1 Network externality benefits

    13.2 Transaction processing efficiency and speed

    13.3 Guaranteed payment and settlement certainty

    13.4 Fraud protection and security

    13.5 Access to online commerce

    13.6 Facilitation of higher-value transactions

    13.7 Outsourced provision of credit: cost of alternatives and inducing additional demand

Network externality benefits

14. We acknowledge that there are network externalities of the schemes, such as universal acceptance, which accrue as benefits to the cardholder (eg ease of use) and the merchant (credible form of payment). We also agree that interchange fees could be used to fund the cost of operating card payment system for issuers, given the two-sided nature of the market.

15. However, as network externalities benefit both merchants and consumers, we consider that these costs should be appropriately apportioned and not fully funded through interchange. Furthermore, we question whether merchants are paying more than the value they receive from network externalities due to the must take nature of cards.[4]

[3] s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

[4] As noted by s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted] during engagement

16. We therefore do not consider that an interchange premium is justified for network benefits beyond that which already applies to domestic commercial debit and domestic personal credit.

Transaction processing efficiency and speed

17. In the July decision paper, we recognised that a merchant would benefit from accepting commercial debit and personal credit cards due to operational efficiencies such as faster checkout, cash handling and account reconciliation.

18. s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

Insights from recent engagement activity

19. Three merchants we spoke to stated that a key benefit of accepting domestic commercial cards was efficiency and speed of processing the transaction.[7] However, this benefit was relative to merchants issuing invoices and then reconciling those invoices through direct bank transfer.

20. Our previous decision recognised that commercial debit cards and personal credit cards demonstrate transaction processing efficiency and speed. In our engagement, we have not seen any evidence that domestic commercial credit cards exhibit greater transaction processing efficiency and speed for accepting merchants than commercial debit cards and personal credit cards.

21. While there may be efficiency benefits to companies from their employees using commercial credit cards, these cardholder benefits do not accrue to the accepting merchant (see Annex A for further detail on cardholder benefits). Furthermore, we consider that due to amount and expenditure type limits imposed by the employer, expenditure from commercial cards by commercial cardholders will be compliant with company budget policies regardless of the efficiency and speed of processing transactions.

---

[5] Page 7 Mastercard White Paper April 2025 based on research conducted by The Harris Poll and Mastercard in October 2024 among 1,042 senior financial decision-makers at large B2B companies across Brazil, Canada, France, Germany, Japan, Malaysia, Saudi Arabia, Spain, U.K., and U.S: (5727492.1) The_state_of_commercial_card_acceptance_2025.pdf

[6] s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

[7] [redacted]

22. We therefore do not consider that an interchange premium is justified for transaction processing efficiency and speed above that which already applies to commercial debit and personal credit cards.

Guaranteed payment and settlement certainty

23. In the July decision paper, we recognised that a merchant would benefit from accepting credit over a debit card because it provides the merchant with guaranteed settlement, regardless of if the cardholder defaults.[8] Mastercard submitted that one in three businesses report that about a third of payments are received late.[9]

Insights from recent engagement activity

24. From our engagement, we understand that merchants benefit from guaranteed payments and settlement certainty at the time the transaction is conducted as well as future payments through pre-authorisation holds[10] and re-occurring payments.[11] This shifts the risk of consumers defaulting payment from merchants to issuers. We also note that there is an additional benefit from credit cards that accrues to the cardholder and the merchant in the form of payment resolution services such as reverse charge back.

25. Guaranteed settlement, including pre-authorisation holds, reoccurring payments and reverse charge back apply to both personal and commercial credit cards. Therefore, there is no additional benefit from this functionality specific to commercial credit cards.

26. We therefore do not consider that domestic commercial cards warrant a premium above that which is applied to personal credit cards to account for guaranteed payment and settlement certainty.

Fraud protection and security

27. In our previous decision, we recognised that credit products have higher fraud risk than debit products and so stronger fraud protections and chargebacks increase consumer confidence and support merchant acceptance. Stakeholders previously submitted that commercial credit cards have a different risk profile to personal credit cards. Alongside the fraud risks that exist for consumer credit cards, submissions

[8] Page 47 https://www.comcom.govt.nz/assets/pdf_file/0032/367457/Retail-Payment-System-Interchange-fee-regulation-for-Mastercard-and-Visa-networks-Final-Decision-and-Reasons-Paper-17-July-2025.pdf

[9] Page 5 Mastercard White Paper April 2025 based on research conducted by The Harris Poll and Mastercard in October 2024 among 1,042 senior financial decision-makers at large B2B companies across Brazil, Canada, France, Germany, Japan, Malaysia, Saudi Arabia, Spain, U.K., and U.S: (5727492.1) The_state_of_commercial_card_acceptance_2025.pdf

[10] s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

[11] [redacted]

noted that commercial credit cards carry exposure to different kinds of fraud, for example dishonesty offences and expense management issues.[12]

Insights from recent engagement activity

28. As part of our stakeholder engagement, fraud risks were mentioned but in the context of foreign issued commercial cards and the disbenefit of when chargebacks are incorrectly applied to the card (see foreign memo for further detail).

29. In the case of domestic commercial credit, we consider that fraud risks such as dishonestly and expense management issues relate more to the cardholder, rather than merchants (see Annex A). We therefore consider that services to reduce the risk of fraud are more efficiently funded through cardholder fees rather than through the interchange fee.

30. We therefore do not consider that an interchange premium is justified for fraud protection and security above that which is already applicable to personal credit.

Access to online commerce

31. We recognise that through online commerce merchants have access to additional customers as well as an easier transaction journey for the customer – both with have the potential to stimulate and boost demand.[13]

32. There are debit alternatives through open banking available to merchants and consumer, and over time we expect these to become more prevalent as open banking progresses. However, at present we recognise that on-line credit – both personal and commercial credit - provide broader digital acceptance benefits to merchants.

Insights from recent engagement

33. s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

34. [redacted]

[12] ANZ submission page 5; ANZ para 29 "Additionally, no premium is attached to Commercial Cards despite the higher fraud risks associated with those cards as well." Wex submission p2.
[13] Page 56-57 https://www.comcom.govt.nz/assets/pdf_file/0032/367457/Retail-Payment-System-Interchange-fee-regulation-for-Mastercard-and-Visa-networks-Final-Decision-and-Reasons-Paper-17-July-2025.pdf
[14] s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

s 9(2)(ba)(i), s 9(2)(b)(ii)

35. [redacted]

36. [redacted]

37. Therefore, we do not consider an additional premium is warranted for domestic commercial credit for on-line commerce above that which is already applied to personal credit.

Facilitation of higher-value transactions

para 38 content withheld under sections 9(2)(ba)(i) & 9(2)(b)(ii)

38. We have also considered the argument that credit products are more valuable to merchants due to their larger average transaction size compared to debit cards. Average transaction size data from [redacted] states that personal credit is [redacted] and commercial credit is [redacted].[16]

39. We have previously stated that while credit cards are associated with higher transaction values, this is addressed through ad-valorem pricing. This leads to interchange fees proportionate to the transaction size and the difference in average transaction size does not provide a strong argument for a higher level for credit compared to debit.

40. We therefore do not consider that an interchange premium is justified for higher value transactions resulting from the use of credit cards.

Outsourced provision of credit: cost of alternatives and inducing additional demand

41. Credit provision is an example of a benefit to commercial cardholders that is indirectly enjoyed by merchants. There are two key ways merchants benefit indirectly from cardholders afforded credit, which are outlined in detail below. These are:

 41.1 by accepting credit cards, merchants do not need to provide credit terms to customers

s 9(2)(ba)(i), s 9(2)(b)(ii)

[redacted]

41.2 where consumers do not have access to immediate funds, payment via credit card creates additional revenues for merchants - as long as the transaction is not bringing forward future transactions.

Outsourced provision of credit – cost of alternatives to the merchant

Alternatives to accepting commercial credit and their costs

42. We recognise that the alternative to accepting domestic commercial credit cards would be for trade accounts to be established between merchants and their commercial customers, alongside debt collection activity in the event of payment defaults.[17] This is a key difference from commercial debit cards and a benefit to the merchant.[18]

Insights from recent engagement activity

43. s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted] However, in other cases trade accounts are limited,[20] and commercial credit cards are preferred, due to the repeat nature of transactions.[21]

44. It may be that for certain, likely smaller, merchants, that have good established relationships, trade accounts are preferred. In contrast, for larger merchants due to the number of transactions and customers, the administrative costs associated with establishing and operating trade accounts increases.[22] We have also noted instances of when trade accounts exist alongside customers using commercial credit cards eg instances of where the customer pays by bank deposit and in other instances the same customer will use a commercial credit card , in order to collect rewards and loyalty points.[23]

45. In the situation where a merchant accepts domestic personal credit and domestic commercial credit, we need to assess whether the merchant derives additional benefit from accepting domestic commercial credit. Given the volume of repeat customers and transactions that may occur through commercial, the merchant

---

17 s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

18 Page 47 https://www.comcom.govt.nz/assets/pdf_file/0032/367457/Retail-Payment-System-Interchange-fee-regulation-for-Mastercard-and-Visa-networks-Final-Decision-and-Reasons-Paper-17-July-2025.pdf

19 s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

20

21

22 We note the relevance of the Mastercard submission at pg 26 submission stated that while alternatives to commercial credit cards may have lower direct costs to the merchant, there may be higher administrative costs and challenges with payment delays and defaults. We covered these risks of customer defaults in the guaranteed payment section (see above).

23 s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

benefits of not having to establish and operate trade accounts may justify a premium above that which is already applied to personal domestic credit.[24]

46. s 9(2)(g)(i) [redacted]

Outsource provision of credit - Commercial credit cardholder balances and relationship to inducing additional demand

47. We have heard from submitters that typically commercial cards do not typically have revolving balances that enable issuers of consumer cards to earn revenue from interest.[25] s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

48. We note that several submitters pointed to two key distinct commercial credit card offerings, tailored to:

    48.1 medium to large commercial credit cardholders designed to have multiple card holders, card usage restrictions and likely to be paid in full and on time

    48.2 small business credit card holders who more likely to exhibit revolving balances.

49. Where balances are paid in full, this suggests that additional spending beyond the expenditure constraints of the domestic commercial credit card are limited. In cases where domestic commercial credit cards are used to manage employee expenses, there may be incentives on the cardholder (employee) to maximise expenditure. This expenditure is nevertheless constrained by limits (both amounts and types of expenditure) imposed by the employer, and therefore any additional demand to the merchant accepting is constrained. We therefore do not consider that medium to large commercial credit card holders induce any significant additional demand to merchants.

50. However, in situations where cardholders exhibit revolving credit balances, these may indicate instances where additional spend has occurred to the benefit of the merchant.

---

[24] s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

[25] ANZ sub pg 17-18

s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

Impact of credit withdrawal on small business commercial credit cardholders

51. Some stakeholders argue that including commercial cards in the pricing standard would disproportionately affect small business card holders by reducing issuers' ability to offer them credit. The subsequent impact would be that merchants transacting with these small business card holders would lose out on additional spending.

52. For very small firms (eg 1–5 employees), credit underwriting often relies on personal credit assessments or director guarantees. It is not clear that extending short-term unsecured credit to these commercial credit cardholders is systematically more costly than to personal credit cardholders, particularly where repayment risk is already priced at the individual level.

53. Broader evidence on firm finance suggests that fast-growing firms rely more on bank credit[27]—implying that commercial cards are not uniquely enabling growth-critical credit in a way that would translate into higher merchant acceptance benefits than personal cards.

54. On balance, we recognise that the credit provision to smaller business credit cardholders may provide merchants with additional benefit, however these benefits are similar to those from domestic personal credit cardholders.

55. We therefore do not consider that an interchange premium is justified for the outsourced provision of credit, above that which is already provided under the personal credit card cap.

Next steps

56. Once we have received feedback from Committee, we will work up appropriate premia to apply as part of the overall proposed caps.

[27] IMF New Zealand: Selected Issues; IMF Country Report No. 25/115; April 29, 2025 pg 11 https://www.imf.org/-/media/files/publications/cr/2025/english/1nzlea2025002-print-pdf.pdf

Annex A: Domestic Commercial Credit Cardholder Benefits

1. In this section, we consider New Zealand businesses as commercial card holders who therefore benefit from the value-add services and the interaction with interchange fees.

Our view on cardholder benefits

2. Our view is that value-added services that accrue to the card holder (regardless of whether they are also a merchant who accepts cards) can be charged for separately in the form of card holder fees rather than interchange fees. Furthermore, unlike personal credit cards which are subject to the Credit Contracts and Consumer Finance Act 2003 rules for card fees and so are able to recover costs more easily through sources other than interchange.[28]

3. Our concern has been that cardholder benefits, which are limited to those who are cardholders, are cross-subsidised through high and growing interchange fees for all those who accept domestic commercial credit.[29]

Stakeholder views

4. In response to the previous decision process, schemes and banks submitted that inclusion of commercial cards in the pricing standard would impact the ability of issuers to provide value add services to card holders:

   4.1 rewards, loyalty points, rebates

   4.2 data management and reporting,

   4.3 expense management,

   4.4 additional technology eg virtual cards

   4.5 fraud protections eg reverse charge facility, and

   4.6 credit provision

5. Submitters outlined that if interchange fees were capped, the above benefits would be removed as they are currently funded through interchange fees. This is due to the different operating model for commercial credit cards (in contrast to personal credit

[28] Page 36 https://www.comcom.govt.nz/assets/pdf_file/0032/363848/Retail-Payment-System-Interchange-fee-regulation-for-Mastercard-and-Visa-networks-Draft-Decision-and-Reasons-Paper-18-December-2024.pdf

[29] Page 66 https://www.comcom.govt.nz/assets/pdf_file/0032/367457/Retail-Payment-System-Interchange-fee-regulation-for-Mastercard-and-Visa-networks-Final-Decision-and-Reasons-Paper-17-July-2025.pdf

cards) which are designed to be paid in full (ie little or no revolving credit) and so rely heavily on interchange rather than interest to generate revenue.[30]

6. Submitters also stated that the loss of these benefits would result in wider impacts to the economy and be particularly felt by SMEs who may struggle to obtain alternative solutions eg low-cost financing solutions,[31] resulting in wider impacts to the economy.[32]

Stakeholder responses to our view

7. In response, submissions stated that any increases in annual fee would be subsidised by smaller business customers (who would typically hold fewer cards than a large business) under a fee-based approach, due to the regressive nature of flat fees.[33] And submitters stated that that issuers would be unable to rapidly shift from an interchange-funded to customer fee-funded business model and would substantially reduce the benefits offered under their commercial card programs or reconsider their viability altogether. [34]

Merchant views as cardholders vs accepting payments

8. Based on the limited engagement we have conducted so far, merchants would prefer lower interchange fees on domestic commercial credit than the benefits received as card holders of domestic commercial credit cards.

9. We note the submission from Retail NZ which reflects its members views on commercial credit cards that a lower interchange fee was more important than rewards as card holders:[35]

> The focus of our poll was on the value placed on the rewards and benefits of commercial credit cards when weighed against the business benefits of lower interchange fees. Of the respondents, 92% used a credit card for purchasing business items and cited the most valuable credit card benefits as interest free repayment terms and Airpoints dollars. However, 79% of retailers felt that the reduction or removal of these benefits would have low or no impact on them or their business.

10. This sentiment has been echoed more recently by s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

[30] ANZ submission pp17-18. Citibank submission p2 states that Citi commercial cards do not charge interest, unlike consumer cards, and the product is largely reliant solely on interchange. s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

[32] See for example: Revolut submission p7, Westpac submission para 2.3(d), para 3.15-16 and cross submission para 2.2(a), BNZ cross submission para 6.2.

[33] ANZ submission p5 and s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

[34] s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

[35] Retail NZ submission, paras 5-6.

11. s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

12. We therefore acknowledge that commercial credit cards may yield value-add benefits to commercial credit cardholders However, based on the evidence to date, we consider that these value-added benefits do not surpass the benefit that merchants would gain from reduced interchange fees to accept domestic commercial credit cards.

13. Furthermore, we consider that the value-add benefits:

    13.1 could be funded through other ways than interchange fees and

    13.2 are less than any reduction in interchange fees that NZ businesses as merchants pay to accept commercial credit cards.

s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

Document 4

COMMERCE COMMISSION NEW ZEALAND
Te Komihana Tauhokohoko

Update on merchant engagement - Commercial credit card interchange fees

Subject:	**Update on merchant engagement - Commercial credit cards interchange fees**
To:	Market Regulation Committee
From:	Payments Team
Date:	19 February 2026
Classification:	In Confidence

Purpose

1. The purpose of this note is to provide an update on our engagement with merchants on commercial credit card interchange fees.

Background and context

2. During December 2025 and January 2026, we have attempted to enhance our understanding of the benefits that merchant receive from accepting commercial cards. This engagement builds on merchant views gathered during September to November 2025.

3. As per discussions at the last Committee meeting on 27 January 2026, the most recent engagement has focused on:

- s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]
- understanding in more detail different merchant business models where commercial credit card acceptance is prevalent, s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

4. s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

New Zealand-wide merchant

5. s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

---

s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

6. The second view against high interchange fees on commercial credit cards was received from s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]. When considering the merchant as both a commercial credit card holder and acceptor, s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted] relayed that they were not persuaded that higher cardholder benefits of commercial credit cards offset merchant cost of acceptance, particularly for smaller merchants.

7. s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

Understanding in more detail different merchant business models

8. s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

9. [redacted]

10. Table 1 summarises the engagement conducted so far.

Table 1: Commercial credit card interchange fee – summary of merchant engagement

s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

[2] s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

s 9(2)(ba)(i), s 9(2)(b)(ii)

[redacted]

Document 5

COMMERCE COMMISSION NEW ZEALAND
Te Komihana Tauhokohoko

Memorandum

To:	Market Regulation Committee	01.06/N0038
From:	Commercial credit team	
Date:	February 2026	
Classification:	In-confidence – Commercial **Error! Unknown document property name.**	
Subject:	Foreign Issued Commercial Credit – Step 3 - Merchant Benefits	

Purpose

1. This document outlines our initial assessment of potential merchant benefits we consider relevant to determining the appropriate premia for foreign issued[1] commercial credit cards.

Recommendations

2. It is recommended that the Market Regulation Committee, **provide feedback** on our assessment of the potential merchant benefits and subsequent premia to be applied for Step 3 of the interchange fee cap.

3. Our initial views on potential merchant benefits are outlined in the table below.

Table 1 Summary of our views – merchant benefit premia

Potential merchant benefit	Premium above domestic commercial credit	Premium above foreign issued personal credit
Demand stimulation through access to international customers who have few alternatives	Yes	No
Guaranteed payment and settlement certainty with foreign transactions	No	No
Fraud protection and security	Yes	No

[1] In our most recent Interchange standard this is defined as: inbound cross-border transactions – retail payment at a merchant outlet located in New Zealand using a card issued by an issuer based outside of New Zealand at 6.1.17, page 6 at: https://www.comcom.govt.nz/assets/pdf_file/0024/368322/Retail-Payment-System-Mastercard-and-Visa-Interchange-Fee-Network-Standard-2025-Amendment-Consolidation-14-August-2025.pdf

Background

Foreign and domestic commercial credit cards

4. We considered commercial credit interchange fees are high and not well constrained by competition but that we had insufficient evidence to determine what an appropriate and reasonable cap should be. We signalled foreign issued commercial credit transactions would be uncapped consistent with our approach to domestic commercial credit cards.[2]

Foreign issued premia applied in July decision

5. Using domestic personal credit as a starting point at 0.30% for in-person transactions and 0.70% for online transactions, the additional premia for foreign issued personal credit in July decision were: 40BP for in-person transactions and 80BP for online transactions (card not present). These premia were applied to reflect the relative:

   - merchant benefit of accepting foreign issued compared to alternatives (including no transaction taking place)
   - higher fraud rates on international transactions compared to domestic transactions (approximately five-times higher incidence of fraud)
   - higher costs associated with preventing fraud on foreign issued than domestic
   - online transactions (card not present) subject to substantially higher incidence of attempted fraud.

6. When applied to commercial debit and personal credit, the current foreign in person and online caps as per July 2025 decision are:[3]

Table 2 Table 2: Current caps on commercial debit and personal credit

Type	Payment Method	Caps
Domestic commercial debit	In-person contacted	0.00%
	In-person contactless	0.20%
	On-line	0.60%
Domestic commercial credit	In person	Uncapped
	On-line	Uncapped

[2] Para 3.58 at https://www.comcom.govt.nz/assets/pdf_file/0032/367457/Retail-Payment-System-Interchange-fee-regulation-for-Mastercard-and-Visa-networks-Final-Decision-and-Reasons-Paper-17-July-2025.pdf

[3] Para x9 ibid.

Foreign commercial debit	In-person	0.60%
	On-line	1.40%
Foreign personal credit	In-person	0.70%
	On-line	1.50%

Methodology

7. We have assessed each potential merchant benefit against existing proposed premia applied to domestic commercial credit. To ensure consistency with other foreign issued products, our starting point for any additional merchant benefit from accepting foreign issued commercial is to assess whether the foreign issued personal credit premium apply and then whether additional merchant benefits accrue from accepting foreign issued commercial credit.

Engagement activity

8. Since September 2025, as part of the commercial credit cards interchange fee work, we have conducted engagement with range of stakeholders, including issuers, schemes, overseas payment regulators, merchants and their associations. To ensure we appropriately covered issues relating to foreign issued commercial credit, we focused on gaining insights from merchants in sectors such as travel, where foreign issued commercial credit cards are more likely to be used.

9. This memo includes information gained from this engagement. We note however, that the number of merchants and/or merchant associations who participated during this process is small and there may be limitations to applying these insights across all merchants. To address this gap, we propose to conduct additional targeted merchant engagement, as part of consultation activity, once a draft decision is published.

Relevant merchant benefits

10. We have identified and assessed the following merchant benefits relevant to foreign issued commercial credit cards, as identified by stakeholders either through submissions and/or engagement:

- Demand stimulation through access to international customers who have few alternatives
- Guaranteed payment and settlement certainty with foreign transactions
- Fraud protection and security

Convenience benefits for accepting payments from international customers who have few alternatives

11. We have previously acknowledged that international customers have fewer viable alternative payment methods such as Eftpos for in-person transactions and account

to account solutions for card not present transactions. Therefore, we acknowledged that accepting foreign issued personal credit cards allows merchants a convenient way to accept payments from international consumers and provides merchants with the benefit of a larger potential customer base.[4]

12. We accept that in the case of foreign issued commercial credit cards, merchants will gain access to tourists, international students, business travellers and overseas who pay. Therefore, a premium to account for this merchant benefit above domestic commercial credit is valid. However, we need to assess whether foreign issued commercial credit cards merit a premium over and above foreign issued personal credit cards.

Insights from engagement

s 9(2)(ba)(i), s 9(2)(b)(ii)

13. [redacted]

14. [redacted]

15. [redacted]

---

[4] Para 3.56 https://www.comcom.govt.nz/assets/pdf_file/0032/367457/Retail-Payment-System-Interchange-fee-regulation-for-Mastercard-and-Visa-networks-Final-Decision-and-Reasons-Paper-17-July-2025.pdf

[5] s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

[6] 2009 Cornell University, C Kennell: The Billboard Effect: Online Travel Agent Impact on Non-OTA Reservation Volume https://ecornell-impact.cornell.edu/wp-content/uploads/sites/7/2014/07/The-Billboard-Effect.pdf

[7] https://hbr.org/2026/01/gen-ai-is-threatening-the-platforms-that-dominate-online-travel

[8] s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

[9] [redacted]

[1] [redacted]

s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

16. Rebates can be classified as a value-added service to the cardholder, equivalent to loyalty points and rewards. Therefore, we do not consider that the merchant should have to pay for this through additional interchange fees which are passed forward to them.

17. s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

18. [redacted]

19. [redacted]

Guaranteed settlement

20. In the July decision paper, we recognised that a merchant would benefit from accepting credit over a debit card because it provides the merchant with guaranteed settlement, regardless of the cardholder defaulting payment to the issuer.[11] We also recognised the cost of alternatives such as international bank transfers when we set our caps for foreign issued personal credit, card not present transactions.[12]

Insights from recent engagement activity

21. s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

22. [redacted]

[11] Para 2.98–2.99 https://www.comcom.govt.nz/assets/pdf_file/0032/367457/Retail-Payment-System-Interchange-fee-regulation-for-Mastercard-and-Visa-networks-Final-Decision-and-Reasons-Paper-17-July-2025.pdf

[12] Para 3.54 https://www.comcom.govt.nz/assets/pdf_file/0032/367457/Retail-Payment-System-Interchange-fee-regulation-for-Mastercard-and-Visa-networks-Final-Decision-and-Reasons-Paper-17-July-2025.pdf

[13] s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

23. s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

24. The merchant benefit of guaranteed payment comes with accepting all credit card products, including foreign issued personal credit cards. Therefore, in relation to this aspect of guaranteed payment, we do not consider that a premium is warranted for foreign issued commercial credit cards.

25. With foreign issued commercial credit cards, we accept that there may be additional certainty from locking foreign exchange rates at the time the transaction is undertaken but this is the same as a foreign issued personal credit card. We also note that because foreign exchange rates can move up or down, the timing of a transaction using a foreign issued commercial credit card will not be able to take advantage of any previous or future changes. This may be different to alternatives - such as a foreign currency account with a domestic bank which often also include features such as currency holding to counter currency fluctuations.[15]

26. In response, to submissions that foreign issued commercial credit cards facilitate higher value transactions than foreign issued commercial credit cards, ad-valorem pricing would account for the issuer having to take a higher risk for a higher value transaction. This is the same as our approach to domestic commercial credit on higher value transactions in comparison to domestic personal credit.

27. s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

Fraud protection and security

28. In our previous decision, we recognised that credit products have higher fraud risk than debit products and so stronger fraud protections and chargebacks increase consumer confidence and support merchant acceptance. When we set personal foreign credit card caps, we recognised and incorporated submission evidence that higher fraud risk was associated with foreign issued credit cards, particularly in on-line transactions.[16]

---

[14] s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

[15] For example, https://www.kiwibank.co.nz/business-banking/international-business/foreign-exchange/foreign-currency-accounts/

[16] s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

Insights from recent engagement

29. s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

30. At this time, we do not have information on the relative fraud risk between foreign issued personal credit and foreign issued commercial credit only that fraud risk associated with foreign issued credit is higher.

31. s 9(2)(g)(i) [redacted]

32. [redacted]

33. [redacted]

[17] s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

Market Regulation Committee Paper

Subject:	**Proposed draft position for commercial credit interchange fee regulation**
To:	Market Regulation Committee
From:	Payments team
Date:	24 March 2026
Classification:	In Confidence

Purpose

1. This memo provides our draft reasons and recommendations for including commercial credit interchange caps in our pricing standard. It includes the narrative underpinning the draft decision and how it is being positioned in the draft reasons paper. A summary of our analysis and recommendation for each commercial credit card interchange fee rate. Links are provided to the full analysis recorded in separate memos.

2. s 9(2)(g)(i) [redacted]

Executive summary – Draft decision on commercial credit interchange fee caps

What we are recommending

3. We recommend that the Commission issue a draft decision to amend the existing pricing standard to introduce interchange fee caps for commercial credit card transactions, covering both domestic and foreign-issued cards.

Table 1 High level overview of our recommended draft caps

Product	Proposed draft caps	Draft recommendation and rationale
Domestic commercial credit	In-person: 40–50 basis points Online / card-not-present: 80–90 basis points	Represents a **small, proportionate premium over domestic personal credit**, retaining established structural differences between debit and credit (10bp) and between in-person and online transactions (40bp). **A range is proposed to support Commissioner judgement on where to set the draft cap,** s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted] Across the range, implied weighted-average interchange rates [redacted] are materially below current levels s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted] broadly comparable to international benchmarks.
Foreign-issued commercial credit	In-person: 70 basis points Online / card-not-present: 150 basis points	**Aligned with the final foreign-issued personal credit caps**, with no additional commercial-specific premium. Reflects that foreign-issued commercial credit s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted] relative to personal credit and s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

Why we are intervening now

4. In our July 2025 decision, we signalled further intervention would be considered if commercial credit interchange fees did not reduce. We explicitly invited schemes to voluntarily lower commercial credit rates. Since that decision, we have not observed any meaningful reduction in commercial credit interchange fees, prompting us to intervene now.

5. s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

6. Stakeholder engagement since July 2025, including with merchants, s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted] and overseas regulators, has reinforced that:

   6.1 merchants value lower merchant service fees over commercial cardholder benefits such as rewards, s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted] reporting tools; and

   6.2 many of the benefits funded by commercial interchange accrue to cardholders, not merchants, and would not be purchased by merchants if unbundled.

7. On this basis, we consider current commercial credit interchange fees to be above efficient levels, reducing competition and efficiency in the retail payment system and justifying further regulatory intervention under the Act.

How we set the proposed caps

8. We apply the same three-step methodology used in the July 2025 decision. This involves exercising judgement across benchmarks, the New Zealand context and relevant issuer costs and merchant benefits.

Domestic commercial credit

9. We start from New Zealand's existing regulated structure, which remains the most robust anchor:

   9.1 20BP / 60BP caps for domestic commercial debit;

   9.2 a 10BP uplift for credit products; and

   9.3 a 40BP uplift for online transactions.

10. Internationally, Australia provides the most meaningful comparator. Australia's post-review framework implies commercial credit rates materially below current New Zealand levels, with a weighted-average benchmark of around 50bp and a maximum cap of 80bp. While New Zealand-specific factors s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted] could justify some caution, they do not support current rates exceeding [redacted]

11. We therefore propose a range of 40–50BP (in-person) and 80–90BP (online) to:

   11.1 s 9(2)(g)(i) [redacted]

   11.2 [redacted]

12. The proposed range also reflects feedback that the caps proposed in the December 2024 Draft Decision (domestic - 20BP in person, 40BP online) which matched to the personal credit proposed caps were likely too low. Since then, we have gathered additional information on issuer cost, fraud and market data and merchant benefits and consider a cap slightly above the domestic personal credit caps to be more appropriate.

13. s 9(2)(g)(i) [redacted]

14. [redacted]

15. To support judgement between these options, implied weighted-average interchange rates are included in **Table 4** as a sense-check relative to current weighted averages and comparator outcomes. We are seeking Committee direction on where within this range the draft decision should be set.

Foreign-issued commercial credit

16. For foreign-issued transactions, the evidence is clearer. In our December 2024 draft decision, we proposed that foreign-issued commercial credit should be aligned with foreign-issued personal credit, on the basis that we did not have sufficient evidence to justify a differentiation between the two. While commercial cards were ultimately not regulated in the July 2025 final decision, the underlying rationale for alignment has not changed. What has changed is the level of the foreign-issued personal credit caps adopted in the final decision, to which we now propose to align.

17. Foreign-issued commercial credit:

    17.1 s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted] merchant benefit relative to foreign-issued personal credit;

    17.2 s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted] fraud risks, processing costs and chargeback exposure to personal credit; and

    17.3 represents a very small share of global issuer portfolios, meaning NZ-specific impacts on issuer incentives are negligible.

18. The substantial premia already applied to foreign-issued personal credit s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted] higher fraud risk, cross-border processing costs and limited alternative payment options faced by foreign cardholders. Applying an additional commercial-specific premium would risk double-counting these cost drivers. Accordingly, consistent with the approach signalled in the December 2024 draft decision, we propose full alignment of foreign-issued commercial credit interchange caps with the final foreign-issued personal credit caps.

Table 2 Expected impacts

Product	Interchange fees	Merchant service fees
Domestic commercial credit	Estimated reduction of $43–49 million per year for domestic commercial credit.	Assuming ~90% pass-through, we estimate a reduction of approximately $49-54 million per year in merchant service fees.
Foreign-issued commercial credit	Estimated reduction of ~$11 million per year for foreign-issued commercial credit.	

19. We acknowledge uncertainty around pass-through, particularly given recent scheme repricing, growth in blended pricing models and limited visibility over pass-through where merchants contract via intermediaries s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted] We have sought further information from acquirers to strengthen this assumption and will reflect this uncertainty transparently in the draft decision.

Implementation period

20. We propose a minimum three-month implementation period, targeting a November 2026 go-live, aligned with the system-wide release cycle. This approach is intended to minimise operational disruption, allow acquirers to reprice once across domestic and foreign-issued transactions and avoid delaying merchant benefits. However, we recognise that commercial credit cards are currently unregulated. Our July 2025 decision allowed longer implementation periods and stakeholders strongly contested implementation timelines previously.

21. Accordingly, this is a draft position only. We expect substantive submissions on implementation and will retain s 9(2)(g)(i) [redacted]

Table 3 Key risks and mitigations

Risk	How we have addressed it
Caps set too low could create uncertainty around issuer responses in an SME-concentrated market	We recognise uncertainty around issuer responses at lower cap levels, given SME reliance on commercial credit cards. We have therefore used a cap range to support judgement and will test these risks through consultation, including targeted engagement with SMEs and issuers, to better understand the likely market response.
Schemes offset reductions by repricing lower interchange fee rates	We have assessed and modelled this risk using compliance monitoring data (Attachment B). Under a conservative full-repricing scenario, around s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted] interchange savings could be offset, although material net reductions remain. On balance, a well-calibrated maximum cap, supported by enhanced monitoring and transparency, is fit for purpose at this stage, with scope to consider additional tools if repricing materially undermines outcomes.
Migration to AMEX increasing merchant costs	We have assessed this risk using critical-loss modelling. AMEX's share of domestic commercial credit would need to rise [redacted] s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted] We will continue to monitor AMEX acceptance and transaction trends.
Lower than expected MSF pass-through	We have tested pass-through assumptions using updated monitoring data and engagement with acquirers, while acknowledging uncertainty due to blended pricing and intermediaries. We propose enhanced post-implementation monitoring of merchant service fees and related charges to assess realised pass-through.
Compressed implementation creates operational risk	We have assessed implementation risk based on engagement with schemes, issuers and acquirers, and recent experience with repricing and system release cycles. The proposed minimum implementation period is a draft position for consultation, with s 9(2)(g)(i) [redacted]

Overall assessment

22. On balance, the proposed draft caps:

22.1 materially reduce excessive interchange fees;

22.2 align commercial credit more closely with efficient cost and benefit benchmarks;

22.3 s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

22.4 are consistent with our statutory objective of promoting competition and efficiency in the retail payment system for the long-term benefit of merchants and consumers.

How we got here

23. The rest of the document provides an overview of how we got to our recommended draft decision. It includes an overview of where we came from, our rationale for intervention and the methodology behind our proposed recommendation.

Overview of our proposed draft caps and expected impacts

24. This section provides a summary of our proposed draft caps and the expected impacts.

Table 4 Summary of our recommended draft caps for commercial credit and impacts

Card type	Payment method	Current cap[1]	Current weighted average	Recommended draft position	Implied weighted average[2]
Domestic commercial debit[3]	In-person - contacted	0	N/A	No change	
	In-person - contactless	20BP	s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]	No change	
	Online	60BP	[redacted]	No change	
Domestic commercial credit	In-person	39-200BP*	[redacted]	40-50BP	s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]
	Online	39-200BP*	[redacted]	80-90BP	[redacted]
Foreign-issued commercial debit	In-person	60BP	[redacted]	No change	[redacted]
	Online	140BP	[redacted]	No change	[redacted]
	In-person	110-240BP*	[redacted]	70BP	[redacted]

1 *means not currently regulated.

2 We calculated implied weighted averages for total domestic commercial credit and total foreign-issued commercial credit using the percentage share of in-person and online transactions only as weights. We assume commercial credit card interchange fee rates for all merchants move to the recommended draft caps. For domestic cards, [redacted] of total domestic commercial credit transactions are in-person and [redacted] are online. For foreign-issued commercial credit, the equivalent shares are [redacted] See Attachment B for more detail on impact calculation.

3 s 9(2)(g)(i) [redacted]. Visa submitted that commercial debit cards for in-person transactions are [redacted] of total domestic commercial card transactions.

The above content withheld under sections 9(2(ba)(i) and 9(2)(b)(ii)

Foreign-issued commercial credit	Online	110-240BP*	1.99%	150BP	
Impact to domestic commercial credit interchange fees[4]					-$49-43m
Impact to foreign-issued commercial credit interchange fees					-$11m
Estimated impact to merchant service fees (based on 90% pass-through)					-$54-49m

25. **Figure 1** provides the estimated impact on card issuers interchange fee revenue assuming the proposed lower rates.[5]

s 9(2)(ba)(i), s 9(2)(b)(ii)

[redacted]

Uncertainty around pass-through to merchant service fees

s 9(2)(ba)(i), s 9(2)(b)(ii)

[redacted]

26. We are less confident in applying a 90% acquirer to merchant pass-through rate. This is because:

[4] Our impact estimates are derived from transaction values and interchange fees for the 12-month period between Dec 2024 and Nov 2025. The estimates exclude any potential changes driven by schemes in interchange fee rates for unregulated card types (for example, domestic prepaid) or regulated card types where the observed weighted-average interchange fee rates are currently below the caps.

[5] Based on monitoring data for the 12-month period December 2024 – November 2025.

26.1 We received initial feedback from acquirers that schemes are rebalancing interchange fees between Dec 2025 and May 2026. Increases resulting from these changes will impact the overall interchange fee reduction and pass-through rate.

26.2 s 9(2)(b)(ii), s 9(2)(ba)(i) [redacted]

26.3 [redacted]

26.4 [redacted]

26.5 We are uncertain whether there have been increases in other fees, including scheme fees and acquirer margin although these appeared to increase in other jurisdictions following interchange fee regulation.

27. We have requested further voluntary information from acquirers to assess initial pass-through indicators following the domestic cap implementation, including share of blended versus unblended pricing plans (**due 27 March**). This information will help strengthen our confidence in the pass-through estimate and impact on merchants for the draft decision paper.

Where we finished up with our review of commercial cards last time

28. In our December 2024 draft decision, we proposed draft interchange fee caps for commercial credit cards alongside other card types. However, in our July 2025 final decision we ultimately decided not to introduce caps for commercial credit at that time. Although we considered interchange fees for commercial credit cards to be excessive, we said we did not yet have sufficient information to determine an appropriate cap. We noted that we planned to gather further information to support this work and may consult again on potential caps in a later process unless fees decrease materially on their own.[7]

6 s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

7 Summarised from X10 of our previous final decision and reasons paper.

Further information gathering and evidence

29. Since that decision, our targeted engagement and updated monitoring have strengthened the case for intervention and informed the level of the draft caps. We have not observed material reductions in commercial credit interchange fees following our July 2025 invitation to voluntarily lower rates. We have gathered additional evidence through updated monitoring data, targeted engagement with merchants, issuers and schemes. This included further analysis of fraud, cost drivers and merchant acceptance benefits for both domestic and foreign-issued commercial credit.

30. This work has improved our understanding of how commercial credit differs from other regulated card types and the extent to which current interchange fees exceed levels necessary to support efficient outcomes. While some uncertainty remains, s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted], we now consider there is a sufficient evidential basis to propose draft caps for consultation. This evidence indicates that incremental issuer costs and merchant benefits for commercial credit are limited, supporting only a small premium over personal credit for domestic transactions and alignment with personal credit caps for foreign-issued transactions.

31. International experience since our July decision reinforces the case for intervention. In Australia, the RBA's 2025 consultation proposed significantly lower caps for domestic commercial cards matching these to personal credit and new caps for international (foreign-issued) transactions (treating personal and commercial credit the same) based on issuer costs and signalled removing the credit weighted-average benchmark.[8] In December 2024 in the UK, the PSR found that once interchange fees for certain transaction types fell outside regulation, Visa and Mastercard increased fees to unduly high levels without cost justification, demonstrating the risks of leaving fee categories unregulated.[9]

32. In June 2025, the UK Competition Appeal Tribunal found that Visa and Mastercard's default multilateral interchange fee arrangements constitute unlawful restrictions on competition under UK and EU competition law. The Tribunal held that these default fees operate as non-negotiable price floors, shielding interchange fees from effective competitive pressure. Importantly, the findings applied to commercial and inter-regional card transactions, not only consumer cards. While the Tribunal did not assess the appropriate level of interchange fees, its findings underscore that observed interchange rates cannot be assumed to reflect efficient pricing outcomes in the absence of regulatory constraint.

---

[8] RBA "Review of Merchant Card Payment Costs and Surcharging" Consultation Paper (15 July 2025) available at https://www.rba.gov.au/payments-and-infrastructure/review-of-retail-payments-regulation/2025-07/pdf/review-of-merchant-card-payment-costs-and-surcharging.pdf?v=2025-07-14

[9] PSR "Final Report of its Market Review into UK–EEA consumer cross-border interchange fees (MR22/2.7)" (13 December 2024) available at https://www.psr.org.uk/publications/market-reviews/mr2227-market-review-of-uk-eea-consumer-cross-border-interchange-fees-final-report/

33. EU merchant evidence indicates that while consumer interchange fees are capped, scheme fees and other uncapped wholesale charges have increased materially, raising concerns that unregulated components of card pricing tend to trend above efficient levels absent intervention.[10] Taken together with New Zealand's persistently high commercial credit weighted averages, this new evidence base supports moving now to consult on caps calibrated to efficient-cost benchmarks, while retaining an open mind on final levels through consultation.

Use of submissions

34. We did not apply a cap on domestic commercial credit cards as part of the July 2025 decision and our responses to submissions on domestic commercial credit were limited. We have used the submissions, as well as engagement material collected since the July 2025 decision, to inform our analysis for this draft position.

Our approach to further interchange fee regulation

The problem - Why we are proposing further regulation of interchange fees and how our decision promotes competition and efficiency in the retail payment system

35. As set out in the preceding section, this assessment is supported by updated monitoring, targeted stakeholder engagement and international evidence gathered since our July 2025 decision. Together these provide a stronger evidential basis for intervention and inform the structure of the draft caps proposed.

36. Interchange fees for commercial credit cards have not decreased since our July 2025 decision and remain unreasonably high, resulting in merchants paying more than reasonable fees for accepting Mastercard and Visa commercial card payments. These elevated fees flow through to higher merchant service fees which are ultimately borne by all consumers through higher retail prices or imperfectly applied surcharges.

37. In deciding whether to issue a pricing standard, we must consider whether there are any features of the retail payment network, or any conduct of participants in the network, that reduces or are likely to reduce competition or efficiency.[11] The functions and powers of the Commission must be exercised for the purpose of promoting competition and efficiency in the retail payment system for the long-term benefit of merchants and consumers in New Zealand.[12]

38. Benchmarking shows domestic issued commercial card interchange fees are more than double those of domestic issued personal credit cards, despite similar issuer costs and merchant acceptance benefits.[13] These rates are almost double the levels

---

10 Euro Commerce "Ten years after the Interchange Fee Regulation, we need new action to tackle new wholesale price increases" (12 June 2025) available at https://independentretaileurope.eu/storage/files/documents/250612-Coalition_statement_IFR-10-year_anniversary.pdf

11 Retail Payment System Act 2022, s 18(a).

12 Retail Payment System Act 2022, ss 4(1) and 3.

13 Weighted average interchange fees for domestic issued commercial credit cards are [redacted] compared with [redacted] for domestic issued personal credit card.

Withheld under sections 9(2)(ba)(i) and 9(2)(b)(ii) observed in comparable jurisdictions such as Australia.[14] Average interchange fees for foreign-issued commercial credit cards is [redacted] These high fees reflect features of the Mastercard and Visa networks, where schemes compete for issuers by offering greater cardholder rewards funded by interchange. This incentivises interchange fee setting above efficient levels. The 'must take' nature of the schemes further weakens merchant resistance.

39. In our view, merchants are paying a material premium for benefits they are unlikely to be willing to pay for separately. For example, merchants may be willing to contribute via interchange to support some availability of commercial credit, effectively replacing the need for merchant-provided credit. However, merchants have little incentive to do so when it comes to rewards, [redacted], financial reporting and data management services which are provided at no cost to the commercial credit cardholder's business and offer no direct benefit to the merchant s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted] also indicated that lower interchange was more important than rewards and other benefits to most of its members. Other merchants [redacted] have since expressed similar views.

40. Together these features reduce competition and efficiency in the retail payment system and demonstrate a clear problem warranting further regulatory intervention.

How this decision promotes competition and efficiency in the retail payment system

41. Our draft decision to cap interchange fees for commercial cards promotes competition and efficiency by reducing merchant service fees towards more efficient levels and rebalancing how cardholder benefits are funded. Lower interchange fees will ease cost pressures on merchants and reduce indirect costs funded by a wider group of consumers than just those benefitting from commercial cards through retail prices and surcharges. This draft decision, and its expected impacts, will be tested through broader consultation to meet our statutory obligations and inform our final assessment of the competitive and efficiency effects.

42. Bringing interchange closer to efficient levels improves allocative efficiency by encouraging more transparent pricing of nonpayment benefits bundled into commercial credit cards, such as travel insurance. This may shift toward a more user pays model and strengthen competition with standalone products. The decision enhances productive efficiency by lowering acquiring side costs and supports dynamic efficiency by reducing distortions that currently favour established scheme products over emerging payment innovations. Overall, the intervention realigns incentives within the Mastercard and Visa networks in a way that better delivers long-term benefits for merchants and consumers.

14 Weighted average interchange fees for domestic issued commercial credit cards are [redacted] in New Zealand compared with [redacted] in Australia.

Our methodology for determining reasonable fees

43. We use a three-step methodology to set interchange fee caps that deliberately avoids relying on any single factor. We begin with benchmarks, which include both New Zealand's current cap levels and those in comparator jurisdictions such as the EU and Australia. These serve as an initial anchor only and are not applied rigidly. From there, we place weight on the New Zealand context, recognising domestic market features and our final step considers relevant issuer costs and merchant and consumer benefits.

44. These steps further shape the structure of the caps by accounting for factors such as fraud prevalence, differences between debit and credit products and the value merchants and consumers derive from card type and payment method. We emphasise that determining appropriate caps is a balancing exercise requiring judgement across all three steps, rather than giving determinative weight to any single consideration.

45. We signalled that setting a pricing standard for interchange fees is a balancing exercise that requires judgement in our July 2025 decision.[15] This application of judgement was alluded to by the schemes in their submissions on our draft decision on interchange fees:

> Mastercard "It is true that there is support in the literature for the proposition that interchange fees can be "too high" if left unregulated. But the two-sided nature and general complexity of payment networks should give the Commission reason to be cautious when pushing those interchange fees down..."[16]

> Visa "Visa's objective is not to set interchange too high or too low, but rather to set interchange at a level that encourages the use and acceptance of digital payments and supports economic growth: Set too high, this risks merchants not accepting digital payments and alternative secure technologies; set too low, issuers will not have an incentive to innovate (e.g., to issue payment account credentials)."[17]

---

[15] Commerce Commission "Retail payment system – Interchange Fee Regulation for Mastercard and Visa Networks – Final Decision and Reasons Paper" (17 July 2025), para 2.1.

[16] Mastercard "Submission - Commerce Commission Draft Decision on interchange fee regulation for Mastercard and Visa networks" (18 March 2025), p46.

[17] Visa "Response to the Commerce Commission on Interchange fee regulation for Mastercard and Visa networks - Draft Decision and Reasons Paper" (18 March 2025), p5.

Considering a weighted-average cap to restrict card schemes from offsetting reductions in overall interchange

We propose retaining a carefully calibrated maximum cap rather than introducing a weighted-average benchmark at this stage. Modelling indicates that while some repricing risk exists, material net reductions in interchange fees would still be achieved under the proposed caps. A maximum-cap approach represents the most proportionate and effective tool now, reducing excessive interchange while avoiding unnecessary complexity and retaining flexibility to respond if repricing behaviour materially undermines outcomes.

46. In considering how best to structure commercial credit interchange caps, we have assessed whether a weighted-average benchmark is required in addition to a maximum cap. The key concern is whether, without such a benchmark, card schemes could offset reductions in higher interchange rates by increasing lower, strategic or industry rates that sit below the cap. This risk is not theoretical.

47. Following our July 2025 decision, schemes initially repriced a range of strategic and industry rates, possibly increasing total interchange fees paid by these merchants despite headline reductions in capped categories. However, this repricing is ongoing, and the schemes have since reinstated some of these rates. This experience highlights the potential for repricing within and below a maximum cap where schemes retain sufficient pricing flexibility.

48. To assess the scale and materiality of this risk for commercial credit, we modelled alternative repricing scenarios using 2024 compliance data (**Attachment B**). This analysis estimates that, under a conservative scenario where schemes fully reprice strategic and discounted rates up to the proposed caps, approximately s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted] year of the gross interchange fee reduction for domestic commercial credit could be offset. s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

49. s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

50. We have considered whether introducing a weighted-average benchmark, alongside a maximum cap, would be a proportionate and effective additional constraint. A weighted-average benchmark could further limit schemes' ability to offset reductions at the top end by repricing lower rates, particularly for strategic merchants. However, it would not prevent schemes from seeking to recover revenue through other channels (such as unregulated card categories or scheme fees), nor would it eliminate repricing incentives entirely.

51. Implementing a weighted-average benchmark would also introduce material complexity and regulatory cost. It would require ongoing access to detailed, scheme-specific merchant composition and transaction-mix data, more frequent recalibration and more complex compliance and monitoring processes. This would reduce transparency for merchants, increase implementation risk and likely delay the delivery of benefits. It would also represent a departure from our current, consistent maximum-cap framework without clear evidence that commercial credit presents a uniquely acute repricing risk relative to other card types.

52. s 9(2)(g)(i) [redacted]

53. [redacted]

54. The full memo on this topic can be read here.

Domestic commercial credit transactions

Table 5 Draft proposed caps for domestic commercial credit

Type	Current range	Current weighted average	Draft decision
Domestic commercial credit – In-person	39-200BP*	s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]	40-50BP
Domestic commercial credit – online	39-200BP*	[redacted]	80-90BP

18 s 9(2)(g)(i) [redacted]

55. On balance **we recommend a 10-20BP premium for domestic commercial credit** transactions benchmarked against domestic personal credit (+20BP on domestic commercial debit and +10BP on domestic personal credit). This accounts for the small uplift for fraud prevalence and costs associated with commercial credit issuance and the administrative cost of alternatives if a merchant had to offer trade accounts to accept commercial credit payments. Noting in-person payments make up approximately [redacted] of domestic commercial credit transactions and online transactions make up approximately [redacted].[19] s9(2)(ba)(i) and 9(2)(b)(ii)

56. We propose a range rather than a point estimate. This reflects residual uncertainty about the potential impact of lower interchange fees s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted] A cap at the lower end of the range (40BP in-person / 80BP online) would deliver larger and more immediate reductions in interchange fees. s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted] A cap at the upper end of the range (50BP / 90BP) would further mitigate this risk but may leave interchange fees higher than necessary to achieve efficient outcomes for merchants.

57. Implied weighted-average interchange rates are set out in Table 1 to assist judgement between these options. We are seeking Committee direction on where within this range the draft decision should be set.

Step One: Starting with the benchmarks

> We benchmark domestic commercial credit caps using international context and New Zealand's existing cap structure. EU commercial credit rates are unregulated and only provide contextual insight. Australia offers the most meaningful comparator through its clearer, post-review cost-based caps. New Zealand's base rates - 20bp/60bp for commercial debit, a 10bp uplift for credit, and a 40bp uplift for online, remain the foundation, reflecting issuer costs, credit risk and higher online fraud exposure.

Relevant benchmark	Summary of consideration
Caps in the EU	s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted] EU does not regulate commercial credit, leaving only wide unregulated market rates that don't align with NZ's regulatory objectives. Useful only as context, especially given concerns in EU/UK that commercial interchange is excessive and may face future regulation.
Caps in Australia	Australia remains a useful comparator jurisdiction because we now have clearer post-review caps and a better understanding of its cost-based methodology, which has been simplified by removing the weighted-average benchmark for credit (with the domestic caps remaining at current levels). This allows us to use Australia as a

19 Based on monitoring data for the period Dec 24 – Nov 25.

	sense-check, while still recognising that New Zealand may diverge due to different market conditions and our broader methodology.
Base rates in New Zealand	Commercial debit 20BP/60BP - Already regulated and market specific; Credit products 10BP uplift – applied to reflect higher issuer costs, credit risk and additional functionality of credit products; Online transactions 40BP uplift – retained to account for higher fraud risk and costs associated with online transactions compared to in-person.

58. Our approach to domestic commercial credit interchange caps draws on international context, domestic settings, and the wider three-step methodology, rather than relying on any single benchmark. EU rates offer only contextual insight because commercial credit is unregulated there and varies widely, although both UK and EU regulators are now considering intervention as rates continue to rise.

59. Australia provides the most relevant benchmark as the only jurisdiction with regulated commercial interchange, though New Zealand may still diverge due to different market conditions and methodology. Our existing caps and structures - 20bp/60bp for commercial debit, a 10bp uplift for credit, and a 40bp uplift for online transactions remain the base parameters, reflecting issuer costs, credit risk and the higher fraud exposure of online payments.

Consideration of the caps set in the European Union

60. The EU does not regulate commercial credit interchange fees, meaning there are no formal caps that can serve as a benchmark for New Zealand's commercial credit cap setting. Instead, only market rates are available which vary widely, with Mastercard commercial credit interchange typically ranging from 1.25–1.90% and Visa ranging from 0.30–2.00%, reflecting the absence of regulatory constraint, like the ranges experienced in New Zealand.

61. s 9(2)(g)(i) [redacted] While EU personal card caps informed parts of New Zealand's July decision, we ultimately deviated substantially from EU levels (eg, applying premia for online transactions). Recent findings by the UK Competition Appeal Tribunal found that commercial interchange fees were excessive and indications that both EU and UK authorities may consider future regulation, further support treating EU commercial rates as context rather than guidance.

Consideration of the caps set in Australia

62. Australia is the only jurisdiction that currently regulates commercial interchange fees, making it the most relevant external benchmark for New Zealand's commercial credit cap methodology. While previously used only as a sense-check due to its more complex weighted-average system and pure cost-based approach, the recent RBA review has simplified its methodology and provided clearer, post-review cap levels,

allowing Australia to serve as a more meaningful comparator. Australia's current rates have also been in place for several years, allowing us to analyse the impacts they have had on the commercial credit card market.

63. Current Australian caps for domestic commercial credit sit at 0.50% (weighted average benchmark across all credit card transactions over a 12-month period) with a maximum of 0.80%. While Australia's approach provides valuable parameters, our approach can diverge based on Steps 2–3 of our methodology, which account for New Zealand market differences, issuer costs and merchant benefits.

Consideration for caps that already exist in New Zealand

64. We have considered current New Zealand caps and approaches:

64.1 **Commercial debit cap of 20BP for in-person:** Commercial debit caps have been in place since the initial pricing standard. In our previous decision we maintained the current domestic debit caps to provide reasonably sufficient margins for alternative payment providers and small issuer banks to compete.

64.2 **Retaining 10BP premia for credit transactions:** The 10-basis-point uplift on debit is carried over from the July personal cards decision, where the same premium was applied to move from personal debit to personal credit caps. The rationale - higher issuer costs, credit risk and additional credit functionality applies equally to commercial products. As a result, we apply the same 10bp increment to commercial debit caps to create the base rates for commercial credit.

64.3 **Retaining 40BP premia for online transactions:** The 40-basis-point differential between in-person and online transaction types comes directly from the existing commercial debit caps. Domestic in-person debit is capped at 0.20%, while domestic online debit is capped at 0.60%, reflecting higher fraud and risk costs for online payments. This same structural difference is carried over to commercial credit, preserving the established 40bp gap between in-person and online transaction categories.

65. This is supported by our decision memo available here.

Step Two: Consideration for the New Zealand context

NZ-specific features introduce downside risk, not a structural case for premia. SME reliance on commercial credit creates uncertainty if caps are set too low, rather than evidence that higher interchange is efficient. We manage this downside risk by using a range internally to support Committee judgement on an appropriate proposed cap for draft consultation. Other NZ-specific factors do not warrant adjustments beyond those justified by issuer costs and merchant benefits.

Relevant cost or benefit	Impact on determining an appropriate cap
Small issuer ability to compete in payments and ultimately banking	s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]
High proportion of SMEs in NZ	
Market share of commercial cards here versus rest of world	No or small downward pressure - Less relevant, equally our market share of commercial credit is growing and appears higher than international comparisons although these are unreliable.
Giving the market to AMEX	Not grounds for premia or non-regulation. s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]
Domestic corporate travel patterns	No impact - Travel sector usage not large enough and benefits relate mostly to foreign issued cards.

66. The New Zealand context are the features unique to New Zealand that affect the structural and market characteristics that influence whether domestic commercial credit caps should differ from those applied elsewhere in the methodology. We have considered our concentrated banking and card issuance market, the high proportion of SMEs, the market share of commercial credit here versus the rest of the world, the role of AMEX here and our domestic corporate travel patterns.

67. These factors matter because they determine who bears cost burdens, how competitive pressure operates and whether NZ is sufficiently different from comparator jurisdictions (EU/UK/Australia) to warrant adjustments to premia beyond those justified by issuer costs or merchant benefits alone. When tested through this lens, we conclude that s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted] relevant:

67.1 **Small issuer ability to compete** – Reducing interchange fee revenue, reduces small issuer and small banks' ability to compete. A reduction in interchange fees could cause issuers to withdraw products or scale back competition. However, we do not consider commercial credit products to be typical entry level products. s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

67.2 **High proportion of SMEs and SME reliance on commercial credit cards** - Commercial cards are predominantly used by SMEs s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]. Lowering commercial credit interchange fees may reduce cardholder benefits. We want to reduce excessive interchange fees while appropriately managing downside risks and uncertainty in a market with a high concentration of SME cardholders.

68. Other factors raised by stakeholders are considered not relevant to premia because they either lack NZ-specific significance, are already addressed elsewhere in the methodology, or do not affect the broader merchant base. These include:

68.1 our market-share comparisons with overseas jurisdictions, which are unreliable due to structural differences;

68.2 claims that regulating Visa/Mastercard commercial credit would give AMEX an unfair advantage – we consider the AMEX share currently remains low and AMEX is still not a must take card for merchants s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

68.3 s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

68.4 industry-level spending patterns, which are too narrow to justify system-wide premia.

Considering AMEX

69. s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

20 Taken from our latest ongoing monitoring data from 1 December 2024 – 30 November 2025.

s 9(2)(ba)(i), s 9(2)(b)(ii)

70. [redacted]

71. [redacted]

72. This is supported by our decision memo available **here**.

Step Three: Considering relevant issuer costs

Small uplift justified for relevant issuer costs. Commercial cards show slightly higher fraud prevalence and marginally higher fraud loss rates.

Relevant cost	Impact on determining an appropriate cap
Fraud losses	Supports **only a small uplift** s 9(2)(g)(i) [redacted]
Fraud prevention costs	s 9(2)(g)(i) [redacted]. Helps justify a small premium.
Decline rate risk	**Minimal impact**. No significant premium justified.
Cost of alternatives	Supports avoiding a very low cap but does not justify a large positive premium - s 9(2)(g)(i) [redacted]
Administrative and operational costs	Provides some justification for a small premium, s 9(2)(g)(i) [redacted]
Other relevant cost differences	**No downward adjustment** justified; does not materially support a higher cap either.
RBA cost study (sense check)	Reinforces that any premium should be small, s 9(2)(g)(i) [redacted]

73. Relevant issuer costs for commercial credit cards are those that provide a clear benefit to merchants or are necessary for the functioning and sustainability of the payment system. These include:

    73.1 fraud losses and fraud-prevention costs - where commercial cards show slightly higher fraud prevalence and marginally higher fraud loss rates;

    73.2 decline-rate-related impacts that link to fraud management;

    73.3 the cost of viable alternatives (eg, Amex or merchant-provided credit); and

    73.4 administrative costs linked to the more complex customer relationships and account structures of commercial card programmes.

74. These cost categories mirror those used in the July Decision and generally indicate only a small cost difference between commercial credit and personal credit products. s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

75. Costs that are less relevant to setting an interchange premium are those that mainly deliver value to cardholders rather than merchants, or that arise from choices in product design rather than unavoidable system costs. These include extended interest-free periods, reward schemes s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted] These features are either excessive, discretionary, or should be funded through issuer revenue streams other than interchange (eg, fees or interest).

76. Credit losses are intentionally priced into issuers' credit-product design and therefore should not be funded by merchants. Because these excluded costs are substantial drivers of commercial credit card product pricing today, removing them from consideration reinforces that only a small, tightly scoped premium is justified and prevents merchants from effectively subsidising cardholder benefits that offer them little or no direct value. This is supported by our decision memo available here.

Step Three: Considering relevant merchant benefits

Small uplift justified for relevant merchant benefits. Outsourced provision of credit – cost of alternatives (trade accounts) warrants small premium. May avoid the merchant bearing administrative cost and risk of running trade accounts.

Relevant merchant benefit	Impact on determining an appropriate cap
Network externality benefits	No uplift justified as benefits (universal acceptance, credibility of card payments) apply equally to debit and personal credit.
Transaction processing efficiency & speed	No uplift justified, efficiency gains exist but are not greater than those already recognised for commercial debit and personal credit.
Guaranteed payment & settlement certainty	Not above personal credit. Credit shifts default risk from merchants to issuers and personal credit already provides identical settlement certainty.
Fraud protection & security	Not above personal credit. Credit products generally offer stronger fraud protections than debit. But commercial credit offers no greater protection than personal credit. Additional risks relate to cardholders, not merchants.
Access to online commerce	Not above personal credit. Credit enables broader online acceptance where debit options remain limited. But commercial credit provides no more online-commerce benefit than personal credit.
Facilitation of higher value transactions	No uplift justified. Higher average spend is already captured through ad valorem pricing, not a justification for higher interchange.
Outsourced provision of credit – cost of alternatives (trade accounts)	Warrants small premium above personal credit as merchants do not need to provide credit terms to trade customers coupled with the volume of repeat customers and transactions. May avoid the merchant administration

	cost and risk of running trade accounts,[21]including debt collection activity in the event of payment defaults.[22]
Outsourced provision of credit – potential to induce additional demand	No uplift justified. Most commercial cards are paid in full and revolving balances are limited. Spending is constrained by employer controls, therefore little incremental demand beyond personal credit.

77. Merchant benefits are benefits that merchants directly receive from accepting domestic commercial credit cards, assessed relative to the benefits they already receive from commercial debit and personal credit. A merchant benefit is only relevant to additional interchange premia if it reduces merchant cost, operational complexity, or risk, or if it increases the merchant's ability to make a sale over and above the existing card types with capped interchange. Given this, only a small set of benefits meet the threshold.

78. We consider domestic commercial credit offers merchants more value than commercial debit through guaranteed payment and settlement certainty, fraud-related protections inherent to credit products, access to online commerce, and avoiding the cost of operating trade accounts. These features shift default risk away from merchants, support remote and digital transactions and reduce the administrative and financial burden of managing credit relationships. This justifies a small premium over commercial debit.

79. Relative to personal credit, we consider that there a small premium is warranted to account for the administrative cost of establishing and running trade accounts. However, we do not consider that a premium over personal credit is warranted from the outsourced provision of credit inducing additional demand. This is because:

    79.1 credit provision to small business commercial credit cardholders may induce demand but it is likely to be similar to characteristics of personal credit due to similar collateral used to cover defaults for small business commercial credit and personal credit, and

    79.2 additional merchant demand induced by credit provision to large business commercial cardholders is constrained by limits – both expenditure and type of transaction - imposed at the corporate level.

21 Mastercard submission at p 26 stated that while alternatives to commercial credit cards may have lower direct costs to the merchant, there may be higher administrative costs and challenges with payment delays and defaults.

22 s 9(2)(ba)(i), s 9(2)(b)(ii)

80. Other claimed benefits do not justify any premium, because they either do not exceed what personal credit already provides, are cardholder benefits [redacted] s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

81. We have found no evidence that commercial credit outperforms personal credit on these dimensions. Many touted advantages such as rebates, expense management tools, reporting, virtual-card functionality and loyalty benefits are value-added services for cardholders, not the merchant. Therefore, these should not be funded by merchants through interchange. This is supported by our decision memo available here, with cardholder benefits outlined in more detail at Annex A of that memo.

Foreign-issued commercial credit transactions

Table 6 Draft proposed caps for foreign-issued commercial credit

Type	Current range	Current weighted average	Recommended draft decision
Foreign-issued commercial credit – In-person	s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]	[redacted]	70BP – same as personal credit
Foreign-issued commercial credit – online	[redacted]	[redacted]	150BP – same as personal credit

82. We propose **aligning foreign-issued commercial credit interchange caps with those already applied to foreign-issued personal credit**, meaning no additional commercial-specific premia are justified. This reflects that:

82.1 s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

82.2 The relevant benefits, access to international customers with limited alternatives and elevated fraud-risk protections, are already fully recognised in the existing foreign-issued personal credit premia.

82.3 Issuer costs for foreign-issued commercial cards are already fully accounted for in the foreign-issued debit and personal credit caps and foreign-issuer incentives do not justify additional premia. NZ transactions make up a very small share of global issuer portfolios, so aligning foreign-issued commercial credit caps with personal credit caps is unlikely to impact issuer willingness to allow acceptance in New Zealand.

82.4 s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted] personal and commercial credit cross-border fraud loss risks, fraud-prevention costs, chargeback handling and international processing costs. These are already reflected in the substantial foreign-issued uplifts.

82.5 NZ-specific contextual factors highlight both cost pressures on merchants as well as merchants' benefits from foreign-issued card acceptance, s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted] New Zealand has an unusually high reliance on foreign-issued cards s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted] of total spend), heavily concentrated in tourism-exposed sectors that have limited ability to steer or absorb cost increases. These merchants are least able to bear higher interchange fees, yet they value the benefits of accepting foreign-issued cards due to the lack of viable alternatives. We consider these contextual factors apply similarly for both personal and commercial credit.

82.6 AMEX considerations do not justify a commercial uplift. s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

82.7 s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

Step One: Starting with the benchmarks

> We start with New Zealand's own commercial debit caps as the base rates for foreign-issued commercial credit, applying a 10-basis-point credit uplift to reflect product differences. We then use Australian foreign-issued rates only as comparators, providing a sense-check without driving or determining the New Zealand starting point.

Benchmark / base rate	Relevance to this decision
Caps set in the UK and EU	Unregulated and interregional commercial interchange rates are not published, neither Mastercard nor Visa are required to disclose them. s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]
Caps set in Australia	Currently unregulated but primary comparator because Australia regulates commercial interchange generally. New caps (publishing 31 March) proposing 1% for all cards and payment methods. We have used this as a numeric comparator.
Base rates in New Zealand	We start with New Zealand's own commercial debit caps (60/140BP) as the base rates for foreign-issued commercial credit. We have retained the credit (10BP) and online (40BP) uplifts to

[23] s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

	reflect relevant differences according to our methodology and findings to date.

83. For foreign-issued commercial credit, NZ's base rates establish the starting point. s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

Consideration of the caps set in Australia

84. Australia provides a s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted] sense check for our approach. While Australia currently leaves foreign-issued commercial credit uncapped, meaning no present benchmark exists for these transaction types, the RBA's latest caps due to be published 31 March set foreign issued interchange fees at 1%. This cap includes debit, credit and commercial and does not differentiate between payment methods.

85. The RBA's s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted] This enables us to apply a meaningful comparative lens, while recognising the differences in Australia's cost-based methodology to our methodology which takes on broader considerations.

Consideration for New Zealand caps

86. Our foreign-issued commercial debit caps, 0.60% for in-person and 1.40% for online, serve as the base rates for foreign-issued commercial credit. These debit caps, already decided in the July Decision, are used as the methodological starting point before any further adjustments for commercial credit.

87. This is supported by our decision memo available [here](#).

Step Two: Consideration for the New Zealand context

s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

Relevant cost or benefit	Impact on determining an appropriate cap
Market share of commercial cards as a proportion of total foreign-issued spend	The market share of foreign-issued card transactions in NZ is high and these transactions are a meaningful cost driver of merchant acceptance costs. However, market share comparisons with other countries are not a reliable basis for setting commercial credit interchange caps.
Higher reliance on foreign-issued cards	[redacted]. NZ has a higher share of foreign-issued cards s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted] Our initial view is that the current caps for personal credit are sufficiently high to not hinder merchant acceptance. s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

	s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]
AMEX migration and risk of increased costs for merchants	Does not justify non-regulation of commercial cards. However, given an increase in merchant acceptance of AMEX we will continue to monitor transaction volume and value growth and s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]
Considering the cost of alternatives for foreign-issued commercial cards in New Zealand	Possible upward pressure, s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]
Consideration for foreign-issuer incentives to allow acceptance in New Zealand	No additional premia warranted. Given the size of the New Zealand card market, there would be limited impact to individual foreign-card issuers of aligning foreign-issued commercial credit caps to personal commercial credit caps.

88. Across all contextual factors assessed at Step 2, our emerging position is that no additional premia are warranted for foreign-issued commercial credit cards. The existing premia applied to foreign-issued personal credit and commercial debit are considered sufficient to account for New Zealand-specific conditions such as higher inbound tourism reliance, elevated alternative payment costs and greater exposure to foreign-issued transactions.

89. Market-share comparisons with other jurisdictions are not viewed as a reliable basis for adjustments and AMEX's competitive position does not justify avoiding regulation of Visa/Mastercard commercial cards. Similarly, NZ's small market size means aligning commercial-credit caps with personal-credit caps is unlikely to affect foreign-issuer incentives to allow acceptance in New Zealand.

Higher reliance of foreign-issued cards

90. New Zealand's unusually high reliance on inbound tourism means foreign-issued cards play a disproportionately large role in payment acceptance. Around [redacted] of all NZ card transactions are made on foreign-issued cards, far higher than Australia's [redacted] when the RBA chose not to regulate. The resulting interchange costs fall heavily on tourism-exposed sectors such as accommodation, hospitality and travel. These merchants often cannot steer customers to cheaper payment methods and face concentrated, hard-to-avoid acceptance costs.

91. Submitters have raised concerns that regulating foreign-issued commercial cards could increase decline rates or reduce inbound spend, with Mastercard estimating up to s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted] of sales could be lost if international issuers decline more transactions. Visa also cautioned that lower caps could prompt cardholders to migrate to higher-cost AMEX in travel-heavy segments.

92. Feedback from the RBA's tourism submissions reinforces the vulnerability of these sectors. The RBA summarised that tourism merchants are among the least able to absorb or pass on foreign-issued card costs and these arguments were widely used to support lower interchange caps and stronger regulation.

93. This is supported by our decision memo available here.

Step Three: Considering relevant issuer costs

No additional premia justified because the existing foreign-issued caps already fully account for the relevant cost drivers. NZ transactions make up only a very small share of foreign issuers' global portfolios s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

Relevant cost	Impact on determining an appropriate cap
Fraud losses and fraud prevention costs	Foreign-issued cards (personal and commercial) carry higher fraud prevalence, higher fraud loss exposure, higher costs for fraud detection, cross-border verification, and chargeback handling. All foreign-issued cards exhibit higher costs and more limited viable alternatives, and the foreign-issued caps already include substantial uplifts to account for these costs.
Costs of international transfers / cross-border processing	These cost differences are relevant and already included. This is explicitly part of why foreign-issued caps (debit & credit) include a 0.40–0.80% premium above domestic.
Higher decline-rate risk for foreign issuers	Risk is relevant, but already fully priced into current personal and commercial debit caps. No additional commercial uplift needed. Foreign issuers may consider declining NZ transactions if interchange is set below cost.
Administrative and operational costs	Considered relevant s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]
Limited alternative payment options for foreign payers	Relevant and already accounted for. Foreign travellers/businesses cannot use Eftpos or domestic A2A alternatives. This contributes to the higher foreign-issued caps set in the July Decision.

Foreign-card issuer costs considered less relevant for foreign-issued commercial credit.

94. Some foreign issuer costs are not appropriate to fund through interchange or are already fully captured in the existing foreign-issued caps. Cardholder benefits can be adjusted by issuers through product design or cardholder fees and therefore should not be indirectly funded by merchants. Credit losses from cardholder defaults are similarly given less weighting in our considerations because they are already priced into issuers' underwriting, screening, interest rates, and fee structures; submitters also did not identify these losses as a key point of differentiation.

95. The domestic-specific commercial cost differences that exist for NZ-issued cards, such as more complex onboarding, more intensive account management or slight variations in fraud prevalence are less material for foreign issuers given NZ's very small share of their global portfolios. Of the foreign issuer costs that we do consider relevant to the level of interchange, the already large premium built into personal foreign-issued interchange caps sufficient accounts for them. Therefore, applying the same uplift to the premium for foreign-issuer commercial credit as domestic would risk double-counting. This is supported by our decision memos available here.

Step Three: Considering relevant merchant benefits

No additional premia above foreign-issued personal credit proposed because no merchant-specific benefits unique to foreign-issued commercial credit could be substantiated. As a result, premia for foreign-issued commercial credit should align with those already applied to foreign-issued personal credit.

Relevant benefit	Impact on determining an appropriate cap
Convenience benefits for accepting payments from international customers who have few alternatives	Uplift above domestic commercial credit to account for access to customers but same as premium which is applied to foreign issued personal credit.
Guaranteed settlement	No uplift above domestic commercial credit - merchant benefit of guaranteed payment comes with accepting all credit card products, including foreign issued.
Fraud protection and security	Uplift above domestic commercial credit to account for high fraud risk of foreign issued credit cards. Propose to apply the foreign issued personal credit premia, differentiating between in-person and on-line (card not present) which have higher fraud risk.

96. Our current evidence does not suggest merchants gain additional benefits from accepting foreign issued commercial credit in comparison to foreign issued personal credit. We consider that the relevant additional benefits merchants accrue from foreign issued commercial and personal credit are:

96.1 convenience of being able to accept payments from international customers who have few other alternatives, and

96.2 fraud protection and security due to foreign issued credit products having a higher risk profile for fraudulent transactions, particularly on-line transactions.

97. For demand stimulation, we concluded that foreign-issued commercial cards do provide merchants access to international travellers, students and business customers, so a premium above domestic commercial credit is justified. However, the memo finds no evidence of additional benefit beyond what already exists for foreign-issued personal credit, s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

98. Fraud protection is also considered relevant because foreign-issued cards carry higher fraud risk, especially online, so a premium mirroring foreign-issued personal credit premia is appropriate.

99. Guaranteed settlement is acknowledged as a genuine benefit of all credit card products, but not uniquely a benefit of foreign-issued commercial cards, meaning it does not justify an additional premium. Therefore, guaranteed settlement does not warrant a further premium because merchants already receive this benefit from both domestic and foreign personal credit products and foreign-exchange certainty is not unique to commercial cards.

100. We ruled out several factors as not relevant for setting additional premia. We found no incremental merchant benefit that would justify a premium above that already applied to foreign-issued personal credit. For example, merchants' access to aggregator-driven customers occurs regardless of card type s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

s 9(2)(ba)(i), s 9(2)(b)(ii)

[redacted]

102. s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

103. [redacted]

s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

104. s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

105. s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

106. [redacted]

s 9(2)(g)(i) [redacted]

107. In our July 2025 final decision, we provided longer implementation periods for products that were not previously regulated. This reflected the scale of change involved and stakeholder concerns about operational readiness. We recognise that commercial credit cards are not currently regulated and that implementation timeframes were a contentious issue in that process.

108. Since that decision, we have gained additional insight into the practical timelines for implementing interchange fee changes, including through recent scheme repricing and engagement with issuers and acquirers on system release cycles. This informs our draft view on implementation timing, while recognising that this remains an area where stakeholder feedback will be important.

109. As a draft position, we propose a minimum implementation period of three months from the date of the final decision. Subject to the timing of that decision, we aim for implementation in November 2026 to align with the November system-wide release cycle. Aligning with this cycle minimises operational disruption and reduces implementation costs for issuers and acquirers. This proposal is intended as a starting point for consultation, rather than a fixed position.

110. Implementing domestic and foreign-issued interchange rates at the same time would allow acquirers to reprice once, reducing operational overhead and lowering the risk of multiple rounds of system changes. s 9(2)(g)(i) [redacted]

111. [redacted]

s 9(2)(g)(i) [redacted]

112. Our July 2025 decision proposed a staggered implementation, with shorter timeframes for domestic cards (4 months) and longer for foreign-issued cards (10 months). The RBA is implementing a similar staggered approach (7 months for domestic caps and 12 months for foreign-issued caps). s 9(2)(g)(i) [redacted]

113. s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]. Whilst issuers and acquirers require substantially more time to interpret changes, reprice products, communicate to customers and update systems, recent experience highlights both the feasibility of relatively rapid implementation and the operational and financial risks of compressed timeframes, reinforcing the importance of setting a realistic minimum period.

Attachment A: Current rates and caps of all cards for reference

114. Points to note on the current rates and caps for reference:

114.1 s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

114.2 [redacted]

114.3 UK cross-border IC fee caps are currently under review.

114.4 It is difficult to know what categories and rates are for online transactions. NZ Foreign-issued rates are pulled from the schemes' Australian interchange sites and are very difficult to interpret.

Table 7 Comparing current caps and rates here and in comparator jurisdictions

Card type	Payment method	Aotearoa			Australia caps		UK/EU caps
		Rate range	Weighted average****	Cap	Old	New	
Domestic cards							
Debit	In-person - contacted	s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]		0.00%	W/A = 8c, max 10c/0.20%	8c / 0.20%	0.20%
	In-person - contactless			0.20%			0.20%
	Online			0.60%			0.20%
Personal credit	In-person			0.30%	W/A = 0.50%, max 0.80%	0.30%	0.30%
	Online			0.70%			0.30%
Commercial credit	In-person			0.40-0.50%**		0.80% - current weighted average 0.78%	Uncapped
	Online			0.80-0.90%**			Uncapped
Prepaid	All			Uncapped	Same as debit	8c	0.20%
Foreign-issued cards							
Debit/Prepaid	In-person			0.60%***	Uncapped	1.00% - weighted average 0.98%	0.20%
	Online			1.40%***			1.15%
Personal credit	In-person			0.70%***			0.30%
	Online			1.50%***			1.50%
Commercial credit	In-person			0.70%**			Uncapped
	Online			1.50%**			Uncapped

* Visa strategic merchants only.
** Proposed draft decision.
*** Foreign-issued card caps take effect on 1 May 2026.
**** Based on monitoring data from schemes for the period December 2024 – November 2025.

Attachment B: Alternative impact scenarios

115. To account for scheme repricing, we have considered two scenarios for impact calculation:

115.1 **Scenario 1:** Domestic commercial credit card interchange fees are set at the recommended caps for **all merchants** (meaning merchants who currently are below the recommended draft caps see their fees rise); and

115.2 **Scenario 2:** Domestic commercial credit card interchange fees are set at the recommended caps only for merchants whose current rates are above the caps, with **no scheme repricing for merchants already below the caps**. [redacted] s 9(2)(ba)(i), s 9(2)(b)(ii)

Identifying transactions that may be subject to scheme repricing up to the caps

116. We used 2024 compliance data to estimate the share of domestic transactions subject to strategic merchant, industry and recurring payment rates. Based on this data, we estimate approximately [redacted] of transactions fall into these categories. These transactions have a weighted average interchange fee rate of [redacted]. We then used this rate as the threshold to determine whether scheme repricing would occur. s 9(2)(ba)(i) & 9(2)(b)(ii)

Potential repricing impact for domestic commercial credit

117. s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted] Although higher caps imply a larger repricing impact, this assumes full repricing to the caps, which is an extreme case. Higher caps may instead allow greater rate differentiation across merchants, reducing the likelihood of full repricing to the caps.

Further context

118. In the July 2025 final decision impact calculation, we assumed that for card types and payment methods where weighted-average interchange fees exceeded the caps, merchants' rates moved close to the caps (scenario 1) and rates remained unchanged where weighted averages were already below the caps or where the card types were unregulated. This likely understated impacts for domestic commercial credit, where scheme repricing could result in rate increases by multiples.[24] s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

[24] In comparison to, for example, domestic personal credit online repricing involved a smaller increase to the [redacted] cap from a weighted average of [redacted] s 9(2)(ba)(i) & 9(2)(b)(ii)

s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

Figure 3 Maximum caps 40BPS (in-person) and 80BPS (online) – Scenario 1

s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

[25] Visa email correspondence available here https://imanage.comcom.govt.nz/work/link/d/IMANAGE!5780334.1

Table 8 Comparison of alternative impact calculation (40/80BPS recommended caps)

					Scenario 1		Scenario 2		
Payment method	Merchant type	Transaction value	Estimated current interchange fee rates	Estimated interchange fees paid	Repriced interchange fees	Implied weighted average	Repriced interchange fees	Implied weighted average	Difference
In-person	Strategic/industry/ recurring payments	s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]							
	Others								
Online	Strategic/industry/ recurring payments								
	Others								
In-person	All merchants								
Online	All merchants								
Total	**All merchants**								

COMMERCE COMMISSION NEW ZEALAND
Te Komihana Tauhokohoko

Document 7

Memorandum

To:	Market Regulation Committee	01.06 N0038
From:	Commercial credit team	
Date:	February 2026	
Classification:	In-Confidence – Commercial	
Subject:	Commercial Credit – Step 1 – Considering Benchmarks	

Purpose

1. This document outlines the benchmarks we have considered as appropriate starting points for our methodology to determine an appropriate level for a commercial credit interchange cap. This will form part of any draft decision. Once we have prepared our drafting for each step we can consider where any premia are appropriate above the base rate and in relation to our benchmarks.

Recommendations

2. The preliminary recommendation is to take commercial debit interchange caps, set in our July Decision as the base rates upon which to apply any appropriate premia. These caps are:

Domestic in-person commercial debit	**0.20%**
Domestic online commercial debit	**0.60%**
Foreign-issued in-person commercial debit	**0.60%**
Foreign-issued online commercial debit	**1.40%**

3. Because we are deciding caps for commercial credit, the premium for credit of 10bps, as applied in the July Decision on top of personal debit caps, can also be applied to commercial debit on the same rationale of differences between debit and credit personal payment products. This gives the following base rates for commercial credit when applied to commercial debit rates:

Domestic in-person commercial credit	**0.30%**
Domestic online commercial credit	**0.70%**
Foreign-issued in-person commercial credit	**0.70%**

Foreign-issued online commercial credit	**1.50%**

4. Although these base rates, or starting points, for commercial credit align with the equivalent personal card caps, this is due to following our methodology and not attempting to match such rates. While steps 2 and 3 of this methodology may suggest a premium be applied for commercial credit, this does not necessarily mean that commercial debit will also have the same premium applied. This is because our analysis is of the specific characteristics of commercial credit, some of which has differences from both commercial debit and personal credit products.

5. From this base rate, which is derived from preexisting benchmarks in New Zealand (commercial debit caps), we have also looked at other appropriate benchmarks.

6. Australia is the only jurisdiction that regulates commercial interchange fees with a cap. In our July decision, we used Australia as a sense check only due to their different and more complex system of weighted average benchmarks, their reliance on a cost-based approach, and the RBA's impending review of their interchange caps levels. We now have the benefit of having more information about their post-review caps and a better understanding of their methodology which remains cost-based but allows for wider considerations, such as competition, and seeks to reduce complexity by removing the weighted-average benchmark for credit.[1] This allows us to use Australia as a comparator jurisdiction to benchmark against, without changing our view of the validity of a cost-based approach to setting interchange caps. The RBA's review of their interchange caps has also provided us with further useful information in the form of submissions on their consultation paper and proposed interchange caps. s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

7. While the EU was our primary comparator benchmark in our July decision, commercial interchange fees are not capped through regulation there. Therefore, the commercial credit interchange rates in the EU cannot be benchmarked against or used as a robust sense check. However, we have considered the current rates for commercial interchange fees in the EU and UK.[3]

[1] The RBA's July 2025 consultation paper proposed caps for commercial interchange at the same level as equivalent personal transaction types due to the RBA finding issuers costs to be similar. However, following submissions, we understand the RBA is likely to deviate upwards for their commercial card caps, accounting for other considerations beyond issuer costs. RBA Consultation Paper available at: https://www.rba.gov.au/payments-and-infrastructure/review-of-retail-payments-regulation/2025-07/consultation-paper/interchange-fees.html (weighted-average benchmarks discussed p 30, commercial credit cards discussed p 35-37.)

[2] s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted], https://imanage.comcom.govt.nz/work/link/d/IMANAGE!5654246.2

[3] s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

8. It is important to note that, while the EU rates were used as a starting point in our July decision, other considerations in steps 2 and 3 led to substantial deviations from the EU rates for most transaction types. For example, although the EU caps interchange for personal credit transactions at 0.30%, we decided on 0.30% for in-person transactions, but a substantially higher 0.70% for online transactions. Therefore, although Australia is the benchmark for commercial credit, other considerations mean we are not bound by it.

9. Although unregulated in the EU and UK, there have been indications that the current commercial credit interchange rates charged there are also considered too high. For example, in June 2025, the Competition Appeal Tribunal of England Wales found commercial credit card interchange fees were excessive.[4] s 9(2)(b)(ii), s 9(2)(ba)(i) [redacted].[5] Where we have referred to observed unregulated market rates, we have given further consideration to how these are contextualised and what weight we give them.

10. While there are fewer comparator jurisdictions that regulate commercial interchange fees than for personal, step 1 still provides the useful framing and starting point for our setting of caps. The tables below show the rates and rate ranges in each jurisdiction collected to date:

Table 1: current market rates or caps in NZ and comparator jurisdictions

	Current NZ market rates	**Current Australia caps**	**New Australia caps[6]**	**Current EU market rates[7]**	**Current UK market rates[8]**
Domestic					
In-person commercial credit	0.20% - 2.20%	0.50%, max 0.80%	0.80% [CI]	1.25 – 1.90% (MC)	1.30 – 1.90% (MC)

[4] Competition Appeal Tribunal, 27 June 2025, para. 353. Found at https://www.catribunal.org.uk/sites/cat/files/2025-06/151711722%20%28UM%29%20Merchant%20Interchange%20Fee%20Umbrella%20Proceedings%20-%20Judgment%20%2027%20Jun%202025.pdf

[5] s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

[6] [redacted]

[7] Mastercard, https://www.mastercard.com/europe/en/business/support/merchant-interchange-rates.html and Visa, https://www.visa.co.uk/content/dam/VCOM/regional/ve/unitedkingdom/PDF/fees-and-interchange/april-25/intra-eea-apr25.pdf

[8] Mastercard, https://www.mastercard.com/europe/en/business/support/merchant-interchange-rates.html#accordion-08b17bb319-item-53b8fdf58c and Visa, https://www.visa.co.uk/content/dam/VCOM/regional/ve/unitedkingdom/PDF/fees-and-interchange/april-25/uk-apr25.pdf

Online commercial credit	(0.20%-0.80% strategic merchants, industry, govt and recurring; 1.95% - 2.10% standard; 2.20% premium)			0.30 – 2.00% (Visa)	0.30 – 1.90% (Visa)
Foreign-issued					
In-person commercial credit	1.85% - 2.30%	Uncapped	1.00% [CI]	N/A[9]	N/A[10]
Online commercial credit					

[9] EU interregional commercial credit card rates are not required to be published and are therefore unavailable publicly.
[10] We understand that UK interregional commercial credit card rates are also not required to be published.

Table 2: effective rates (weighted averages) in NZ and comparator jurisdictions

	NZ weighted averages[11]	Australia weighted averages[12]	EU weighted averages[13]	UK weighted averages[14]
Domestic				
In-person commercial credit	s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]	[redacted]	N/A	N/A
Online commercial credit	[redacted]	[redacted]		
Foreign-issued	[redacted]	[redacted]		
In-person commercial credit	[redacted]	[redacted]	N/A	N/A
Online commercial credit	[redacted]	[redacted]		

11. Because Australia does not distinguish between in-person and online for domestic-issued cards, the benchmark rates provide an average rate to compare against for domestic cards. However, in-person and online are distinguished for foreign-issued cards in Australia. The combined base rates and benchmarks are summarised in the table below:

11 s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

12 [redacted]

13 [redacted]

14 [redacted]

Table 3: summary of base rates and benchmarks

	Commercial debit base rate	Commercial debit base rate + personal credit uplift	Australian benchmark (current rates)	Australian benchmark (proposed rates)	Rate range
Domestic in-person commercial credit	**0.20%**	**0.30%**	**0.50%, max 0.80%**	**0.80%**	**0.20 - 0.80%**
Domestic online commercial credit	**0.60%**	**0.70%**			**0.30 - 0.80%**
Foreign-issued in-person commercial credit	**0.60%**	**0.70%**	**Uncapped**	**1.00%**	**0.40 – 1.00%**
Foreign-issued online commercial credit	**1.40%**	**1.50%**			**1.00 - 1.50%**

12. The rate ranges in the last column of the above table provide the starting point that is reached by step 1 of the methodology for setting appropriate interchange caps for commercial credit cards. Although these ranges are not prescriptive, they indicate where the final caps may be set, providing a useful, prospective sense check to apply to the output of steps 2 and 3 of the methodology.

13. Step 2 of the methodology will apply analytical scrutiny to the Australian payments market, and the payments markets of some other jurisdictions, to determine the appropriateness of comparing the New Zealand payments environment to them. This will indicate whether adjustments to our benchmarked rates, and therefore the above rate ranges, are justified for the New Zealand payments market.

14. Step 3 will then build on our base rates, making adjustments, where justified, based on issuer costs, merchant benefits, and relevant market dynamics and potential impacts. The output of step 3 can then be compared against the adjusted benchmarks from step 2 as a sense check.

COMMERCE COMMISSION NEW ZEALAND
Te Komihana Tauhokohoko

Document 8

Memorandum

To:	Informing Draft Decision overview memo for Market Regulation Committee /
From:	Commercial credit team
Date:	March 2026
Classification:	In-confidence – Commercial
Subject:	Domestic Commercial Credit – Step 2 - Considering the New Zealand context

Purpose

1. This document outlines what considerations we have made for the New Zealand context when assessing whether any additional premia are justified for domestic commercial credit, or whether New Zealand-specific factors instead introduce risks that should be managed through careful calibration and consultation.

Recommendations

2. At this stage we have identified two New Zealand-specific contextual factors that are relevant to assessing domestic commercial credit interchange caps:

    2.1 the potential impact of lower interchange caps on some smaller issuers' commercial card offerings; and

    2.2 the high proportion of SMEs and small merchants in New Zealand who are price-takers for merchant service fees.

3. These factors do not justify an upward adjustment to interchange premia beyond the base structure. Instead, they introduce downside risk if caps are set too low, which we propose to manage through careful calibration and consultation.

Table 1 Summary of our views - contextual factors considered in NZ context for domestic commercial credit

Contextual factors	Overview	Initial views	Dependency
Market share	Whether the market share of commercial cards warrants regulating them.	**No change -** Market share comparisons with other countries are not a reliable basis for setting commercial credit interchange caps. Equally, market share of New	**Monitoring data** - Change in market share – have since updated.

		Zealand commercial card transactions is over double that of the EU at the time of its decision.	
AMEX unfair advantage	Regulating commercial credit cards for Mastercard and Visa gives American Express an unfair advantage	s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]	
Small issuer ability to compete	Payments are often an entry product for neobanks, understanding whether reducing commercial credit interchange fees is going to limit the commercial credit card offerings in New Zealand and reduce the likelihood of these small banks competing with larger banks	**No change** - This factor introduces risk if caps are set too low, but does not of itself justify higher premia, given commercial credit cards are not entry-level issuance products and smaller issuers currently have limited participation in this segment.	**Monitoring data** – share of transactions by card issuer – have since added in. Could be justification for premia.
High proportion of SMEs	Determining whether we consider commercial cards differently in New Zealand because of our higher proportion of SMEs.	**Downside-risk consideration –** While SMEs are the predominant users of commercial credit cards, we do not consider that cardholder-specific benefits should be funded through higher interchange. The high proportion of small merchants places greater weight on ensuring	Perceived merchant benefits (Step 3)

COMMERCE COMMISSION NEW ZEALAND
Te Komihana Tauhokohoko

		merchants pay no more than reasonable fees.	
s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]			

What we said last time

4. We considered commercial credit interchange fees are high and not well constrained by competition. We concluded that we had insufficient evidence to determine what an appropriate and reasonable cap should be. We were not persuaded that current fee levels are justified by efficiency or cost, noting that interchange revenue has grown faster than transaction values, which suggests fees are not being disciplined by market forces.

5. We emphasised that commercial credit fees remain a concern, especially given New Zealand's high proportion of small businesses, which typically lack bargaining power and are often required to accept commercial cards as "must-take" payment instruments. The decision therefore frames non-regulation as temporary and evidence-based, not an endorsement of current pricing. We signalled that we would continue to monitor domestic commercial credit fees and market outcomes and that future regulation is likely if fees did not reduce materially or continue to appear unreasonable. This framing was intended to signal that non-regulation was temporary and evidence-based, rather than an endorsement of prevailing commercial credit pricing.

Relevant contextual factors

6. The contextual factors relevant to the New Zealand context for domestic commercial card spend:

   6.1 Market share of commercial cards as a proportion of total domestic spend;

   6.2 Consideration for AMEX having an unfair advantage;

   6.3 The ability for small issuers to compete against larger issuers

   6.4 The high proportion of SMEs in New Zealand in comparison to other jurisdictions; and

   6.5 The consideration for corporate travel within New Zealand

Market share comparisons for domestic commercial credit

Market share comparisons with other countries are not a reliable basis for setting commercial credit interchange caps. In our previous decision we acknowledged that New Zealand's commercial card usage looks high compared with some countries, but we explicitly warned that these comparisons are unreliable because commercial cards are treated very differently overseas. Rather than supporting high fees, the data showed that interchange revenue has grown faster than commercial card use, pointing to over-pricing rather than efficient or competitive outcomes.

Table 2 How our market share of domestic commercial credit compares to other countries

New Zealand	Australia	UK	EU
s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]			~3% of transaction volumes and ~7% of transaction values[3]

Consideration for the EU

7. In the EU, commercial cards were excluded from interchange fee caps primarily because the EU concluded they accounted for a small share of the market and this share was stable. A secondary reason cited was that commercial cards have different fee structures, although this was not materially elaborated in the EU's analysis. s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

1 s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

2 See https://www.statista.com/statistics/1552225/visa-mastercard-amex-share-in-corporate-cards/

3 See p8, https://competition-policy.ec.europa.eu/document/download/d8055968-b4c2-424b-b281-c4c6959df19b_en?filename=IFR_report_card_payment.pdf

8. In our previous decision we acknowledged that New Zealand appear similar in market share and there is no evidence of systematic substitution from consumer to commercial cards in usage. However, it considered New Zealand materially different on economic impact, noting, commercial cards account for a disproportionately large and increasing share of total interchange value (partly due to remaining unregulated), despite their stable transaction share, and interchange rates are high and drifting upward over time. We accepted the EU’s findings on stability and substitution in transactions but did not accept that those factors alone justified the same regulatory outcome in New Zealand.

COMMERCE COMMISSION NEW ZEALAND
Te Komihana Tauhokohoko

American Express would gain an unfair competitive advantage

Does not justify non-regulation of commercial cards. [redacted]

s 9(2)(ba)(i), s 9(2)(b)(ii)

[redacted]

COMMERCE COMMISSION
NEW ZEALAND
Te Komihana Tauhokohoko

s 9(2)(ba)(i), s 9(2)(b)(ii)

[redacted]

Figure 1 s 9(2)(ba)(i), s 9(2)(b)(ii)

[redacted]

s 9(2)(ba)(i), s 9(2)(b)(ii)

[redacted]

s 9(2)(ba)(i), s 9(2)(b)(ii)

Figure 2

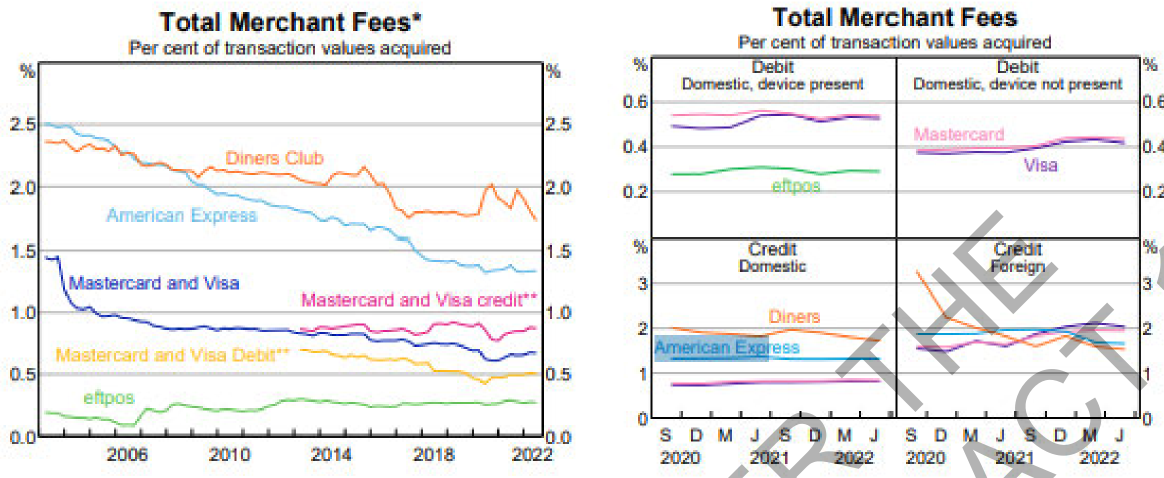
[redacted]

11. [redacted]

[7] Uses data from RBA's payment data (C1.3 – Credit and charge cards – market shares of card schemes) last updated August 2024. Available at https://www.rba.gov.au/payments-and-infrastructure/resources/payments-data.html (sourced 15 January 2026)

[8] s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

Figure 3 RBA comparison of AMEX average MSFs to Visa and Mastercard in 2022:[9]



12. Corporate diners club cards were closed by 20 October 2024 in Australia.[10] Many submissions on Australia's review stated that AMEX would grow its share of the corporate card market significantly from an already dominant position, which could raise merchant payment costs.

Comparing to the UK

s 9(2)(ba)(i), s 9(2)(b)(ii)

13. [redacted]

What submissions and engagement to date has noted re AMEX

14. Submitters on our draft decision raised concerns that bringing Mastercard and Visa commercial cards into regulation would lead to migration to AMEX for commercial cads (ANZ, Citibank, TSB). ASB proposed extending the scope to include AMEX.

[9] See RBA "The Cost of Card Payments for Merchants" (September 2022) sourced 15 January 2026 from https://www.rba.gov.au/publications/bulletin/2022/sep/pdf/the-cost-of-card-payments-for-merchants.pdf

[10] NAB "Diners Club Australia products have closed" sourced from https://www.nab.com.au/customer-notices/dinersclub-closure on 15 January 2026.

COMMERCE COMMISSION
NEW ZEALAND
Te Komihana Tauhokohoko

15. s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

16. [redacted]

AMEX uptake and risk of increased merchant acceptance costs

17. Several stakeholders, s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted], submitted that capping commercial card interchange fees could unintentionally encourage corporates to switch to Amex to retain rewards benefits, increasing transaction volumes on the Amex network.[13]

18. s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

19. [redacted]

20. s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted], the increase in uptake of Amex commercial credit depends on whether Mastercard and Visa commercial credit card issuers continue to offer the current cardholder benefits. These benefits include ease of sourcing multiple banking products from one provider, which will remain as a comparative advantage for bank issuers and a barrier to switching to Amex. However, significant reductions in other benefits could trigger commercial credit cardholders to consider switching to Amex.

21. s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

---

11 s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

13 ANZ submission p5 and 18, Citibank p4, Visa p 5 and 18,40, [redacted] Mastercard p26.

14 s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

15 [redacted]

s 9(2)(ba)(i), s 9(2)(b)(ii)

22. [redacted]

23. [redacted] it is unlikely such switching would be large enough to offset the reduction in merchant costs from lower interchange fees.

Table 4 s 9(2)(ba)(i), s 9(2)(b)(ii)

[redacted]

24. **SME's and AMEX** - NZ's high SME share constrains the extent to which regulation of commercial cards would drive widespread switching to AMEX given these products are disproportionately targeted at large corporates and less accessible or attractive to typical SMEs. s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

---

s 9(2)(ba)(i), s 9(2)(b)(ii)

[redacted]

s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

Small issuers could stop issuing commercial card products or not be able to grow incentives and ability to compete

Small issuer ability to compete – introduces downside risk if caps are set too low. Small issuer ability to compete puts upward pressure on interchange fee caps. Equally commercial credit cards are not entry level products for card issuance. We left prepaid cards unregulated and did not change domestic debit card interchange caps as we considered these to be entry level products.

25. In previous analysis we recognised that regulating commercial card interchange could disproportionately affect small and New Zealand-owned issuers because they operate with less diversified revenue streams and narrower business models than large banks and international issuers. Commercial card products, particularly corporate and purchasing cards, are often highly reliant on interchange revenue, as they typically do not earn interest income and are designed to be paid in full each month.

Do commercial credit cards play an important role as an entry or expansion product for smaller banks and neobanks?

26. Our previous decision recognised the importance of setting interchange caps that leave money in the system to support competition, innovation and entry. If we deem issuer costs to be sufficiently higher for commercial cards than personal cards, this places greater weight on avoiding caps that are set too low, rather than supporting higher premia where commercial credit is not an entry-level product for market entry.

What submissions and engagement to date has noted re smaller issuer incentives

27. Submissions from smaller banks and fintech issuers argued that regulating commercial card interchange at or near consumer credit levels would significantly impair the ability of small issuers to compete. s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted] Submissions also highlighted that fraud costs per card are higher for commercial products, making interchange an important mechanism for cost recovery for smaller issuers.

28. Several submitters argued that fee-based recovery models would be regressive, with smaller business customers bearing higher per-card or per-transaction costs, which would further harm the competitive position of small issuers. s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted] Overall, submissions and cross-submissions consistently cautioned that

poorly calibrated regulation could entrench the position of large incumbent issuers while weakening smaller and domestically owned competitors, reducing competition in the long run.

29. s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

30. [redacted]

31. [redacted]

What submitters said in Australia in response to their proposed approach

32. In response to Australia's proposal to lower commercial card interchange below 80BP:[19]

32.1 Some submissions reported that some new issuers rely on commercial cards to cover costs due to their high interchange rates. A small issuer stated they would consider withdrawing from this segment. – According to a submission, Citibank and HSBC exited the Chinese commercial card market due to reductions in commercial card interchange to 0.45 per cent.

32.2 Issuers are less able to recoup costs via other means because many commercial cards are charge cards that are paid off in full every month and therefore do not incur interest.

Considering our market study into personal banking

33. In our 2024 market study into personal banking, we found that competition in New Zealand's personal banking sector was week and not working well for many

---

18 s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

19 [redacted]

consumers, particularly for home loans and deposit accounts.[20] We noted that the market is highly concentrated, innovation is slow, customer switching is difficult, and profitability is persistently high by international standards, suggesting market power rather than effective rivalry.

34. We proposed strengthening a genuine competitor (eg provide sufficient capital so Kiwibank can compete aggressively at scale), accelerate open banking and digital competition – encouraging the government to act as an early adopter.

35. s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted] This includes innovation and open banking. This may put upward pressure on commercial credit card rates if we consider these enable smaller banks to grow and compete with larger banks generally.

Figure 4 s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

36. s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted] Our overarching proposed draft decision considers the impact of the draft decision on each issuer.

20 Commerce Commission "Market Study into personal banking services" all documents available here - www.comcom.govt.nz/regulated-industries/projects/market-study-into-personal-banking-services/

21 s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

22 [redacted]

High proportion of SMEs

No additional premia but seeking more SME views. Our large share of small businesses using commercial credit products puts upward pressure on interchange fees but small merchants have told us they prefer lower MSFs over commercial cardholder benefits. We propose directly engaging with SMEs through our consultation period to assess the direct impact in line with how we engaged with personal card holders via a survey during the draft decision consultation process.

37. New Zealand's economy is characterised by a very high proportion of small and medium sized enterprises. We also have a large proportion of merchants that are small or micro who lack the bargaining power to negotiate card payment fees or avoid "must take" Mastercard and Visa cards.

38. Our latest monitoring data shows commercial credit transactions are predominantly made by SME cardholders. We acknowledge that any reduction in commercial credit interchange fees will likely reduce commercial credit cardholder benefits. We do not want to impact the ability for SMEs to access commercial credit although we consider that the provision of credit and the associated merchant benefits are sufficiently provided for in our 10BP premia for personal credit. As noted in our previous decision, benefits that are relevant only for cardholders should not be funded by interchange. Therefore, our draft position is that no additional premia is warranted for other SME cardholder benefits.

39. Evidence from a survey conducted by Retail NZ (which has broad membership including SMEs) suggested that 79% of retailers would have no or low impact from the loss of value-added services such as interest free payment terms and Airpoints dollars.[23] Another poll conducted by s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted] suggested that the removal of benefits would have a moderate or high impact for around half of all respondents. It was unclear from this poll, which value-added services were being used by respondents. Therefore, the evidence we currently have is mixed on the impact of cardholder benefit from reduced interchange.

23 Retail NZ submission, paras 5-6.

COMMERCE COMMISSION NEW ZEALAND
Te Komihana Tauhokohoko

Figure 5 s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

Considering the high proportion of small merchants

40. New Zealand has a large proportion of merchants that are small or micro who lack the bargaining power to negotiate card payment fees or avoid "must take" Mastercard and Visa cards. This context limits the extent to which competition, transparency or surcharging can constrain commercial card pricing.

Figure 6 s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

Comparing to other jurisdictions

41. Comparing to other jurisdictions, UK and EU have a larger base of mid-sized and large firms and broader use of structured commercial card programmes. This means NZ's SME-heavy profile is less scope for direct comparison in commercial card outcomes. The EUC's 2020 review of regulation noted that the exclusion of commercial credit interchange may have limited the benefits of the regulation for

merchants, especially small and medium-sized enterprises (SMEs), who may still face high fees when accepting commercial cards.[24]

What submissions and engagement to date has noted on high proportion of SMEs

42. Submitters noted that NZ's economy has a relatively high proportion of SMEs. Submitters argued that small merchants typically face higher acceptance costs and have less negotiating power than large merchants. Some submitted that these characteristic limits the extent of substitution to higher-cost payment methods such as AMEX and cautioned against over-reliance on overseas evidence drawn from markets with a larger share of big merchants.

43. Taken together, the SME context supports caution against setting caps too low but does not support higher interchange premia where the primary effect would be to fund cardholder-specific benefits rather than reduce merchant acceptance costs.

Understanding how commercial credit cards impact corporate and platform based travel travel within New Zealand

No premia due to domestic travel. Commercial credit is greater utilised for travel products than personal credit products in New Zealand but not to such a degree that this warrants higher costs to all merchants accepting commercial credit products.

44. s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

45. [redacted]

Table 5 s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

[24] European Commission "Report on the application of Regulation (EU) 2015/751 on interchange fees for card based payment transactions" (29 June 2020) available at https://competition-policy.ec.europa.eu/system/files/2021-10/IFR_report_card_payment.pdf

[25] s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

s 9(2)(ba)(i), s 9(2)(b)(ii)

[redacted]

46. Submitters note that if commercial cards are constrained, spend could shift to higher cost networks (eg, AMEX) which are widely accepted by airlines, major hotels and large travel merchants. s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted] specifically raised concerns here, but these were largely focused on merchant benefits and relevant costs covered in step three. We consider tourism spend is more relevant to foreign spend.

s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

47. [redacted]

48. s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

49. [redacted]

Considering industry specific rates in New Zealand

50. Deriving industry specific rates would add greater complexity to interchange fee rates. We do not propose adjusting commercial credit rates to be industry specific.

26 See Figure 4 above.

Document 9

COMMERCE COMMISSION NEW ZEALAND
Te Komihana Tauhokohoko

Proposed commercial credit card interchange fee methodology - Memorandum

Subject:	**Commercial credit cards interchange fee methodology**
To:	Market Regulation Committee
From:	Payments Team
Date:	27 January 2026
Classification:	In Confidence

Purpose

1. The purpose of this memo is to seek feedback on our early thinking for the commercial credit interchange fee methodology.

Recommendations

It is recommended that the Market Regulation Committee

2. **Note** the proposed methodological approach to setting commercial credit card interchange fees; and

3. **discuss** feedback on the commercial credit card interchange fee methodology.

Background and context

4. In our July 2025 Final Decision and Reasons Paper, we outlined our methodological approach to setting interchange fee caps. The methodology we applied determined whether interchange fee caps would change, and to what extent, for different transaction types.

5. This methodology included three steps:

   a. Considering benchmarks, including the current rates in New Zealand

   b. Considering the New Zealand context with respect to international comparator benchmarks

   c. Considering the relevant costs and benefits for issuers, merchants and cardholders.

6. This methodological framework was applied to all transaction types processed through Mastercard and Visa networks, including commercial transactions. We elected to use a benchmark approach – with considerations given to other factors such as relevant cost and benefits – instead of other methodologies such as a merchant indifference test or a pure cost-based approach. The merchant indifference test was not suitable to apply to the New Zealand payments market due to Eftpos being the best comparator, which would have suggested interchange fee caps be set close to zero. While we gave consideration to costs

we deemed relevant, a pure cost-based approach was also rejected due to little support for it in the economic literature and theory.

7. Due to a lack of commercial credit card regulation in international comparators and some submitted evidence on the distinct characteristics of the commercial credit card market, compared to personal, we were unable to determine, with sufficient confidence, what the most optimal interchange fee cap would be. Although some information was available, sufficient analysis of the commercial credit card market could not be completed within the timeframe.

8. s 9(2)(g)(i) [redacted] Therefore, we committed to revisit commercial interchange fees, which we described as being too high, when we had more information.[1]

9. Since the Final Decision we have received further information on the commercial credit card market. The Australian caps are also a more appropriate comparator than before, with the considerations given for setting their caps now wider than issuer costs. Following these developments, we are now revisiting the task of setting caps on commercial credit interchange fees.[2]

The three-step methodology

10. In revisiting commercial interchange fees, we are not intending to apply a different methodology to the one in our July decision. Instead, we will address the past difficulties by using new information we have gathered and limiting the reliance on international benchmarks (step 1 of the methodology). We note there are potentially four product caps for commercial credit card interchange – domestic and foreign-issued, and in-person and online for each.

Step 1 – Benchmarks

11. In the first step, we will consider international benchmarks and the current rates for commercial interchange fees in New Zealand. Australia is the only jurisdiction that regulates commercial interchange fees with a cap. In our July decision, we used Australia as a sense check only due to their different and more complex system of weighted average benchmarks, their reliance on a cost-based approach, and the RBA's impending review of their interchange caps levels. We now have the benefit of having more information about their post-review caps and a better understanding of their methodology which remains cost-based but allows for wider considerations and seeks to reduce complexity by

[1] Commerce Commission "Interchange Fee Regulation for Mastercard and Visa Networks – Final Decision and Reasons Paper" (17 July 2025), p8

[2] Commercial debit interchange fees are capped at the same level as personal debit interchange fees.

removing the weighted-average benchmark for credit.[3] This allows us to use Australia as a comparator jurisdiction to benchmark against, without changing our view of the validity of a cost-based approach to setting interchange caps. The RBA's review of their interchange caps has also provided us with further useful information in the form of submissions on their consultation paper and proposed interchange caps.

12. While the EU was our primary comparator benchmark in our July decision, commercial interchange fees are not capped through regulation there. Therefore, the commercial credit interchange rates in the EU cannot be benchmarked against or used as a robust sense check. However, we will consider the current rates for commercial interchange fees in the EU and UK.[4]

13. It is important to note that, while the EU rates were used as a starting point in our July decision, other considerations in steps 2 and 3 led to substantial deviations from the EU rates for most transaction types. For example, although the EU caps interchange for personal credit transactions at 0.30%, we decided on 0.30% for in-person transactions, but a substantially higher 0.70% for online transactions. Therefore, although Australia is the benchmark for commercial credit, other considerations mean we are not bound by it.

14. Although unregulated in the EU and UK, there has been indications that the current commercial credit interchange rates charged there are also considered too high. For example, in June 2025, the Competition Appeal Tribunal of England Wales found commercial credit card interchange fees were excessive.[5] s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted] here we are referring to observed unregulated market rates, we will give further consideration to how these are contextualised and what weight we give them.

---

[3] The RBA's July 2025 consultation paper proposed caps for commercial interchange at the same level as equivalent personal transaction types due to the RBA finding issuers costs to be similar. [redacted] s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted] RBA Consultation Paper available at: https://www.rba.gov.au/payments-and-infrastructure/review-of-retail-payments-regulation/2025-07/consultation-paper/interchange-fees.html (weighted-average benchmarks discussed p 30, commercial credit cards discussed p 35-37.)

[4] We have requested commercial interchange fee data from the European Commission (EU) and the Payment Systems Regulator (UK) but have not been able to acquire it as this data is not collected by either regulator. Instead, we have taken rates from Mastercard and Visa's websites to show the range of interchange fees charged for commercial transactions.

[5] Competition Appeal Tribunal, 27 June 2025, para. 353. Found at https://www.catribunal.org.uk/sites/cat/files/2025-06/151711722%20%28UM%29%20Merchant%20Interchange%20Fee%20Umbrella%20Proceedings%20-%20Judgment%20%2027%20Jun%202025.pdf

[6] s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

15. While there are fewer comparator jurisdictions that regulate commercial interchange fees than for personal, step 1 will still provide the useful framing and starting point for our setting of caps. The tables below show the rates and rate ranges in each jurisdiction collected to date:

Table 1: current market rates or caps in NZ and comparator jurisdictions

	Current NZ market rates	**Australia caps**	**Proposed Australia caps**[7]	**Current EU market rates**[8]	**Current UK market rates**[9]
Domestic					
In-person commercial credit	0.45% - 2.20% (0.45%-0.80% strategic merchants, industry, govt and recurring; 1.95% - 2.10% standard; 2.20% premium)	0.50%, max 0.80%	0.30% s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]	1.25 – 1.90% (MC) 0.30 – 2.00% (Visa)	1.30 – 1.90% (MC) 0.30 – 1.90% (Visa)
Online commercial credit					
Foreign-issued					
In-person commercial credit	1.85% - 2.30%	Uncapped	0.40% s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]	N/A[10]	N/A[11]

[7] Preferred option proposed in RBA Consultation Paper, see policy 2 and policy 4, p 66.

[8] Mastercard, https://www.mastercard.com/europe/en/business/support/merchant-interchange-rates.html and Visa, https://www.visa.co.uk/content/dam/VCOM/regional/ve/unitedkingdom/PDF/fees-and-interchange/april-25/intra-eea-apr25.pdf

[9] Mastercard, https://www.mastercard.com/europe/en/business/support/merchant-interchange-rates.html#accordion-08b17bb319-item-53b8fdf58c and Visa, https://www.visa.co.uk/content/dam/VCOM/regional/ve/unitedkingdom/PDF/fees-and-interchange/april-25/uk-apr25.pdf

[10] EU interregional commercial credit card rates are not required to be published and are therefore unavailable publicly.

[11] We understand that UK interregional commercial credit card rates are also not required to be published.

Online commercial credit			1.50% [CI: as above]		

Table 2: effective rates (weighted averages) in NZ and comparator jurisdictions

	NZ weighted averages[12]	Australia weighted averages[13]	EU weighted averages[14]	UK weighted averages[15]
Domestic				
In-person commercial credit	s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]		N/A	N/A
Online commercial credit				
Foreign-issued				
In-person commercial credit	N/A	s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted] (all foreign-issued credit – personal and commercial)	N/A	N/A
Online commercial credit	N/A			

Step 2 – New Zealand Context

[12] Based on 2023 monitoring data for the domestic estimates. 2024 data to be received late February 2026. The 2024 data due in February will enable us to calculate the foreign-issued weighted averages (for foreign-issued we currently only have a common weighted average estimate s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted] for all foreign-issued transactions combined – personal and commercial, credit and debit).

[13] s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted] and RBA Consultation paper pp 35 and 39 https://www.rba.gov.au/payments-and-infrastructure/review-of-retail-payments-regulation/2025-07/pdf/review-of-merchant-card-payment-costs-and-surcharging.pdf?v=2025-07-14

[14] s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted] Through our own research, we understand there is commercial credit weighted-average data that has informed a 2024 EC study, but the data and findings remain confidential as these are based on information provided by one scheme only, see p99 https://competition-policy.ec.europa.eu/document/65d4f65a-6b23-49c7-91cb-e5cd166a19ed_en

[15] s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

16. As in the July Decision paper, we will contextualise the interchange rates and caps observed in comparator jurisdictions by considering differences between those markets and New Zealand. Some characteristics of the New Zealand market that differ from comparator markets have been raised by submitters as rationale for deviating upward from international interchange benchmarks or disregarding them all together. By considering the New Zealand context, we will address these arguments and also ensure that inferences taken from comparator jurisdictions about the optimal level of commercial interchange is appropriate for the New Zealand market.

17. Although fewer international regulated benchmarks are available for commercial interchange in step 1 of our methodology, step 2 will serve the same purpose as in the July Decision Paper. However, while important differences between the New Zealand payments market and those of the benchmarked jurisdictions have been scrutinised previously, further evaluation of the differences between commercial payment markets will be carried out.

18. The following list of factors reflects current thinking and is subject to change as the team continues to build out and test its draft position.
    a. Key areas of interest – Domestic-issued commercial cards:
        i. Scale and market share of commercial cards – small share of transactions but a disproportionately large and growing share of total interchange value in New Zealand.
        ii. Interchange levels and trends – relatively high interchange rates for domestic commercial cards, s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]
        iii. Competitive neutrality and AMEX substitution risk – potential for migration of commercial spend to AMEX if Visa/Mastercard commercial cards are regulated in isolation.
        iv. Issuer market structure and small issuer viability – greater reliance on interchange revenue for smaller and New Zealand owned issuers, with limited ability to recover costs through interest income, scale, or global diversification.
        v. High proportion of SMEs in the New Zealand economy – NZ's SME heavy profile limits comparability with overseas markets and affects both issuer incentives and merchant outcomes.
        vi. Limited substitutes for commercial cards – in house credit and other B2B payment alternatives may be costly or impractical for many businesses.
        vii. s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]
        viii. [redacted]
    b. Key areas of interest – Foreign-issued commercial cards:
        i. High reliance on inbound tourism relative to population size – [redacted] s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

ii. Exposure of tourism and hospitality merchants to high fees – limited ability to steer, surcharge, or refuse foreign issued cards, leading many merchants to absorb costs.
iii. Limited effective alternatives for foreign issued payments – offshore bank transfers and account to account options are often not realistic substitutes.
iv. Weak competitive constraints on foreign issued interchange – reduced merchant ability to influence payment choice or negotiate pricing for cross border commercial transactions.
v. s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]
vi. Foreign issuer cost allocation and incentives – issuer costs largely borne offshore, s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]
vii. Inbound AMEX commercial card spend – potential significance of foreign AMEX commercial transactions, s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

Step 3 – Costs and Benefits

19. Having parameters for an appropriate commercial interchange fee cap set out in steps 1 and 2, consideration of the relevant costs and benefits will then determine the level of our proposed cap. These are the issuer costs attributable to the provision and operation of commercial credit cards, and the benefits enjoyed by merchants from accepting these payment products.

20. We will consider the benefits to merchants and benefits to commercial credit cardholders that are indirectly enjoyed by merchants. However, while we will consider merchant and cardholder benefits, we maintain that other benefits that are exclusively or disproportionately enjoyed by commercial credit cardholders over merchants do not need to be fully funded via interchange.

21. Although some benefits are more difficult to quantify than costs, these benefits will inform our judgement on a premium for commercial credit transactions over the base rate (0.20% for in-person debit) to strike the appropriate balance for where the funding for such benefits should come from. This premium may, therefore, differ from that of personal credit transactions and different premia may be appropriate for online and foreign-issued card transactions.

22. To give some examples of how we will apply this step of the methodology:

a. We will consider potential market impacts of any cap set for commercial credit cards, specifically effects on fintechs, small issuers and the market share and competitiveness of American Express, all of which may have competition implications. This will be achieved by ensuring relevant issuer costs are accounted for which will mitigate impacts on businesses who use these payment products. The impact of the commercial credit caps implemented in Australia will also provide a useful example.[16]

b. Strategic merchant rates and recognition of the rationale for them to bet set at a level sufficiently below the rates for non-strategic merchants will be considered when determining any premium.

c. In our July paper we stated the provision of credit allows consumers to smooth their consumption and make purchases with greater flexibility but also induces demand for a merchant's goods and/or services. In this assessment we will ask whether the credit provision to commercial credit cardholders induces demand to a greater extent than for personal credit transactions, among other payment methods.

d. Also in this assessment, benefits to foreign-issued commercial credit cardholders may be relevant if these are indirectly enjoyed by NZ merchants.

23 s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

a. Updated and more detailed data has been provided [redacted], including transaction volumes split by card type and the number of active cards issued. The data shows higher value of fraud write-offs per transaction for commercial credit cards than personal cards. However, adjusted for the volume transacted, the rate of fraud write-offs is similar for commercial and personal credit cards on average.

b. s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

c. [redacted]

---

16 s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

d. We have also received information on fraud and credit losses, in bps over the last year, across a range of issuers.[17]

24. Regarding benefits for merchants, we have insights from s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted] and from [redacted] Also, insights from issuers and schemes, among other stakeholders. This information includes insights on:

a. benefits of accepting commercial credit cards including in comparison to other payment methods;

b. the scope for accepting alternative forms of payment from commercial customers and these customers' incentives; and

c. expected future trends and views on appropriate interchange levels.

25. We also intend to seek further information, specifically on merchant benefits. [redacted] s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]

---

s 9(2)(ba)(i), s 9(2)(b)(ii) [redacted]