

**U.S. Merchant Class Settlement  
Mastercard Frequently Asked Questions  
Merchant Surcharge**

**Q. What is a surcharge?**

A. A surcharge is an additional fee that a merchant adds on a transaction when a consumer uses a credit card for payment.

**Q. Why did Mastercard modify its No Surcharge Rule to permit surcharging?**

A. As a result of an approved settlement with merchants, effective January 27, 2013, Mastercard agreed to modify its rules to permit U.S. merchants to surcharge Mastercard credit cards, as long as they complied with certain limitations that can be found in the modified rule.

Please refer to Chapter 16—Additional U.S. Region and U.S. Territory, Rule 5.11.2 — Charges to Cardholders of the *Mastercard Rules* that can be accessed via clicking [here](#)

**Q. What is the process that a merchant must follow in order to surcharge Mastercard credit cards?**

A. A merchant that elects to apply a surcharge to customers who pay with Mastercard credit cards must provide both Mastercard and their acquirer with a minimum of thirty (30) days advance written notice, of their intention to surcharge prior to implementing a surcharge. There is also a cap on the level of the surcharge that a merchant may apply which is defined as the average merchant discount rate that they pay for Mastercard credit card acceptance. In addition, a merchant must disclose their surcharging practices to their customers at the point of sale and on the customer's receipt. Merchants can satisfy their notice requirement to Mastercard by going to [www.mastercardmerchant.com](http://www.mastercardmerchant.com). Details of the specifics of the cap on the level of the surcharge and disclosure requirements can be found by clicking on the link to the rules provided on the Mastercard website.

**Q. How does a merchant notify Mastercard of their intent to surcharge?**

A. Merchants can go to [www.mastercardmerchant.com](http://www.mastercardmerchant.com) for instructions on how to notify Mastercard. The merchant will be required to provide the merchant's name, address, phone, email, number of locations surcharging, type of channel and whether it intends to surcharge at the brand or product level. Merchants are also required to notify their acquirers 30 days prior to the date they intend to surcharge.

**Q. Will a response be sent to merchants after they submit their email notification that they intend to surcharge?**

A. Yes. If a merchant notification is sent to the Merchant Surcharge Notification email address the merchant will receive an automatic reply indicating that their notification has been received. No other notification will be sent to the merchant. They are able to begin surcharging 30 days after they receive the automated response. Merchants are also required to notify their acquirers 30 days prior to the date they intend to surcharge.

- Q. How does an acquirer complete the merchant registration process with Mastercard?**  
A. Acquirers must register with Mastercard any merchant that plans to surcharge, within 10 days of notification by the merchant. If an acquirer needs to register they should send an email to [Registration\\_Merchant\\_Surcharge@mastercard.com](mailto:Registration_Merchant_Surcharge@mastercard.com).
- Q. Are there any limits on the level of the fee that a merchant can charge?**  
A. Yes. A U.S. merchant may assess a surcharge that does not exceed the merchant discount rate for the applicable credit card surcharged. There is also an absolute maximum surcharge cap that is set at 4% which is only applicable for merchants whose cost of Mastercard acceptance is greater than 4%. Thus, if a merchant's merchant discount rate for Mastercard credit cards is 2.50%, the cap on the surcharge that this merchant may charge a consumer is 2.50%, not 4%. The 4% cap only becomes relevant in the rare instances where a merchant is paying more than 4% for Mastercard acceptance.
- Q. How does a merchant calculate the cap for the brand level surcharge that it can apply to Mastercard credit cards?**  
A. The cap is calculated based upon the average effective interchange rate plus the average of all fees imposed by the network and the acquirer applicable to the Merchant's acceptance of Mastercard credit card Transactions at the Merchant for the preceding one or twelve months, at the Merchant's option.
- Q. How does a merchant determine its Mastercard credit surcharge cap for a particular product?**  
A. If the merchant chooses to surcharge at the product level, the merchant must determine its Mastercard Credit Surcharge Cap for the product type for which it is surcharging, which is calculated by looking at the merchant's discount rate applicable to the Mastercard credit card product it plans to surcharge less the cap for debit transactions set under the Durbin Amendment. The surcharge amount must be the same for all Mastercard credit cards of the particular product type that the merchant has chosen to surcharge if surcharging at the product level.
- Q. Is a merchant permitted to surcharge Mastercard debit cards?**  
A. No. Pursuant to the class merchant settlement agreement, merchants are only permitted to surcharge Mastercard consumer and corporate credit cards. Mastercard continues to prohibit surcharging of debit cards.
- Q. How can a merchant determine if a card is a Mastercard debit card?**  
A. Mastercard debit cards are visually identifiable with the "Debit" word mark on the front of the card and/or in the hologram. In addition, Mastercard debit cards are electronically identifiable by BIN.
- Q. Is surcharging permitted in both face-to-face and card-not-present environments?**  
A. Yes. Under Mastercard's rule change, a merchant can choose to surcharge in both segments or in simply one segment. The merchant is responsible for complying with state laws that may restrict or prohibit surcharging.
- Q. Can a surcharge be charged in other countries than the U.S.?**  
A. No. The no surcharge rule modification that was made pursuant to the settlement applies only to merchants in the U.S. and U.S. territories. Merchants in other countries should consult the regional Mastercard rules and applicable laws to determine whether or not surcharging is permitted.

- Q. Does Mastercard's allowance of surcharging take precedent over state laws that may prohibit or restrict surcharging?**
- A. No. Merchants must continue to comply with applicable state or federal laws, including but not limited to state laws that may prohibit or restrict surcharging of credit transactions, and federal and state laws regarding deceptive or misleading disclosures.
- Q. If a merchant operates in a state that restricts surcharging can they still surcharge at their stores that operate in a state that allows surcharging?**
- A. Yes.
- Q. If a merchant accepts credit card brands such as American Express or Discover, is the merchant permitted to surcharge Mastercard credit cards?**
- A. Yes, although in order to surcharge Mastercard credit cards a merchant may also be required to surcharge the cards of competing brands depending on the costs of those brands to the merchant and those brands' surcharging restrictions. The chart and bullet below provide examples:

Competing Credit Card Brands - Surcharging Policy	Is the Merchant Permitted to Surcharge Mastercard Credit Cards?
A merchant accepts competing credit card brands that all permit surcharging with no restrictions	The Merchant may surcharge Mastercard credit transactions regardless of whether or not it surcharges the competing credit card brands
A merchant accepts competing credit card brands that permit surcharging but limit the circumstances under which a merchant may surcharge those brands (e.g., a non-discrimination rule requiring merchants to surcharge all other brands), AND The competing credit card brands cost the same or more than the Mastercard Cost of Acceptance for the merchant	The Merchant may surcharge Mastercard credit transactions only if it also surcharges the competing credit card brands
A merchant accepts competing credit card brands that permit surcharging but limit the circumstances under which a merchant may surcharge those brands (e.g., a non-discrimination rule requiring merchants to surcharge all other brands), AND The competing credit card brands cost to the merchant is less than the Mastercard Cost of Acceptance for the merchant	The Merchant may surcharge Mastercard credit transactions without surcharging the competing credit card brand
A merchant accepts competing credit card brands that prohibit surcharging	The merchant may only surcharge Mastercard credit transactions if it also surcharges the competing credit card brands

**Q. What are the point-of-sale disclosure requirements for merchants?**

A. A merchant must prominently display a clear disclosure of the Merchant's Surcharge policy at the point of store entry or when conducting an e-commerce Transaction, on the first page that references Credit Card brands. The disclosure must include a statement that the Surcharge the Merchant imposes is not greater than the Merchant's Merchant Discount Rate for Mastercard credit card Transactions.

Merchants are free to develop their own signage that meets surcharging requirements and are permitted to combine brand messages if more than one credit card brand is surcharged (e.g., Visa and Mastercard). The below verbiage is provided as an example of compliant surcharge disclosure under Mastercard's rules.

- We impose a surcharge on credit cards that is not greater than our cost of acceptance
- We impose a surcharge of \_\_ % on the total transaction amount on Mastercard credit card products, which is not greater than our cost of acceptance. We do not surcharge Debit Mastercard cards.

Note that a merchant is responsible for ensuring that its surcharging disclosure also complies with any applicable state or federal laws.

**Q. What is the difference between a surcharge and a convenience fee?**

A. Mastercard has put in place a convenience fee program for participating pre-certified government and education entities, or their third-party agents. Participants in the program will be permitted to assess a convenience fee for Mastercard transactions, whether conducted in person, Internet, phone, mail or kiosk, versus other forms of payment, such as cash, check, Automated Clearing House (ACH), and Personal Identification Number (PIN) based debit.

A surcharge is any fee charged in connection with a Transaction that is not charged if another payment method is used.

**Q. Can a merchant charge both a surcharge and a convenience fee?**

A. No. If a merchant chooses to surcharge credit transactions they cannot assess a convenience fee for Mastercard credit transactions.

**Q. Must a merchant separately set out the surcharge on the customer's receipt?**

A. Yes, a merchant must provide clear disclosure of the amount of the surcharge on the Customer's receipt. There are additional merchant disclosure requirements with respect to the merchant's surcharging practices at both the point of entry of the store and point of sale that are detailed in the rule that is available via the link provided on Mastercard.com. Mastercard does not have specific requirements regarding how this should be displayed as long as it meets the requirements of the settlement agreement. The disclosure could be as simple as a line item after the subtotal with a description indicating the amount is a surcharge.

**Q. Is the surcharge amount included in the return amount if a transaction that had a surcharge applied is returned?**

A. On a return the purchase amount plus the surcharge should be credited to the cardholder. On a partial return the corresponding percentage of the surcharge should be returned.

**Q. Is the surcharge amount included in the chargeback amount if a transaction that has a surcharge applied is charged back?**

A. On a chargeback the purchase amount plus the surcharge should be credited to the cardholder. On a partial chargeback the corresponding percentage of the surcharge should be returned.

**Q. What will Mastercard do to address merchant non-compliance events?**

A. Mastercard worked diligently in settlement agreement negotiations to place safeguards around the modification of the NSR rule that were designed to ensure that consumers are not faced with unfair, unexpected or exorbitant fees at the point of sale. As with all Mastercard Standards, customers and merchants are expected to comply with these rule changes. Mastercard will use existing compliance procedures to address merchant non-compliance events.

**Q. Where can merchants find additional information concerning the U.S. merchant settlement?**

A. Merchants should visit [www.paymentcardsettlement.com](http://www.paymentcardsettlement.com) for additional information.