

PRESS RELEASE

Brussels, 24 July 2013

Payments package: Commission proposal on interchange will allow retailers to pass savings on to consumers

The Commission's payments package is a major step in the right direction, but the removal of the MIF system or much lower caps would bring higher savings to retailers and consumers.

The Commission has today published the long-awaited proposals on the 'payments package' of a revised Payment Services Directive (PSD), a Regulation on multilateral interchange fees (MIF) and a communication on SEPA governance. The package is broadly welcomed by merchants.

"These proposals are a very significant step to bring competition and transparency into how payments are made and paid for. They should allow retailers to pass savings on to consumers, bringing them real benefits in these times of hardship," said Christian Verschueren, Director-General of EuroCommerce. *"Claims by card schemes that retailers would not pass on cost savings to consumers are nonsensical: price competition and the elimination of inefficiencies are in the DNA of retailers. The proposed MIF caps and other measures will give merchants more control over costs, and consumers choice of payment options. However, the proposals fall short of the ideal: merchants had hoped for the abolition of the MIF as a concept, certainly on debit."*

Dennis Kredler, Director-General of the European Retail Round Table (ERRT) said, *"We welcome the proposed changes to make the European card payments market more competitive and the cap on the interchange fee. However, despite the European court ruling, the MIF system is to be maintained. A move away from percentage fees to flat, cost-based transaction fees would have been more reasonable, especially for debit cards."*

Given that the MIF is proposed to be maintained, EuroCommerce and ERRT are disappointed at the level of the caps. The 0.2% for debit and 0.3% for credit mirrors the VISA and MasterCard settlements in seeking a compromise between the high and the low fees in the various Member States. This may mean fees will go up in countries where they have been the lowest in the EU.

"Clearly, the Commission should have aligned its proposal with the best systems, not with an average. The Netherlands, Denmark, Belgium and Germany, for example, have shown that modern payment systems can operate with very low fees for consumers and merchants," concluded Christian Verschueren.

Retail also welcomes the measures contained in the revision of the PSD and the communication on SEPA governance. The opening of payments markets to new entrants will significantly improve competition and stimulate innovation. A better balance between payment providers and payment users on governance is also welcome and should ensure fairer long-term decision-making.

We very much welcome:

- That the MIF regulation will apply to all consumer card transactions, domestic



and cross-border and that it is a *per transaction* cap. However, the two-year delay for implementation at domestic level will unnecessarily delay the bulk of the consumer benefit from being realised.

- The removal of the 'honour-all-cards' rule. This will give merchants the freedom of choice to steer consumers away from over-expensive cards.
- The ability to operate real cross-border acquiring. This will allow true economies of scale for merchants and should bring card fees down further in the long-term.
- The inclusion of third-party payment providers within the PSD. This will inject some much-needed competition into the payments market.
- Enabling third-party providers to initiate payments. The ability to access the necessary account information will help innovative players offer cheaper, more efficient services and make full use of technological advances in e-payments.

What could be improved:

- The level of caps: we urge the legislators to reduce the MIF on consumer debit to zero and improve the level on credit. We are concerned that, with the current proposals, fees in some Member States could increase.
- The persistence of ad valorem fees: we see no justification for the maintenance of percentage MIFs – especially on debit transactions.
- Commercial cards, which carry the highest MIFs, should be covered by the regulation as well.

~ENDS~

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EuroCommerce and the commerce sector

EuroCommerce represents the retail, wholesale and international trade sectors in Europe. Its membership includes commerce federations and companies in 31 European countries.

Commerce plays a unique role in the European economy, acting as the link between manufacturers and the nearly 500 million consumers across Europe over a billion times a day. It is a dynamic and labour-intensive sector, generating 11% of the EU's GDP. One company out of three in Europe is active in the commerce sector. Over 99% of the 6 million companies in commerce are small and medium-sized enterprises. It also includes some of Europe's most successful companies. The sector is a major source of employment creation: 33 million Europeans work in commerce, which is one of the few remaining job-creating activities in Europe. It also supports millions of dependent jobs throughout the supply chain from small local suppliers to international businesses.

European Retail Round Table (ERRT)

ERRT brings together the CEOs of Europe's leading retail companies who share their collective experience and ideas with policy makers in view of giving Europe's consumers better access to the benefits of the Single Market and to promote delivery of a sustainable consumption model.

Collectively, ERRT members employ more than 2.3 million people in over 40,000 stores. ERRT Members are: Asda Walmart, Auchan Group, C&A, Carrefour Group, Delhaize Group, El Corte Inglés, H&M, ICA, IKEA, Inditex, Jerónimo Martins, Marks & Spencer, Mercadona, Metro Group, Royal Ahold and Tesco.