



Competitiveness of EU's Payments Market and the role of the Interchange Fee Regulation

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This presentation contains the author's own views and does not necessarily represent an official position of the European Commission

OVERVIEW

- A short history and a brief overview of the IFR
- Report to the European Parliament and the Council
- Latest developments in the payments sector in the Union
- Way forward - Stakeholders Hearing on the IFR - December 2020
- Q&A

Interchange Fees Regulation

- Regulation (EU) 2015/751 of the European Parliament and of the Council on interchange fees for card-based payment transactions published on 19 May 2015.
- Entered into force on 8 June 2015 (staggered implementation)
- It concerns card-based transactions conducted within the Union – *“where both the payer's payment service provider and the payee's payment service provider are located therein.”*
- IFR caps on interchange fees apply only to **consumer card** transactions
- Part of the Union's payment package, together with Payment Services Directive II

Interchange Fees Regulation

- Chapter 1: scope and definitions (2 articles)
- Chapter 2: interchange fees (3 articles) effective as of 9 December 2015
- Licensing (Article 6) and Ex-post information requirements (Article 12) also effective from 9 December 2015
- Chapter 3: business rules (7 articles) effective as of 9 June 2016
- Chapter 4: final provisions (6 articles)

Interchange Fees Regulation – select issues

- Article 7.1 – Separation of card schemes and processing entities
 - ❑ Regulatory Technical Standards were published on 18 January 2018 - Further monitoring is required.
- The ECJ judgement on 7 February 2018 (Case C-304/16) clarified that the IFR caps apply to 3PS with a co-branding partner or an agent
- Assessing non-circumvention of the IFR caps - a data intensive, case-by-case analysis
 - ❑ Implementation and close monitoring required from National Competent Authorities

Article 17 Review Clause

- Article 17 of the IFR requires the Commission to submit to the European Parliament and to the Council a Report on its application to be accompanied, **if appropriate**, by a legislative proposal.
- The Commission informed the European Parliament and the Council that it will submit the Report by summer 2020 instead of June 2019, to allow for **more comprehensive data collection**.
- Commission contracted an external study for an extensive market outlook – Final Report published in February 2020.
- On **29 June 2020**, the Commission published the Report to the European Parliament and the Council on the application of the IFR

Main findings and recommendations of the Report (I)

The Report concluded that the **IFR has achieved its main objectives**, notably:

- A significant decline of interchange fees for consumer cards. This decline was reflected in reduced merchants' charges for card payments
 - ❑ The IFR study estimates that following the entry into force of the IFR merchants have seen annual savings of EUR1.2 bln. However, card schemes also appear to have retained EUR 0.55 bln annually
 - ❑ Merchant savings are expected to further increase
 - ❑ The IFR study also showed pass-through of reductions in merchant charges to final consumers

- A contribution to deepening market integration through the increase in cross-border acquiring activities.

Main findings and recommendations of the Report (II)

- The Report concluded at the same time that **continuous robust enforcement further monitoring and reinforced data gathering** are necessary in some areas, notably:
 - ❑ assessment of the implementation of the caps and of their possible circumvention
 - ❑ the implementation of the caps for 3PS and 4PS when co-branding partners or agents are involved
 - ❑ transparency of fees for small retailers

- The Report identified some areas where the time from implementation was too short to allow definitive conclusions:
 - ❑ Separation of schemes and their processing entities
 - ❑ Transparency due to long term contracts

- Finally, market dynamics such as the **increase of mobile payments** and the **entry of Big Techs** in the payments arena require additional reflection

The European payments landscape, 5 years after the IFR

- The European landscape for payments **appears dynamic** with newly developing business models and new players entering the scene in the recent years.
- However, no new pan-European card scheme has emerged yet.
- A **European Payment Initiative** was recently announced by 16 European banks: a payment solution encompassing a card and a digital wallet and covering in-store, online and person-to-person payments, as well as cash withdrawals.
- Several newly emerging players, with strong push to expand beyond national borders.
- A significant wave of mergers and acquisitions in recent years: Worldline / Ingenico; Hellman&Friends/Cocardis; Blackstone&CVC/Paysafe; Mastercard/Nets etc.
- Big Techs entering the arena or enhancing their offer: Facebook announced Libra and Novi; Amazon- Amazon Pay;
- Wallet Providers (Samsung, Google, Apple)

Way Forward

- The Commission is planning an **IFR Stakeholders conference (Hearing)** for December 2020: views from the a wide range of stakeholders will be heard.
- The Commission **consultation on a new Retail Payments Strategy** (closed in June). Building on the received feedback, next steps will follow.
- In 2019, Commission adopted **two** important **antitrust decisions**, accepting both Visa's and Mastercard's commitments to cap interchange fees for inter-regional transactions.
- The Commission follows closely the **implementation of commitments**, via monitoring reports submitted by the designated Trustee (Grant Thornton).
- The COVID crisis had an important and possibly lasting impact on the payments sector.
- Contactless payment has become ubiquitous and mobile digital solutions have gained traction in Europe.
- **The future is bright** – for cashless payments 😊.

Thank you for your attention



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