



Agency recouping of merchant interchange fees

All NSW Government agencies will impose surcharges to recoup their merchant interchange fees. Surcharge rates will be based on cost-recovery only. For Visa and MasterCard payments, NSW Treasury will determine the surcharge rates to be used across all agencies.

Background

Merchant interchange fees are incurred by government agencies and State Owned Corporations (SOCs) when they accept credit card payments from the public or customers.

NSW Government requires all agencies to recoup these fees through surcharging for payments accepted using debit or credit cards issued by card schemes such as Visa, MasterCard, American Express and Diners. This does not include payments accepted using ATM cards issued by banks and other deposit taking institutions.

Implementation Date

This Circular will take effect from 1 July 2012. Any exception will require the approval of the Treasurer.

Surcharge Rates and Cost Recovery

In accordance with the *Premier's Memorandum M2009-20 (Guide to Better Regulation)*, surcharge rates will be based on cost-recovery only.

NSW Treasury will determine the surcharge rates only for Visa and MasterCard under the government banking contract to be used across all agencies. NSW Treasury has set the current rates to be 0.40%. These rates will be reviewed periodically and revisions will be announced in new Treasury Circulars.

The agencies who accept other card payments (e.g. American Express, Diners) will need to determine and impose relevant surcharge rates to recover the respective merchant interchange fees. Consistent with the above, these rates will be based on cost-recovery and will therefore need periodic reviews.

Disclosure

With the implementation of this surcharge, agencies must ensure that they have a system in place to make customers aware that the surcharge fee will apply and the amount of the surcharge *before* they enter into the transaction. This will ensure agencies comply with the *Competition and Consumer Act 2010* which prohibits deceptive and misleading conduct.

Provision of Alternative Payment Methods

Agencies must provide and communicate "surcharge-free" alternative payment methods (e.g. BPAY, EFTPOS) prior to the imposition of a surcharge for card scheme payments.

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Secretary

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