

## Code of Conduct for the Credit and Debit Card Industry in Canada

### Purpose

The purpose of the Code is to demonstrate the industry's commitment to:

1. Ensuring that merchants are fully aware of the costs associated with accepting credit and debit card payments thereby allowing merchants to reasonably forecast their monthly costs related to accepting such payments.
2. Providing merchants with increased pricing flexibility to encourage consumers to choose the lowest-cost payment option.
3. Allowing merchants to freely choose which payment options they will accept.

### Disclosure

All disclosures to merchants provided under the Code must be presented in a clear, simple, and non-misleading manner.

### Scope

The Code applies to credit and debit card networks (referred to herein as payment card networks) and their participants (e.g. card issuers and acquirers<sup>1</sup>).

The payment card networks that choose to adopt the Code will abide by the policies outlined below and ensure compliance by their participants (e.g. issuers, acquirers, and their downstream participants). The Code will be incorporated, in its entirety, into the payment card networks' contracts, governing rules and regulations. The Code will apply within 90 days of being adopted by the payment card networks and their participants.

Enhancements to the Code announced on April 13, 2015 will apply within 9 months of being adopted by the payment card networks and their participants and will apply to all new merchant-acquirer agreements and all new or reissued premium cards after that 9 month period, with the following exceptions:

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- Elements 2 and 3: The measures to facilitate the pass-through of interchange rate reductions to merchants will enter into force immediately for all merchant-acquirer agreements, upon adoption of the Code;

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<sup>1</sup> "Acquirers" are entities that enable merchants to accept payments by credit or debit card, by providing merchants with access to a payment card network for the transmission or processing of payments.



Requirements for Payment Card Networks

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**3. Payment card network rules will ensure that following notification of a fee increase or the introduction of a new fee, or a reduction in applicable interchange rates not passed on to merchants, merchants will be allowed to cancel their contracts without penalty.**

By signing a contract with an acquirer, a merchant will have the right to cost certainty over the course of their contract. As a result, in the event of a fee increase or the introduction of a new fee, merchants will be allowed to opt out of their contracts, without facing any form of penalty, within 90 days of receiving notice of the fee increase or the introduction of a new fee.

Merchants will also have the right to provide 90 days' notice to exit their contracts without penalty in the event that acquirers

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**8. Payment card network rules will ensure that debit and credit card functions shall not co-reside on the same payment card and that consumers shall have full and unrestricted control over default settings on mobile devices and mobile wallets to select such debit or credit payment applets.**

Debit and credit cards have very distinct characteristics, such as providing access to a deposit account or a credit card account. These accounts have specific provisions and fees attached to them. Given the specific features associated with debit and credit cards, and their corresponding accounts, such cards shall be issued as separate payment cards. Consumer confusion would be minimized by not allowing debit and credit card functions to co-reside on the same payment card.

Credit and debit payment credentials can be stored on, or accessed by, the same mobile device or mobile wallet, provided that they are clearly separate payment applets, and consumers can select which payment applet shall be used for contactless payments.

Credit and debit payment credentials will only be issued to mobile devices or mobile wallets that do not have pre-set default preferences that cannot be changed and that provide consumers with full and unrestricted discretion to establish any default preference(s) for payment options. Selecting default preferences shall only be done by consumers based on a clear and transparent process, clearly accessible through the mobile user interface, and consumers should be able to easily change default settings in a timely manner.

**9. Payment card network rules will require that premium credit and debit cards may only be given to consumers who apply for or consent to such cards. Premium cards, and the payment applets that link to premium card payment credentials, should clearly indicate that they are premium products (e.g. display clear and prominent branding used by the payment card networks to identify them as premium products). In addition, premium payment cards shall only be given to a well-defined class of cardholders based on individual spending, assets under management, and/or income thresholds and not on the average of an issuer's portfolio.**

**10. Payment card network rules will ensure that negative option acceptance is not allowed.**

If payment card networks introduce new products or services, merchants shall not be obligated to accept those new products or services. Merchants must provide their express consent to accept the new products or services.

**11. Payment card network rules will not require that merchants accept contactless payments at the point-of-sale, or to upgrade point-of-sale terminals to enable contactless payments.**

If a merchant chooses to accept contactless payments at the point-of-sale, the merchant shall be able to cancel the contactless acceptance on their terminal for each payment card network, with thirty days' notice, while maintaining all other aspects of their existing contract without penalty.

Should fees set by a payment card network in respect of contactless payments made from a mobile wallet or mobile device increase relative to card-based contactless payments, the payment card network will develop the technical specifications to ensure that merchant acceptance of contactless payments made from a mobile wallet or mobile device can be cancelled at the point-of-sale without disabling other forms of contactless payment acceptance. Merchants shall be able to opt out of accepting contactless payments made from a mobile wallet or mobile device by giving 30 days' notice to their acquirer (or applicable registered agent), while maintaining all other aspects of their existing contract without penalty.

**12. Payment card network rules will require that information about merchant-acquirer agreements, including cancellation and renewal terms and conditions, will be disclosed in a way that is clear, simple and not misleading.<sup>7</sup>**

Merchants may provide notice of non-renewal at any point during the contract period up to ninety days prior to contract expiry.

Fixed term contracts will not be automatically renewed for the full initial term, but may convert to automatically renewable contract extensions of no longer than six months. Merchants may provide notice of non-renewal at any point during the extension period, up to ninety days prior to the end of each term.

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This element applies to both the merchant-acquirer agreement and to any related service contracts with service providers. In situations where there is a business connection between the participant and the service providers, services are considered related and as a single service package.<sup>8</sup>

**13. Payment card network rules will require**

- Acquirers will provide merchants with a summary of the complaint handling process and post it prominently on their website (a link to the website is to be included in the information summary box).
- Acquirers must acknowledge receipt of the merchant complaint within five business days.
- Acquirers must investigate all complaints and provide a substantive response to merchants that consists of either: (a) an offer to resolve the complaint; or (b) denial of the complaint with reasons.
- Acquirers must provide their final decision within 90 days of receiving the merchant complaint, along with:
  - A summary of the complaint;
  - The final result of the investigation;
  - Explanation of the final decision; and
  - Information on how to further escalate a complaint in the event of an unsatisfactory outcome, along with the complaint handling form.
- If acquirers cannot provide a response within 90 days, the merchant must be informed of the delay, reason for the delay, and the expected response time.

With the exception of the response time, each of these standards also applies to the payment card networks for investigating and responding to merchant complaints.

Payment card networks must be informed in writing of the aggregate number of any Code-related complaints received by acquirers, the nature of the merchant complaints, and the outcomes on a semi-annual basis. The payment card networks will also share the above information with the Financial Consumer Agency of Canada, as well as aggregate information on complaints resolved by the payment card networks.

Nothing in the above process restricts the merchant from directly filing complaints with the Financial Consumer Agency of Canada, or a payment card network, to investigate non-compliance with the Code.

**Addendum I – Information Summary and Fee Disclosure Boxes**

**Information Summary Box**

**Date of  
contract(s)**

Effective start date and length of initial term, including the renewal date of the initial term of each contract(s).



**Fee Disclosure Box**

Each rate disclosed below is the sum of: the networks' interchange rate + the network assessment fee + per-transaction processing fees.<sup>1</sup> A single rate is to be displayed for domestic payment card transactions,<sup>2</sup> regardless of the pricing methodology used.

Acquirers must disclose prices for processing methods for domestic cards that attract differentiated rates (e.g. electronic, swiped, manually keyed, card not present, etc.). Include as many columns as needed. A short definition, in plain language, must be provided for each type of processing method.

This table is for illustrative purposes only and is not intended to capture all possible payment card types or processing methods. It is intended to present price information for the most common type of domestic card transactions and processing methods available to merchants. An industry working group will be convened to resolve any outstanding challenges associated with implementing this requirement.

<b>Payment card type</b>	<b>Processing Method A (definition)</b>	<b>Processing Method B (definition)</b>	<b>Processing Method C (definition)</b>
<b>Visa Classic</b>	[\$X / X %]	[\$X / X %]	[\$X / X %]
<b>Visa Infinite</b>	[\$X / X %]	[\$X / X %]	[\$X / X %]
<b>Visa Infinite Privilege</b>	[\$X / X %]	[\$X / X %]	[\$X / X %]
<b>Visa Business</b>	[\$X / X %]	[\$X / X %]	[\$X / X %]
<b>MasterCard Classic</b>	[\$X / X %]	[\$X / X %]	[\$X / X %]
<b>MasterCard World</b>	[\$X / X %]	[\$X / X %]	[\$X / X %]

<sup>1</sup> The per-transaction processing fee is intended to capture acquirer fees.

<sup>2</sup> For the purposes of this disclosure box, domestic payment card transactions refers to a transaction initiated using a payment card issued by a Canadian issuer.