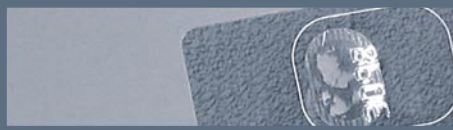


# Banking Automation **BULLETIN**

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**Merchant acceptance given boost by interchange fees regulation**

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Mobile Money transforms banking landscape in Kenya

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Can Russia's Mir compete with global players?

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Instant credit transfers increase sophistication of ACH

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Countering counterfeiters with hi-tech banknotes

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**Country profile: Estonia**

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## Banking Automation

## BULLETIN



## Merchant acceptance given boost by interchange fees regulation

For a relatively mature payments region, Europe has continued to see surprisingly strong increases in the number of merchant outlets accepting card payments – the total number rose 7% in 2016 (see page 2). Growth was particularly strong in central and eastern Europe, where the penetration of EFTPOS terminals to population is less than half the level in western Europe. In the latter, Greece and Italy, and to a lesser extent Portugal, Spain and the UK stand out as growth markets.

Growth rates vary in different countries for a variety of reasons; most obviously, less mature markets are simply catching up, but there are a number of other factors at play.

There has been a huge expansion in contactless card issuing, and this is driving acceptance in outlets that have not previously accepted cards. Mastercard and Visa have mandates requiring all terminals accept contactless cards by 2020 (currently around half do), which will give a boost to usage and more indirectly to numbers of terminals and outlets, as customer expectations on contactless use rises.

The other key factor driving outlet numbers is regulation. This takes a number of different forms, such as rules requiring merchants to accept cards or forcing customers to use cards for payments above specified limits. More indirect, but equally important, is the EC's regulation on interchange fees, which came into force in December 2015 and dramatically reduced interchange fees and merchant service charges in many markets. Ironically, while this has had a negative impact on card issuers, especially credit card issuers, for whom a business case is harder to justify, the interchange regulation has given a boost to merchant outlets.

Lower fees for accepting cards, particularly when combined with the convenience offered by contactless, presents an attractive case to segments such as small businesses and low-margin retailers, which have previously shied away from accepting cards.

In mature regions such as Europe, where most customers already have a payment card and the majority of merchants accept card payments, it is tempting to assume that usage will be the only area for growth. What RBR's research shows is that there are always segments or whole markets that have potential for further growth, and that sometimes a catalyst such as new technology or regulation is needed to release this potential.

Dominic Hirsch, Editor

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**Editor** Dominic Hirsch

**Managing Editor** Morten Jorgensen

**Assistant Editor** Tomomi Kimura

**Contributors** Terry Appiasei, Beatriz Benito, Samuel Blackwell, Daniel Dawson, Marianna De Silvo, Chris Herbert, Tom Ikonen, Felix Kronabetter, Dewi Thomas, Sisi Wang

**Subscriptions Manager** Abigail Milne

**Advertising Managers** Amanda Hardy, Felix Kronabetter

For all editorial and advertising enquiries:

Telephone: +44 20 8831 7300 Fax: +44 20 8831 7301

Email: [bulletin@rbrlondon.com](mailto:bulletin@rbrlondon.com)

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