Interchange fees for card-based payment transactions

2013/0265(COD) - 18/02/2015 - 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 matter had been referred back to the competent committee for reconsideration during the plenary sitting of 3.4.2014.

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

Reduce transaction costs for consumers: Members stated that a consistent application of the competition rules to interchange fees would improve the functioning of the internal market and contribute to reducing transaction costs for consumers.

Interchange fee caps: as regards interchange fees for consumer debit card transactions, payment service providers shall not offer or request a per transaction interchange fee of more than **0.2%** of the value of the transaction for any debit card transaction.

For **domestic debit card transactions** Member States may either:

- define a per transaction percentage interchange fee cap lower than 0.2% and may impose a fixed maximum fee amount as a limit on the fee amount resulting from the applicable percentage rate;

- allow payment service providers to apply a per transaction interchange fee of no more than **EUR 0.05**, or, which may also be combined with a maximum percentage rate of no more than 0.2%, provided always that the sum of interchange fees of the payment card scheme does not exceed 0.2% of the total annual transaction value of the domestic debit card transactions within each payment card scheme.

Until five years and six months after the entry into force of this Regulation, Member States may allow payment service providers to apply a weighted average **interchange fee of no more than the equivalent of 0.2%** of the annual average transaction value of all domestic debit card transactions within each payment card scheme. Member States may define a lower weighted average interchange fee cap applicable to all domestic debit card transactions.

For interchange fees for consumer credit card transactions, payment service providers shall not offer or request a per transaction interchange fee of more than 0.3% of the value of the transaction for any credit card transaction. For domestic credit card transactions Member States may define a lower per transaction interchange fee cap.

Three-party payment systems: until 42 months after the date of entry into force of this Regulation, in relation to domestic payment transactions, such a three party payment card scheme (cardholder - acquiring and issuing scheme - merchant) may be **exempted from the obligations** under the Regulation, provided

that the card-based payment transactions made in a Member State under such a three party payment card scheme do not exceed on a yearly basis 3% of the value of all card-based payment transactions made in that Member State.

A **commercial card** used only for business expenses charged directly to the account of the undertaking or public sector entity or the self-employed natural person shall be exempt from the new provisions.

Business rules (licensing): any territorial restrictions within the Union or rules with an equivalent effect in licensing agreements or in payment card scheme rules for issuing payment cards or acquiring card-based payment transactions shall be prohibited.

Separation of payment card scheme and processing entities: payment card schemes and processing entities: (a) shall be independent in terms of accounting, organisation and decision-making processes; (b) shall not present prices for payment card scheme and processing activities in a bundled manner and shall not cross-subsidise such activities.

The European Banking Authority (EBA) may, after consulting an advisory panel, develop draft regulatory technical standards establishing the requirements to be complied with by payment card schemes and processing entities to ensure the proper application of this Regulation.

Co-badging and choice of payment brand or payment application: when entering into a contractual agreement with a payment service provider, **the consumer may require two or more different payment brands** on a card-based payment instrument provided that such a service is offered by the payment service provider. In good time before the contract is signed, the payment service provider shall provide the consumer with clear and objective information on all the payment brands available and their characteristics, including their functionality, cost and security.

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

Universal cards: in order to ensure an adequate level playing field between the different categories of payment cards, it is appropriate to apply the **same rule** provided by this Regulation for the debit card transactions to such 'universal cards' domestic payment transaction.

However, in exceptional circumstances and during a transition period of 18 months from the entry into force of the Regulation, Member States may define a share of **no more than 30%** of the domestic payment transactions by universal cards shall be considered to be equivalent to credit card transactions.

Review clause: by four year after the entry into force of the Regulation, the Commission should present a report studying various effects of this Regulation on the functioning of the market. It is necessary that the Commission has the possibility to collect the information required to establish this report in cooperation with the competent authorities.