7 July 2011: Bank cards

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The *Autorité de la concurrence* has obtained a substantial reduction in the two main fees associated with payments and withdrawals from the *Groupement des Cartes Bancaires* (CB Bank Cards Group)

> Version française

At the end of a negotiated procedure with the *Groupement des Cartes Bancaires* (GIE CB), which includes over 130 banking players[1], the *Autorité de la concurrence* has issued a decision whereby it has made the commitments proposed by the GIE CB mandatory. These aim to substantially reduce most inter-bank fees for "CB" payment card transactions. These fees had not changed in over twenty years.

A very extensive field which will eventually cover all means of payment (except cash)

Means of payment	**% of use (in volume)2**	**Source of referral to the Authority**	**Examination by the Authority**
Cheque	22.3 %	Own initiative	Decision 10-D-28 of 20 September 2010 (sanction)
"CB" bank card	35 %	Referal from the *Fédération des entreprises du Commerce et de la Distribution (FCD)* and the *Conseil du Commerce de France (CdCF)*	Decision 11-D-11 of 7 July 2011 (commitments)
Other "four point" bank cards[3]	around 1.1 %		Investigation under way

Other non-cash payment means	Debit 21.1% Transfer 18.9% Inter-bank payment slip 0.8% Bill of exchange 0.7% Remote payment 0.1%

To recap, in September 2010 the *Autorité de la concurrence*, which, at its own initiative, undertook an examination of whether the fees applied to cheque transactions were justified, pronounced a first decision, by which it sanctioned 11 banks in the amount of 384.9 million Euros for having charged unjustifiable fees in the course of the transition to dematerialised processing of cheques (see Decision 10-D-28 and the press release of 20 September 2010).

Today, it has turned its attention to fees pertaining to "CB" payment cards, which make up a significant proportion of transactions in France (see file 1). The *Autorité* expressed its concerns regarding competition: by jointly setting inter-bank fees, the *Groupement des Cartes Bancaires* was likely to assist an anticompetitive agreement between its members (the main banks operating in France).

While jointly setting fees is not necessarily reprehensible in itself, the amount of the fees must be justified objectively.

In the course of the investigation, the *Groupement des Cartes bancaires* proposed commitments amounting to a reduction of most inter-bank fees. After carrying out a market test on 5 April 2011 (see press release) and gathering the market players' observations (in particular those of the associations of consumers, retailers and operators of other card payment systems), the *Autorité* held two

hearings for a debate about the bank card system between the organisations referring the case and the banks.

Following these hearings, the *Autorité de la concurrence* got the *Groupement des Cartes Bancaires* to go further in their commitments and, in particular, to propose significant reductions in fees.

The main fees for the cards will decrease by 20 to 50%

The inter-bank payment and withdrawal fees, which are the most significant ones in terms of value, will see their respective amounts decrease perceptibly by - 36% and - 20 %.

- The inter-bank payment fee (CIP), which is paid by the retailer's bank to the cardholder's bank, will decrease from 0.47 % to 0.30 % on average, equivalent to a reduction of 36 %. The CIP annual revenue, which is close to 1.5 billion Euros today, will ultimately be reduced by approximately 500 million Euros.

- The inter-bank withdrawal fee (CIR), paid upon each withdrawal by the cardholder's bank to the bank operating the automatic teller machine, will be reduced by more than 20%, dropping from €0.72 to €0.57. This reduction in the CIR will lead to a drop of around 100 million Euros in the CIR annual revenue, currently amounting to around 450 million Euros. The reduction in this fee, which is currently often passed on to the cardholders by the majority of the banks, will very likely have a direct and downward effect on cardholders' bills.

The following table sets out the main results achieved at the outcome of the negotiated procedure.

Inter-bank fee	**Amount of fees prior to the procedure before the *Autorité***	**Final commitments accepted by the *Autorité***	**% reduction in relation to amounts before the procedure**
Inter-bank payment fee (CIP)	0.47 % of the transaction on average	0.30 % of the transaction on average	**-36 %**
Inter-bank withdrawal fee(CIR)	€0.72	€0.57	**-21 %**
Card withholding service	€38	€18.76 (withdrawal) €21.34 € (payment)	**-51 % (withdrawal)** **-44 % (payment)**

These commitments have become mandatory and their implementation will begin on 1 October 2011. **Bruno Lasserre, President of the *Autorité de la concurrence*, has welcomed this positive outcome and stated: "*The significant reduction of the payment fee will put France in fifth place among European countries with the lowest levels of interchange fees. It should lead to a reduction in the charges applied by banks to all their customers, both retailers as well as individuals, who are cardholders*."**

The *Autorité de la concurrence* has also got the *Groupement des Cartes Bancaires* to extend the scope of the fees to which the commitments relate and to modify the period of said commitments.

Apart from the level of fees, the Groupement has also reviewed the general conditions of its commitments. The commitments entered into will relate to not only "consumer" cards but also professional cards[4]. Moreover, in order to take account of the developing market context, the period of the commitments has been reduced from 5 to 4 years.

Under the auspices of a steering committee chaired by the *Autorité de la concurrence*, these 4 years will be used to lay down a methodology that can be used to revise fees at the end of the proposed commitments (in 2015). This

committee will include, in particular, representatives of retailers as well as the banks.

Other procedures underway

Over the upcoming months, the *Autorité de la concurrence* will turn its attention to the inter-bank fees set by other card payment systems (Mastercard, Visa, etc.) and those applying to other means of payment (in particular debits).

[1]The members of the management board of GIE Cartes Bancaires are CIC, Société Générale, BNP Paribas, Banque Postale, HSBC France, BPCE, Crédit Agricole, LCL, Crédit du Nord, Crédit Mutuel, la Société des Paiements Pass S2P and Banque Accord.
[2]2009 figures (commercial cards and American Express cards not included)
[3]Bank cards of other quadripartite systems (Mastercard, Visa, etc.), which don't display the "CB" logo and are therefore used outside of the Groupement des Cartes Bancaires network.
[4]Cards made available to employees by their employers for their professional expenses.

For more details, please see the press kit:

File 1: Operation of inter-bank fees
File 2: Place of the bank card in France
File 3: Extent of the commitments
File 4: Comparison of interchange fees for card transactions
File 5: European Context
File 6: How do inter-bank fees concern competition law?

> To consult the full text of Decision 11-D-11 of 7 July 2001 relative to practices by the Groupement des Cartes Bancaires

> Press contact: André Piérard / +33 1 55 04 02 28 / email