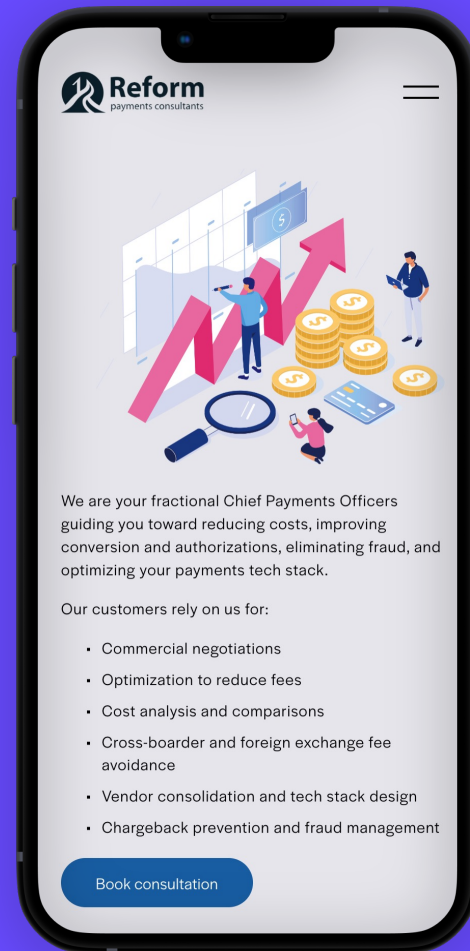


Interchange Plus Pricing

February 28th, 2024

Demystify payments for all businesses.





Problem

Understanding interchange plus pricing, each line item in a merchant statement, and what can be negotiated or reduced can be confusing.

Fee Types and Stake-holders

Pass-through Fees

Card Networks

These include Visa, Mastercard, Discover, and American Express and can sometimes include debit networks like Star, NYCE, and Accel. The networks govern the interchange fees to process credit cards in the US and worldwide.

Issuing Banks

The financial institutions that issue consumer credit and debit cards. Each card carries an interchange rate that is based on several factors.

Mark-up Fees

Merchant account provider

Payment services providers will typically work with a partner bank to provide a merchant account which is a bank account that facilitates receiving various kinds of electronic payment including credit and debit cards.

Gateway

These securely transmit payment data between merchants and payment processors. Some gateways also include a token repository, however, tokenization may be provided by a separate vendor. Gateways may include elements of orchestration or intelligent auth retries or these may be provided by a separate vendor.

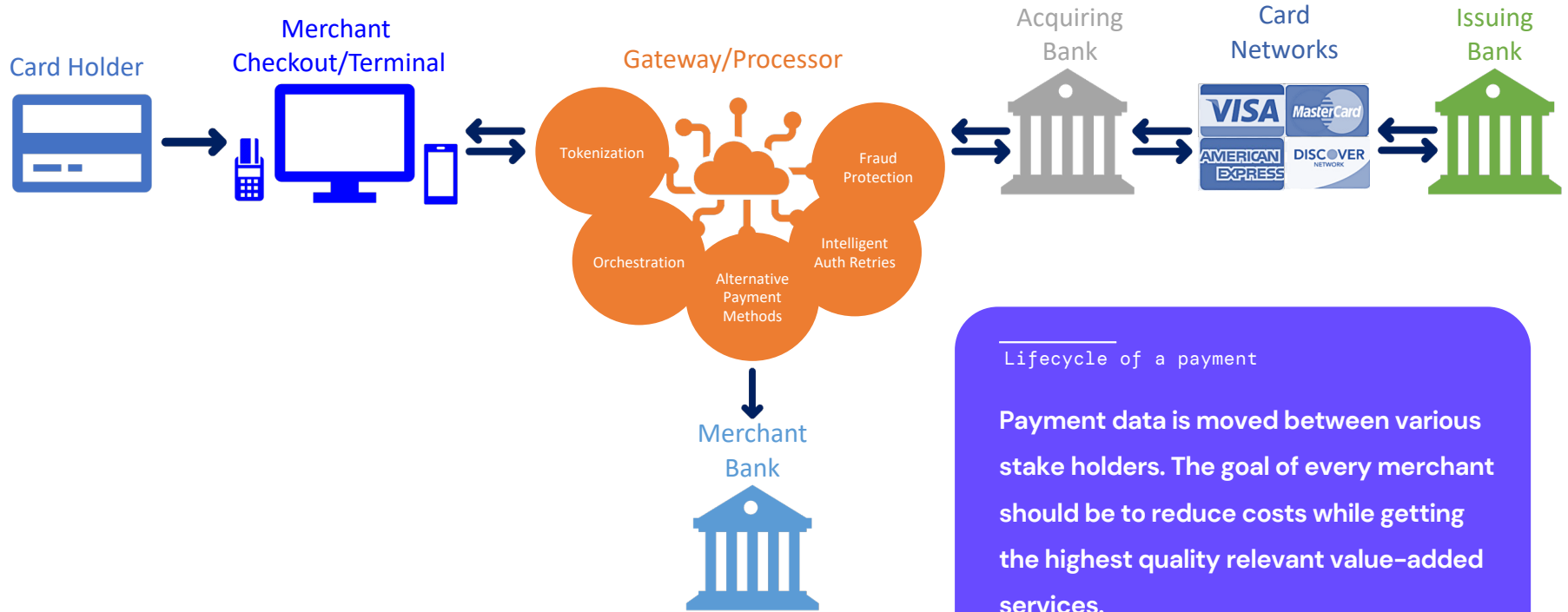
Acquirer

Financial institutions that belong to the card networks and have the ultimate liability for handling and settling payments for merchants with issuers. Traditionally, acquirers handled processing, payment gateway, and merchant account services together, but now many will sponsor others to do this on their behalf.

Risk management

Standard security checks like AVS, CVV, and now 3DS almost always exist at the gateway level, however, modern fraudsters and friendly fraud necessitate more advanced tools that automate disputes and intelligently reject fraudulent transactions.

Fee Types and Stake-holders



Lifecycle of a payment

Payment data is moved between various stake holders. The goal of every merchant should be to reduce costs while getting the highest quality relevant value-added services.

Fee Types and Typical Fee Names

Pass-through Fees

- Interchange costs, e.g., VI-BUSINESS CARD TR4 CNP
- Assessments
 - Card brand fees, e.g., VISA NETWORK FEE CNP
 - Card network auth fees, e.g., NETWORK AUTHORIZATION FEE
 - Cross-boarder fees, e.g., VISA INTL SERVICE FEE
 - CVV & AVS fees, e.g., CNP AVS FEE
 - Digital enablement fees
 - Some dispute fees
 - Authorization misuse fees
 - Downgrades

Mark-up Fees

- Discount rate
- Gateway authorization fees
- Chargeback fees
- Other miscellaneous fees
 - Statement fees
 - Batch settlement fees
 - PCI compliance fees
 - Services like Clover, Solveras, Payeezy, etc.
 - Monthly gateway fees
 - Membership fees
 - Commercial card savings fees

Generally, mark-up can be negotiated and pass-through, i.e., interchanged cannot be.

Fee names can vary widely from one vendor to the next. Interpreting which fees are negotiable, which fees can be reduced through optimization, and which fees are fixed is challenging for most business owners.

Reform Payments Consultants LLC

Understanding Merchant Statements

Mark-Up: Discount and Transaction Fees

PENDING FINANCIAL CHARGES AND FEES		Financial charges and fees incurred but not funded during the statement period. See future statements for processing information.		
Transaction Type	Date Posted	Description		Net Amount Posted
SERVICE		MASTERCARD SALES TRANS FEE	.060000 TIMES 2,505	-150.30
SERVICE		MASTERCARD CREDITS TRANS FEE	.060000 TIMES 6	-0.36
SERVICE		VISA SALES TRANS FEE	.060000 TIMES 5,009	-300.54
SERVICE		VISA CREDITS TRANS FEE	.060000 TIMES 16	-0.96
SERVICE		AMEX SALES TRANS FEE	.100000 TIMES 1,060	-106.00
SERVICE		AMEX CREDITS TRANS FEE	.100000 TIMES 5	-0.50
SERVICE		DISCOVER SALES TRANS FEE	.060000 TIMES 850	-51.00
SERVICE		DISCOVER CREDITS TRANS FEE	.060000 TIMES 3	-0.18
SERVICE		MC SALES DEBIT TRANS FEE	.040000 TIMES 4,165	-166.60
SERVICE		MC DEBIT RETURNS TRANS FEE	.040000 TIMES 7	-0.28
SERVICE		VI SALES DEBIT TRANS FEE	.040000 TIMES 11,712	-468.48
SERVICE		VI DEBIT RETURNS TRANS FEE	.040000 TIMES 47	-1.88
SERVICE		DISCOVER SALES DISCOUNT	.002500 TIMES \$66,197.86	-165.49
SERVICE		DISCOVER DATA USAGE FEE	.018500 TIMES 865	-15.99
SERVICE		DISCOVER DEBIT SALE TRANS	.050000 TIMES 12	-0.60
SERVICE		MASTERCARD SALES DISCOUNT	.002000 TIMES \$196,828.48	-393.68
SERVICE		VISA SALES DISCOUNT	.002000 TIMES \$401,334.66	-802.68
SERVICE		MC LICENSE VOLUME FEE .000082 DISC RATE TIMES	\$456,286.04	-37.42
SERVICE		MASTERCARD DEBIT SALES DISC	.002000 TIMES \$259,457.56	-518.93
SERVICE		VISA DEBIT SALES DISCOUNT	.002000 TIMES \$745,142.01	-1490.27
SERVICE		DISCOVER DEBIT SALES DISCOUNT	.002500 TIMES \$688.95	-1.73
		TOTAL SERVICE		-4673.87
FEE		VISA NETWORK FEE CNP 2-08		-347.51
FEE		NETWORK AUTHORIZATION FEE	.002500 TIMES 892	-2.25
FEE		MC NETWORK ACCESS AUTH FEE	.019500 TIMES 6,777	-132.20
FEE		MC INTERNET AUTH FEE	.050000 TIMES 7,301	-365.05
FEE		MC CONNECTIVITY AUTH FEE	.007500 TIMES 7,301	-54.78
FEE		ACQUIRER PROCESSOR FEE CREDIT	.019500 TIMES 4,626	-90.23
FEE		ACQUIRER PROCESSOR FEE DB/PP	.015500 TIMES 13,337	-206.75
FEE		VISA INTERNET AUTH FEE	.050000 TIMES 17,963	-898.15
FEE		VISA CONNECTIVITY AUTH FEE	.008000 TIMES 17,963	-143.70
FEE		AMEX INTERNET AUTH FEE	.050000 TIMES 1,078	-53.90
FEE		DISCOVER INTERNET AUTH FEE	.050000 TIMES 895	-44.75
FEE		CNP AVS FEE	.010000 TIMES 1,221	-12.21
FEE		MC CVC2 TRANSACTION FEE	.002500 TIMES 1,184	-3.02
FEE		CHARGEBACK FEE	15.000000 TIMES 12	-180.00

These per transaction fees are negotiable with PSPs and are occasionally charged in addition to the discount rate and authorization fee. These fees are being charged on both initial capturing of funds as well as on refunds.

The discount rate is also negotiable. This discount rate is being charged as 20bps for Visa and Mastercard and 25 bps for Discover cards. These rates are being charged on the gross volume and not refunded if a transaction is refunded.

All fees highlighted here are negotiable. Each vendor may apply them differently by charging varying amounts by card type, choosing to return fees on refunds, only charging on captured transactions and not refunds, etc.

Example statement pulled from the public internet: https://cdn2.hubspot.net/hubfs/400547/Sample_Statement_3.pdf

Mark-Up: Authorization & Chargeback Fees

PENDING FINANCIAL CHARGES AND FEES				Financial charges and fees incurred but not funded during the statement period. See future statements for processing information.	
Transaction Type	Date Posted	Description		Net Amount Posted	
SERVICE		MASTERCARD SALES TRANS FEE	.060000 TIMES 2,505	-150.30	
SERVICE		MASTERCARD CREDITS TRANS FEE	.060000 TIMES 6	-0.36	
SERVICE		VISA SALES TRANS FEE	.060000 TIMES 5,009	-300.54	
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SERVICE		AMEX CREDITS TRANS FEE	.100000 TIMES 5	-0.50	
SERVICE		DISCOVER SALES TRANS FEE	.060000 TIMES 850	-51.00	
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SERVICE		MC SALES DEBIT TRANS FEE	.040000 TIMES 4,165	-166.60	
SERVICE		MC DEBIT RETURNS TRANS FEE	.040000 TIMES 7	-0.28	
SERVICE		VI SALES DEBIT TRANS FEE	.040000 TIMES 11,712	-468.48	
SERVICE		VI DEBIT RETURNS TRANS FEE	.040000 TIMES 47	-1.88	
SERVICE		DISCOVER SALES DISCOUNT	.002500 TIMES \$66,197.86	-165.49	
SERVICE		DISCOVER DATA USAGE FEE	.018500 TIMES 865	-15.99	
SERVICE		DISCOVER DEBIT SALE TRANS	.050000 TIMES 12	-0.60	
SERVICE		MASTERCARD SALES DISCOUNT	.002000 TIMES \$196,828.48	-393.68	
SERVICE		VISA SALES DISCOUNT	.002000 TIMES \$401,334.66	-802.68	
SERVICE		MC LICENSE VOLUME FEE .000082 DISC RATE TIMES	\$456,286.04	-37.42	
SERVICE		MASTERCARD DEBIT SALES DISC	.002000 TIMES \$259,457.56	-518.93	
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SERVICE		DISCOVER DEBIT SALES DISCOUNT	.002500 TIMES \$688.95	-1.73	
TOTAL SERVICE				-4673.87	
FEE		VISA NETWORK FEE CNP 2-08		-347.51	
FEE		NETWORK AUTHORIZATION FEE	.002500 TIMES 892	-2.25	
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FEE		ACQUIRER PROCESSOR FEE DB/PP	.015500 TIMES 13,337	-206.75	
FEE		VISA INTERNET AUTH FEE	.050000 TIMES 17,963	-898.15	
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FEE		MC CVC2 TRANSACTION FEE	.002500 TIMES 1,184	-3.02	
FEE		CHARGEBACK FEE	15.000000 TIMES 12	-180.00	

These per transaction fees are charged on each authorization which is always greater than the number of captured transactions. These fees are also negotiable with vendors. There is also a fee for AVS charged by the PSP on a separate page titled, "INTERNET AVS AUTH FEE."

The chargeback rate is incurred each time a customer issues a chargeback. This is typically not refunded if a chargeback is won. The normal chargeback rate for a business is <0.5%. There is a chargeback fee on a separate page titled, "DISCOVER CHARGEBACK FEE."

Mixed in with the mark-up fee types shown in this section there are several card network fees, i.e., assessments. These fees can be easily confused with mark-up but cannot be negotiated with a PSP.

Example statement pulled from the public internet: https://cdn2.hubspot.net/hubfs/400547/Sample_Statement_3.pdf

Mark-Up: Authorization & Chargeback Fees

Transaction Type		Date Posted	Description		Net Amount Posted
FEE			VISA INTL SERVICE FEE - BASE	5 TRANS TOTALING	\$484.75
FEE			VISA INTL SERVICE FEE - BASE	8 TRANS TOTALING	\$636.00
FEE			VISA INTL SERVICE FEE - BASE	8 TRANS TOTALING	\$639.73
FEE			VISA INTL SERVICE FEE - BASE	6 TRANS TOTALING	\$681.22
FEE			VISA INTL SERVICE FEE - BASE	8 TRANS TOTALING	\$848.00
FEE			VISA INTL SERVICE FEE - BASE	13 TRANS TOTALING	\$1,018.00
FEE			VISA INTL SERVICE FEE - BASE	7 TRANS TOTALING	\$1,074.01
FEE			VISA INTL SERVICE FEE - BASE	3 TRANS TOTALING	\$1,136.00
FEE			VISA INTL SERVICE FEE - BASE	6 TRANS TOTALING	\$1,270.90
FEE			VISA INTL SERVICE FEE - BASE	11 TRANS TOTALING	\$1,723.00
FEE			VISA INTL SERVICE FEE - BASE	12 TRANS TOTALING	\$2,148.12
FEE			VISA INTL SERVICE FEE - BASE	33 TRANS TOTALING	\$2,267.33
FEE			VISA INTL SERVICE FEE - BASE	12 TRANS TOTALING	\$3,533.44
FEE			VISA INTL SERVICE FEE - BASE	81 TRANS TOTALING	\$4,519.60
FEE			VISA INTL SERVICE FEE - BASE	287 TRANS TOTALING	\$16,463.27
FEE			VISA INTL SERVICE FEE - BASE	351 TRANS TOTALING	\$19,992.26
FEE			BATCH SETTLEMENT FEE	.200000 TIMES	37
FEE			DIGITAL ENABLEMENT FEE	000100 X 2 TRNS	\$90.00
FEE			DIGITAL ENABLEMENT FEE	000100 X 2 TRNS	\$75.00
FEE			DIGITAL ENABLEMENT FEE	000100 X 8 TRNS	\$473.00
FEE			DIGITAL ENABLEMENT FEE	000100 X 2 TRNS	\$655.00
FEE			DIGITAL ENABLEMENT FEE	000100 X 8 TRNS	\$842.32
FEE			DIGITAL ENABLEMENT FEE	000100 X 31 TRNS	\$1,997.90
FEE			DIGITAL ENABLEMENT FEE	000100 X 8 TRNS	\$2,227.00
FEE			DIGITAL ENABLEMENT FEE	000100 X 28 TRNS	\$2,746.85
FEE			DIGITAL ENABLEMENT FEE	000100 X 40 TRNS	\$3,253.06
FEE			DIGITAL ENABLEMENT FEE	000100 X 40 TRNS	\$3,252.95
FEE			DIGITAL ENABLEMENT FEE	000100 X 37 TRNS	\$3,311.00
FEE			DIGITAL ENABLEMENT FEE	000100 X 33 TRNS	\$3,490.95
FEE			DIGITAL ENABLEMENT FEE	000100 X 45 TRNS	\$3,555.90
FEE			DIGITAL ENABLEMENT FEE	000100 X 27 TRNS	\$3,642.00
FEE			DIGITAL ENABLEMENT FEE	000100 X 40 TRNS	\$3,769.90
FEE			DIGITAL ENABLEMENT FEE	000100 X 35 TRNS	\$4,405.06
FEE			DIGITAL ENABLEMENT FEE	000100 X 46 TRNS	\$4,392.66
FEE			DIGITAL ENABLEMENT FEE	000100 X 50 TRNS	\$4,523.85
FEE			DIGITAL ENABLEMENT FEE	000100 X 42 TRNS	\$4,650.95
FEE			DIGITAL ENABLEMENT FEE	000100 X 45 TRNS	\$4,800.57
FEE			DIGITAL ENABLEMENT FEE	000100 X 84 TRNS	\$6,193.95
FEE			DIGITAL ENABLEMENT FEE	000100 X 64 TRNS	\$6,353.56
FEE			DIGITAL ENABLEMENT FEE	000100 X 75 TRNS	\$8,956.70
FEE			DIGITAL ENABLEMENT FEE	000100 X 48 TRNS	\$10,713.85
FEE			DIGITAL ENABLEMENT FEE	000100 X 75 TRNS	\$14,920.60
FEE			DIGITAL ENABLEMENT FEE	000100 X 325 TRNS	\$92,346.53
FEE			DIGITAL ENABLEMENT FEE	000100 X 216 TRNS	\$29,535.20
FEE			DIGITAL ENABLEMENT FEE	000100 X 608 TRNS	\$36,333.80
FEE			DIGITAL ENABLEMENT FEE	000100 X 2,287 TRNS	\$127,318.70
FEE			DIGITAL ENABLEMENT FEE	000100 X 2,318 TRNS	\$137,452.23
FEE			MONTHLY SERVICE CHARGE		-7.50
FEE			REGULATORY PRODUCT FEE		-3.95

There are several miscellaneous fees in this statement that many vendors use to subtly drive up their mark-up. These fees are negotiable and are not included by many PSPs. On a separate page there is another miscellaneous fee titled, "NON-RECEIPT OF PCI VALIDATION."

Mixed in with the mark-up fee types shown in this section there are several card network fees, i.e., assessments. These fees can be easily confused with mark-up but cannot be negotiated with a PSP.

Example statement pulled from the public internet: https://cdn2.hubspot.net/hubfs/400547/Sample_Statement_3.pdf

Understanding Merchant Statements

Assessments

PENDING FINANCIAL CHARGES AND FEES			Financial charges and fees incurred but not funded during the statement period. See future statements for processing information.			
Transaction Type	Date Posted	Description			Net Amount Posted	
PENDING FINANCIAL CHARGES AND FEES						
FEE		INTERNET AVS AUTH FEE	250000 TIMES	4.608	-1152.00	
FEE		NON-RECEIPT OF PCI VALIDATION	1 TRANSACTIONS AT	19.950000	-19.95	
FEE		US CROSS BORDER FEE	1 TRANS TOTALING	\$30.00	-0.18	
FEE		US CROSS BORDER FEE	1 TRANS TOTALING	\$33.00	-0.20	
FEE		US CROSS BORDER FEE	2 TRANS TOTALING	\$40.00	-0.24	
FEE		US CROSS BORDER FEE	1 TRANS TOTALING	\$41.00	-0.25	
FEE		US CROSS BORDER FEE	1 TRANS TOTALING	\$50.00	-0.30	
FEE		US CROSS BORDER FEE	2 TRANS TOTALING	\$70.00	-0.42	
FEE		US CROSS BORDER FEE	2 TRANS TOTALING	\$133.00	-0.80	
FEE		US CROSS BORDER FEE	3 TRANS TOTALING	\$138.00	-0.83	
FEE		US CROSS BORDER FEE	1 TRANS TOTALING	\$200.00	-1.20	
FEE		US CROSS BORDER FEE	4 TRANS TOTALING	\$236.00	-1.42	
FEE		US CROSS BORDER FEE	5 TRANS TOTALING	\$255.00	-1.53	
FEE		US CROSS BORDER FEE	6 TRANS TOTALING	\$280.00	-1.68	
FEE		US CROSS BORDER FEE	2 TRANS TOTALING	\$344.75	-2.07	
FEE		US CROSS BORDER FEE	5 TRANS TOTALING	\$440.00	-2.64	
FEE		US CROSS BORDER FEE	2 TRANS TOTALING	\$480.00	-2.88	
FEE		US CROSS BORDER FEE	1 TRANS TOTALING	\$490.00	-2.94	
FEE		US CROSS BORDER FEE	1 TRANS TOTALING	\$555.00	-3.33	
FEE		US CROSS BORDER FEE	4 TRANS TOTALING	\$828.60	-4.97	
FEE		US CROSS BORDER FEE	6 TRANS TOTALING	\$936.00	-5.62	
FEE		US CROSS BORDER FEE	2 TRANS TOTALING	\$1,041.00	-6.25	
FEE		US CROSS BORDER FEE	2 TRANS TOTALING	\$1,492.00	-8.95	
FEE		US CROSS BORDER FEE	32 TRANS TOTALING	\$1,883.82	-11.30	
FEE		US CROSS BORDER FEE	25 TRANS TOTALING	\$2,209.52	-13.26	
FEE		US CROSS BORDER FEE	6 TRANS TOTALING	\$2,511.00	-15.07	
FEE		US CROSS BORDER FEE	139 TRANS TOTALING	\$8,319.56	-49.92	
FEE		US CROSS BORDER FEE	171 TRANS TOTALING	\$10,062.88	-60.38	
FEE		DISCOVER CHARGEBACK FEE	15.000000 TIMES	2	-80.00	
TOTAL FEES					-4485.11	
FEE		MC INTER				
FEE		MC CONN				
FEE		ACQUIRE	INTERCHANGE	MASTERCARD ASSESSMENT FEE	.001200 TIMES \$456,286.04	-547.54
FEE		ACQUIRE	INTERCHANGE	VISA ASSESSMENT FEE DB	.001100 TIMES \$745,142.01	-819.64
FEE		VISA INTE	INTERCHANGE	MC ASSESSMENT FEE >=\$1K .000200 X	1 TRNS \$1,000.00	-0.20
FEE		VISA CON	INTERCHANGE	MC ASSESSMENT FEE >=\$1K .000200 X	1 TRNS \$1,000.00	-0.20
FEE		AMEX INTL	INTERCHANGE	MC ASSESSMENT FEE >=\$1K .000200 X	1 TRNS \$1,000.00	-0.20
FEE		DISCOVER	INTERCHANGE	MC ASSESSMENT FEE >=\$1K .000200 X	1 TRNS \$5,000.00	-1.00
FEE		CNP AVS	INTERCHANGE	VISA ASSESSMENT FEE CR	.001300 TIMES \$401,334.66	-521.73
FEE		CHARGES	INTERCHANGE	DSCVR PSL EMRG MKT DB		-8.61
FEE		VISA INTL	INTERCHANGE	DSCVR PSL EMRG MKT PP		-63.35
FEE		VISA INTL	INTERCHANGE	DSCVR PSL EMRG MKT CR		-0.78
FEE		VISA INTL	INTERCHANGE	DSCVR COMM ELECT EMRG MKT		-120.70
FEE		VISA INTL	INTERCHANGE	REFUND: DSCVR CNSMR ADJ VCHR PGM 3 PR		1.40
FEE		VISA INTL	INTERCHANGE	DSCVR PSL EMRG MKT PR		-131.25
FEE		VISA INTL	INTERCHANGE	REFUND: DSCVR CNSMR ADJ VCHR PGM 3 RW		19.09
FEE		VISA INTL	INTERCHANGE	DSCVR PSL EMRG MKT RW		-735.19
FEE		VISA INTL	INTERCHANGE	VI-CP\$RETAIL2(DB) CAP		-64.00
FEE		VISA INTL	INTERCHANGE	VI-CP\$RETAIL2(EMERG MKT\$(DB))		-1763.50
FEE		VISA INTL SERVICE FEE - BASE	5 TRANS TOTALING	\$290.93	-2.33	
FEE		VISA INTL SERVICE FEE - BASE	6 TRANS TOTALING	\$389.00	-3.11	
FEE		VISA INTL SERVICE FEE - BASE	3 TRANS TOTALING	\$394.50	-3.16	
FEE		VISA INTL SERVICE FEE - BASE	2 TRANS TOTALING	\$411.00	-3.29	

The assessments charged by the card networks are scattered throughout the statement in multiple sections in the case of this merchant statement.

These fees are charged by the card networks and are not negotiable, however, they can occasionally be adjusted down by changing authorization behavior. It can also be possible to avoid cross-boarder fees by domiciling in multiple regions.

Example statement pulled from the public internet: https://cdn2.hubspot.net/hubfs/400547/Sample_Statement_3.pdf

Reform Payments Consultants LLC

How can we help your business?

Consulting

Book a free consultation today.

Our team can help you quickly understand your opportunity for fee reductions and handle commercial negotiations for you so you can get back to running your business.

[Link to our appointments page.](#)

[\(302\) 217-3188](tel:(302)217-3188)

info@reformpayments.com

A smartphone mockup displaying the website interface for Reform Payments Consultants. The header includes the logo and the text "Reform payments consultants" and a hamburger menu icon. The main heading is "Empower your business". Below this is a paragraph of text: "Our team welcomes you to our consultancy where we are dedicated to helping businesses like yours navigate the complexities of payment service providers. Learn more about our mission and how we can work together to achieve better outcomes." This is followed by contact information: "info@reformpayments.com" and "[\(302\) 217-3188](tel:(302)217-3188)". A sub-heading reads "After submitting a request to book a consultation a member of our team will reach out within one business day." Below this is a form with the following fields: "Name (required)" with sub-fields for "First Name" and "Last Name", "Business Name (required)", "Business Size" (a dropdown menu with "Select an option" and a downward arrow), and "Phone".

Reform Payments Consultants LLC

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Thank you