

**BPS/DIR/GEN/CIR/03/004****November 1, 2016****To: Merchant Acquirers, Card Issuers, Card Schemes, Mobile Money Operators,
PTSPs and PTSA****CIRCULAR ON THE IMPLEMENTATION OF INTERCHANGE FEE**

With the introduction of the Cash-Less Nigeria Project and the release of the Guidelines on PoS Card Acceptance Services, the CBN outlined the Merchant Service Charge (MSC) and the modalities for its operation in the payments system. This had enhanced the issuance and utilization of cards transaction in the country and brought structure to the compensatory mechanism for parties involved in the transaction.

However, as a result of the limitations of the MSC regime and the objectives of the Payments System Vision 2020, the CBN, in consultation with industry stakeholders, has decided to migrate the payment card industry to a superior pricing mechanism. It is expected that the introduction of the new pricing regime will bring about even greater payment card issuance and utilization, investment in loyalty programs and the expansion of acquirer network infrastructure across the country.

With effect from 1st May, 2017, the CBN will no longer regulate Merchant Service Charge (MSC). The interchange fee regime will replace the MSC. Merchants and Acquirers will henceforth negotiate the MSC, while the CBN will control the interchange fees paid by the Acquirers to the Card Issuer and other regulated service providers, as defined by the CBN.

The Interchange Fee table and the modalities for its operation are presented below:

Card Type	Merchant Category	Interchange Fee	Upper Limit
Debit, Credit and Prepaid	General	Issuer 0.40%	N1,300
	Travel & Entertainment	Issuer 0.85%	N3,200

Other fees

Card Type	Merchant Category	Fee	Upper Limit
Debit, Credit and Prepaid	General	PTSP 0.15%	N500
		PTSA 0.05%	N130
	Travel & Entertainment	PTSP 0.40%	N1,500
		PTSA 0.05%	N300

1. PTSA and PTSP services are considered as mandatory and essential services that are licensed and regulated by the CBN. The fee, even though not part of the interchange, is included in the fee table to ensure that they are compensated for services provided. The settlement agent is expected to pay the PTSA and PTSP fees directly.
2. Where PTSP services are not available or not performed, the Acquirer would earn the PTSP fee in such instances where it performs the PTSP service. However, evidence must be provided by the Acquirer that the PTSP engaged by it had either failed to meet its obligations, declined to provide the service or no PTSP was willing to deploy in such location. The modalities for this service would be developed and communicated by NIBSS, within three months from the date of this Circular.
3. CBN hereby gives a period of six months, starting from November, 2016 to stakeholders to sensitize their merchants on the changes expected, and for card schemes to reconfigure their systems to the new pricing structure. The interchange regime will commence live operations, effective 1st May, 2017.

Please be guided accordingly.



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