Towards an integrated European market for card, internet and mobile payments

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The Committee on Economic and Monetary Affairs adopted an own-initiative report by Sampo TERHO (EFD, FI) on the Green Paper 'Towards an integrated European market for card, internet and mobile payments'.

Members commend the Commission for providing the Green Paper, find the considerations and questions posed therein to be highly relevant, and fully agree with the listed aims to get more competition, more choice, more innovation and more payment security, as well as customer trust.

The main recommendations contained in the report are as follows:

The different payment methods: although noting the importance of market-based self-regulation in cooperation among all stakeholders, the committee recognises that s**elf-regulation may not achieve desired outcomes** in an acceptable timeframe due to conflicting interests. It expects the Commission to come forward with necessary **legislative proposals** in order to help ensure a true Single European Payments Area (SEPA) for card, internet and mobile payments, and notes in this respect the importance of the forthcoming review of the Payment Services Directive.

The report points out that a **safe, trustworthy and transparent European framework** for electronic payments is essential for the launch of a digital single market. It stresses that measures should be taken to put an end to the frequent discrimination of European consumers whose payments for cross-border online transactions are not accepted because of their provenance.

Members regret that, in the current situation, **most payment costs are non-transparent**. They therefore call upon the Commission also to consider in the future the cost, peculiarities and societal impacts of cash and cheque payments, for all market players and consumers, as compared to other payment methods. They stress that actions towards common technical standards shall be taken in the light of the importance, effectiveness and sufficiency of the standards currently in place in Europe.

Standardisation: Members consider **further work on common technical standards**, on an open access basis, could enhance the competitiveness of the European economy and the functioning of the internal market, but would also foster interoperability and bring security-related advantages in the form of common security standards, to the benefit of both consumers and merchants.

Members note that for internet and mobile payments, most standards should be the same as for current SEPA-payments, but new standards are needed for security and identification of customers, and to provide interbank online real-time delivery.

The report underlines that, given the fast-growing but, at present, immature phase of market development for electronic and mobile payments, **imposing mandatory standards in these key areas for the enhancement of the digital single market in Europe would entail the risk of negative effects for innovation, competition and market growth**.

In Members' opinion, any standardisation and interoperability requirements should be aimed at enhancing the competitiveness, transparency, innovative nature, payment security and effectiveness of the European payment systems, to the advantage of all consumers and other stakeholders. Furthermore, common

standards should be sought at global level as well, in close cooperation with the EU's key economic partners.

Governance: the report calls on the Commission to propose a **better SEPA governance**, covering the organisational setup related to the development of the main features of payment services and of the implementation of the requirements which need to be met, and allowing the development of technical and security standards to be organised separately in support of the implementation of the related legislation.

Members favour a **more balanced representation of all stakeholders** in the further development of common technical and security standards for payment systems. The Commission is called upon to answer Parliament's previous calls for reform of SEPA governance so as to ensure better representation of payment services users in the decision-making and standard-setting process.

Multilateral Inter-change Fees (MIFs): recalling that according to the European Court of Justice ruling on the "Mastercard case" of 24 May 2012, the **MIF may be considered anticompetitive**, Members ask the Commission to propose how this ruling should be taken into account in regulating the business models for card, mobile or internet payments.

Noting that **current MIF revenues are in many cases too high** relative to the costs they should cover, the report points out that there might be a need to balance different payment charges in order to ensure that cross-subsidising practices would not promote inefficient instrument choices. Members call on the Commission to **ensure by regulation** that MIFs no longer distort competition by creating barriers to new market entrants and innovation and to conduct an impact assessment, by the end of 2012, on the different options.

The report favours **MIFs being regulated at the European level**, with the aim of ensuring easier access for new market players to cross-border acquiring, thereby providing merchants with a real choice of which payment schemes they wish to join. It points out that if the new legislative proposal provides for fees, full transparency should be ensured on the elements that constitute their rates.

Surcharging: the report stresses that it is necessary to require **greater transparency and better consumer information** regarding surcharges and additional fees for the various payment methods. Members note that surcharging based solely on the payment choice made by a customer risks being arbitrary, might be abused to raise additional revenue rather than to cover cost. They consider that it would be important to **ban the possibilities for excessive surcharges** in relation to the merchant fee of an individual transaction, and to control rebates and similar consumer steering practices in all the Member States.

Members stress, therefore, that merchants should **accept one commonly used payment instrument without any surcharge** (SEPA-compliant debit card, e-payment), and that any surcharges on other instruments may not at any point exceed the additional direct costs of those instruments compared to the instrument accepted without surcharge.

Payment security: Members consider that the minimum security requirements for internet, card and mobile payments should be **the same in all Member States**, and that there should be a common governing body setting the requirements. They recall that while the final responsibility for security measures relating to different payment methods cannot lie with customers, they should be informed about security precautions, and financial institutions should be responsible for fraud costs, unless caused by the customer.

They are generally **not in favour of third-party access to a customer's bank account information** unless the system is demonstrably secure and has been thoroughly tested. They note that, in any regulation, third-party access should be limited to binary ('yes–no') information on the availability of funds, and that special attention should be paid to security, data protection and consumer rights.