

# Banking Automation **BULLETIN**

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## **Eurosystem worried about the implementation of SEPA**

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How healthy is the global ATM market?

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Europe set for contactless payments boom

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ATM location strategies: Will drive-thru take off in the UK?

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Open standards drive ATM deployment in central and eastern Europe

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## **Country profile: Romania**

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## Maestro versus cash

MasterCard announced in December that it would reduce its SEPA fall-back interchange rates for Maestro POS transactions – used for cross-border purchases and nationally in some countries – from 1st January 2008, which it claimed was the final step towards SEPA compliance for its debit card scheme.

The move was aimed partly at the European Commission, who have indicated that interchange fees should be reduced or even eliminated; and partly at arch-rival Visa Europe, which has just signed its first deal for V PAY issuance in Europe, with German co-operative banks.

The new Maestro POS interchange rates combine a flat fee and an ad valorem element. The SEPA fall-back interchange rates from 2008 will be:

Chip and PIN	€0.05 + 0.20%
Secure e- & m-commerce using SecureCode	€0.05 + 0.25%
Base	€0.05 + 0.30%
Large Merchant*	€0.03 + 0.12%
*More than 20 million Maestro PIN-based transactions per year	

This compares to the current rates:

Chip	0.50%
PIN verified	0.55%
Signature verified	0.80%
e- & m-commerce	1.15%

Assuming that merchant service charges are reflected in merchants' costs, a surprising anomaly is being introduced for low transaction amounts.

MasterCard has been heavily promoting Maestro cards as a replacement for cash, and in announcing the new rates it said "MasterCard's SEPA interchange rates have been set to encourage cash substitution with electronic forms of payment, due to the high cost of cash for consumers and merchants". For chip transactions above €16.67 it is correct that interchange fees will be reduced, but for lower amounts – and cash transactions tend to be for smaller values – fees will actually increase and may hinder migration.

E-commerce retailers and merchants with larger average transaction amounts will welcome the rate changes, but those who currently accept small cash payments are, surprisingly, not being encouraged either to start or promote card acceptance.

Visa and the European Commission have not yet responded, but this anomaly will not have passed them by.

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