

6 May 2013: MasterCard and Visa cards

Published on May 06, 2013

Mastercard and Visa propose a significant reduction in their respective main interbank fee rates.

The Autorité de la concurrence, which for the past three years has been conducting a major investigation into all types of payment means¹, is launching a market test to collect the views of interested parties

> Version française



Following the decision of 7 July 2011², whereby the Autorité de la concurrence obtained from GIE CB a substantial reduction in the main interbank fees on CB card transactions (-36% for the interbank fee on payments and -21% for the interbank fee on withdrawals), Mastercard and Visa decided to embark on the same path with respect to the interbank fees linked to the use of their cards in France.

Competition concerns voiced by the Autorité

The conducts which these procedures focused on mainly concern interbank fees, applicable to domestic payments and withdrawals, set by MasterCard or Visa. The transactions in question are those for which MasterCard or Visa cards are used. In the current situation, these correspond almost exclusively to transactions using cards that only bear the MasterCard or Visa logo. Card transactions using cards bearing the dual MasterCard-CB or Visa-CB logo generally have CB fees applied to them, on the subject of which the Autorité

issued a Decision in 2011.

Interbank payment fees are paid by the merchant's bank to the card-holder's bank each time a payment is made. Interbank withdrawal fees, however, are paid each time there is a withdrawal, by the card-holder's bank to the bank managing the ATM machine.

In the case of both MasterCard and Visa, the amounts of the fees are set collectively by each payment system and its respective members.

This joint setting of the rate, unless justified by objective factors, is liable to be viewed as a restriction of competition, since each payment system sets, in agreement with its respective members, uniform interbank fee rates, which increase the costs of the banks paying them and are thus consequently liable to drive up the rates paid by bank customers.

MasterCard proposes to reduce its interbank fees on payments and withdrawals

In response to the competition concerns voiced by the Investigation Services, MasterCard has proposed to reduce the main fees on the use of these cards, namely its interbank fees on payments and its interbank fee on withdrawals. This proposal concerns all cards for consumer-use, whether debit or credit cards and whether standard or with higher privileges attached ("premium" cards).

- MasterCard's commitments

Interbank fee	Current amount	Proposed amount	Difference between the proposed amount and the actual amount
On payments	On average, 0.55% of the amount of the transaction	On average, maximum of 0.34% of the amount of the transaction for all payment transactions	-38%
On ATM withdrawals	On average, €0.60 per withdrawal	€0.55 per withdrawal	-8%

Visa proposes to reduce its interbank fees on payments and maintain the current rates for withdrawals

In response to the competition concerns voiced by the Investigation Services, Visa has put forward a proposal to reduce its interbank fees on payments. Visa has also stated that it has no plans to increase interbank fees on withdrawals and other fees on exceptional transactions (namely, card capture).

- Visa's commitments

Interbank fee	Current amount	Proposed amount	Difference between the proposed amount and the actual amount
On payments ³	About 0.50% of the transaction	On average, maximum of 0.33% of the amount of the transaction for all payment transactions	- 34%

Next stages in the proceedings

The Autorité specifies that the two proposed commitments are the subject of two separate proceedings, though both originate from the same referral.

The market test, to be conducted until 6 June 2013 at 5 p.m., will enable the Autorité to collect observations from all players concerned, such as consumer associations, merchants and those operating other card payment systems.

Interested third parties are invited to submit their observations on each of the two proposed commitments in separate documents, making reference to case number 12/0077F for MasterCard and 12/0078F for Visa.

Once the market test is completed, the Autorité's Board will meet in a hearing at which the parties will be heard and the observations formulated by third parties examined. If appropriate, the Board may ask that commitments be amended or

supplemented. Then, after these commitments have been made compulsory, it can close the proceedings. Should the commitments, even after amendment, still fail to be satisfactory, the Autorité will resume the traditional litigation procedure.

On the extensive work done by the Autorité on all the means of payment

As a reminder, the MasterCard/Visa cases form part of the extensive work done by the Autorité de la concurrence on all the means of payment.

In 2010, (decision 10-D-28/press release of 20 September 2010) the Autorité de la concurrence fined 11 banks for having introduced unjustified interbank fee rates during the switch to electronic cheque processing (the case is currently pending before the Court de Cassation). Since 2007, due to pressure arising from the Autorité's investigation, the banks abolished the fee on cheque imaging exchange (CIEC), set up when electronic processing was introduced for interbank cheque clearance.

In 2011, (decision 11-D-11/press release of 7 July 2011), the Autorité obtained a substantial reduction from GIE CB in the two main fee rates for payments and withdrawals (-36% for the interbank fee on payments and -21% for the interbank fee on withdrawals).

In 2012, (12-D-17/press release of 5 July 2012), the Autorité obtained the definitive abolition by French banks, as from 1 September 2013, of the main interbank fees applied to debits, TIP [interbank payment orders] and other non-cash means of payment. A first 50% reduction took place on 1 September 2012.

(1) See box.

(2) See decision 11-D-11 and the press release of 7 July 2011.

> **Read the market test (in French)**

> **Read the entire set of commitments proposed by MasterCard (in French)**

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Read the entire set of commitments proposed by Visa (in French)

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