POSITION PAPER

Righting the Commission's "fact sheet" on the interchange fees regulation

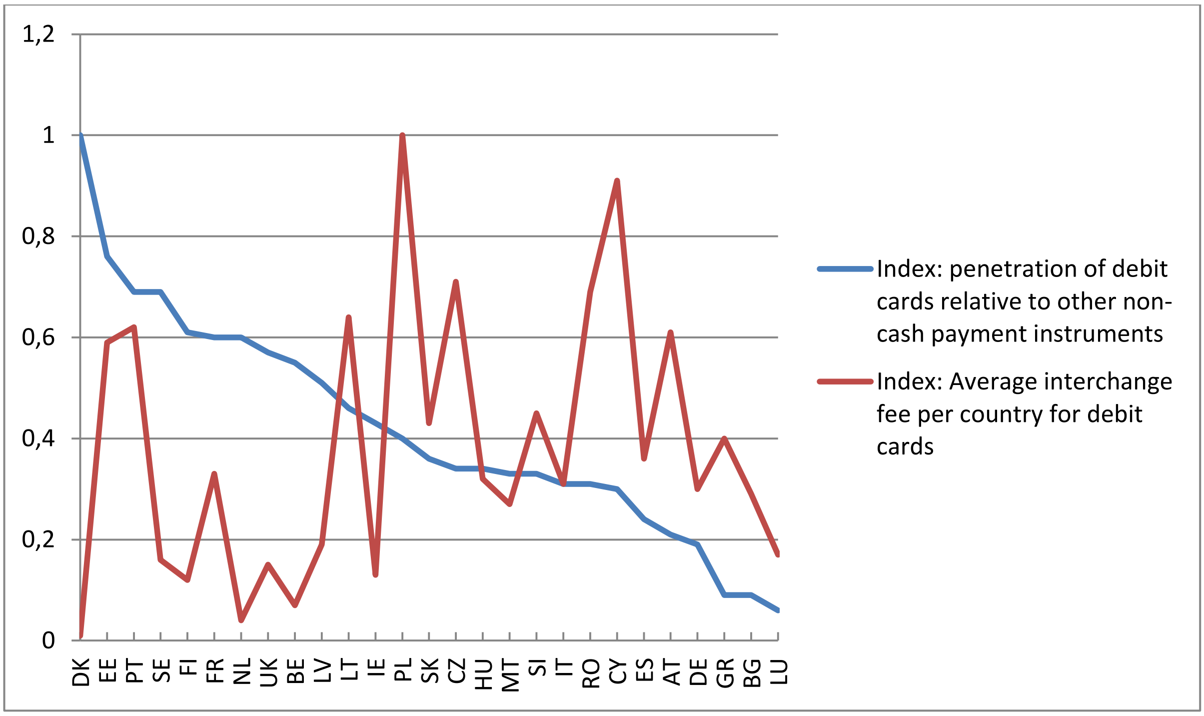
January 2014

ESBG

Righting the Commission's "fact sheet" on the interchange fees regulation

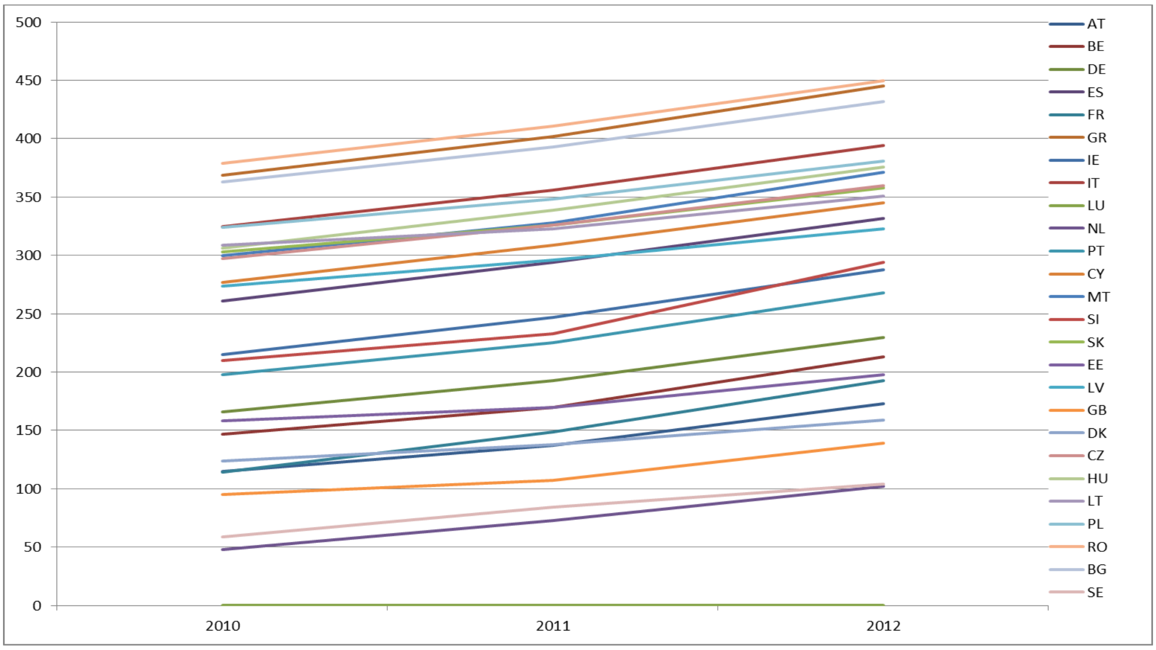
The Commission released on 19 December 2013 a "fact sheet" to promote its interchange fees regulation. The "fact sheet" features a range of disparate data and statements that bias the necessary debate on the regulation proposal. The purpose of this Paper is to balance the Commission's presentation using mostly data from the Commission itself and the ECB.

1. The Commission justifies its interchange regulation i.a. by implying that lower interchange will lead to more card transactions. The chart below (that correlates the penetration of debit card transactions as a share of per capita non-cash transactions per Member State with the average interchange fee for debit cards) shows this not to be true. The exception is Denmark, the country with the lowest average interchange which features the highest share of debit card transactions. This exception is surprisingly often quoted by the Commission, although it accounts for only 1,6% of the EU payments market. For other Member States no correlation can be found between interchange level and transaction market share, evidencing that many other factors are at play and that interchange is not the determining factor the Commission claims: thus it is very unlikely that "regulating interchange fees will benefit consumers and retailers, particularly in Member States where current fees are very high" [source of data: Commission's Impact Assessment and ECB statistical warehouse].

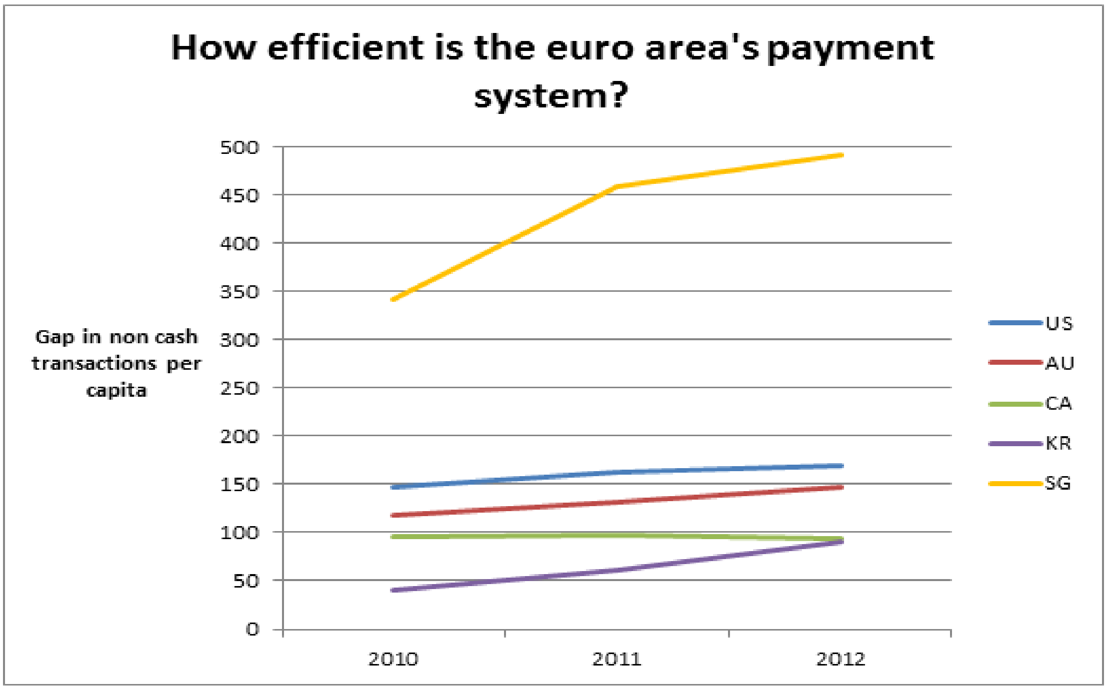


2. The Commission's call for "fairness" (a non-objective criteria) is undermined by the fact that its interchange regulation exempts 3-party schemes, i.e. precisely many of the schemes with "higher fee credit cards" that give "air miles to the richer customer" which the "poorer customer who pays with a debit card or in cash pays for".

3. The Commission further justifies its interchange regulation by the need to "protect the Single Market for the benefit of consumers". This laudable ambition overlooks that after 10 years of European payment legislation, there is no Single Market yet, and that on the contrary national markets are increasingly diverging – as evidenced below by comparing the evolution between 2010 and 2012 of EU Member States' payments efficiency gap (measured in non-cash transactions) over the best performing country in the EU (Finland) [source of data: ECB statistical warehouse].



4. The Commission claims that its interchange regulation will "spur innovation". Comparison with other payment systems evidences that the euro area is not closing its efficiency gap on the more innovative OECD countries outside Europe – countries that have not been encumbered by the same decade-long wave of payments legislation. The chart below uses the euro area non-cash transaction per capita ratio as benchmark and shows how many more such transactions are achieved in several OECD countries. Actually "true consumer protection" would mean allowing the euro area to establish itself at the top of the league in payment system efficiency thus delivering constant benefits to consumers, and enabling corporates and SMEs including retailers to compete on the world scene [source of data: BIS and ECB statistical warehouse].



Note: ESBG Position Paper and amendment proposals on this interchange fee regulation can be accessed via:
http://www.esbg.eu/uploadedFiles/Position_papers/0707_Version1%200.pdf
http://www.esbg.eu/uploadedFiles/Position_papers/1059_Version1%200.pdf

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ESBG brings together savings and retail banks of the European Union and European Economic Area that believe in a common identity for European policies. ESBG members support the development of a single market for Europe that adheres to the principle of subsidiarity, whereby the European Union only acts when individual Member States cannot sufficiently do so. They believe that pluralism and diversity in the European banking sector safeguard the market against shocks that arise from time to time, whether caused by internal or external forces. Members seek to defend the European social and economic model that combines economic growth with high living standards and good working conditions. To these ends, ESBG members come together to agree on and promote common positions on relevant matters of a regulatory or supervisory nature.

European Savings and Retail Banking Group – aisbl
Rue Marie-Thérèse, 11 ▪ B-1000 Brussels ▪ Tel: +32 2 211 11 11 ▪ Fax : +32 2 211 11 99
Info@wsbi-esbg.org ▪ www.esbg.eu

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