Basic information

2013/0265(COD) COD - Ordinary legislative procedure (ex-codecision procedure) Regulation	Procedure completed
Interchange fees for card-based payment transactions **Subject** 2.50.04.02 Electronic money and payments, cross-border credit transfers 2.50.08 Financial services, financial reporting and auditing 3.45.03 Financial management of undertakings, business loans, accounting 3.45.05 Business policy, e-commerce, after-sales service, commercial distribution 4.60.06 Consumers' economic and legal interests	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
ECON Economic and Monetary Affairs	ZALBA BIDEGAIN Pablo (PPE)	22/07/2014
	Shadow rapporteur LUDVIGSSON Olle (S&D) TERHO Sampo (ECR) IN 'T VELD Sophia (ALDE) CARTHY Matt (GUE/NGL) EICKHOUT Bas (Verts/ALE) VALLI Marco (EFDD)	

Former committee responsible	Former rapporteur	Appointed
ECON Economic and Monetary Affairs		

Committee for opinion	Rapporteur for opinion	Appointed
IMCO Internal Market and Consumer Protection	The committee decided not to give an opinion.	

Former committee for opinion	Former rapporteur for opinion	Appointed
IMCO Internal Market and Consumer Protection		

Council of the European Union	

Council configuration	Meetings	Date
Agriculture and Fisheries	3381	2015-04-20

European Commission	

Commission DG	Commissioner
Financial Stability, Financial Services and Capital Markets Union	MOSCOVICI Pierre

European Economic and Social Committee

Key events

Date	Event	Reference	Summary
24/07/2013	Legislative proposal published	COM(2013)0550	Summary
08/10/2013	Committee referral announced in Parliament, 1st reading		
11/03/2014	Committee report tabled for plenary, 1st reading	A7-0167/2014	Summary
02/04/2014	Debate in Parliament		
03/04/2014	Decision by Parliament, 1st reading	T7-0279/2014	Summary
03/04/2014	Results of vote in Parliament		
03/04/2014	Matter referred back to the committee responsible		
20/10/2014	Resumption of business from the previous parliamentary term		
27/01/2015	Vote in committee, 1st reading		
27/01/2015	Approval in committee of the text agreed at 1st reading interinstitutional negotiations	PE604.813	
18/02/2015	Committee report tabled for plenary, 1st reading	A8-0022/2015	Summary
10/03/2015	Decision by Parliament, 1st reading	T8-0048/2015	Summary
10/03/2015	Results of vote in Parliament		
20/04/2015	Act adopted by Council after Parliament's 1st reading		
29/04/2015	Final act signed		
29/04/2015	End of procedure in Parliament		
19/05/2015	Final act published in Official Journal		

Technical information

Procedure reference	2013/0265(COD)
Procedure type	COD - Ordinary legislative procedure (ex-codecision procedure)
Procedure subtype	Legislation

Legislative instrument	Regulation
Legal basis	Treaty on the Functioning of the European Union TFEU 114-p1
Other legal basis	Rules of Procedure EP 165
Mandatory consultation of other institutions	European Economic and Social Committee
Stage reached in procedure	Procedure completed
Committee dossier	ECON/8/00201

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee draft report		PE522.956	25/11/2013	
Amendments tabled in committee		PE524.782	24/01/2014	
Committee report tabled for plenary, 1st reading/single reading		A7-0167/2014	11/03/2014	Summary
Text adopted by Parliament, partial vote at 1st reading /single reading		T7-0279/2014	03/04/2014	Summary
Text agreed during interinstitutional negotiations		PE604.813	21/01/2015	
Committee report tabled for plenary, 1st reading/single reading		A8-0022/2015	18/02/2015	Summary
Text adopted by Parliament, 1st reading/single reading		T8-0048/2015	10/03/2015	Summary

Council of the EU

Document type	Reference	Date	Summary
Draft final act	00003/2015/LEX	29/04/2015	

European Commission

Document type	Reference	Date	Summary
Legislative proposal	COM(2013)0550	24/07/2013	Summary
Document attached to the procedure	SWD(2013)0288	24/07/2013	
Document attached to the procedure	SWD(2013)0289	24/07/2013	
Commission response to text adopted in plenary	SP(2015)232	14/04/2015	
Follow-up document	SWD(2020)0118	29/06/2020	

National parliaments

Document type	Parliament /Chamber	Reference	Date	Summary

Contribution	PT_PARLIAMENT	COM(2013)0550	24/10/2013	
Contribution	RO_CHAMBER	COM(2013)0550	28/10/2013	

Other institutions and bodies

Institution/body	Document type	Reference	Date	Summary
EDPS	Document attached to the procedure	N7-0067/2014 OJ C 038 08.02.2014, p. 0014	05/12/2013	Summary
EESC	Economic and Social Committee: opinion, report	CES5238/2013	11/12/2013	
ECB	European Central Bank: opinion, guideline, report	CON/2014/0010 OJ C 193 24.06.2014, p. 0002	05/02/2014	Summary

Additional information

Source	Document	Date
National parliaments	IPEX	
European Commission	EUR-Lex	

Final act

Regulation 2015/0751
OJ L 123 19.05.2015, p. 0001 Summary

Delegated acts

Reference	Subject
2017/2890(DEA)	Examination of delegated act

Interchange fees for card-based payment transactions

2013/0265(COD) - 24/07/2013 - Legislative proposal

PURPOSE: to lay down uniform technical and business requirements on interchange fees for card-based payment transactions.

PROPOSED ACT: Regulation of the European Parliament and of the Council.

ROLE OF THE EUROPEAN PARLIAMENT: the European Parliament decides in accordance with the ordinary legislative procedure and on an equal footing with the Council.

BACKGROUND: the regulatory and legislative framework for retail payments in the EU has been developed over the past 12 years, with the advent of the Euro acting as an accelerating factor.

One of the key practices hindering the achievement of an integrated market reasons is the widespread use of so-called **Multilateral Interchange Fees (MIFs).** At present, no legislation regulating interchange fees is in place in the EU. MIFs are collectively agreed inter-bank fees usually between the

acquiring payment service providers and the issuing payment service providers belonging to a certain scheme. Such interchange fees paid by acquiring payment service providers form part of the fees they charge to merchants which merchants in turn pass on to consumers. Thus, **high Interchange Fees paid by merchants result in higher final prices for goods and services, which are paid by all consumers**.

There currently is a **wide variety of interchange fees applied** within national and international payment card schemes, which gives rise to market fragmentation and prevents retailers and consumers from enjoying the benefits of an internal market for goods and services.

Market entry for pan-European players remains difficult, as domestic interchange fees in EU Member States vary widely and new entrants would have to offer interchange fees at least comparable to those prevailing in each market they want to enter. The entry barriers interchange fees thus created for online and mobile payment solutions also result in less innovation.

Over the last 20 years, the European Commission and national competition authorities have conducted a number of **antitrust proceedings addressing anti-competitive practices** in the card payment market. The General **Court judgment of May 2012** confirmed the Commission's finding in its MasterCard Decision of December 2007 that MIFs **restrict competition** as they inflate the cost of card acceptance by merchants without leading to benefits for consumers.

In its non-legislative resolution of 20 November 2012 on the Green Paper 'Towards an integrated European market for card, internet and mobile payments", the Parliament took a firm position in favour of providing clarity on interchange fees to market participants and expressed itself in favour of a **gradual approach leading to a ban on interchange fees through regulation**.

LEGAL BASIS: Article 114 of the Treaty on the Functioning of the European Union (TFEU).

IMPACT ASSESSMENT: the impact assessment considers six scenarios for interchange fees. The assessment concludes that the most beneficial option appears to be a combination of:

- **capping the level of interchange fees for cross-border transactions** with consumer debit and credit cards (in the first stage) and, in a second stage, capping the level of interchange fees also for domestic transactions with consumer credit cards and consumer debit cards;
- **a series of measures to enhance effective market functioning** including the limitation of the rule allowing merchants to determine the choice of card brand at the point of sale for all cards and card-based transactions based on four party scheme models.

CONTENT: the present regulation, combined with the proposed revised Payment Services Directive, proposes to **create common rules for interchange fees in the European Union** by introducing maximum fee levels for transactions with payment cards that are widely used by consumers and thereby difficult to refuse or surcharge by retailers. The regulation will in addition propose **transparency measures** to allow retailers and consumers to make better informed choices of payment instruments.

Capping interchange fees: the Commission proposes to set caps for interchange fees to payment service providers of **0.2% and 0.3% for the value of the transaction for all consumer debit and credit transactions**. These figures have been accepted by Visa, MasterCard and the French domestic card scheme *Groupement Cartes Bancaires.*

- During a transition period of two years, maximum levels of interchange fees are imposed for ***cross-border*** transactions (where the card holder uses their card in another Member State) or cross-border acquired transactions (where the merchant uses an acquiring PSP in another Member State) only.
- After a transitional period, the regulation of interchange fees for consumer cards should therefore be extended to cover also **domestic** interchange fees.

Business rules: the proposed Regulation contains measures as regards business rules that will be applicable to *all* categories of card transactions and *card-based* payment transactions based on those. As of the entry into force of the regulation, for instance:

- the application of the **'Honour All Cards Rule' will be limited**. No discrimination will be nonetheless allowed on the basis of the issuing bank or the provenance of the card holder and between the cards carrying the same interchange fee level;
- the application of any rule preventing or limiting merchants from steering customers to more efficient payments instruments (**'no steering rules'**) will be prohibited;
- acquiring Payment Service Providers will provide at least **monthly statements** of fees to merchants, in which the fees paid by the merchant over the relevant month concerning each category of cards and each individual brand for when the acquirer provides acquiring services is specified;
- the application of any rule withholding merchants from disclosing to their customers fees they pay to payment services acquirers will be prohibited.

BUDGETARY IMPLICATIONS: the proposal does not have any impact on the EU budget.

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.

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.

Interchange fees for card-based payment transactions

2013/0265(COD) - 05/12/2013 - Document attached to the procedure

Opinion of the European Data Protection Supervisor on a Proposal for a Directive of the European Parliament and of the Council on payment services in the internal market amending Directives 2002/65/EC, 2006/48/EC and 2009/110/EC and repealing Directive 2007/64/EC, and for a Regulation of the European Parliament and of the Council on interchange fees for card-based payment transactions.

The EDPS welcomes the introduction in Article 84 of a substantive provision stating that any processing of personal data taking place in the frame of the proposed Directive should be done in full respect of the national laws implementing Directive 95/46/EC and Directive 2002/58/EC, and of Regulation (EC) No 45/2001.

It recommends that:

- references to applicable data protection law should be specified in concrete safeguards that will apply to any situation in which personal data processing is envisaged;
- it should be clarified expressly in the proposed Directive that the processing of personal data may be carried out insofar that it is necessary for the performance of payment services;
- a substantive provision should be added stating the obligation that 'privacy by design/privacy by default' be embedded in all data processing systems developed and used in the frame of the proposed Directive;
- regarding exchanges of information: (i) mentioning the purposes for which personal data can be processed by national competent authorities, the EU central bank, the national central banks and the other authorities, (ii) specifying the kind of personal information that can be processed under the proposed Directive and (iii) fixing a proportionate data retention period for the processing or at least introducing precise criteria for its establishment;
- a requirement should be introduced for competent authorities to request documents and information by formal decision, specifying the legal basis and the purpose of the request and what information is required should be introduced, as well as the time-limit within which the information is to be provided.
- in the case of the term 'availability of sufficient funds', it is made clear that the information transmitted to the third party should consist in a simple 'yes' or 'no' answer to the question if there are sufficient funds available — not in for example a statement of the account balance;
- the processing of personal data, and their passing along through the various intermediaries, should respect the principles of confidentiality and security;
- a substantive provision should be added to the proposed Directive with the obligation that standards are developed on the basis of, and after having conducted, privacy impact assessments;
- a reference should be included as regards the need to consult the EDPS in so far as the EBA guidelines on state of the art customer authentication and any exemption of the use of strong customer authentication concern the processing of personal data.

Interchange fees for card-based payment transactions

2013/0265(COD) - 05/02/2014 - European Central Bank: opinion, guideline, report

OPINION OF THE EUROPEAN CENTRAL BANK on a proposal for a regulation of the European Parliament and of the Council on interchange fees for card-based payment transactions.

On 31 October 2013, the European Central Bank (ECB) received a request from the Council for an opinion on a proposal for a regulation which seeks to lay down uniform technical and business requirements for payment card transactions carried out within the European Union where both the payer's and the payee's payment service provider are established in the Union.

The ECB welcomes the fact that the proposed regulation lays down common Union-wide rules on inter change fees and also uniform business rules and technical requirements for card-based payment transactions. The proposals are generally in line with existing Eurosystem positions.

The new rules should **reduce market fragmentation and create a level playing field**, which will make it easier for existing players to compete and for new providers to enter the market for card payments, thus leading to increased efficiency and a greater use of electronic payment instruments overall.

The ECB makes the following observations:

Defined terms: the ECB notes that the definitions have been aligned to some extent, but not fully, with those of the proposal for a second Payment Services Directive. Therefore, the ECB considers that the definitions of a number of key terms such as that of 'payment order', 'payment service provider' and 'payment transaction' should be further aligned with those in the proposed Payment Services Directive (PSD2).

Simultaneous introduction of caps: the ECB welcomes the fact that there is increased clarity regarding interchange fees. If, however, the caps on cross-border interchange fees are introduced before the caps on national interchange fees, small national card acquirers could be put at a disadvantage, because they will not be able to compete with foreign acquirers that benefit from the resulting lower cross-border interchange fees. The ECB would therefore suggest introducing these caps simultaneously.

Cobranding: the ECB supports the proposal that the choice of brand in cases of more than one brand on a card (co-branding) should be made at the point of sale. At the same time, payers may have an incentive to choose card brands that provide them with additional benefits such as reward programmes, which might consequently lead to an increase in the use of expensive card brands. In this regard, the ECB suggests that the choice of a specific brand should be agreed upon jointly by the cardholder and the merchant at the point of sale.

Prohibition on rules forcing merchants to accept all cards of a specific brand: while the ECB welcomes this prohibition, it considers that the decision on whether to accept cards, as well as the particular brands or card products which may be accepted under a certain scheme, should be a commercial decision by the merchant.

Discrimination: the ECB further suggests clarifying that payment card schemes should not discriminate against processing entities by implementing business rules that unduly restrict interoperability between processing entities.

Transitional period: in order for payment card schemes to adapt to the new requirements, the ECB recommends that a transitional period for the separation requirement could be considered.

National authority: for efficiency reasons, the ECB would suggest one single competent authority being responsible for ensuring compliance with the regulation, however being aware that this might prove difficult in practice due to diverging national set ups.

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.

Interchange fees for card-based payment transactions

2013/0265(COD) - 29/04/2015 - Final act

PURPOSE: to lay down uniform technical and business requirements on interchange fees for card-based payment transactions.

LEGISLATIVE ACT: Regulation (EU) 2015/751 of the European Parliament and of the Council of 29 April 2015 on interchange fees for card-based payment transactions.

CONTENT: 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 located therein. Interchange fees are usually applied between the card-acquiring payment service providers and the card-issuing payment service providers belonging to a certain payment card scheme. Interchange fees are a main part of the fees charged to merchants by acquiring payment service providers for every card-based payment transaction. Merchants in turn incorporate those card costs, like all their other costs, in the general prices of goods and services.

The existing wide variety of interchange fees and their level prevent the emergence of new pan-Union players on the basis of business models with lower or no interchange fees, to the detriment of potential economies of scale and scope and their resulting efficiencies. This has a negative impact on merchants and consumers and prevents innovation.

The aim is to **reduce costs for both retailers and consumer**, and to help create an EU-wide payments market. The regulation will also help users make more informed choices about payment instruments.

Interchange fee caps:

- 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; or allow payment service providers to apply a per transaction interchange fee of no more than EUR 0.05, or, in the Member States whose currency is not the euro, the corresponding value in the national currency on 8 June 2015, which shall be revised every five years or whenever there is a significant variation in exchange rates. This per transaction interchange fee 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 9 December 2020, 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. 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

Universal cards: in relation to domestic payment transactions that are not distinguishable as debit or credit card transactions by the payment card scheme, the provisions on debit cards or debit card transactions are applied. However, until 9 December 2016, Member States may define a share of no more than 30% of the domestic payment transactions ‘Universal cards’ that are considered to be equivalent to credit card transactions to which the interchange fee cap set at 0.3% shall apply.

Exemptions:

- for domestic payment transactions, until 9 December 2018, a **three party payment card scheme** may be exempt from the obligations under this 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;
- **business cards** used only for business expenses shall also be exempt.

Transparency and choice of payment brand or payment application: the Regulation introduced transparent mechanisms which will allow retailers to be aware of the level of fees paid when accepting cards. The new rules will enable them to more easily select which payment cards to accept.

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.

Information to the payee: after the execution of an individual card-based payment transaction, the payee's payment service provider shall provide the payee with the following information:

- the reference enabling the payee to identify the card-based payment transaction;
- the amount of the payment transaction in the currency in which the payee's payment account is credited;
- the amount of any charges for the card-based payment transaction, indicating separately the merchant service charge and the amount of the interchange fee.

Review clause: by 9 June 2019, the Commission shall submit a report on the different effects of the Regulation on the functioning of the market. It shall, if appropriate, be accompanied by a legislative proposal that may include a proposed amendment of the maximum cap for interchange fees.

ENTRY INTO FORCE: it shall apply from 8 June 2015, with the exception of certain provisions which shall apply from 9 December 2015 and 9 June 2016.

Interchange fees for card-based payment transactions

2013/0265(COD) - 10/03/2015 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted by 621 votes to 26, with 29 abstentions, a legislative resolution on the proposal for a regulation of the European Parliament and of the Council on interchange fees for card-based payment transactions.

Parliament adopted its position at first reading following the ordinary legislative procedure. The amendments adopted in plenary amend the Commission proposal as follows:

Interchange fee caps: Parliament noted that in addition to a consistent application of the competition rules to interchange fees, regulating such fees would improve the functioning of the internal market and contribute to reducing transaction costs for consumers.

For **cross-border debit card transactions**, the agreed fee cap is 0.2% of transaction value.

For **domestic debit card transactions**, at Parliament's request, the same 0.2% cap will apply after a five-year transition period in which EU Member States may cap fees at 0.2% of the "annual weighted average transaction value of all domestic transactions within the card scheme". For **smaller domestic debit card transactions**, Member States may also set a maximum fixed fee of EUR 0.05 per transaction, after the five-year transition period.

As regards 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.

Information of the competent authorities: in order to define the relevant interchange fee caps for domestic debit card transactions, it is appropriate to allow national competent authorities entitled to ensure compliance with this Regulation to collect information regarding the volume and value of all debit card transactions within a payment card scheme or of the debit card transactions pertaining to one or more payment service providers. The competent authorities shall, upon their written request, require payment card schemes and/or payment service providers to provide all information necessary to verify the correct application of this Regulation. Any other information enabling the competent authorities to verify compliance shall be sent to the competent authorities upon their written request and within the deadline set by them.

Exemptions:

- 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.

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. The report by the Commission shall, if appropriate, be accompanied by a legislative proposal that may include a proposed amendment of the maximum cap for interchange fees.