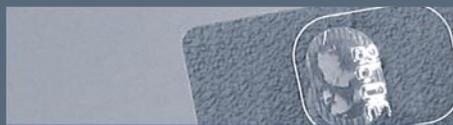


Banking Automation **BULLETIN**



Complex European cards market still evolving

Belarus – the unexpected champion of payment cards

Branch transformation 2016 – full speed ahead but with care

Counter-fraud initiatives help cut South African fraud losses

Banking lite and prepaid cards challenge the payments space

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Dynamic European cards market to change as interchange regulation takes effect

Every two years RBR publishes an eagerly anticipated European payment cards study which is widely used by key industry stakeholders for assessing the state of the sector.

The latest edition (see page 2) shows that there were 1.5 billion payment cards in circulation in Europe at the end of 2014. This represents relatively modest growth in the number of cards of just 2%, and masks a rather more dynamic market when you start analysing the numbers in more detail.

The number of card payments continues to grow at a healthy rate – 13% in total, and over 30% in the CEE region. There are more surprising developments too, such as fast growth in the Nordics, which you might have thought would already be relatively saturated, and strong growth of prepaid cards in multiple countries.

As we move into 2016 it is important to highlight the European Commission's regulation on interchange fees which came into force in December. There is no doubt that the redistribution of revenues and costs created by the regulation will change the behaviour of issuers, acquirers, merchants and consumers.

Issuers will need to review pricing of their products and consider introducing or raising annual fees, or other charges, and scale back benefits associated with cardholding and usage. In the case of debit cards this is likely to be part of a broader review of current account charging.

Merchants have been one of the most vociferous advocates of the new regulation, arguing that the previous system effectively transferred revenues from merchants to issuers. Attention will now fall on them to see to what extent they pass on savings to consumers. By reducing the cost of accepting cards, the regulation should also lead to increased acceptance – creating expansion opportunities for acquirers.

Consumers will respond to issuer and acquirer behaviour by adjusting their own habits. They are likely to rationalise the cards they hold, and close lesser used accounts – the impact of this will mainly be on the number of cards in issue, as usage and spending should actually grow with the increase in acceptance locations.

Perhaps the most exciting element of the new regulation is the part that is unknown. The creative energy being focused on the cards sector will drive innovative new products and services. We look forward to reporting on those in future issues of the *Bulletin*.

Dominic Hirsch, Editor

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