



DEC 09 2009

2009FIN296731

Mr. Ralph Moyal
President and Chief Executive Officer
The Retail Merchants' Association of Canada (Ontario) Inc.
401-10 Milner Business Court
Scarborough, ON M1B 3C6

Dear Mr. Moyal:

Thank you for your correspondence of August 25, 2009, written on behalf of The Retail Merchants' Association of Canada (Ontario) Inc., regarding credit and debit cards. Please excuse the delay in replying.

On September 30, 2009, our Government announced significant reforms to increase the transparency and accountability for users of credit and debit cards in Canada. The new credit card regulations have been finalized and will come into force on January 1, 2010. A few provisions, such as the 21-day grace period, will take effect on September 1, 2010.

These new credit card regulations will:

- Provide a summary box on credit contracts and application forms that sets out key features, such as interest rates and fees;
- Inform consumers on how long it would take to fully repay their balance if they only make a minimum payment every month;
- Mandate an effective minimum 21-day, interest-free grace period on all new credit card purchases when a customer pays the outstanding balance in full;
- Lower interest costs by mandating allocations of payments in favour of the consumer;
- Require express consent for credit limit increases;
- Limit debt collection practices used by financial institutions;
- Prohibit over-the-limit fees solely arising from holds placed by merchants; and
- Mandate advance disclosure of interest rate increases prior to their taking effect, even if this information had been included in the credit contract.

Building upon this recent action, on November 19, 2009, our Government released a proposed Code of Conduct for the Credit and Debit Card Industry in Canada for a 60-day comment period.

The proposed Code of Conduct is intended to promote fair business practices and ensure merchants and consumers clearly understand the costs and benefits of credit and debit cards. It is based on extensive discussions with merchant associations representing a comprehensive range of sectors across the country, as well as the debit and credit card networks, payment processors, card issuers and consumer groups.

The proposals in the Code of Conduct include:

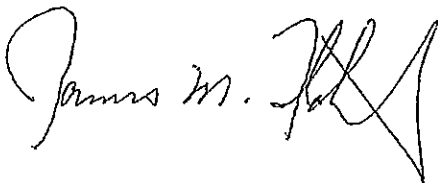
- Increasing the level of transparency and disclosure from both acquirers and the credit and debit card networks to merchants;
- Requiring a minimum of 90 days notice of any fee changes to merchants;
- Following notification of a fee change, merchants can cancel their contracts without penalty;
- Ensuring that merchants can choose whether or not to accept debit cards of a particular brand if they accept its credit cards, and vice versa;
- Providing increased pricing flexibility through discounts so that merchants can encourage consumers to choose lower-cost payment options;
- Allowing the merchant to choose which debit network they wish to use on a co-badged debit card at the point of sale;
- Requiring that co-badged debit cards be fairly branded; and
- Restricting the issuance of premium credit cards to consumers who apply or consent to one and meet specific criteria.

Our Government supports efforts that encourage a competitive environment which provides for fair pricing practices, innovation, a safe and secure payment system and high quality services for merchants and consumers.

We are interested in receiving input on this proposed Code of Conduct. Your comments can be sent by e-mail to codeconsult@fin.gc.ca.

Thank you for communicating the concerns of The Retail Merchants' Association of Canada (Ontario) Inc.

Sincerely,

A handwritten signature in black ink, appearing to read "James M. Flaherty". The signature is stylized and written in a cursive-like font.

James M. Flaherty