Implementation of the rules on competition

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On the basis of Article 17 of Regulation 1/2003/EC on retail banking, the Commission initiated an inquiry into retail banking. According to this provision the Commission may decide to conduct an inquiry into a particular sector of the economy or into particular types of agreements across various sectors, where the trend of trade between Member States, the rigidity of prices or other circumstances suggest that competition may be restricted or distorted within the common market. This document is the final report of the retail banking inquiry.

The sector inquiry has identified a number of symptoms suggesting that competition may not function properly in certain areas of retail banking The inquiry has confirmed that markets remain fragmented along national lines, including in retail banking infrastructures such as payment systems and credit registers.

This sector inquiry identified four key issues that will need to be followed up by the Commission and national competition authorities:

• the design and operation of payment systems, including card payment systems: the European payment cards industry provides the means for a significant part of sales in Europe. Total sales volumes with card transactions in the EU in 2005 were more than EUR 1350 billion. The sector inquiry has identified several significant competition issues in the European payment cards market that confirm the need for strong competition law enforcement in close cooperation with national competition authorities;

• credit registers: open and affordable access to good quality credit data is an important prerequisite for banks wishing to provide core retail banking products such as mortgages, consumer loans and credit cards. However, widespread credit data are not available in several Member States, whether because of regulation or the limited development of credit data markets;

• cooperation between banks: retail banks co-operate in a variety of areas such as the setting of standards and infrastructures or the operation of payment systems. Savings and cooperative banks traditionally have even closer co-operative ties. Co-operation between banks can result in economic and consumer benefits. It usually does so where the banks involved are SMEs and jointly do not possess a significant market share. Where independent banks with a significant combined market position enter into cooperation with the object or effect of limiting competition among themselves or excluding new entrants, however, effective competition can be impeded;

• the setting of banks' prices and policies, including product tying: prices for retail banking products vary substantially across Member States. However, the inquiry has found that at national level there is evidence of convergent behaviour in pricing and policies for core retail banking products. In current accounts such convergent behaviour can be seen in relation to the setting of several parameters including account management fees, closing charges, ATM fees and default charges. Product tying is an additional aspect where banks in the majority of Member States demonstrate convergent behaviour. Tying can weaken retail banking competition by raising switching costs, reducing price transparency and discouraging the entry of new players (especially mono-line suppliers).

The European Commission will not hesitate to exercise its powers of enforcement under Articles 81, 82 and 86 EC, to ensure that the competition rules are respected in retail banking; and with respect to the

various payment markets and the SEPA (Single European Payment Area) project in particular. The European Commission will also continue its efforts in fields other than competition law to further increase the benefits of the internal market in retail banking to its citizens.