

Public Authority Involvement in Credit and Debit Card Markets: Various Countries

1. Interchange and Merchant Service Fees

a. Actions taken by public authorities

Country	Credit	Debit
Argentina	1999: Law 25.065 for Credit Cards was enacted. The law established norms that regulate various aspects related to the credit, debit, and retail card systems, such as the relationship between the cardholder and the card issuer and the relationship between the card issuer and the merchant. Among these norms was the setting of limits on the ability to implement price discrimination in merchant fees.	
Australia	2003: The Reserve Bank of Australia mandated Bankcard, MasterCard, and Visa to set interchange fees based on the cost-based benchmark. Aug 2009: RBA decided to continue interchange regulation.	2006: The Reserve Bank of Australia introduced interchange standards for the EFTPOS and Visa Debit systems. Nov 2009: RBA revised EFTPOS interchange fee standard for multilateral interchange fees.
Austria	2006: Following the European Commission's interim reports on the retail banking industry, Austrian banks agreed to review arrangements for setting interchange fees and announced that a reduction can be expected.	
Canada	2009: March The Senate Committee on Banking, Trade and Commerce announced that it moves forward with an investigation of Canada's credit and debit card system. June The investigation results are published as a report.	Mid 1990's: Through a consent order from the Competition Bureau of Canada, Interac set interchange fee to zero.
Chile	2005: The Chilean Antitrust Court admitted a complaint filed by the National Economic Prosecutor alleging abuse of a dominant position by Transbank, the acquirer of all credit and debit cards issued in the country; the Court imposed a fine of approximately \$56,000. The National Economic Prosecutor requested, among other things, the modification of the Transbank price structure in such a way that it would be public, objective, and based on costs. The issue was finally solved with a partial understanding between the parties. According to this understanding, Transbank had to reduce merchant fee ceilings and present a self-regulating plan for setting prices.	
Colombia	2004: The Superintendent of Industry and Commerce, the Colombia competition authority, passed the new Inter-bank Exchange Tariff that allows merchants to negotiate fee rates with merchant acquirers. 2006: Credibanco (a Visa issuer) was required to exclude some costs included in its fee computation that were judged not to correspond exclusively to payment card services offered to merchants.	
Denmark	1990: Act of Certain Payment Instruments set a cap on merchant service charges (MSC) on internationally-branded credit/debit cards issued by Danish banks for	1990: Act of Certain Payment Instruments set Dankort MSC to be zero. 2003: Amendment to the Act introduced a positive MSC

	domestic transactions at 0.75% of transaction value or 1.25% of transaction value with a minimum of DKK 1.95 on the internet.	to Dankort transactions and reduced the fees on Maestro and Visa Electron from 0.75% to 0.4%, with a maximum of DKK 4. 2005: Dankort MSC was replaced by an annual fee per retailer.
European Union	<p>2002: The European Commission reached agreement with Visa to reduce its cross-border interchange fees by December 2007. The benchmark for its interchange fees was to be set at the level of the cost of supplying Visa payment services and would not exceed the cost of the services which issuing banks provide, wholly or partly, to the benefit of merchants.</p> <p>December 2007: The European Commission rules that MasterCard's interchange fees are illegal. MasterCard filed appeal of the decision in March 2008.</p> <p>April 2009: EC and MC reached an interim agreement and effective July 1, 2009, MC credit card interchange rate will be 0.3% on average (0.2% for DC). EC sent Statement of Objections to Visa – The Commission's preliminary view is that MIF directly set by Visa infringes European Antitrust rules (Article 81 EC Treaty and Article 53 EEA Treaty).</p> <p>April 2010: Visa Europe proposed to reduce to 0.2% the maximum weighted average MIF for all EU cross-border and domestic immediate debit transactions.</p>	
France	1990: The Paris High Court ruled that the methods for determining interchange fees could be accepted in accordance with the Competition Council's statement of objections.	
Hungary	<p>2006: Gazdasagi Versenyhivatal, the competition authority of Hungary, considered intervening in the payment card market. Interchange fees were regarded as too high compared to costs, especially in the case of debit cards. Price discrimination between 'on-us' (acquirer=issuer) and 'foreign' (acquirer≠issuer) transactions was considered to have adverse effects on issuer competition.</p> <p>2008: GVH has launched an antitrust probe against several credit card companies, including MC and Visa and POS operators on suspicions they colluded on prices and practices to keep competitors at bay.</p> <p>Sept 2009: GVH ruled that Visa Europe, MasterCard and top commercial banks formed an illegal bank card interchange-fee cartel that inhibit competition and fined</p>	

	them.	
Israel	2006: Agreement between the banks and the competition authority to reduce interchange fees from 1.25% to 0.875% by 2012.	
Mexico	2006: Interchange fee reductions agreed to between the Mexican Bankers Association and the Bank of Mexico.	
New Zealand	2007: Proceedings initiated by the New Zealand Commerce Commission against Visa, MasterCard and member institutions of the two schemes, alleging price-fixing in the setting of interchange fees. August 2009: Commerce Commission and Visa (8/12) and MasterCard (8/24) agreed to settle credit card interchange fee proceedings. The agreements require both networks to alter the scheme rules in New Zealand, including allowing merchants to surcharge, allowing nonbanks to become acquirers, allowing card issuers to individually set interchange fees (the networks set the maximum interchange fee rates).	
Norway		Zero interchange fee (Bank-Axcept). The general position of authorities regarding the introduction of new payment systems in Norway has been that payers should cover costs. This position can be seen as early as in the 1974 report from the Payment Systems Committee.
Panama	June 2003 - July 2004: Under the 1998 banking law, the Superintendent of Banks issued regulations for banks that issue and manage credit cards. It established procedures for approving a credit card and authorized the charges for commissions and other related items.	
Poland	2007: Polish Office of Competition and Consumer Protection ordered banks to discontinue their multilateral interchange fee agreements. 2008: In November, a Polish court overturns the NCA's decision on interchange fee holding that the participation of 20 banks in an agreement fixing the fee levels does not constitute an infringement of Art 81.1 EC nor equivalent national provision.	

Portugal	2006: Following the European Commission's interim reports on the retail banking industry, Portuguese issuers and acquirers have met some of the Commission's concerns by reducing domestic interchange fees somewhat and removing preferential bilateral domestic interchange fees.	
South Korea	Korean Fair Trade Commission ruled that BC Card's (South Korea's four-party scheme credit card) joint pricing of merchant service charges was a cartel and imposed a fine of 10.092 billion Won and corrective measures.	
Spain	2005: Spanish Competition Tribunal denied authorizing the interchange fee arrangements of the Spanish card schemes. In December, agreement reached between the Spanish card networks and merchants, coordinated by the Spanish Ministry of Industry, Tourism and Trade, for interchange fees to be reduced from a maximum of 2.32% to 1.1 % by 2008.	
Switzerland	2005: Agreement between the Swiss Competition Commission and credit card issuers to reduce interchange fees from 1.65-1.70% to 1.30-1.35%. March 2009: Competition Commission opened a preliminary investigation into Maestro's introduction of an interchange fee. January 2010: Some changes concerning the MIF-decision from 2005 on Visa and MasterCard credit cards were made.	
Turkey	2005: Turkish Competition Authority made a decision on Interbank Card Centre (BKM)'s clearing commission rate by member banks. It is stated in the decision that, in order to grant exemption to the clearing commission formula proposed by the consultancy firm on behalf of BKM, certain cost items in the formula should be adjusted.	

b. Investigations initiated

Country	Credit	Debit
Brazil	<p>May 2006: Banco Central do Brasil (the central bank of Brazil) issued Directive 1/2006. The directive's focus is on the payment cards industry (pricing: IF, discounts, customer fee; concentration; profitability; governance; etc). It does not establish either obligations or prohibitions and does not mandate any sanctions.</p> <p>June 2006: Banco Central do Brasil's Economic Law Office and the Secretariat for Economic Monitoring agreed to cooperate with each other to collect payment card industry data and to coordinate public policy actions.</p> <p>September 2006: Payment card industry data collection.</p> <p>July 2009: Brazil's government proposed to force a reduction in interchange fees and to end the market dominance by Redecard and VisaNet.</p>	
Norway	<p>2004: On the initiative of the Ministry of Finance, Kredittilsynet (the financial supervisory authority) established a project group to report on competitive conditions in the Norwegian market for international payment and charge cards.</p> <p>2005: "The regulation of interchange fees is also being considered in Norway," stated in the 2005 Norges Bank (the central bank of Norway) Annual Report.</p>	
South Africa	<p>2004: The Task Group for the National Treasury & the South African Reserve Bank recommended that the Competition Commission should investigate the possibility of a complex monopoly in the governance and operation of the national payment system.</p> <p>2006: Following the findings in the research report <i>The National Payment System and Competition in the Banking Sector</i>, the Commission began a public inquiry into bank charges and access to the payment systems.</p> <p>2007: The inquiry is at the final, report writing, stage.</p>	
United Kingdom	<p>2005: The Office of Fair Trading (OFT) found that MasterCard's interchange fee arrangements were illegal (September). The OFT issued statement of objections on Visa agreement (October).</p> <p>2006: The MasterCard finding was appealed and, since MasterCard had changed its method of setting interchange fees, the OFT consented to its decision being set aside by the Competition Appeal Tribunal (June). The OFT</p>	

	launched a new MasterCard investigation in February.	
Germany	2006: Germany's federal monopolies body, the Bundeskartellamt, received a legal complaint from the German Retail Association, alleging that fees charged to merchants for MasterCard and Visa transactions, which average 150 basis points, prevents widespread credit card acceptance in Germany.	
Finland	?: The Finnish Competition Authority has launched investigations into interchange fees on EMV cards (0.31%). Traditional magnetic stripe cards charge merchants between zero to 0.05 euro per transaction.	

Annex. Zero interchange fee schemes

Country	Credit	Debit
Belgium		Zero interchange fee (Bancontact/Mister Cash)
Finland		Zero interchange fee (Pankkikortti)
Luxembourg		Zero interchange fee (Bancomat)
Netherlands		Zero interchange fee (PIN)

2. Surcharges (Actions taken by public authorities)

Country	Credit	Debit
Australia	2003: Prohibition on surcharging lifted.	2006: Prohibition on surcharging for Visa and MasterCard signature debit card transactions lifted.
Canada		1996: Prohibition on surcharging for Interac transactions was removed through a consent order by the Competition Bureau of Canada.
Mexico	1993: The Mexican Competition Commission reached an agreement with a number of banks, through which the banks could not forbid in their acquiring contracts that merchants offer discounts for cash payments.	
Netherlands	1997: Prohibition on surcharging lifted.	
New Zealand	2009: Agreement between Commerce Commission and Visa/MasterCard requires to allow merchants to surcharge.	
Sweden	1995: Prohibition on surcharging lifted.	
Switzerland	2005: Prohibition on surcharging lifted.	

United Kingdom	1989: Prohibition on surcharging lifted.
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Interchange and Merchant Service Fees

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Surcharges

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