



**Canadian Restaurant  
and Foodservices  
Association**

November 17, 2009

Mr. Kevin Stanton  
President  
MasterCard Canada  
2 Bloor Street West  
Suite 1400  
Toronto, Ontario  
M4W 3E2

Dear Mr. Stanton:

I am writing to you to express concern about the roll-out of the new MasterCard Maestro debit card in Canada. CRFA is receiving calls from members who are very concerned and confused about new MasterCard Maestro debit products and we would appreciate it if you would provide clarification. We are also requesting clarification from MasterCard processors but it would be helpful if you could specify which policies/rules are mandated by MasterCard and which policies/rules are at the discretion of processors/acquirers.

- Fees

We understand and appreciate that you are planning to charge merchants a fixed per transaction fee. This is critical to our members. We believe debit is equivalent to cash and that it costs the same to process a \$5.00 transaction as it does a \$500.00 one. As a result CRFA and our members will continue to vehemently object to a percentage fee.

- Priority Routing

We understand that cardholders are being issued new debit cards that will include both Interac and MasterCard Maestro debit. We believe that merchants should be able to choose the order in which payment networks are offered to their customers without being charged additional fees for exercising this right. However, we are hearing that customer cards are being encoded and point-of-sale equipment programmed so that MasterCard is the default option presented to customers. Can you confirm that this is the case and whether or not you permit or condone this practice?

Alternatively, we are hearing that processors are programming equipment to prompt customers to select between Interac and MasterCard Maestro debit. This is problematic because customers will not know to select the lowest cost option for merchants or they will be incented to choose the Maestro debit option for benefits such as reward programs. Can you confirm that you will allow processors to enable equipment so that merchants can switch the order in which payment options are presented to customers? Can you confirm whether or not you will be offering customer reward programs for using MasterCard Maestro debit?

Because the roll-out of your new debit product is occurring at the same time new equipment upgrades are being introduced, we are hearing that priority routing programming is being undertaken without merchants' knowledge. Can you confirm if this is true and if yes, why you are permitting this to happen?

- Choice

CRFA believes merchants should choose which cards they want to accept – a choice made through express, written consent.

CRFA is hearing of processors using negative option acceptance to introduce new debit products to merchants. In one scenario, merchants are instructed to go online or call to decline new debit payment options – otherwise, these products are automatically added by their processor. Can you confirm whether or not you permit negative option acceptance and what you are doing to ensure that processors are providing merchants with clear, transparent and accurate information about their options?

Some CRFA members have been informed that they cannot opt out of MasterCard debit unless they stop accepting MasterCard entirely, including credit cards. Can you confirm if this is true? Can you tell us if and when MasterCard will be offering card-holders the option of MasterCard credit and MasterCard debit on one card? If this is the case can you confirm that merchants will have the option of accepting MasterCard credit but not accepting MasterCard Maestro debit?

- Charge-backs

Interac treats debit as cash without any charge-backs to merchants or requirements for reserve accounts. We are hearing that acceptance rules from processors indicate that the liability and charge-back rules for debit will be the same as credit chip cards. This practice doesn't make sense since debit transactions, like cash, are final and irrevocable. Can you confirm if this practice is mandated by MasterCard?

In summary, CRFA members are unhappy about current credit card fees, rules and practices. They are also very concerned about the roll-out of new MasterCard debit cards and what this will mean for their businesses.

As a result, CRFA continues to call on the federal government to provide greater oversight of the credit card and debit card payment systems in Canada to ensure that fees charged to merchants are reasonable, predictable, transparent, linked to costs, and do not include the cost of cardholder enrichments.

Your co-operation in clarifying your position on some of the questionable practices outlined above would be appreciated. Your response will be shared with our members. Please do not hesitate to contact myself or Joyce Reynolds if you require further information.

Yours sincerely,



Garth Whyte  
President and CEO

c.c. Members of “*Stop Sticking It To Us*” Coalition members  
The Hon. James Flaherty, Minister of Finance  
Nancy Hughes Anthony, President, and CEO, Canadian Bankers Association  
Melanie L. Airken, Commissioner of Competition  
David Phillips, President and CEO, Credit Union Central of Canada