The Personal Credit Card Market in Australia: Pricing over the Past Decade

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There have been significant changes in the personal credit card market over the past decade, partly reflecting the Reserve Bank's reforms from the early 2000s, which were aimed at improving efficiency and competition in the payments system. One of the effects of the reforms has been an improvement in price signals about the costs of different payment methods. For example, over the past decade the effective price to cardholders for using a credit card has increased, encouraging the use of lower-cost payment methods. At the same time, the cost to merchants of accepting credit cards has declined, with the benefit likely to have been passed on to all consumers, not just those who pay by credit card. Recently, though, there have been changes to the structure of rewards programs, which have the potential to increase pressure on merchant costs. New strategies adopted by issuers include: the introduction of 'companion' American Express cards; a substantial increase in the number of platinum card products offered to consumers; and the introduction of 'super-premium' cards.

Introduction

In the early 2000s, the Reserve Bank became concerned that credit card holders were effectively being subsidised to use their credit cards through arrangements that added to merchants' costs. Specifically, it concluded that 'interchange fees' were contributing to this subsidisation. These are 'transfer' fees set by the card schemes and are paid by the merchant's financial institution (known as the card acquirer) to the cardholder's financial institution (known as the card issuer) each time a credit card transaction is made. Interchange fee revenue allowed card issuers to support generous credit card rewards programs and, as a result, many credit card holders were facing a *negative* effective price for credit card transactions, even though those cards had positive costs for the system as a whole. This distorted price signals to cardholders about the relative costs of using different payment instruments.

The Reserve Bank therefore introduced a number of reforms to the credit card market from 2003, with the aim of improving efficiency and competition in the Australian card payments system. Among other things, the reforms reduced interchange fees, which had been used by card issuers to support attractive rewards programs on credit card products. Reflecting these reforms, card issuers have made significant changes to their product offerings and pricing to cardholders over the past decade. Overall, reward points and other benefits earned from spending on credit cards have become less generous while annual fees to cardholders have increased. At the same time, merchant service fees – the fees charged to a merchant by its acquirer – have declined, with the benefit likely to have been passed on to all consumers, not just those who pay by credit card.

In more recent years, however, the structure of credit card pricing and product offerings have changed somewhat. Card schemes have found ways, within the bounds of the Reserve Bank's regulation, to

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increase incentives for card issuers to promote particular products within their suite of offerings; card issuers have responded, particularly through new strategies focusing on the premium segment of the market. Some of these new pricing strategies have focused on upgrading existing cardholders – offering platinum cards with additional benefits or more generous rewards for no additional annual fee – which has the effect of generating increased interchange revenue for the issuer every time a customer uses their card. There have also been a number of merchant-branded platinum cards that have entered the market in recent years. Separately, American Express has modified its product offerings, entering into arrangements with major banks to issue 'companion' American Express cards with MasterCard or Visa products.

Some of these recent developments have changed the effective price to some cardholders of a credit card transaction, and correspondingly added to costs on the acquiring side of the market. Merchant service fees have remained relatively stable in the past few years, though these recent developments could put upward pressure on some fees if they continue.

Background

The structure of credit card markets: the four-party and three-party scheme models

In the credit card market, competition among both credit card issuers and card schemes primarily focuses on attracting cardholders and encouraging cardholder spending through the generosity of rewards programs.

In four-party card schemes (such as MasterCard and Visa), rewards programs are, for the most part, funded by interchange fees.[1] The card acquirer passes this fee (plus some margin) on to the merchant by charging a merchant service fee. Hence, a credit card system with high interchange fees may result in merchants effectively subsidising cardholders who use that system, unless merchants are able to pass these costs on to cardholders.

Given that issuers of four-party scheme cards receive interchange income from which they may fund rewards programs, they have an incentive to issue and promote cards that attract a higher interchange fee for each transaction. In line with this, the four-party card schemes have an incentive to put in place an interchange fee pricing structure that encourages financial institutions to issue and promote their cards; while the card scheme does not directly generate revenue from interchange fees, it charges fees to card issuers and acquirers based on the volume of credit card transactions.

In contrast to four-party card schemes, there are no interchange fees in three-party card schemes (such as American Express and Diners Club) because the card scheme itself is the sole acquirer for transactions on its cards, and typically also the sole issuer. Instead, rewards programs in this model are funded directly through fees paid by the merchant. Hence, the higher the average merchant service fee for a three-party scheme, the more generous the rewards that scheme is able to offer. At the same time, a high merchant service fee tends to discourage acceptance of a card by merchants. To some extent this acts as a competitive discipline on merchant service fees, although some merchants may feel that declining to accept a particular card is not a realistic option.

Regardless of the model, the costs of funding rewards for cardholders are borne by merchants in the first instance through higher merchant service fees – either through the pass-through of higher interchange fees (for four-party schemes) or directly (for three-party schemes). Moreover, card schemes in many credit card markets have rules in place that prevent merchants from passing their card acceptance costs directly through to cardholders in

1 Four-party schemes are so called because four parties are typically involved in the payment process: the cardholder; the issuer; the acquirer; and the merchant. By contrast, three-party schemes generally act as sole issuers and acquirers, resulting in three parties being involved in the payment process: the cardholder; the merchant; and the scheme.

the form of a credit card surcharge; these rules have, however, been removed in Australia (see below).

The Reserve Bank of Australia's card payment reforms[2]

The Reserve Bank became concerned in the early 2000s about the competitive forces acting on interchange fees in the four-party schemes, as well as the fact that surcharging restrictions imposed by both the three-party and four-party schemes were masking price signals to cardholders about relative costs of different payment methods. It has therefore progressively introduced a number of reforms to the credit card system, with the aim of improving efficiency and competition in the Australian payments system.

Specifically, the Reserve Bank imposed interchange fee Standards (which came into effect in 2003) that placed a cap on weighted-average interchange fees for the MasterCard and Visa credit card schemes. The effect of this cap, currently set at 0.5 per cent of transaction value, has been to lower the weighted-average interchange fees in these schemes by around 45 basis points. Each scheme must formally comply with the cap on specified dates every three years, or whenever the scheme makes a change to its interchange fee schedule.

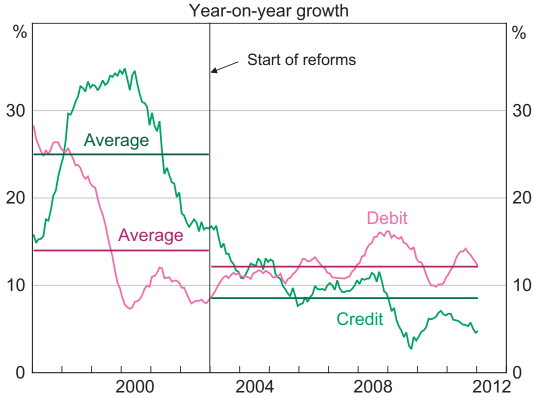
Around the same time, the Bank also removed prohibitions on surcharging that had been placed on merchants by card schemes. The effect has been to allow merchants to pass their cost of accepting credit cards directly on to consumers and to use the threat of surcharging to negotiate lower merchant service fees from their acquirer.

Developments over the Past Decade

The Reserve Bank's reforms have contributed to shaping developments in the Australian credit card market over the past decade in three major ways.[3] First, the reduction in interchange fee revenue flowing to card issuers has reduced the subsidisation of credit card holders and improved price signals regarding the relative costs of different payment instruments. In particular, since the introduction of the reforms, the overall value of credit card rewards programs has declined and there has been an increase in annual (and other) fees.[4] For instance, in 2003 the average spending required to earn a $100 shopping voucher was $12 400, whereas by 2004 this had risen to $14 400, and has gradually increased since then, to $18 400 in 2011 (Table 1).

Second, in addition to the change in pricing by card issuers, the introduction of surcharging by some merchants has also increased the effective price faced by cardholders for credit card transactions. Consequently, partly reflecting the relative increase in price, credit card use has not grown by the same extent as debit card use over recent years (Graph 1).

Graph 1
Value of Card Payments*
Year-on-year growth



* RBA credit card data prior to March 2008 adjusted to remove BPAY transactions
Sources: BPAY; RBA

2 See Bullock (2010) for a more detailed summary of the Reserve Bank's reforms to the card payments system. Additional information about the Reserve Bank's reforms to the payments system can be found in RBA (2008b, 2008c).

3 The Reserve Bank monitors the effects of its reforms and developments in the payments system more generally using a number of data sources, including: data submitted by participants in the credit card schemes as part of the Bank's regular Retail Payments Statistics collection; a database of credit card features collected from issuer websites; data from two surveys on consumer payment behaviour commissioned by the Reserve Bank and conducted by Roy Morgan Research; and a third-party proprietary credit card database.

4 See RBA (2008a, 2011a) for further detail on annual and other fees.

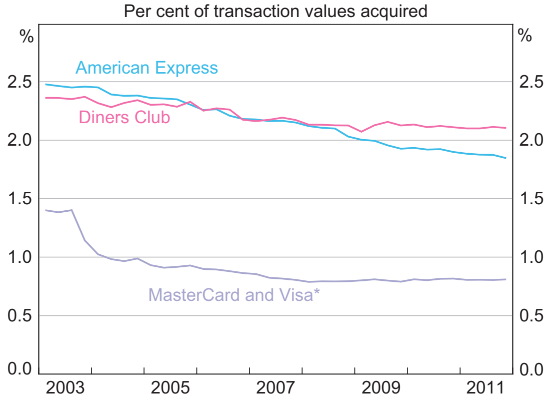
Table 1: Credit Card Rewards Programs[(a)]
Four largest banks, end June

	Average spending required for $100 shopping voucher	Benefit to cardholder as a proportion of spending[(b)]
	$	Per cent
2003	12 400	0.81
2004	14 400	0.69
2005	15 100	0.66
2006	16 000	0.63
2007	16 300	0.61
2008	16 700	0.60
2009	17 000	0.59
2010	18 300	0.55
2011	18 400	0.54

(a) For selected cards (or their equivalent for earlier periods): ANZ Rewards Visa; Commonwealth Bank MasterCard Awards; National Australia Bank Velocity Rewards; and Westpac Altitude MasterCard
(b) Does not include spending on companion cards that may accompany these card products
Sources: CANSTAR; banks' websites

Third, the subsidisation of credit card holders by merchants accepting these cards has also fallen because the decline in interchange fees has been passed through to merchants via lower merchant service fees for MasterCard and Visa transactions (Graph 2). Average merchant service fees for the American Express and Diners Club schemes have also gradually come under downward pressure. This possibly reflects the fact that since the reforms merchants have reviewed their acceptance of these cards, given the increase in the relative costs of three-party cards compared with MasterCard and Visa cards, and have been able to use the threat of surcharging in their negotiations with acquirers.

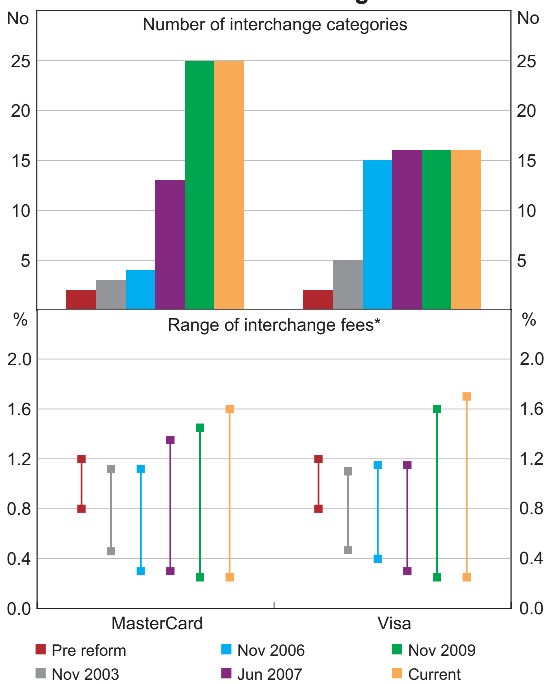
Graph 2
Merchant Service Fees
Per cent of transaction values acquired



* Includes Bankcard prior to 2007
Source: RBA

As well as changing the pricing behaviour of card acquirers and issuers, the reforms have had an effect on the types of credit card products offered by issuers and the way these products are promoted. This has been brought about through changes to the interchange fee schedules set by MasterCard and Visa, within the bounds of the Reserve Bank's interchange fee Standards. Specifically, as noted above, the *weighted-average* of interchange fees within the MasterCard and Visa credit card schemes must comply with a cap on specified dates and whenever interchange fees are altered. Card schemes, however, still have the flexibility to set different interchange fees for different types of transactions, including some that are above the level of the cap. Not surprisingly, the card schemes have used this flexibility in a way that maximises revenue within the regulatory framework. One strategy has been to increase or introduce high interchange fees for some categories (such as platinum/premium card transactions), and decrease or introduce low interchange fees for some other categories (such as transactions at 'strategic merchants').[5] In line with this, there has been an increase in the number of interchange fee categories and in the variability of interchange fees since the reforms were first introduced (Graph 3).[6]

Graph 3
Credit Card Interchange Fees



* Excludes the charity categories (which have an interchange fee of zero) and interchange fee categories with a flat-fee component; excludes GST
Sources: MasterCard; Visa

A number of the interchange fee categories set by the card schemes are directly related to the card type.[7] For instance, in late 2006 MasterCard and Visa introduced an interchange category specifically for platinum/premium cards that, as noted above, has a significantly higher interchange fee than for standard cards. In late 2009 both schemes also introduced a new super-premium category with an even higher interchange fee. The difference between interchange fees applying to different card types can be as high as 1.3 percentage points (the difference in revenue per transaction that the cardholder's financial institution earns for a standard card transaction, compared with a super-premium card transaction).[8] The difference between interchange fees is even higher when merchant categories are taken into account.[9] In the short term (that is, until the next compliance date), card issuers can generate considerably more interchange revenue per transaction by issuing and encouraging cardholders to use platinum and super-premium cards rather than standard or gold cards. And, as discussed below, they have been doing so in a range of ways. While providing an incentive to issuers, however, these trends in interchange arrangements add correspondingly to costs on the acquiring (merchant) side of the market.

Recent Developments in Credit Card Pricing and Products to Cardholders

The introduction of relatively high interchange fee categories, whereby schemes have made some card types more attractive for financial institutions to issue than others, has had a noticeable effect on the credit card market in recent years. This has played out in two ways: an increase in the issuance of cards attracting higher interchange fees for the four-party schemes; and the issuance of 'companion' American Express cards. These new strategies are explained in turn below.

Increased issuance of four-party cards attracting higher interchange fees

As the four-party schemes have adjusted their interchange fee schedules, issuers have responded to the incentives by issuing and promoting cards

5 Strategic merchants are those that meet performance requirements or thresholds determined by each scheme.

6 For a table of selected interchange categories and fees set by MasterCard and Visa as at June 2011, see RBA (2011b, p 15).

7 Other interchange fee categories include those related to the type of merchant (e.g. strategic merchant, government/utility) or the type of transaction (e.g. card present/card not present).

8 Standard card transactions refer to those in the consumer electronic interchange categories.

9 For example, while a MasterCard or Visa transaction made at some strategic merchants may attract an interchange fee of 0.25 per cent of the transaction value, a transaction made with a super-premium card at some other merchants will attract an interchange fee of 1.60 per cent (MasterCard) or 1.70 per cent (Visa).

that attract higher interchange fees. Issuers can do this by offering cardholders either some increase in reward points, an increase in other benefits, and/or a reduction in fees, funded by some of the increased interchange revenue that an issuer earns from the card. This has played out in three recent developments in the credit card market: automatic upgrades for existing cardholders to the premium segment of the card market; new merchant-branded platinum credit cards; and the introduction of super-premium cards.

During the second half of 2010, several major banks began a process of upgrading their gold cardholders to platinum card products, providing the clearest example of card issuers altering their card portfolios to take advantage of price differentials in interchange fees. Effectively, the cardholder receives a new platinum card product (or card product offer) in the mail to replace their existing gold credit card for no additional cost or annual fee. Although these cards attract a greater number of premium benefits (such as complimentary travel insurance or extended warranties), some cardholders continue to earn reward points at the same rate as for their gold card – that is, overall, the rewards package for some platinum products is less attractive to the cardholder than a 'traditional' platinum card.[10] In some cases, upgrades have been automatic in that the cardholder receives a new platinum card through an *unsolicited* mail-out; in at least one case, the new platinum card products are intended to replace the institution's gold card products. As a consequence, this strategy has resulted in a blurring between the gold and platinum credit card products now on offer by the banks. Furthermore, following these upgrades, some card issuers also began to provide similar upgrade offers to standard cardholders.

The move to upgrade cards in this way allows issuers to increase interchange revenue received on those cards, which may more than offset the cost of offering any additional reward points or other benefits. For both the MasterCard and Visa schemes, transactions on platinum cards currently attract an interchange fee of 1 per cent of the value of the transaction. This compares with interchange fees on standard credit cards of 0.40 per cent of the value of the transaction for Visa and 0.35 per cent for MasterCard.

A second similar development in recent years has been the introduction of a number of merchant-branded platinum credit card products (for instance, the Woolworths Everyday Rewards (Qantas) and the Jetstar Platinum cards). For some merchants, these platinum card products are issued instead of, rather than in addition to, a gold card product. This has further contributed to the displacement of gold cards by platinum credit cards. These merchant-branded cards typically have relatively generous rewards programs with reward structures not seen for traditional merchant-branded cards; for example, a number of significantly discounted flights per year irrespective of reward points earned. Like many merchant-branded cards, cardholders also earn more reward points for spending at the merchant in question. However, these cards typically do not offer additional benefits, such as concierge services, that are usually associated with the more traditional platinum cards.

Another development related to changes in the schemes' interchange fee schedules has been the introduction of a new credit card product: super-premium cards. There are currently only a few super-premium cards available in the Australian market – for example: the Citibank Select card with an annual fee of $700; the Citibank Signature card with an annual fee of $395; and the Commonwealth Bank Diamond Awards card with an annual fee of $425. These cards attract the highest interchange fee in the interchange schedules of both MasterCard and Visa, of 1.60 per cent and 1.70 per cent of the value of the transaction, respectively. Not surprisingly, given the very high annual fees paid by cardholders and the high interchange fees these cards attract, these cards have relatively high reward

10 Besides relatively generous reward points, benefits associated with 'traditional' platinum cards include overseas travel and medical insurance, extended warranties, and car rental cover.

points per dollar spent. They also tend to offer other benefits beyond those associated with traditional platinum cards, including discounted travel offers and exclusive experiences (e.g. both of Citibank's super-premium cards offer access to cooking classes with celebrity chefs). Super-premium cards tend to be targeted at high-income earners and/or consumers who spend above a certain amount on their credit card every year.

Increased issuance of American Express companion cards

Although the three-party schemes have not been directly affected by the Bank's interchange fee reforms, they have nonetheless sought new ways to compete in the evolving credit card market. As discussed above, the three-party schemes have traditionally issued their own cards, but they have also entered into commercial arrangements with selected issuers to offer companion three-party cards as part of a package with cardholders' primary MasterCard/Visa cards.

There has been increased promotion of American Express companion cards since late 2009, following the introduction of these cards by two major banks. Over time, credit card products with companion cards attached have increasingly replaced traditional single-card rewards programs in the product lines of all major banks. Under these arrangements, cardholders typically earn more reward points for spending on the American Express card than for spending on the MasterCard or Visa card. Cardholders pay no additional annual fee for the companion card and have a single account recording transactions for both cards.

While there are no interchange fees in the three-party schemes, there are nonetheless commercial arrangements in place that give financial institutions an incentive to issue companion cards. In addition, three-party scheme cards tend to be more expensive for merchants to accept; these schemes can use their merchant service fee income to fund more generous rewards programs to attract cardholders.[11]

Effect of Recent Developments on Annual Fees, Reward Points and Other Benefits

Analysis of the card product offerings of selected large card issuers confirms there has been significant growth in recent years in the premium segment of the market. In particular, as a result of the platinum upgrades by banks and the new merchant-branded platinum card products on offer, the number of platinum card products offered by the top 10 credit card issuers and selected major merchants increased from 18 to 24 between June 2010 and December 2011.[12] By contrast, the number of gold credit card products offered to new customers declined from 21 to 18 over the same period. At the same time, the issuance of companion cards has increased: all but three credit card products linked to a rewards program at the four major banks were offering an American Express companion card as of December 2011.

Notwithstanding recent developments, total rewards – reward points earned as well as additional platinum benefits – appear to have changed very little for the four-party (MasterCard and Visa) platinum card products in recent years. One useful measure for comparing the value of reward points over time is average spending required to obtain a $100 shopping voucher. As a proportion of spending, the value of rewards points on bank-branded platinum cards has increased only marginally between June 2010 and December 2011, to be 0.53 per cent of the value of spending (Table 2).[13] This is considerably less generous than the reward points on offer for

11 As shown in Graph 2, the average merchant service fee for transactions on American Express cards is around double that for transactions on MasterCard or Visa credit cards.

12 The data quoted here are for all platinum cards: scheme-issued; bank-branded; and merchant-branded. In Table 2, only bank-branded and merchant-branded platinum cards are shown.

13 Of course, the benefit to each cardholder as a proportion of spending varies across rewards cards.

Table 2: Typical Features of Personal Credit Cards Offered to New Cardholders[(a)]

Card type	Card products on issue	Card products with a reward points program[(b)]	Card products with other benefits[(c)]	Average annual fee	Average spending for $100 voucher[(d)] (spending when companion card also used)[(e)]	Rewards as proportion of spending[(d)] (rewards when companion card also used)[(e)]
	Number	Number	Number	$	$	Per cent
Standard rewards						
June 2010	20	20	1	66	18 500 (16 300)	0.54 (0.61)
December 2011	18	18	0	62	21 900 (19 300)	0.46 (0.52)
Gold						
June 2010	21	14	16	113	22 600 (18 800)	0.44 (0.53)
December 2011	18	12	17	118	22 900 (19 800)	0.44 (0.50)
Platinum						
Bank-branded						
June 2010	14	9	14	198	19 400 (12 000)	0.52 (0.83)
December 2011	16	10	16	185	18 800 (11 700)	0.53 (0.85)
Merchant-branded						
June 2010	1	1	1	149	na	na
December 2011	4	4	4	147	12 600	0.79
Super-premium						
June 2010	0	0	0	na	na	na
December 2011	3	3	3	507	11 300 (9 400)	0.88 (1.06)

(a) Includes information from the top 10 credit card issuers and selected major merchants in Australia only; the top 10 credit card issuers are based on issuing market shares calculated from the Reserve Bank's Retail Payments Statistics; reported averages are calculated as simple averages of relevant products' features; data are not directly comparable to historical data on rewards presented in Table 1
(b) For the purposes of this table, a reward points program involves the cardholder having the ability to accumulate a store of points, which may be redeemed for goods or services; other rewards programs, such as instant cash-back rewards or point-of-sale discounts, are not included
(c) Other benefits may include, but are not limited to: overseas travel insurance; extended warranty insurance; car rental cover; and concierge services
(d) Only those card products that offer a reward points program where points may be redeemed for a $100 shopping voucher are included; figures do not take into account the ability to earn additional reward points at selected merchants
(e) The figures in parentheses indicate the equivalent figure if spending is evenly split between MasterCard/Visa and the companion American Express card where a companion card is available to the cardholder
Sources: RBA; credit card issuers' websites

standard/gold rewards cards prior to the reforms, of 0.81 per cent.[14] Some issuers have also introduced a cap on reward points for spending above a certain amount. As described above, though, there has been some increase for cardholders in other (less easily quantifiable) premium benefits for these cards and the average annual fee for these cards has declined somewhat, from $198 in June 2010 to $185 in December 2011.

Reward points for merchant-branded four-party platinum cards are more generous than the bank-branded platinum cards: the cardholder needs to spend around $12 600 to earn a $100 shopping voucher, compared with $18 800 for bank-branded platinum cards (not taking into account extra points that some cards offer for spending at certain merchants). This is similar to the level of generosity of reward points prior to the reforms. The annual fee is also lower on these merchant-branded cards than bank-issued platinum cards, at $147 on average in December 2011. However, these cards lack other platinum benefits that are typically associated with traditional platinum products.

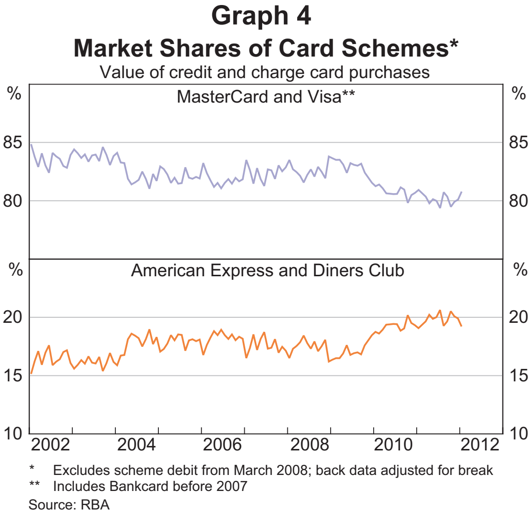
Overall, recent developments have resulted in a substantial change in the nature of credit card products available. Platinum cards, in the traditional sense, were originally designed to attract high-spending customers; these cards were previously few in number and offered both relatively generous reward points and other benefits. However, as noted above, some platinum products have emerged in recent years that do not offer this traditional platinum package. Indeed, to obtain (at least) the reward points and other benefits package associated with traditional platinum cards, a cardholder may need a super-premium card. While the latter has reward points of 0.88 per cent of spending on average, it also carries an annual fee of around $500.

14 The sample of cards used for historical analysis, as reported in Table 1, is much smaller and therefore not strictly comparable with the sample used in Table 2.

The overall effect of the four-party platinum card developments on pricing, therefore, appears to be the incomplete pass-through of issuers' higher interchange fee revenue to some platinum cardholders (in terms of reward points and/or other platinum benefits); at the same time, higher interchange fees have added to costs on the acquiring side of the market.

The discussion above, however, has abstracted from the effect of the introduction of companion American Express cards to the market. These companion cards are included on an optional basis on most card packages of major banks for all segments of the market – from standard to super-premium cards. For example, if equal spending on companion and primary cards is assumed for bank-branded platinum products, the average spending required to earn a $100 shopping voucher is $11 700 (compared with $18 800 without a companion card), making these slightly more competitive than the merchant-branded cards. In other words, the amount that cardholders must spend to obtain the same $100 shopping voucher reward is considerably lower if they divide their spending between their primary MasterCard/Visa card and companion American Express card, rather than making all their transactions on the primary card.

Cardholders appear to be responding to the incentive provided by companion cards: there has been a noticeable increase in the combined market share of the American Express and Diners Club schemes since two major banks began issuing companion cards in late 2009. In the year prior to the introduction of these companion cards, the combined market share of the American Express and Diners Club card schemes averaged 17.1 per cent; this has subsequently increased, reaching an average of 19.9 per cent over the past year. Merchants largely bear the cost of these more generous rewards cards through the higher merchant service fees for American Express products, on average, unless they choose to pass that cost back through to cardholders in the form of a surcharge.



Conclusion

The personal credit card market has evolved substantially since the early 2000s, reflecting, in part, the Reserve Bank's reforms to improve competition and efficiency in the payments system. In particular, over the past decade it has become increasingly expensive for cardholders to earn reward points and other benefits by using their cards, while merchant service fees have fallen.

More recently, card schemes have provided card issuers with incentives to promote cards associated with higher costs (whether interchange or merchant service fees), albeit within the bounds of the rules set by the Reserve Bank. For instance, all four major banks now offer companion American Express cards – which typically attract a higher merchant service fee and offer higher rewards per dollar spent than the MasterCard or Visa cards with which they are paired – as a standard feature. There has also been a substantial increase in the number of platinum card products on offer to cardholders, with some banks replacing their existing gold cards with platinum cards and a number of merchant-branded platinum cards also introduced. In addition, now that the distinction between gold and platinum cards is diminishing, some banks have introduced new super-premium cards that offer more generous rewards.

These recent developments have increased the interchange and other revenue received by credit card issuers, which they may use to fund more generous rewards programs for cardholders without a need to increase annual fees. That is, some cards have become more attractive to use since recent changes have lowered, albeit slightly, the effective price paid by some credit card holders relative to other payment instruments. At the same time, these trends add to costs on the acquiring side of the market and, if sustained, could put upward pressure on some merchant service fees over time. Notwithstanding these developments, average merchant service fees have been relatively stable in recent years and they remain well below levels which prevailed prior to the reforms. ✠

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