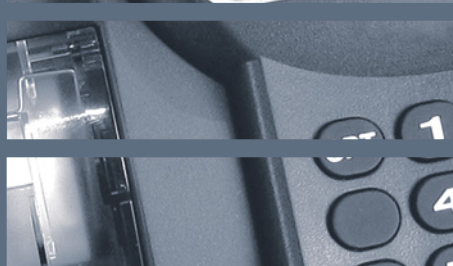
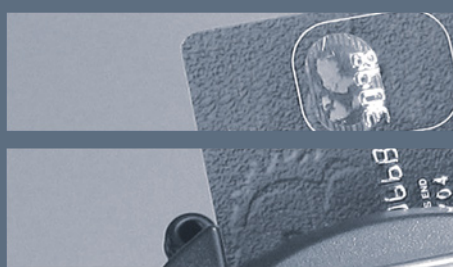


Banking Automation **BULLETIN**



Rise in smart deposit ATMs as banks transform branches

Cards and credit transfers drive cashless payments growth

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Uptake of card and mobile payments continues in China

Phasing out cash is nothing short of privatisation of money

Country profile:
UK

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Does the EC have the stomach to extend its war on interchange fees?

On 29th April the European Commission announced it had accepted commitments made by Mastercard and Visa to reduce their multilateral interchange fees for payments made in the EEA with consumer cards issued outside the region.

The reductions, which average around 40%, bring the caps on inter-regional interchange fees in line with those previously imposed on intra-regional transactions: 0.2% of the transaction value for card-present debit card transactions, 0.3% for card-present credit cards, 1.15% for card-not-present debit cards and 1.5% for card-not-present credit cards.

Mastercard and Visa will no doubt be hoping that these concessions end their long-running antitrust battles with the Commission, but will they?

One possible area for further intervention is the interchange fees that apply to centrally billed commercial cards, where interchange fees are as much as four times as high for debit transactions and six times as high for credit transactions.

Despite pressure from retailer associations such as EuroCommerce, the Commission has so far been reluctant to intervene in commercial card interchange fees. In part this reflects the difficulties of quantifying the costs and benefits of the additional services, such as centralised billing and reporting, provided with such cards. It also introduces the question of three-party schemes such as American Express, which provide limited competition to Mastercard and Visa for consumer cards, but compete head on in the commercial segment. Cards directly issued by three-party schemes are not covered by the current interchange fees regulations, so capping commercial interchange fees on Mastercard and Visa would risk a major distortion of the competitive landscape.

The Commission itself may be battle weary. It might also want to investigate whether its statement that the new caps are “expected to lead to lower prices to the benefit of all European consumers” is borne out in practice. This is not easy to do, and while it seems probable that the statement is accurate over the long term, it may well be the case that retailers and acquirers receive most of the short- to medium-term benefits.

It is also worth highlighting that the Commission says in its announcement that it is “the first competition authority in the world to intervene on inter-regional MIFs” – perhaps it wants a breather to allow other authorities to have a turn.

Dominic Hirsch, Editor

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