Interchange Fee Regulation

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Silvia Kersemakers
European Commission, DG FISMA
Regulation (EU) 2015/751 of 29 April 2015 on interchange fees for card based payment transactions

Entry into force: 08.06.2015
Applicability of Caps: 09.12.2015
(most) Business rules: 09.06.2016

Two main objectives

- Put an end to the race between MasterCard and Visa for higher interchange fees (reverse competition)

Introduce more competition on the acquiring side
Scope

IFR applies to all card-based payment transactions, carried out in the Union (two-leg transactions)

However, caps on interchange fees to apply to:

- Consumer debit and credit cards (majority of cards market)
- Commercial cards and three party schemes excluded
Interchange fees caps: scope

- Prepaid: 0.2% (per transaction or national rules)
- Debit: 0.2% (per transaction or national rules)
- Deferred debit: 0.3% (per transaction)
- Credit: 0.3% (per transaction)
- Three party schemes with licensees: Member States can exempt for till 09.12.2018 if whole scheme has <3% market share
- Domestic cards – specific provisions on setting of caps
Business rules (Chapter III)

✓ Apply to all card-based transactions (commercial cards included)

✓ Business rules aimed to improve competition mostly on the acquiring side to the benefit of merchants and their customers
Business rules in a nutshell

Art 6: Licensing, no territorial restrictions (09.12.2015)
Art 7: Split scheme & processor (09.06.2016)
Art 7: Technical interoperability (09.06.2016)
Art 8: Co-badging (09.06.2016)
Art 8: Choice of application (wallet issue) (09.06.2016)
Art 9: Unblending (09.06.2016)
Art 10: Honour all card rules (tying) (09.06.2016)
Art 11: Steering rules (09.06.2015)
Art 12: Transparency, payee information (09.12.2015)
Separation between processor and scheme (Article 7)

- These entities shall be independent in terms of accounting, organisation and decision-making processes.

- EBA to develop RTS.

- Processing entities shall be technically interoperable (use of common standards).
Which other rules will affect merchants?

**Article 8** – Co-badging and choice of payment brand allowing merchants to ‘steer’ customers to their preferred method of payment.

**Article 9** – Unblending - Pricing by schemes should be MIF + plus by default unless merchant opts out and asks for a ‘blended rate’.

**Article 10** – ‘Honour All Cards’ rule relaxed – allows merchants to refuse accepting certain cards e.g. commercial cards.
Honour all cards rules

If a retailer accepts this card:

He will not be obliged to accept this one:
Honour all issuers rule (10.3)
Steering rules, rebates and surcharging

Article 11 – schemes cannot prohibit merchant to steer their customers to their preferred means of payment

Article 62(3) PSD2 – merchants are not allowed to surcharge on use of cards that are subject to the Caps.

✓ Rebates for use of certain means of payment always possible
✓ Surcharge still possible for non-regulated cards (e.g. commercial cards, three party scheme cards)

BUT: MS can opt for full ban on surcharge (Art. 62(4) PSD2)