Interchange fees for card-based payment transactions

2013/0265(COD) - 11/03/2014 - Committee report tabled for plenary, 1st reading/single reading

The Committee on Economic and Monetary Affairs adopted the report by Pablo ZALBA BIDEGAIN (EPP, ES) on the proposal for a regulation of the European Parliament and of the Council on interchange fees for card-based payment transactions

The committee recommended that the position of the European Parliament adopted in first reading following the ordinary legislative procedure should amend the Commission proposal as follows:

Purpose: the Regulation lays down uniform technical and business requirements for card-based payment transactions carried out within the Union, where both the payer's payment service provider and the payee's payment service provider are established therein.

The regulation should **apply to transactions with commercial cards**, but should not apply to: (i) cash withdrawals or transactions other than sales of goods or services performed at automatic teller machines and cash disbursements at the counter of payment service providers' premises; and (ii) transactions with cards issued by three party payment card schemes where their volume does not exceed a threshold set by the Commission.

Cost-efficient domestic debit card schemes that already today operate with an interchange fee level below the threshold proposed by the Commission (0.2 %) could be exempted from the business rules if national authorities decided to opt out.

Limit on interchange fees:

- for **credit card transactions**, Members supported the Commission proposal to limit the fees to **0.3 %** of the value of the transaction;

- for **debit card transactions**, the committee proposed a limit of the **lower amount of 7 eurocents or 0.2 %** of the value of the transaction.

These rules will apply **from the entry into force of the regulation**.

Member States may maintain or introduce lower caps or measures of equivalent object or effect through national legislation.

Circumvention: competent authorities must prevent any attempts by the payment service providers to circumvent the Regulation, including the issuance of payment cards in third countries.

Licensing rules: any restriction of the provision of payment-related services in payment card schemes rules should be prohibited, unless it was non-discriminatory and objectively necessary to operate the payment scheme.

Cross-border transactions: to allow the single market to operate most effectively, it was necessary to ensure that the interchange fee applied for all transactions is **that of the Member**

State in which the acquirer was situated. This would facilitate competition below capped rates where these are applicable.

Separation of payment card scheme and processing entities: one year after the entry into force of the regulation, processing entities within the Union should ensure that their system was **technically interoperable** with other systems of processing entities within the Union through the use of standards developed by international or European standardisation bodies.

After consulting an advisory panel, EBA should develop draft regulatory technical standards establishing requirements to be complied with by payment systems, payment schemes and processing entities to ensure a fully open and competitive card processing market.

Member States may exempt newly established card-based payment schemes from applying this provision for a limited period of time by way of derogation after consulting the Commission.

Competition between brands: in order to ensure that competition between brands was effective, Members felt that **the choice of payment application should be made by users,** not imposed by the upstream market, comprising payment card systems, payment service providers or processors. Such an arrangement should not prevent payers and payees from setting a default choice of application, where technically feasible, provided that that choice can be changed for each transaction. If the payee selected an application supported by both, the user should be able to reject it and choose another application.

Information to the payee: when entering into a contractual agreement with a payment services provider, the consumer should also be provided with clear and objective periodical information about the payment characteristics and payment fees applied to payment transactions.

Member States should ensure that payment service providers participate in complaints procedures.

Review clause: within two years of entry into force of the regulation, the commission should submit a report on the application of the regulation. The assessment should consider: (i) the development of cardholder fees; (ii) the level of competition among payment card providers and schemes; (iii) the effects on costs for the payer and the payee; (iv) the levels of merchant pass-through of the reduction in interchange levels; (v) the technical requirements and its implications for all the parties involved.

The report should be accompanied by a legislative proposal that might include a proposed amendment of the maximum cap for interchange fees.