

The Players in The Credit/Debit Card Industry

Ever wonder who all the people are getting a part of your credit and debit card transaction fees? Here is a summary of the who and how much:

- 1. The Networks:** these are the people that set up the card networks and administer them. They include Visa, MasterCard, Discover, Union Pay, Interac, and Amex. The first four collect “Assessment Fees” also called “Brand Fees”, the cost to the Acquirers varies by Acquirers between .077% and .0904% the larger Acquirers get better rates. The cost to Acquirers/Processors for Interac transactions is currently \$0.006117 per transaction. Amex is a completely different animal they use the Acquirers services to process their transactions and charge merchants a direct fee that would include their Interchange fee and Assessment/Brand fees.
- 2. Card Issuing Banks:** normally this is where the majority of the fees you are paying are going. The Acquirers are charged an “Interchange Fee” for each credit card transaction that is paid to the card issuing bank. This fee varies by card based on rewards, how the card is processed (card present or not) and who the card is issued to (commercial or consumer). The list of Interchange fees are made up by the Networks and the banks fit their cards into the slots. The code of conduct for the industry prohibits the banks from issuing too many high cost cards currently about 50% of the cards on the market are the lowest “Qualified” cards. Interchange rates have a range from 1.00% for U.S. “Acquirer” cards to 2.49% for card not present high rewards cards. It should be noted that the Acquirers get to decide which cards are “Qualified” and this can be different between Acquirers resulting in differing fees.
- 3. Acquirers:** In Canada they must be banks and they are the people that actually move the money around and produce the reports. When you accept a credit card they put the money in your account then bill the card

issuing bank. That is why you need to have a credit check before setting up a “merchant account” or credit card processing, they are actually giving you a short term line of credit. The most common Acquirers in Canada are, Chase Paymentech, Elavon, First Data, Global Payments Moneris and TD Merchant Services.

4. **Processors:** There is no official definition of “Processor” many of the ISO’s claim to be Processors but they don’t do any processing the money and paperwork is done by the Acquirers.
5. **ISOs:** Independent **S**ales **O**rganizations resell the services of the Acquirers. They must display the name of their Acquirer on their web site They are allowed to set their own rates, terms, conditions and contracts. Generally these are the people doing the calling promising big savings on your fees.
6. **Other Sales Companies:** There are other sales companies and individuals which do not have the same autonomy as the ISOs do. The Acquirers have their own titles for them including MSP or Merchant/Member Service Provider. Generally they are paid a portion of the markup on fees over and above a specific level, depending upon their volume. For instance an MSP might receive 50% of the markup over and above Interchange fees. Most of the Acquirers also have in house sales staff that are paid under a variety of programs.

Bottom line if you do most of you business face to face with the general public your bottom line cost for credit card processing (not including debit) should be less than 2%.

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