

Press release

A cap on MIFs is likely to impact negatively card payment services

The EU-level plans to regulate Multi-lateral Interchange Fees (MIFs) for card payments have been revealed today by the European Commission.

MIFs are inter-bank fees typically negotiated between payment service providers (PSP) whereby the bank of the merchant purchases various services from the bank of the consumer. One of the key services financed by the interchange fees is the guarantee received by the merchant that all purchases will be paid to him independent of the circumstances (counterfeiting, fraud, theft etc). This guarantee does not exist on other means of payment (e.g. cash).

The Commission's proposed MIFs Regulation, as part of a payment package, introduces a maximum level of interchange fees.

Europe's banks are concerned that putting a ceiling on interchange fees will inevitably impact the business models of card issuers and acquirers (i.e. invert the traditional model from a merchant pay model to a consumer pay model) and may jeopardise the sustainability of current card payment services.

“Experience indeed shows that merchants do not pass fee reductions on to consumers as expected by regulators and consumer organisations. We have seen this in countries like Australia or Spain where Multi-lateral Interchange Fees have been capped. Moreover capping interchange fees is likely to have a negative impact on future innovation,” says Sébastien de Brouwer, EBF Executive Director, in charge of Retail, Legal, Economic and Social Policy.

Taking into account on-going proceedings and the judgment of the European Court in this area, the EBF argues that legislative intervention is not required.

“This issue has been under the scrutiny of competition authorities since 1984, which in a consistent manner, at national and European level, require full transparency and disclosure on the levels and methodologies used for calculating interchange fees in markets.” says de Brouwer.

The European Banking Federation intends to submit its position in response to the Commission Proposal.