



## **Advisory on New Debit Rates Caused by Settlements in Visa/MasterCard Antitrust Litigation**

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### **Statement from Constantine & Partners**

NEW YORK, December 19, 2003 – Lloyd Constantine, lead counsel for merchants in the Visa/MasterCard Antitrust Litigation, is releasing a merchants advisory with information on new interchange rates for Visa and MasterCard signature debit transactions scheduled to go into effect next year. The rates show that Visa and MasterCard have embarked on a new era of competition following the settlement of the case.

“The rate announcements are additional evidence of a growing rivalry and competition between Visa and MasterCard, which was one of the aims of this case,” said Lloyd Constantine, of the New York firm of Constantine & Partners. “Visa and MasterCard are beginning to compete with each other and has led to a downward trend in pricing. This is an exciting time for merchants to be active participants in rapidly evolving payment markets.”

Visa’s new signature debit (AVisa Check®) interchange rates are now scheduled to go into effect on January 31, 2004. MasterCard’s new rates for its signature debit product (sometimes called AMasterMoney® or ADebit MasterCard®) are scheduled to go into effect on April 2, 2004. These new rates are ultimately paid by merchants as part of their merchant discount fees and affect consumer prices for products.

The new Visa rates, on average, are down 11% from pre-settlement levels, but up 26% from temporary interim rates agreed to under the settlement terms, which must remain in effect until merchants are free to reject signature debit transactions. The Visa interim rates will expire on January 30, 2004.

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The new MasterCard rates, on average, are down 32% from pre-settlement levels, but roughly the same on average as the interim rates which will remain in effect until April 1, 2004,

Media reports indicate that Visa and MasterCard are attempting to convince selected merchants to continue accepting signature debit after January 1, 2004 with offers of special lower rates and other monetary incentives.

Merchants have new choices in this business environment and it is up to each individual merchant to make an independent decision on how to deal with ongoing relationships with Visa and MasterCard.

Federal Judge John Gleeson of the United States District Court in Brooklyn, N.Y. is currently considering a request for final approval of the settlements. Under the settlement, Visa and MasterCard's signature debit card transactions and credit card transactions will be "untied" on January 1, 2004. Merchants will then be free to accept credit cards without being forced to also accept the debit cards. Merchants will also be allowed to reject credit cards and accept debit cards. In addition, approximately \$3 billion in monetary payments will be provided to merchants from Visa and MasterCard as a result of the settlement.

Visa and MasterCard have already paid more than \$225 million into an interest bearing escrow settlement. An additional \$100 million dollar payment will be made into that account on Monday, December 22, 2003. Visa and MasterCard have also been required to lower interchange fees by an amount that will exceed one billion dollars when the interim rates expire.

The full advisory to merchants is available on the following web sites:

- [www.cpony.com](http://www.cpony.com) (Constantine & Partners website)
- [www.nrf.com](http://www.nrf.com) (National Retail Federation web site)
- [www.fmi.org](http://www.fmi.org) (Food Marketing Institute website)
- [www.imra.org](http://www.imra.org) (International Mass Retail Association website)

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*Constantine & Partners of New York City is the designated merchants' lead counsel for this case. The named plaintiffs include: The Limited, Inc., Sears, Roebuck and Co., Safeway Inc., Wal-Mart Stores, Inc., Circuit City Stores, Inc., National Retail Federation, Food Marketing Institute, International Mass Retail Association, Bernie's Army-Navy Store, Auto-Lab of Farmington Hills, Burlington Coat Factory Warehouse Corporation, Sportstop, Inc., Payless*

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*ShoeSource, Inc., Shoes, Etc., Inc., The Coffee Stop, Inc., UCC Kwik Doc, Inc., Computer Supplies Unlimited, Denture Specialists, Inc., Geneva White, D.M.D., and Scrub Shop, Inc.*