Interchange fees for card-based payment transactions

2013/0265(COD) - 03/04/2014 - Text adopted by Parliament, partial vote at 1st reading/single reading

The European Parliament adopted **amendments** to the proposal for a regulation of the European Parliament and of the Council on interchange fees for card-based payment transactions.

The matter was referred back for further examination to the committee responsible. The vote was postponed until a subsequent plenary session.

The main amendments adopted in plenary were the following:

Reduce transaction costs for consumers: the amended text underlines that the interchange fees charged by banks to merchants are **a main component** of the fees charged to merchants by acquiring payment service providers for every card transaction. Merchants in turn incorporate these card costs, like all their other costs, in the general prices of goods and services.

According to Members, **consistent application of the competition rules to interchange fees** would reduce transaction costs for consumers and thus improve the functioning of the internal market.

Caps on interchange fees:

- For **credit card** transactions, Members supported the European Commission's proposal to place a cap on the bank's fee of **0.3%** of the value of the transaction.

- For **debit card** transactions, the parliamentary committee proposed a cap of 0.07 euros or 0.2% of the value of the transaction, whichever was the higher.

These caps would concern **national and transnational transactions** within the EU and would apply **one year** after 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**.

Separation of payment card scheme and processing entities: scheme rules and rules in licensing agreements or other contracts leading to a **restriction on the freedom to choose** a processor shall be prohibited.

One year after the entry into force of the regulation, processing entities within the Union should ensure that their system is **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.

Co-badging and choice of payment application: according to the amended text, payment card schemes, issuers, acquirers and payment card handling infrastructure providers **should not insert automatic mechanisms**, software or devices on the payment instrument or on equipment applied at the point of sale which limit the choice of application by the payer and the payee when using a co-badged payment instrument.

Payees should retain the option of installing automatic mechanisms in the equipment used at the point of sale which make a priority selection of a particular brand or application. However, payees **should not prevent the payer**, for the categories of cards or related payment instruments accepted by the payee, **from overriding an automatic priority selection** made by the payee in its equipment.

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.

Payment service providers should also 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 ; (vi) the effects of co-badging on user-friendliness, in particular for the elderly and other vulnerable users.

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