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BACKGROUNDER: CODE OF CONDUCT FOR THE DEBIT AND CREDIT CARD INDUSTRY IN CANADA

The Code of Conduct was created to address concerns raised by merchants regarding the business practices of credit and debit card networks, issuers and acquirers. The Code:

1. Ensures 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. Provides merchants with increased pricing flexibility to encourage consumers to choose the lowest-cost payment option.
3. Allows merchants to freely choose which payment options they will accept.

The Code is based on extensive discussions with merchant associations representing a comprehensive range of sectors across the country, debit and credit card networks, acquirers, card issuers and consumer groups.

It applies to the credit and debit card networks, acquirers and issuers.

Acquirers are the companies that enable merchants to accept payments by credit or debit card. They provide merchants with the payment terminals that transmit or process payments through the credit or debit card networks. From a consumer perspective, it is the company whose name is on the point of sale terminal at a merchant.

Issuers are companies that issue debit and credit cards to consumers.

The majority of credit and debit cards in Canada are issued by banks. However, credit unions and caisses populaires also issue credit and debit cards.

The Code does not discriminate across merchants by size or type. All receive equal treatment in terms of measures to promote greater transparency and disclosure and merchant choice.

The Code only applies to debit and credit cards, foreign or Canadian, used to conduct transactions with merchants in Canada.

The Financial Consumer Agency of Canada will be responsible for monitoring compliance with the Code by the credit and debit card networks.

Pursuant to Budget 2010, the Government has introduced legislation that will provide the Minister of Finance with the authority to regulate the market conduct of the credit and debit card networks and their participants, if necessary.

The Code will be in force 90 days after it is adopted by the credit and debit card networks and their participants. Issuers will have up to one year to re-issue debit cards that are already in circulation, in order to comply with the ban on competitive co-badged debit cards and the requirement to ensure that co-badged debit cards are equally branded (a competitive co-badged debit card is a debit card that has access to more than one debit network system, for the same type of debit payment transaction, e.g. domestic point-of-sale or internet).

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