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# GSA SMARTPAY® SMART BULLETIN

**U.S. GENERAL SERVICES ADMINISTRATION  
FEDERAL ACQUISITION SERVICE  
SMART BULLETIN NO. 007**

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## Foreign Currency Conversion Fees

### INTRODUCTION:

GSA SmartPay® cardholders will notice fees on their statements when making purchases denominated in non-United States (U.S.) currency. This bulletin describes these fees, which are permitted under the GSA SmartPay master contracts. This bulletin also addresses another currency conversion option occasionally offered by non-U.S. merchants, typically known as “Dynamic Currency Conversion” or “DCC,” which may not offer the most cost-effective option for U.S. government cardholders.

Note that the assessment of these fees can become a complicated issue. As a result, this bulletin is intended to provide an overview of common issues related to foreign currency conversion fees. It does not cover all aspects of these fees. As a result, if information beyond what is covered in this bulletin is required, please contact your servicing GSA SmartPay contractor bank or the GSA Office of Charge Card Management.

**BUSINESS LINE(S) AFFECTED:** Purchase, Travel, Fleet, Integrated

### SUMMARY:

VISA® and MasterCard® impose fees for transactions that involve foreign currency conversion. For example, a U.S. based cardholder travels to Europe and purchases a meal priced in euros on their travel charge card. This transaction will appear on the cardholder’s statement, as well as a separately identified fee for currency conversion. The names and mechanics of these fees vary between MasterCard® and VISA®, and are explained below. The contractor banks are permitted by the GSA SmartPay contracts to charge these fees, as long as they are disclosed to the cardholder. Typically, these fees are described in the information accompanying the card when it is first mailed to the cardholder.

As a service to their customers, some merchants offer DCC. These services generally are less cost-effective than simply making the purchase in a foreign currency. In that way, the currency conversion rates and process required by the GSA SmartPay master contract apply, protecting the cardholder from excessive charges.

### **VISA® - International Service Assessment (ISA)**

Visa's foreign currency exchange fee is known as the "International Service Assessment" (ISA). VISA® charges the ISA on foreign purchase transactions requiring currency conversion. If a card is accepted by a non-U.S. merchant in same currency as that with which the card was issued, there is no ISA fee assessed by VISA®, but a Dynamic Currency Conversion fee (see below) may be assessed by the merchant. If the purchase is made in another currency and then converted to U.S. dollars, the ISA fee is 1.0%. This is the typical process when a foreign purchase is made using a U.S. dollar denominated GSA SmartPay charge card.

### **MasterCard® - Cross Border Fee (CBF)**

MasterCard's currency conversion fee is called a "Cross Border Fee." If a card is accepted by a foreign merchant in the same currency as the charge card was issued, the CBF is 0.8%. This MasterCard® fee is in addition to any DCC fee charged by the foreign merchant to accept the purchase in U.S. dollars. For transactions involving currency conversion, MasterCard® applies a 1.0% fee. This fee will appear as a separate line on the cardholder's statement.

### **ISA and CBF Rate Updates**

VISA® reevaluates its ISA rate annually. MasterCard® reevaluates its CBF rate twice a year. As a result, these rates may change from time to time. To access the latest information on these rates, please contact your servicing GSA SmartPay contractor bank.

### **Dynamic Currency Conversion (DCC)**

DCC is a financial service which foreign merchants may offer to convert a charge card purchase from the local (foreign) currency to the cardholders' currency (i.e., euros to US dollars). While this may seem like a good deal to the cardholder at the time, it is key for the cardholder to ask what currency exchange rate the merchant will be using. Typically, the most cost effective purchase option is to make the purchase in a foreign currency, with VISA® or MasterCard® (as appropriate) applying the currency conversion fee in accordance with the terms of the GSA SmartPay master contract.

Under section **C.3.3.16.2 Foreign Currency Conversion**, of the GSA SmartPay master contract, contractor banks must ensure purchases made in a foreign currency are

converted into U.S. Dollars using a favorable conversion rate (emphasis added) established by an interbank rate or, where required by law, an official rate. This rate shall be the one in existence at the time the transaction is processed. Exchange rates offered by the merchant under DCC contain no such promise or protection.

In addition to overseas locations, internet sites and mail order companies that offer products and/or services priced in non-U.S. denominations also may offer DCC service. Cardholders making purchases from these vendors need to pay close attention to any fees added to the cost of the item(s) they are purchasing to ensure they are not assessed any inappropriate fees.

Before agreeing to DCC, the cardholder should understand the cost associated with it. If the merchant did not advise the cardholder of a DCC cost prior to making a purchase, the cardholder has the right to instruct the merchant to void the transaction with currency conversion costs and redo the sale in the local currency.

**ACTION:**

Cardholders should be aware that MasterCard® and VISA® currency conversion fees are allowed to be assessed on purchases in foreign currencies under the GSA SmartPay master contracts. These fees are controlled by the terms of the contracts.

When making non-U.S. dollar denominated purchases, it is recommended that cardholders not request a transaction be processed in any specific currency unless the cardholder is able to confirm with the merchant that the transaction costs will be lower than that available through the typical GSA SmartPay currency conversion process. Note: Transactions made on U.S. Embassy and Military installations are not assessed currency conversion fees as these locations are considered U.S. territory and transactions therefore will be billed in U.S. dollars. Fees for currency exchange services or “DCC” offered by merchants are not controlled by the GSA SmartPay contracts and are often higher than if the cardholder simply made the purchase in the foreign currency.

Questions or comments regarding this Smart Bulletin should be directed to Erin VanDagna at 571-289-6711 or [erin.vandagna@gsa.gov](mailto:erin.vandagna@gsa.gov).

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