

April 2022 Card Network Fee Changes

By: John Romer
Date: March 10, 2022

Businesses accepting card payments should prepare for extensive changes in Credit and Debit Card Interchange Rates and Card Network Fees in April 2022. Many changes were announced by Visa, MasterCard, American Express, and Discover covering most industry segments. BlackLine Advisory Group (“BlackLine”), a payments business consulting organization, has been working with clients to review the impact of these network cost changes and has compiled a summary of the changes to allow companies to examine the effect of the network fee changes.

Although most of the changes result in higher interchange costs, there is a reduction in fees by Visa for Small Merchants. Small merchants, those with less than \$250,000 in volume for a tax ID between October 1, 2020, and September 30, 2021, will generally see a reduction in Interchange Rates. The reductions impact Card Not Present and Card Present transactions depending on the industry segments defined in the program. These reductions are generally beneficial for small merchants qualifying for the new Small Merchant program.

Merchants not falling into the Small Merchant program will be impacted by higher card payment acceptance costs due to these changes. The annual industry expense impact is estimated to be at least \$3+ billion. Based on our early analyses for clients, businesses above the \$250,000 Small Merchant threshold could encounter cost increases from .03% to .25% of their card volume, depending on industry classification and mix of payment cards used by their customers. While this rate may not seem significant, it is one of the largest overall cost increases in the last ten years. For example, a business with \$1 million in card payments would incur cost increases of \$3,000-\$25,000+ per year.

Given the effects on the economy and operating costs from COVID-19 and recent world events, BlackLine recommends that businesses assess the impact of these rate changes carefully. With inflationary cost pressures impacting margins, the effect of these card acceptance costs should be taken into consideration when reviewing client pricing.

Network Release Process

Every year Visa, MasterCard, American Express, and Discover (“card networks”) announce changes to their operations, including fee modifications, processing rule updates, and new support requirements. These changes are effective in April and October and are known as the Spring and Fall Releases. These publications usually raise little notice outside the industry. However, in 2020, during the rise of COVID-19, the card networks recognized the impacts that higher costs would have on retailers, restaurants, and other merchants struggling from the effects of the Virus, and the card networks delayed the increases until April 2021.

As 2021 progressed and COVID-19 continued to impact the economy, federal legislators, industry trade associations, and top retailers pressured the card networks to again cancel the proposed fee increases for 2021. Bloomberg and industry associations estimated the projected impact of the total planned changes in 2021 at \$1.17 billion. While many of the more impactful planned Interchange Rate changes were postponed, some changes did go into effect in 2021.

In January 2022, the card networks announced a broad set of changes to fees, operating rules, and requirements as part of their semi-annual release process. The April 2022 Release is a significant release that includes the postponed adjustments from 2020 and 2021 and introduces additional changes for 2022. Notably, the April 2022 release introduces changes to Visa's Consumer Credit Interchange Rates for Card Not Present transactions, including rate reductions for using a Visa EMV payment token.

We recommend businesses contact their payment processor for more information on the changes coming in April 2022. Most larger clients of the major U.S. payment processors such as Fiserv (First Data), FIS (WorldPay), Elavon, Bank of America, or J.P Morgan Chase Paymentech, are directly notified of these types of changes. Smaller businesses are typically notified of these changes through notices included in a monthly invoice. If you have not received information on these changes, we recommend contacting your processor. If you cannot get this information, contact BlackLine Advisory Group for more details.

April 2022 Network Changes

BlackLine reviewed various release-related documents to identify the more significant changes that will impact the industry. Merchants should check the complete list of changes their processor provides and determine if the changes affect the services, interchange programs, and processing environments supporting their program.

BlackLine has reviewed the significant changes for all the networks and developed this overview of the updates that may impact merchants financially. There are additional changes that are operational or technical in nature not covered in this document. Merchants should work with their processors to determine if there is any impact on their business.

The document presents these changes in two major categories. The first group of changes is related to Interchange, which is driven by card type (e.g., Consumer Credit), environment (e.g., Key Entered), and industry segment (e.g., Supermarket). Interchange costs are primarily tied to processing volume but also have a transaction fee component. The second group of changes is connected to Network Fee. These fees are driven by payment volume (dollars processed) and transaction count.

A. Interchange Modifications April 2022

1. Visa Interchange

a. Visa EMV Tokenized and Non-Tokenized Consumer Credit Interchange Rates

Visa has developed a program to provide lower interchange rates for select Card Not Present consumer credit transactions that meet CPS qualification requirements and use a Visa EMV payment token. As a result, some of the Consumer Card Not Present interchange programs now have Tokenized and Non-Tokenized interchange rates. These changes *do not apply* to Consumer Debit/Prepaid cards and Commercial Cards.

Visa will introduce a new value in the authorization response that identifies a card not present transaction as EMV tokenized or non-tokenized. That value will be used to qualify transactions for the correct interchange program. The program requires obtaining a token from Visa (through the merchant's processor or gateway service but not the current processor or gateway generated token) and initiating transactions using this token. There is a cost from Visa for the initial tokenization and the ongoing use of the

token, but for most merchants, the overall change will reduce costs. Some rates apply to transactions greater than \$500, and others apply to transactions greater than \$100. If a merchant is not in these categories or a transaction is not within these limits, then Card Not Present interchange rates apply.

Industry Segment	Interchange Program(s)	New Non-Tokenized Rate	New Tokenized Rate
Restaurant	Traditional Credit Rewards	2.20% (min \$0.08)	2.10% (min \$0.04)
Restaurant	Signature Signature Preferred Infinite	2.70% (min \$0.08)	2.60% (min \$0.04)
Taxi	Traditional Credit Rewards	2.20% (min \$0.08)	2.10% (min \$0.04)
Taxi	Signature Signature Preferred Infinite	2.70% (min \$0.08)	2.60% (min \$0.04)
Real Estate	Traditional Credit Rewards	1.53% + \$0.05	1.43% + \$0.05
Real Estate	Signature Signature Preferred Infinite	2.25% + \$0.10	2.15% + \$0.10
Education	Traditional Credit Rewards	1.53% + \$0.05	1.43% + \$0.05
Education	Signature Signature Preferred Infinite	2.25% + \$0.10	2.15% + \$0.10
Healthcare	Traditional Credit Rewards	1.53% + \$0.05	1.43% + \$0.05
Healthcare	Signature Signature Preferred Infinite	2.40% + \$0.10	2.30% + \$0.10
Advertising	Traditional Credit	1.65% + \$0.10	1.55% + \$0.10
Advertising	Rewards	1.80% + \$0.10	1.70% + \$0.10
Advertising	Signature	1.85% + \$0.10	1.75% + \$0.10
Advertising	Signature Preferred & Infinite	2.40% + \$0.10	2.30% + \$0.10
Insurance	Traditional Credit & Rewards	1.53% + \$0.05	1.43% + \$0.05
Insurance	Signature Signature Preferred Infinite	2.35% + \$0.10	2.25% + \$0.10
Services	Traditional Credit	1.65% + \$0.10	1.55% + \$0.10
Services	Rewards	1.80% + \$0.10	1.70% + \$0.10
Services	Signature	1.95% + \$0.10	1.85% + \$0.10
Services	Signature Preferred Infinite	2.40% + \$0.10	2.30% + \$0.10
Telecom & Recurring Cable	Traditional Credit Rewards	1.53% + \$0.05	1.43% + \$0.05
Telecom & Recurring Cable	Signature Signature Preferred Infinite	2.30% + \$0.05	2.20% + \$0.05

Note: Merchants in Automated Fuel & Service Station, Travel, Charity & Religious Orgs, Utility and Government industry segments are not impacted by the change.

b. Card Not Present Transactions – Other Categories / Transaction Amounts

The Card Not Present interchange increases for merchants and transactions that do not fall under the categories listed above will have higher interchange costs for Card Not Present transactions. The rate changes announced in the April 2021 network release will apply to Visa Card Not Present qualifying transactions unless the previous rates described above apply to the merchant.

Card Program		Non-Tokenized Rate	Tokenized Rate
Traditional	Product 1 Credit CNP	1.89% + \$0.10	1.80% + \$0.10
Rewards	Product 1 Credit Rewards CNP	2.04% + \$0.10	1.95% + \$0.10
Signature	Product 1 Signature Credit CNP	2.05% + \$0.10	1.95% + \$0.10
Signature Preferred Infinite	Product 1 Signature Preferred & Infinite CNP	2.50% + \$0.10	2.40% + \$0.10

c. Visa Small Merchant Consumer Credit Program (New)

Visa is introducing new Small Merchant Product 1 (Card Not Present) and Product 2 (Card Present) Interchange programs for Consumer Credit Purchase transactions. The new programs provide an incentive rate structure for transactions originating from an eligible small merchant with up to \$250,000 in total gross Visa sales volume for U.S. domestic transactions completed with a Visa Consumer Credit product will be eligible. The qualification period for the program is between October 1, 2020 and September 30, 2021,

Transactions requesting the new Small Merchant Product 1 and Product 2 fee programs cannot contain MCCs that include the Real Estate, Education, Healthcare, Advertising, Insurance, Services, and Telecom & Cable merchant segments since these programs are provided specific new rates for Card Not Present transactions, and the current rates for Card Present transactions will continue to apply to these merchant segments (more information is provided).

Card Not Present Interchange – Consumer Credit Cards

The new Interchange Rates for Card Not Present transactions for Small Merchants includes:

Current Program	Current Rate		New Program	New Rate	
Product 1 CNP Credit	1.89%	\$0.10	Small Merchant Product 1 CNP Credit	1.58%	\$0.10
Product 1 CNP Rewards	2.04%	\$0.10	Small Merchant Product 1 CNP Rewards	1.73%	\$0.10
Product 1 CNP Signature	2.05%	\$0.10	Small Merchant Product 1 CNP Signature	1.73%	\$0.10
Product 1 CNP Signature Preferred & Infinite	2.50%	\$0.10	Small Merchant Product 1 CNP Signature Preferred & Infinite	2.18%	\$0.10

Card Present Interchange – Consumer Credit Cards

The new Interchange Rates for Card Present transactions for Small Merchants include:

Current Program	Current Rate		New Program	New Rate	
Product 2 CP Credit	1.51%	\$0.10	Small Merchant Product 2 CP Credit	1.29%	\$0.10
Product 2 CP Rewards	1.65%	\$0.10	Small Merchant Product 2 CP Rewards	1.43%	\$0.10
Product 2 CP Signature	1.65%	\$0.10	Small Merchant Product 2 CP Signature	1.43%	\$0.10
Product 2 CP Signature Preferred & Ininiti	2.10%	\$0.10	Small Merchant Product 2 CP Signature Preferred & Ininiti	1.88%	\$0.10

Small Merchant Card Not Present Segment Rates

Small Merchants in the following industry segments will benefit from a 10 basis point (0.10%) reduction in Interchange for Card Not Present transactions. The following rates will go into effect:

Segment	Interchange Program	Current Rate		New Rate	
Real Estate	Real Estate Traditional Credit	1.53%	\$0.10	1.43%	\$0.10
	Real Estate Rewards	1.53%	\$0.10	1.43%	\$0.10
	Real Estate Signature	1.53%	\$0.10	1.43%	\$0.10
	Real Estate Signature Preferred	2.25%	\$0.10	2.15%	\$0.10
	Real Estate Infinite	2.25%	\$0.10	2.15%	\$0.10
Education	Education Traditional Credit	1.53%	\$0.10	1.43%	\$0.10
	Education Rewards	1.53%	\$0.10	1.43%	\$0.10
	Education Signature	1.53%	\$0.10	1.43%	\$0.10
	Education Signature Preferred	2.25%	\$0.10	2.15%	\$0.10
	Education Infinite	2.25%	\$0.10	2.15%	\$0.10
Healthcare	Healthcare Traditional Credit	1.53%	\$0.10	1.43%	\$0.10
	Healthcare Rewards	1.53%	\$0.10	1.43%	\$0.10
	Healthcare Signature	1.53%	\$0.10	1.43%	\$0.10
	Healthcare Signature Preferred	2.40%	\$0.10	2.30%	\$0.10
	Healthcare Infinite	2.40%	\$0.10	2.30%	\$0.10
Advertising	Advertising Traditional Credit	1.65%	\$0.10	1.55%	\$0.10
	Advertising Rewards	1.80%	\$0.10	1.70%	\$0.10
	Advertising Signature	1.85%	\$0.10	1.75%	\$0.10
	Advertising Signature Preferred	2.40%	\$0.10	2.30%	\$0.10
	Advertising Infinite	2.40%	\$0.10	2.30%	\$0.10
Insurance	Insurance Traditional Credit	1.53%	\$0.10	1.43%	\$0.10
	Insurance Rewards	1.53%	\$0.10	1.43%	\$0.10
	Insurance Signature	1.53%	\$0.10	1.43%	\$0.10
	Insurance Signature Preferred	2.35%	\$0.10	2.25%	\$0.10
	Insurance Infinite	2.35%	\$0.10	2.25%	\$0.10
Services	Services Traditional Credit	1.65%	\$0.10	1.55%	\$0.10
	Services Rewards	1.80%	\$0.10	1.70%	\$0.10
	Services Signature	1.95%	\$0.10	1.85%	\$0.10
	Services Signature Preferred	2.40%	\$0.10	2.30%	\$0.10
	Services Infinite	2.40%	\$0.10	2.30%	\$0.10
Telecom & Cable	Telecom & Cable Traditional Credit	1.53%	\$0.10	1.43%	\$0.10
	Telecom & Cable Rewards	1.53%	\$0.10	1.43%	\$0.10
	Telecom & Cable Signature	1.53%	\$0.10	1.43%	\$0.10
	Telecom & Cable Signature Preferred	2.30%	\$0.10	2.20%	\$0.10
	Telecom & Cable Infinite	2.30%	\$0.10	2.20%	\$0.10

Note: Card Present transactions in these segments will qualify for existing Interchange programs

Merchants in the following industry segments are not impacted by any of the changes to Small Merchant Interchange rates:

- Automated Fuel Dispenser / Fuel Station
- Travel
- Charity / Religious Organizations
- Utility
- Government

d. Visa Changes to CPS Retail Key Entry Interchange Rates

Visa has changed the interchange qualification rules for CPS Retail Key Entry qualification. Credential On File (COF) transactions will not qualify for CPS Retail Key Entry rates. A stored COF is either an account number or payment token stored by a merchant, processor, or gateway to process future transactions. A transaction originating from a Retail key entered transactions identified as COF will now qualify for Non-Qualified Credit or EIRF Debit/Prepaid and will see **significant increases** in the cost of these transactions.

The move away from COF transactions qualifying as Retail Key Entry to Non-Qualified Credit increases costs from 1.80% + \$0.10 to 3.15%+ \$0.15. For a \$150 transaction, the cost increase is from \$2.80 to \$4.875, an increase of 75% compared to the current cost. This transaction is not very common for most merchants, but the increase is significant if a merchant has these transactions. This considerable cost increase can likely be avoided with changes to processing methods and compliance with the appropriate qualification requirements. Contact your processor if this change impacts your processing.

e. Cost Increases for Non-Qualified Transactions (formerly Standard)

In the April 2021 release, Visa changed their historical Interchange categories significantly when they eliminated the EIRF-Credit rate and combined EIRF and Standard Interchange categories into a new Non-Qualified Interchange program.

Visa is increasing the cost of non-Qualified transactions. The current rate of 2.70% + \$0.10 (which was an increase of 0.40% for EIRF transactions in 2021) will increase to 3.15% + \$0.10. While few transactions overall will be assessed this interchange cost, if a merchant has these transactions, they should review the reason(s) for not qualifying for a better interchange rate and work with their processor to modify processing to reduce or eliminate the reason(s) transactions are qualifying at the highest cost Non-Qualified rate.

f. Other Visa Interchange Rate Changes

In addition to the changes outlined above, Visa has also changed various other programs. Merchants should review their payments with their card processor to determine the impact of these changes.

i. Consumer Bill Payment Service Providers

Interchange rates for all Consumer card types for Bill Payment Service Providers will increase in April 2022. Increases are 0.09% to 0.10%.

ii. Volume Tiers for Retail and Supermarket Interchange

For large volume Retail and Supermarket clients, the qualifying Minimum Payment Volume for all three Volume Thresholds has increased. Merchants qualifying for these rate tiers should review if the change results in moving down a tier and cause higher rates to be assessed.

2. MasterCard Interchange Modification

a. Consumer Interchange Rate Changes

MasterCard revised most of its consumer credit card Interchange rates in 2022, including significant increases in the most common Interchange programs. A few rates were reduced, but the following table confirms most of the changes were cost increases.

Program	Rate Increase	Fee Increase
Merit III Base Core	0.07%	\$0.00
Merit III Base Enhanced	0.07%	\$0.00
Merit III Base World	0.13%	\$0.00
Merit III Base World High Value	0.10%	\$0.00
Merit III Base World Elite	0.10%	\$0.00
Merit III Prepaid	0.10%	\$0.00
Merit I Core	0.06%	\$0.00
Merit I Enhanced	0.06%	\$0.00
Merit I World	0.15%	\$0.00
Merit I World High Value	0.10%	\$0.00
Merit I World Elite	0.10%	\$0.00
Merit I Insurance World High Value	0.05%	\$0.00
Merit I Insurance World Elite	0.05%	\$0.00
Merit I Real Estate Core	0.33%	\$0.05
Merit I Real Estate Enhanced	0.33%	\$0.05
Merit I Real Estate Word	0.33%	\$0.05
Key Entered Core	0.06%	\$0.00
Key Entered Enhanced	0.06%	\$0.00
Key Entered World	0.15%	\$0.00
Key Entered World High Value	0.10%	\$0.00
Key Entered World Elite	0.10%	\$0.00
Restaurant World	0.12%	\$0.00
Restaurant World High Value	-0.20%	\$0.00
Restaurant World Elite	-0.20%	\$0.00
Supermarket Core	-0.03%	\$0.00
Supermarket Enhanced	0.12%	\$0.00
Supermarket World	0.12%	\$0.00
Supermarket World High Value	0.20%	\$0.00
Supermarket World Elite	0.20%	\$0.00
Convenience Purchases Core	-0.25%	\$0.04
Convenience Purchases Enhanced	-0.10%	\$0.04
Convenience Purchases World	-0.10%	\$0.04

Program	Rate Increase	Fee Increase
Convenience Purchases World High Value	0.30%	\$0.04
Convenience Purchases World Elite	0.30%	\$0.04
T&E World	-0.05%	\$0.00
T&E World High Value	-0.20%	\$0.00
T&E World Elite	-0.20%	\$0.00
T&E Large Ticket World High Value	0.55%	\$0.00
T&E Large Ticket World Elite	0.55%	\$0.00
Passenger Transport Core	-0.10%	\$0.00
Passenger Transport Enhanced	-0.15%	\$0.00
Airline World High Value	0.25%	\$0.00
Airline World Elite	0.25%	\$0.00
Lodging & Auto Rental Core	0.07%	\$0.00
Lodging & Auto Rental Enhanced	-0.05%	\$0.00
Utilities Core	0.00%	\$0.10
Utilities Enhanced	0.00%	\$0.10
Utilities World	0.00%	\$0.10
Full UCAF Core	0.06%	\$0.00
Full UCAF Enhanced	0.06%	\$0.00
Full UCAF World	0.15%	\$0.00
Full UCAF World High Value	0.10%	\$0.00
Full UCAF World Elite	0.10%	\$0.00
Merchant UCAF Core	0.06%	\$0.00
Merchant UCAF Enhanced	0.06%	\$0.00
Merchant UCAF World	0.15%	\$0.00
Merchant UCAF World High Value	0.10%	\$0.00
Merchant UCAF World Elite	0.10%	\$0.00
Standard Core	0.20%	\$0.00
Standard Enhanced	0.20%	\$0.00
Standard World	0.20%	\$0.00
Standard World High Value	-0.10%	\$0.00
Standard World Elite	-0.10%	\$0.00

b. Other MasterCard Interchange Rate Changes

MasterCard has modified other Interchange programs in addition to the list of Consumer Credit Card rates listed above. These changes include:

i. Small Ticket Consumer Credit Interchange

MasterCard is restructuring the Small Ticket program for consumer credit card transactions with a transaction amount of \$5 or less. The significant change to these programs is the reduction of the Interchange fee cost to \$0.02. These rates apply to Card Present and Card Not Present transactions

Card Present Program	Current Rate		New Rate	
Small Ticket Card Present Core	1.58%	\$0.10	1.65%	\$0.02
Small Ticket Card Present Enhanced	1.73%	\$0.10	1.80%	\$0.02
Small Ticket Card Present World	1.77%	\$0.10	1.90%	\$0.02
Small Ticket Card Present World High Value	2.20%	\$0.10	2.30%	\$0.02
Small Ticket Card Present World Elite	2.20%	\$0.10	2.30%	\$0.02

Card Not Present Program	Current Rate		New Rate	
Small Ticket Card Not Present Core	1.89%	\$0.10	1.95%	\$0.02
Small Ticket Card Not Present Enhanced	2.04%	\$0.10	2.10%	\$0.02
Small Ticket Card Not Present World	2.05%	\$0.10	2.20%	\$0.02
Small Ticket Card Not Present World High Value	2.50%	\$0.10	2.60%	\$0.02
Small Ticket Card Not Present World Elite	2.50%	\$0.10	2.60%	\$0.02

ii. Merit 1 Real Estate

MasterCard is introducing a rate cap for Debit and Prepaid Merit I Real Estate Interchange:

Merit I Real Estate Debit or Prepaid 0.80% + \$0.25, capped at \$5.00

iii. Merit 1 Day Care

MasterCard is introducing a new program for Daycare businesses. These rates are all lower than prior rates available to the industry segment. These programs replace the Merit III and Merit I Interchange programs that previously applied to Daycare businesses.

Merit I Day Care Core 1.60% + \$0.10
 Merit I Day Care Enhanced 1.60% + \$0.10
 Merit I Day Care World 1.60% + \$0.10

iv. Commercial Debit, Commercial Prepaid and Large Market Data Rate I Healthcare

MasterCard has modified the rates available to Commercial Debit, Commercial Prepaid, and Large Market Credit cards. The previous rates were 1% capped at \$5.00.

Data Rate I Commercial Debit 2.65% + \$0.10
 Data Rate I Large Market 2.70% + \$0.10

v. Interregional Consumer Interchange

Several Interregional Interchange programs for Consumer Cards are being combined and new naming applied to the programs. In general, rates will remain the same except for the Interregional Consumer Merchant UCAF and Full UCAF programs, which will increase from 1.44% and 1.54% to 1.60%.

3. Discover Interchange Modification

a. Consumer Interchange Rate Changes

Discover is raising interchange rates across a wide range of Interchange programs. Most rate increases are modest, but some are significant increases.

Interchange Program	New Rate	Rate Increase	Interchange Program	New Rate	Rate Increase
PSL Retail Prepaid	1.12% + \$0.16	0.02%	PSL Key Entry Core	1.91% + \$0.10	0.02%
PSL Retail Core	1.57% + \$0.10	0.01%	PSL Key Entry Rewards	2.03% + \$0.10	0.03%
PSL Retail Rewards	1.72% + \$0.10	0.01%	PSL Key Entry Premium	2.05% + \$0.10	0.05%
PSL Retail Premium	1.74% + \$0.10	0.03%	PSL Key Entry Premium Plus	2.50% + \$0.10	0.10%
PSL Retail Premium Plus	2.17% + \$0.10	0.02%	PSL Emerging Markets Rewards	1.50% + \$0.05	0.05%
PSL Restaurant Debit	1.14% + \$0.15	0.04%	PSL Emerging Markets Premium	1.50% + \$0.05	0.05%
PSL Restaurant Prepaid	1.14% + \$0.15	0.04%	PSL Express Services Premium	1.97% + \$0.00	0.02%
PSL Supermarket Prepaid	1.12% + \$0.16	0.02%	PSL Hotel/Auto Rental Rewards	1.92% + \$0.10	0.02%
PSL Supermarket Rewards	1.62% + \$0.10	0.02%	PSL Hotel/Auto Rental Premium Plus	2.57% + \$0.10	0.17%
PSL Card Not Present Prepaid	1.76% + \$0.20	0.01%	PSL Passenger Transport Rewards	1.92% + \$0.10	0.02%
PSL Card Not Present Core	1.91% + \$0.10	0.02%	Base Submission Level Core	3.05% + \$0.10	0.10%
PSL Card Not Present Rewards	2.03% + \$0.10	0.03%	Base Submission Level Rewards	3.05% + \$0.10	0.10%
PSL Card Not Present Premium	2.05% + \$0.10	0.05%	Base Submission Level Premium	3.05% + \$0.10	0.10%
PSL Card Not Present Premium Plus	2.50% + \$0.10	0.10%	Base Submission Level Premium Plus	3.05% + \$0.10	0.10%
PSL Ecommerce Prepaid	1.76% + \$0.20	0.01%	Commercial Electronic Credit	2.45% + \$0.15	0.10%
PSL Ecommerce Core	1.91% + \$0.10	0.02%	Commercial Electronic Prepaid	2.65% + \$0.10	0.35%
PSL Ecommerce Rewards	2.03% + \$0.10	0.03%	Commercial Electronic Debit	2.45% + \$0.15	0.15%
PSL Ecommerce Premium	2.05% + \$0.10	0.05%	Commercial Base Credit	3.05% + \$0.10	0.10%
PSL Ecommerce Premium Plus	2.50% + \$0.10	0.10%	Commercial Base Debit	3.05% + \$0.10	0.10%
PSL Key Entry Prepaid	1.76% + \$0.20	0.01%	Commercial Base Prepaid	3.05% + \$0.10	0.10%

b. Charity Interchange Program

Discover created a new consumer U.S. interchange program for Charity merchants under MCC 8298. As a result, the Charity MCC 8298 code will no longer be eligible for PSL Recurring and PSL Emerging Markets. Transactions will be eligible for the program when these transaction requirements are met:

- Card Present or Card Not Present transaction
- Consumer Credit, Debit & Prepaid card
- MCC Code of 8298

The rate changes are a mixed bag; many rates will not change. Merchants in this segment should contact their processor for an explanation of the new pricing.

c. PSL Micro Ticket and PSL Express Services Interchange Program Changes

Discover is adding MCC 5552 Electric Vehicle Charging to the PSL Micro Ticket & PSL Express Services interchange programs. The rates in these programs have not changed, but these merchants will see transactions qualifying under the new program.

d. PSL Recurring Payments Interchange Program Changes

Discover updating the qualification requirements for PSL Recurring Payments to allow MCCs 4814 (Telecommunications) & 4899 (Cable Services) to qualify for the Recurring Payments rates when the card type is Consumer Credit. The PSL Recurring Interchange rates were previously only available to Consumer Debit and Consumer Prepaid transactions.

4. American Express Interchange Modifications

a. American Express Opt Blue Services Interchange

American Express is decreasing rates for the Tier 1 Services Interchange program. Rate differences may vary by processor. Rates are expected to decrease by 0.05% from the current rate to 1.65% + \$0.10.

Tiers for the Services Interchange program will also change. The two adjusted tiers for the program include:

Tier 1:	\$15.01 to \$250.00
Tier 2:	\$250.01 to \$3,000.00

B. Network Fee Modifications April 2022

1. Visa Network Fee Modifications

a. Authorization Consistency System Integrity Fee

Visa will assess a new fee for the first and every subsequent reattempt within a rolling 30-day period following a Category 1 decline of a card transaction. This fee is \$0.10 for U.S. cards and \$0.15 for cross-border cards. MasterCard is also implementing a similar fee but will tie it to fewer reason codes. This Visa network fee will be assessed if an authorization is attempted within 30 days of receiving one of the following declines:

- 04 - Pickup card, no fraud
- 07 - Pickup card, special condition
- 12 - Invalid transaction
- 141 - Invalid account number (no such number)
- 15 - No such issuer, 1st 8 digits account 3 invalid
- 41 - Pickup card, lost card
- 43 - Pickup card, stolen card
- 46 - Closed Account
- 57 - Transaction not permitted to cardholder
- R0 - Stop payment order
- R1 - Revocation of authorization order
- R3 - Revocation of all authorization orders

b. Address Verification Service Fees

Visa will introduce pricing for the Address Verification Service (AVS). AVS is not new, but Visa has changed the service and introduced a new fee structure. The AVS fee will be assessed when an Address is verified (it does not mean it matches or is valid). The AVS fee is \$0.001 per transaction.

c. Visa Integrity Vee – Refund Transactions

Starting in July 2022, Visa will assess the Integrity Fee for Refund transactions. There are two types of Integrity Fees. The Zero Floor Limit Fee is for submitting a Refund that is not authorized. The Authorization Misuse Fee is for authorizing a refund transaction but never submitting the refund transaction for settlement to the cardholder.

Zero Floor Limit Fee (Unauthorized)	\$0.20
Authorization Misuse Fee (Never Deposited)	\$0.09

2. MasterCard Network Fee Modifications

a. Digital Enablement Fee Increase

MasterCard has assessed a Digital Enablement Fee since January 1, 2015. MasterCard denoted that the Digital Enablement Fee helps with the costs of advanced security features for Card Not Present transactions, such as card tokenization). Mastercard

implemented the fee to offset these costs. MasterCard's increasing the fee on January 1, 2022 (already in effect in the U.S. before the release of this document).

The MasterCard Digital Enablement fee increased from 0.01% to 0.02%, with a maximum fee of \$0.20 per qualifying Card Not Present transaction. The fee is assessed on consumer credit, commercial card, and signature debit transactions. This fee increase is partially offset by a reduction in the AVS, CV2, and Account Inquiry fees often used with these transactions.

b. AVS, CVC2 & Account Inquiry Fee Reduction (\$0)

MasterCard will reduce the cost of Address Verification Service (AVS), Card Value Verification (CVC2), and Account Inquiry Fee (aka \$0 auth, etc.) to \$0.00. Currently, these fees range from \$0.01 (AVS) to \$0.03 (International Account Inquiry Fee). MasterCard indicated that the goal of reducing these fees is to improve risk reduction efforts by reducing the cost of these services.

c. Merchant Advice Code Integrity Fee

MasterCard began assessing a new fee on January 1, 2022, for each subsequent authorization reattempt within a rolling 30-day period of the initial decline for cards receiving an authorization decline with Merchant Advice Code (MAC) values of 03 (Do Not Try Again) or 21 (Payment Cancellation). This fee is \$0.03 for U.S. cards and \$0.15 for cross-border cards. Visa is also implementing a similar fee but will tie it to more reason codes.

d. Credential Continuity Fee

MasterCard has introduced a new fee of \$0.03 that will be applied to recurring payment transactions made with an outdated credential at least ten days after the card issuer reported an account update on the card. This fee will be applied regardless of the approval response that is received. MasterCard states that the goal is to reduce the number of recurring transactions made with out-of-date credentials (e.g., tokens, etc.).

Merchants will want to revisit support of Account Updater services to ensure recurring and subscription service transactions are processed with valid, up-to-date credentials. BlackLine recommends that merchants monitor their billing statements after April 1, 2022, to determine if a significant number of transactions are submitted with outdated credentials.

e. Decline Reason Code Service Fee

MasterCard has introduced a fee of \$0.02 that will be assessed for the new Decline Reason Code Service. This service reviews authorization declines and provides a related Merchant Advice Code (MAC) code to assist merchants in understanding how to handle an authorization decline. The Decline Reason Code Fee will apply to Card Not Present transactions with the following processing characteristics:

- Card Not Present transaction
- Authorization Response Code of 79 (Lifecycle), 82 (Policy), or 83 (Security)
- Merchant Advice Code:
 - 01 (Updated/Additional Information Needed)
 - 03 (Do Not Try Again).

Note: This fee can be assessed in addition to the Advice Code Integrity Fee.

f. Installment Payments Program Fee

MasterCard’s Installments Payment Program is a Buy Now Pay Later program offered through the Mastercard network. This service introduces a new Network Fee for Installment Transactions (% transaction amount) and Installment Transaction Interchange Fees (% transaction amount) fee tied to 3 categories of merchants (Group A, B, and C). Merchants should contact their processor for more information.

3. Discover Network Fee Modifications

a. Discover Assessment Fee Increase

Discover is increasing the Assessment Fee rate from 0.13% to 0.14%. This change will increase Discover acceptance costs by 0.01% of gross processing volume.

b. Digital Investment Fee

Discover will assess a Digital Investment fee of 0.01% for all transactions with the following POS Entry Modes:

- 01: Manual/Key
- 07: Electronic Commerce
- 10: Credential on File
- 82: Mobile Commerce
- 91: Voice Response

The Digital Investment Fee supports enhancing their digital transaction security and fraud prevention efforts.

c. Account Verification Fee

Discover will now assess a fee for their Account Verification Service. A fee of \$0.02 will apply to transactions processed using the Account Verification Service.

d. Address Verification Service AVS Fee

Discover will now assess a fee for using the Address Verification Service. A fee of \$0.005 will be charged for transactions where an AVS verification is requested.

4. American Express Network Fee Modifications

a. American Express Assessment Fee Increase

American Express is increasing the Assessment Fee rate from 0.16% to 0.165%. Merchants accepting American Express under the Opt Blue program will see this fee rise by 0.05%. This fee applies to the gross sales volume of American Express.

b. American Express Acquirer Transaction Fee

American Express will introduce a new Acquirer Transaction Fee. The fee of \$0.02 will be applied to all American Express non-debit charges, including credit (consumer and commercial) and prepaid transactions submitted for all industries in the U.S. region.

About BlackLine Advisory Group

BlackLine Advisory Group is a boutique payments-focused consultancy associated with Frost Brown Todd, a full-service law firm with over 500 lawyers operating in 15 markets across nine states and Washington, D.C. With more than 120 years of payment industry experience, BlackLine's advisory team works with a wide variety of clients to review and optimize their payment programs and reduce costs, as well as setup Payment Facilitators, review processor agreements, develop payment program strategies, and support many other payments-related functions, including facilitating Requests for Proposals, analyzing payment programs and processing profitability of potential acquisitions, and providing Expert Witness services.

Contact information for BlackLine Advisory Group:

Email: info@blacklineadvisorygroup.com

Phone: 877-751-5565

-- End Document --

