

17 July 2025

Tēnā koutou

## **Open letter to participants of the Mastercard and Visa networks – interchange fee regulation and expectations for the future of payments**

1. This letter summarises the rationale for our decision to reduce interchange fee caps and sets out our expectations for your role in supporting a more competitive, efficient, and innovative retail payment system.
2. The purpose of the Retail Payment System Act 2022 is to promote competition and efficiency in the retail payment system for the long-term benefit of merchants and consumers in New Zealand.
3. In reaching our decision we determined that, despite initial interchange fee regulation in 2022, merchants and consumers still pay more than reasonable fees for the supply of payments services. Interchange fees in New Zealand are still significantly higher than in comparable markets. This continues to distort incentives, limit innovation, and impose higher costs on merchants and consumers than is reasonable.
4. We estimate that \$160 million has been saved in 2023 following the implementation of the initial pricing standard in November 2022. We expect the revised interchange fee caps will reduce interchange fees by a further estimated \$100 million per annum, which we expect will result in a further reduction to merchant service fees by approximately \$90 million annually.
5. We acknowledge the contributions many of you made during the consultation process. Your feedback has been carefully considered in coming to our final decision.

### **Problematic network features<sup>1</sup>**

6. We have observed features of the Mastercard and Visa networks that reduce or are likely to reduce competition and efficiency. These network features lead to Mastercard and Visa setting interchange fees too high and merchants and consumers paying more than reasonable fees for the supply of payment services

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<sup>1</sup> See Commerce Commission “Interchange Fee Regulation for Mastercard and Visa Networks – Final Decision and Reasons Paper” (July 2025), available at <https://comcom.govt.nz/regulated-industries/retail-payment-system#projecttab>, for our full reasons.

7. Interchange fee rates are largely driven by Mastercard and Visa's incentives to win market share. In turn, these fees are used by card issuers to provide benefits to their cardholders (ranging from fraud prevention through to reward programs). These benefits are funded by merchants and ultimately borne by all consumers through higher retail prices.
8. We consider the 'must take' nature of Mastercard and Visa payments for merchants through fear of missed sales equate to higher than efficient interchange fees that are set with minimal merchant resistance. High interchange levels mean higher merchant service fees and this is especially so for smaller merchants.
9. Reducing interchange fees addresses concerns that merchants are effectively price takers and the revised interchange fee caps are designed to rebalance how cardholder costs and benefits are paid for and modify incentives to invest in innovative and secure payment methods both within and between retail payment networks. It will also reduce merchant service fees towards more efficient levels and put less upward pressure on the price of goods and services.

#### **Our expectations**

10. In setting the reduced interchange fees we have ensured that participants still have the ability and incentives to continue investing in secure and innovative payment solutions. We expect:
  - 10.1. Acquirers to pass through cost reductions to merchants by lowering merchant service fees and providing their merchants with clear information on these fees (eg, annualised average merchant service fee) to understand what they are being charged for and improve surcharging practices;
  - 10.2. Participants to work efficiently to make the required system changes to ensure compliance with interchange fee caps by:
    - (a) implementing the new **anti-avoidance** methodology and revised interchange fee caps by **1 December 2025** for products which are currently regulated, being **personal credit cards**; and
    - (b) implementing new interchange fee caps by **1 May 2026** for products which are not currently regulated, being **foreign issued cards**.

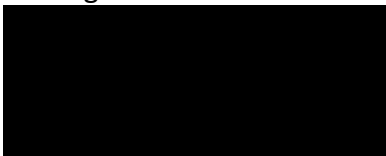
We have allowed for a staggered approach to make changes to previously unregulated products to ensure compliance on and from these dates but participants are free to implement the changes prior to these deadlines.
  - 10.3. Banks to engage with open banking and new interbank payment providers at pace to support the rapid development and adoption of alternative payment solutions that meet the evolving needs of New Zealanders;

- 10.4. Issuers, acquirers, Mastercard and Visa to continue to invest in fraud protection and secure payment technologies; and
- 10.5. Mastercard and Visa to make scheme fees more transparent to the market and not to offset reductions in interchange fees by increasing scheme fees.
- 11. We intend to conduct an impact study following implementation of the new interchange fee caps and will report on our findings. We will monitor compliance with these new caps and the level of pass through to merchants by way of lower merchant service fees closely. If we observe attempts to undermine the intent of the regulation, we will consider further regulatory action.
- 12. While we have elected not to regulate interchange fees for commercial credit cards as part of this process, we remain concerned that interchange fees on commercial credit cards are too high. We will be seeking further information on the costs and benefits associated with these products to determine whether additional regulation is needed in this area.

#### **Let's talk**

- 13. We are open to meeting with you directly to discuss these changes and your role in shaping the future of retail payments in New Zealand. We are committed to a fair, efficient, and competitive retail payment system. We trust you share that commitment and will act accordingly.

Ngā mihi nui



Dr John Small  
Chair