

## European Commission Launches Green Paper Consultation: “Towards an integrated European market for card, internet, and mobile payments”

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Interested stakeholders have until 11 April 2012 in which to submit their views.

The European Commission has launched a Green Paper consultation on credit card, internet, and mobile payments with regard to card fees and related matters of concern to the competition authorities. The consultation, which runs from 11 January 2012 to 11 April 2012, follows a decade of anti-trust enforcement, notably the Commission's decisions addressed to Visa and MasterCard.

The consultation addresses the new technological developments in this market, namely innovative card, internet, and mobile device payments. In particular, it addresses the issue of the fees levied for such payments. The consultation is in line with the broader objective of having a “cutting edge” payment system throughout Europe, which it is hoped will help drive the growth of the single market through e-commerce. The Vice-President of the Commission, Joaquín Almunia stressed that “Inefficient payments systems within the European Union unduly raise transaction costs, undermine the global competitiveness of the European economy, and limit its potential for growth.”

### **Fees**

In relation to fees, the Green Paper indicates that the consultation will address issues such as card charges, interchange fee transparency, cross-border acquisition (merchants using foreign providers), and technical standards.

The aim of the consultation is to identify the obstacles that potentially prevent European integration in the card, internet and mobile payment markets. The questions asked concern market access and entry barriers faced by existing and new service providers, payment security and data protection, transparent and efficient pricing for payment services, technical standardisation, and inter-operability between service providers. The Commission is also seeking stakeholders' views on what would be the best form of regulation to remedy the concerns identified.

## Competition Concerns

The Green Paper suggests that competition concerns have not been addressed adequately. This is because there has been a somewhat sporadic approach of ad-hoc Commission decisions and judgments by the European Courts. At this stage, the Commission is seeking the views of interested parties on the obstacles that hinder development of this market; it is not certain that legislation will follow.

The Commission's concerns arise primarily because the European card payments market is fragmented largely along national borders, with a small number of domestic schemes and only two main international players (Visa and MasterCard). In addition, the overall structure raises a number of competition concerns, as the payment-cards sector is dominated by inter-bank fees commonly agreed between payment service providers, also known as Multilateral Interchange Fees or MIFs. A further identified side effect of current practice is its potential hindrance to innovation. All these accusations have been challenged by the industry.

The Commission has already put into place the Single Euro Payments Area (SEPA) framework, which is based on the premise that there should be no distinction between cross-border and domestic electronic retail payments within the European Union. The framework covers credit transfers, direct debits, and payment cards.

Responses to the Green Paper are welcomed until 11 April 2012 and the Commission is expected to announce the next steps to be taken before the summer of 2012. Interested stakeholders should make sure to contribute if they want to have their views represented.

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