

## Visa Interchange Changes

Lowering rates to help consumers, stations, it says; will implement real-time clearing



**SAN FRANCISCO** -- Visa Inc. said it is implementing processing and rate changes that will result in benefits for American consumers and fuel merchants frustrated

by rising prices at the pump. Visa's new processing approach for fuel transactions will enable consumers to buy gasoline more easily and allow motorists and station owners to better avoid the risks and inconveniences associated with pump limits and holds on funds. Visa also will reduce interchange rates for fuel transactions, which can lower costs for oil companies and gas stations and can be passed onto consumers at the pump.

"While Visa cannot lower the price of crude oil, there are things we can do to help make the process of buying gas easier for our cardholders. And by lowering our rates, we hope to see oil companies pass these savings along to their stations and ultimately to consumers," said Bill Sheedy, global head of corporate strategy and business development for Visa Inc. "As oil prices rapidly rise to unprecedented levels, we are accelerating our ongoing efforts to address the issues in the fuel segment."

Visa is restructuring consumer interchange for transactions at automated fuel dispensers and gas stations in the United States, effectively lowering interchange rates. Interchange for Visa consumer debit cards (Visa Check Card and Visa prepaid) will be capped at 95 cents per transaction. This change will become effective July 18, 2008. Visa credit interchange applied to fuel transactions has been restructured into a single, lower rate across all consumer credit card transactions. This adjustment will take effect system wide for all fuel transactions in October 2008. In the meantime, Visa is willing to work with fuel merchants and their acquirers individually to process credit transactions at these lower rates, ahead of October.

"Even though Visa's interchange rates on fuel transactions are already among the lowest in our system, the run-up in fuel prices to today's unprecedented levels requires an exceptional response," said Sheedy.

As an example, under the new rates, if a motorist uses a Visa Signature credit card to fill a 15-gallon tank at \$4 a gallon or \$60 total the acquiring institution generally would pay 94 cents in interchange fees, a savings of 14% over current rates. Using a debit card, that same transaction could be cleared within hours, quickly removing the \$60 hold that is often placed on a consumer's funds for one or two days in the current system. For higher transaction amounts, these

interchange adjustments have an even greater impact. For a \$120 consumer transaction, the level of interchange for the same Visa Signature transaction would be \$1.63, for a 43% savings. With the cap on Visa Check Card interchange, an acquirer would see a reduction of 59% on fuel transactions.

"People are frustrated enough with the price of gas today; they shouldn't be frustrated with the payment process as well," said Sheedy. "We took an entirely new approach to processing fuel payments, and created a solution that removes many of the major barriers that consumers and station owners face today at the pump."

This fall, Visa will implement real-time clearing, which represents a fundamental change and significant improvement in how fuel transactions are processed. With real-time clearing, transactions will be processed immediately instead of at the end of the day. This can significantly reduce the hold times that financial institutions place on cardholders' accounts. Stations will send a final transaction amount within hours if not minutes of a cardholder's purchase. Current fuel-payment processing can take up to two days or more.

Real-time clearing also provides merchants and acquirers with more control over their acceptance processes, allowing them to make better authorization decisions. This can help drive increased sales for stations because it reduces the number of consumers that encounter a shut-off before their tanks are full. Consumers benefit by being able to pump more gasoline in a single transaction before hitting authorization limits. Real-time clearing can also qualify a station's transactions for better interchange rates at higher ticket amounts, which can lower station owners' costs.

Until the new processing changes are implemented in Visa's October systems upgrade, Visa is allowing consumer fuel transactions up to \$125 to qualify for its best-available interchange rates. This interim step is effective July 18, 2008, and will remain in place through October 2009. Once stations and their financial institutions migrate to real-time clearing, consumer fuel transactions up to \$500 can qualify for Visa's best available interchange rates.