

What is Interchange?

Interchange is the foundation of the entire Bankcard Processing industry's cost structure. Interchange is the wholesale price, charged by Card Issuing Bank, for Authorization and Settlement of a credit card transaction. In addition to Interchange, each transaction is assessed "Dues and Assessments" that is paid directly to MasterCard, Visa and Discover.

- Mastercard Dues add \$.0185 and .1100% to each transaction
- Visa Dues add \$.0195 and .1100% to each transaction
- Discover Dues add .0925% to each transaction

Interchange is priced the same for all processors, regardless of size or volume. It is extremely complex and constantly changing.

How Complex is Interchange?

Interchange has over 125 categories. In summary, Visa has approximately 22 Credit, 21 Debit, 12 Corporate, & 19 International Categories. MasterCard has 20 Credit, 14 Debit, 9 Corporate, and 8 International Categories.

American Express, Diners, and JCB are not part of Interchange.

There are 3 main factors that determine the Interchange Category.

- 1. The Merchant's Industry Type:** Restaurant, Gas stations, Internet, Retail
- 2. The Type of Card Processed:** Check (debit), Credit, Rewards, Corporate
- 3. How the Card is Processed:** Swiped or Keyed, Present or Not-Present

Pricing Strategies

1. Tiered Pricing: Attempting to explain the ever-growing list of Interchange categories is rather complex. Therefore, most processors bundle the rates into a few categories. This pricing method is called "Tiered Pricing", generally a 3 Tier System is used; whereas cards process as, Qualified, Mid-Qualified, and Non-Qualified.

2. Interchange Plus Pricing: Interchange fees, interchange plus pricing, cost plus pricing and interchange pass-through pricing are defined as the practice of pricing a merchant the exact interchange (Visa / MasterCard charges bank to bank plus assessment) with an added discount and transaction fee. Until recently only the largest of corporations were given the opportunity of this pricing, all other merchants have been under a blended or tiered program.

Why Interchange Plus Pricing?

Interchange Plus Pricing is transparent, there are no games, gimmicks, or secrets with respect to this pricing structure. The costs are clearly indicated as well as the actual mark-up by the processor. The Merchant Statement clearly identifies by line item the volume of transactions within each Interchange Rate Category.