



EU Antitrust Law and Card Payments

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Lukas Repa
DG Competition

The views expressed are purely those of the author and may not be regarded as
stating an official position of the European Commission.



Outline

- How do payment card systems look like?
- Pricing and non pricing related network rules
- The rationale for antitrust scrutiny
- Coordination of competition authorities in EU
- Where does Europe go from here?



Card payments in the EU

- 40 billion payment card transactions per year
- 1,45 cards per inhabitant in EU
- Card holders use their payment card on average 5 (Bulgaria) to 230 (Sweden) times a year
- Total value of card payments keeps increasing
- Merchants pay EUR 13 billion to accept cards



European
Commission

CARD SCHEME

Service Fee

Service Fee



Issuing
Bank



Acquiring
bank

Interchange fee for the classic
four parties scheme

card



Payer



Payee

Competition

Network rules

- Multilateral Interchange Fees (MIFs)
- Honour All Cards Rule
- No Discrimination - No Surcharge Rule
- Rules for cross border acquiring of merchants
- Rules on co-branding



Why antitrust scrutiny ?

- Central Banks & antitrust authorities : different remits for scrutinising payment card systems
- Network rules are "decisions of an association of undertakings" (Article 101 TFEU) and were notified to Commission in 1990s
- Complaints from merchants regarding high cost of accepting payment cards

DG COMP antitrust cases

- VISA I – (AT 29373) 2001/ 2002 (commitments)
- VISA II – (AT 37.860) – fines: exclusionary conduct
- VISA II – (AT 39.398) 2014 – MIF (commitments)
- MasterCard (AT 39.745) - MIF (prohibition)
- Groupement de Cartes Bancaires (prohibition)

... cases with Visa and MasterCard for cross border and domestic interchange fees still ongoing today.



What is the problem with Multilateral Interchange Fees (MIFs)?

MIFs restrict price competition between payee banks.

MIFs artificially inflate the basis on which acquiring banks set their charges to merchants.

MIFs thereby determine a floor for the merchant service charge and merchants are unable to negotiate an inferior price with their merchant bank.

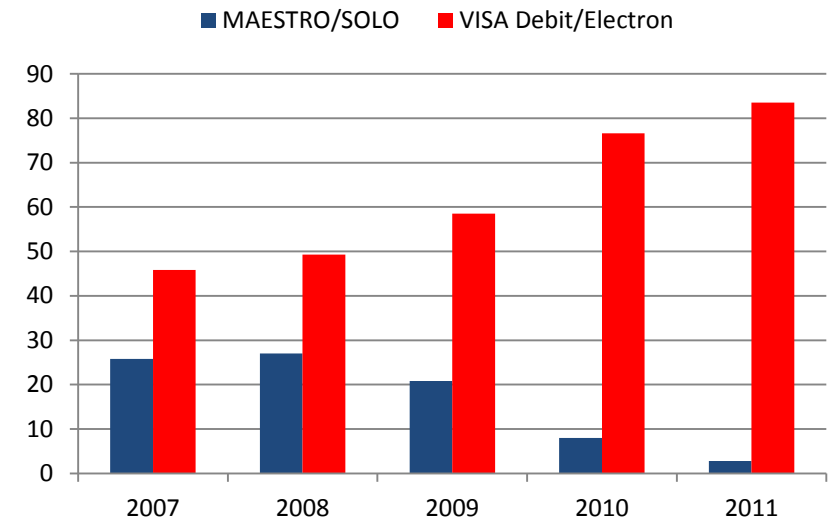
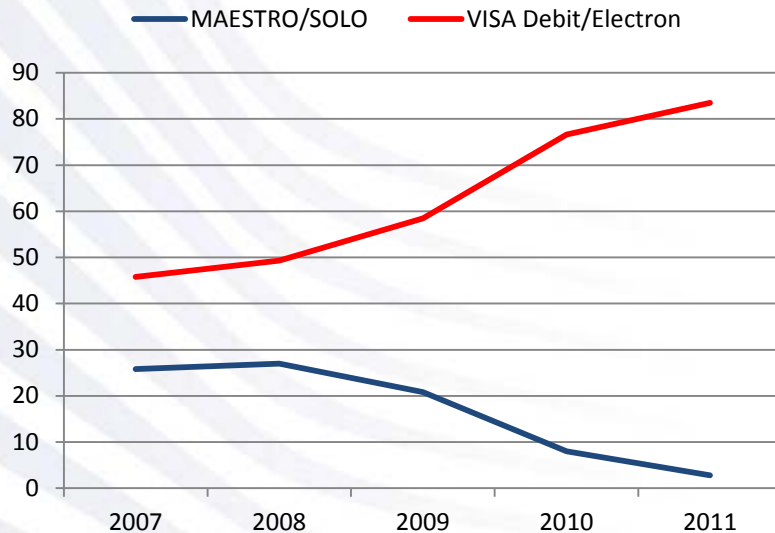
MIF can generate a reverse competition between card schemes: to attract more card issuing banks, schemes increase MIFs and thereby inflate retail prices.

MASTERCARD and VISA Debit Cards in the UK



	2007	2008	2009	2010	2011
Maestro / Solo	25.8	27.0	20.8	8	2.8
Visa debit / Electron	45.8	49.3	58.5	76.6	83.5
Total Debit	71.6	76.2	79.2	84.6	86.3

[in Millions]

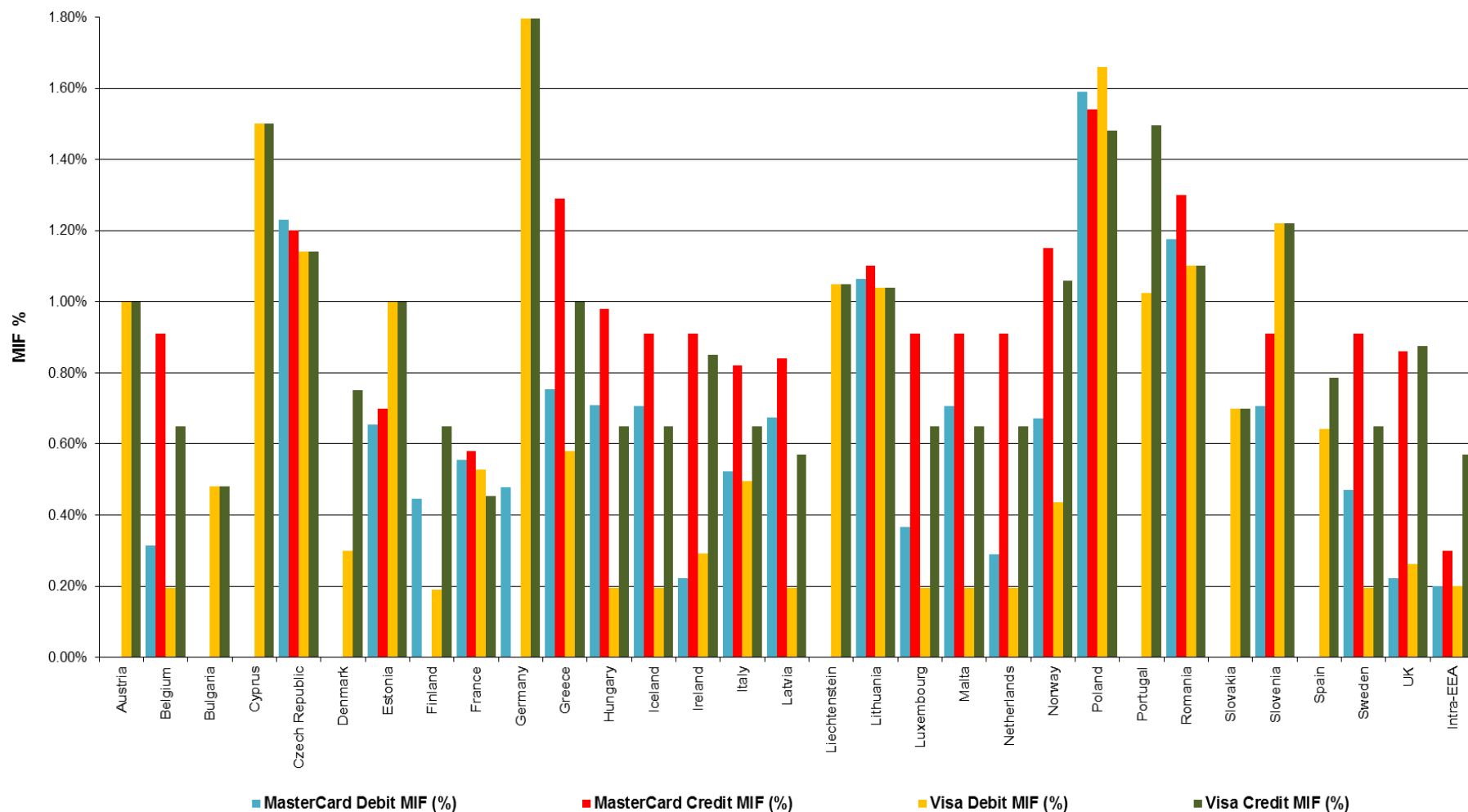


Effects of MIFs on consumers

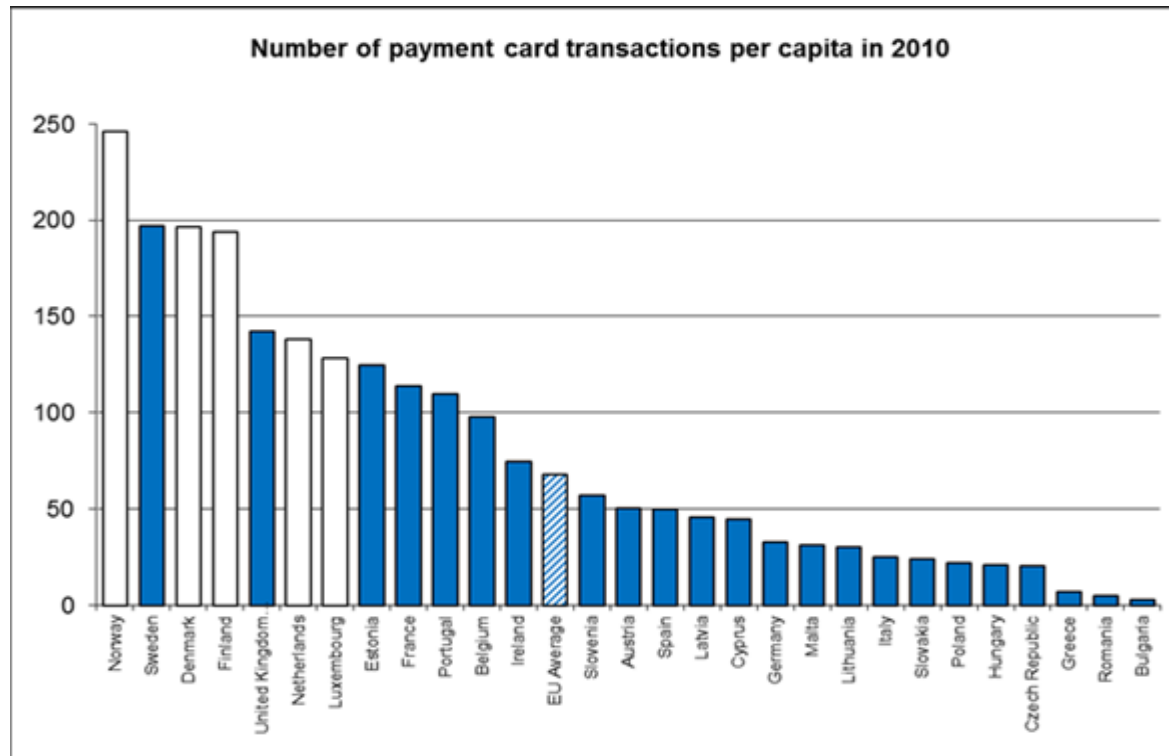
- Incentives for consumers to use the most expensive payment instruments (air miles....)
- Paid by the retailer who cannot refuse to be paid by cards or surcharge/rebate(business stealing otherwise)
- Consumers not incentivised to use the most efficient payment instrument
- Consumers using the most efficient payment instrument are subsidising the others through higher retail prices overall



2013 (Estimated) Weighted average domestic MIF of Visa and MasterCard by country - Consumer Cards



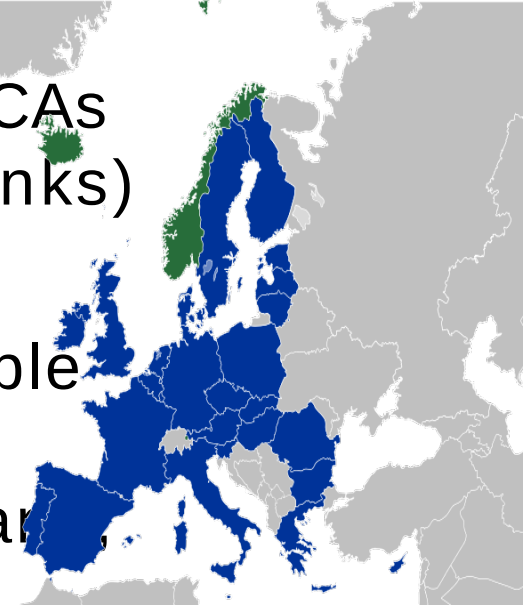
High card usage despite low interchange fees



... a challenge for the European Competition Network!

Majority of MIFs dealt with by the NCAs
(domestic MIFs often set by local banks)

Commission cases used as an example
for NCAs (Many NCAs acting
- e.g. Poland, Hungary, Italy, Germany,
UK, France, Latvia ...)





For more information ...

http://ec.europa.eu/competition/sectors/financial_services/information_paper_payments_en.pdf

Draft Regulation on MIFs (2013)

- http://europa.eu/rapid/press-release_IP-14-197_en.htm

VISA Commitment Decision (2014)

- <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2013:0550:FIN:EN:PDF>