



European Commission

**Competition**

**Public Hearing – Towards full SEPA migration  
Wednesday, 17 November 9.00-13.00hrs**

**Should a SEPA Regulation contain  
provisions on interchange fees for SEPA  
direct debits?**

**Rita Wezenbeek  
Head of Unit Payment Systems**

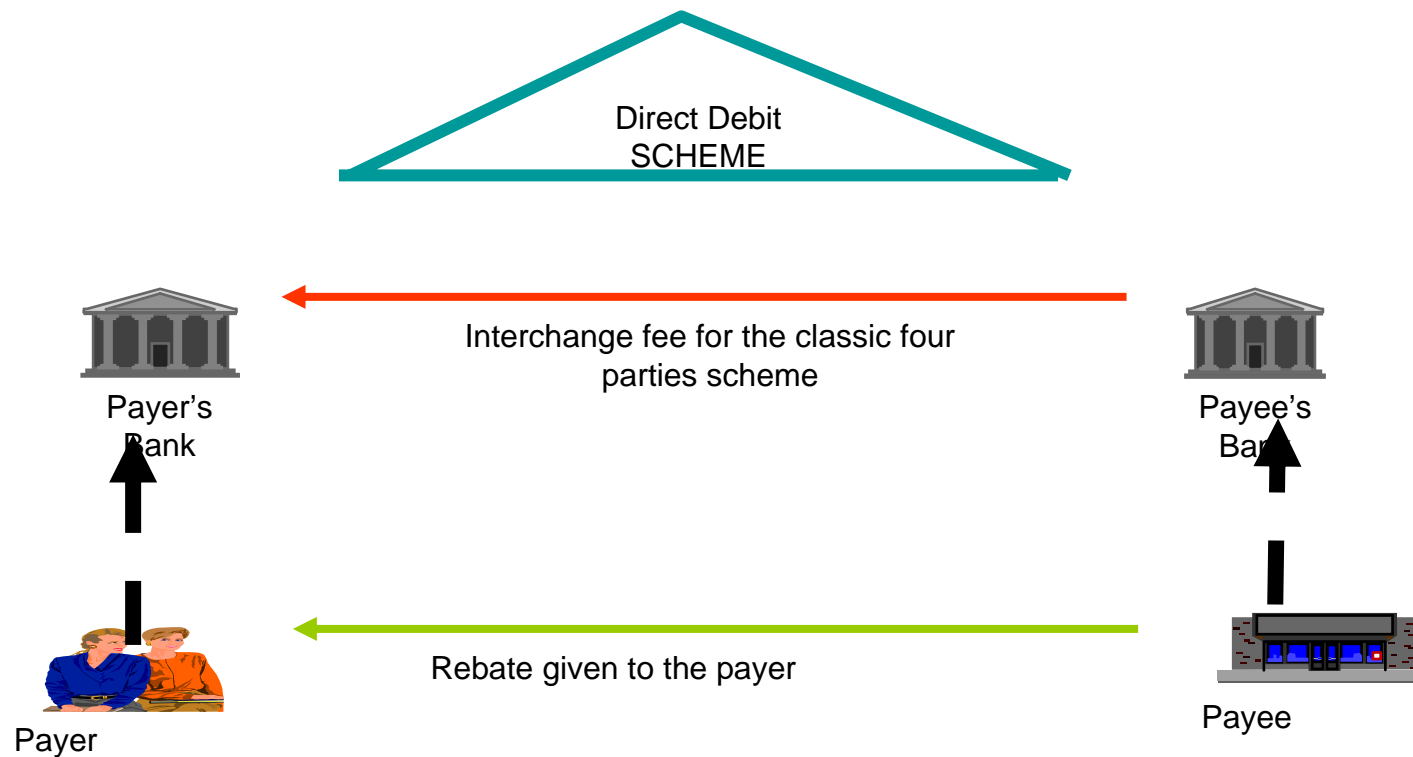


## Content

- Business model based on MIFs
- Should MIFs be regulated? If yes, how?
- What are the likely effects of regulating MIFs?
  - Lower number of transactions?
  - Higher *dd* fees for consumers ?
  - Higher general bank account fees?



## Business model based on MIFs per transaction





## Business model based on MIFs per transaction (II)

MIFs per transaction only in place in 6 MS, trend towards reduction/elimination

- MIFs restrict competition between payees' banks inflating their fees
- Restrictive 'by object' under competition rules
- 'Incentive' to consumers to use *dd* not necessary since payees can provide rebates
- Competition analysis: MIFs *per transaction* are prohibited under Article 101 TFEU
- MIFs for *R-transactions* may however be justified under certain conditions
- Economic analysis: MIFs *per transaction* replace competition by payers' banks with guaranteed source of revenues indirectly paid by consumers who are *unaware*
- Lack of transparency, lack of choice for payers and payees, lack of level playing field, lack of innovation.



## Should MIFs be regulated?

- Need for clarity to stimulate proactive behaviour, investments, network effects
- Clarity provided by Commission and ECB
  - Dialogue, speeches, press releases, joint statement Commission-ECB, Regulation 924/2009, Commission Working Paper
- Continued calls for clarity
  - Industry, Council, European Parliament
- Risk of lack of level playing field in absence of *across the board* regulation
  - With and without guidance application of competition law requires full **case by case assessment** that may prevent *level playing field*.
- ***Need to achieve efficient, innovative EU wide direct debit market.***



## *How should MIFs be regulated?*

- Unilaterally impose positive MIF?
  - Same negative effects as privately agreed MIFs + drawbacks of price regulation.
- Impose cap for MIFs?
  - Same effect as imposed MIF.
- Regulate IFs *per transaction* and R-transactions in accordance with guidance provided.

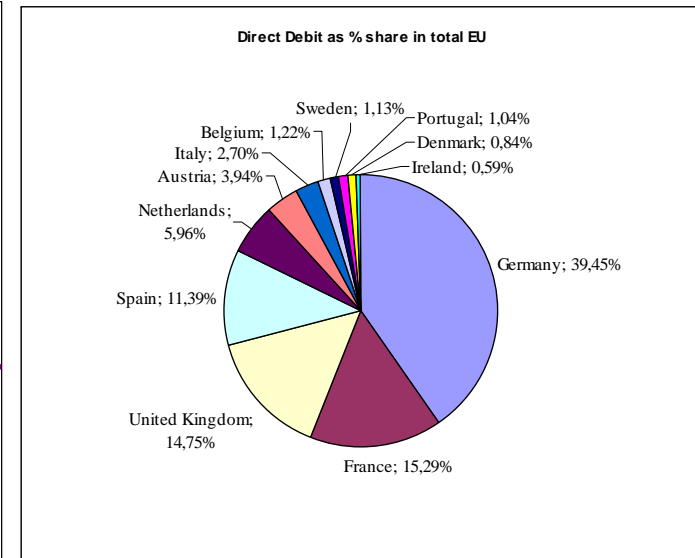
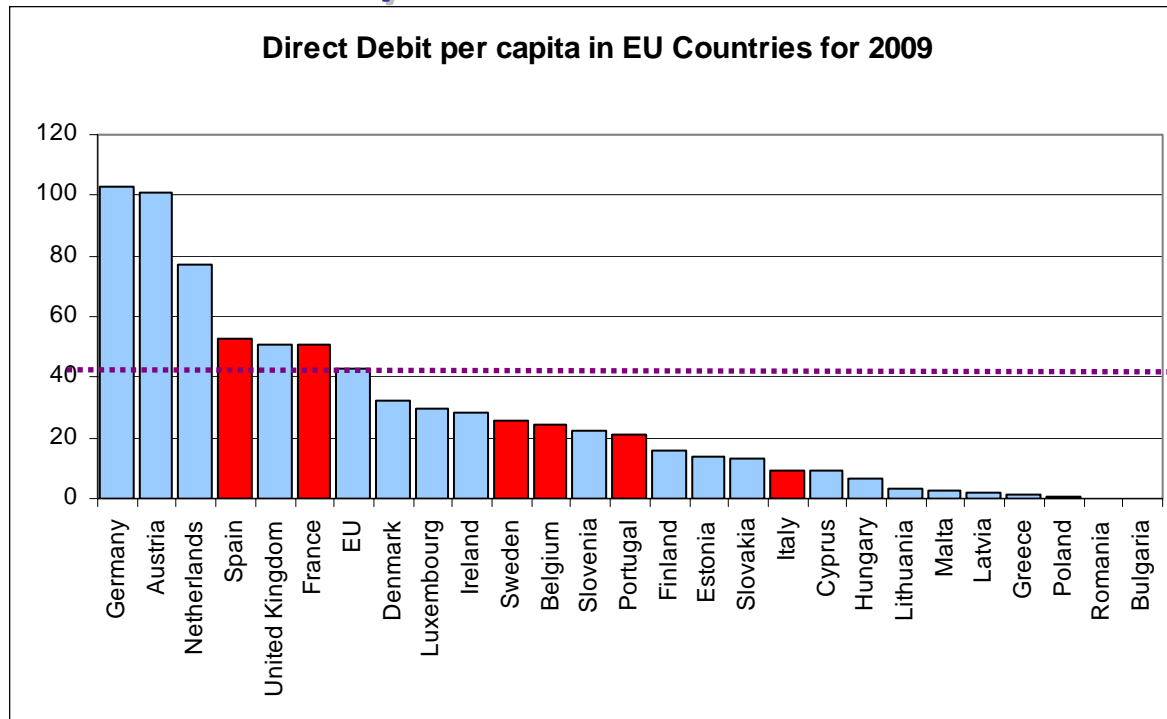


## What are the likely effects of regulating MIFs?

- Positive effects of SEPA in general: more competition, scale effects
- Likely positive effects in MIF-countries:
  - Transparency, competition based on *visible* fees
  - Lower fees for payees
  - Direct rebates by payees
  - Interchange fees for R-transactions based on ‘who caused the error’, cost of most efficient player, no double charging.
- Magnitude of positive effects difficult to quantify



## Likely effect: Lower number of transactions?



- **Countries with MIF per transaction: Spain (3 cents), France (12 cents), Sweden (10 cents), Belgium (2 cents) Portugal (23 cents) and Italy (25 cents).**
- **No correlation between the existence of a MIF per transaction and a higher usage of dd.**

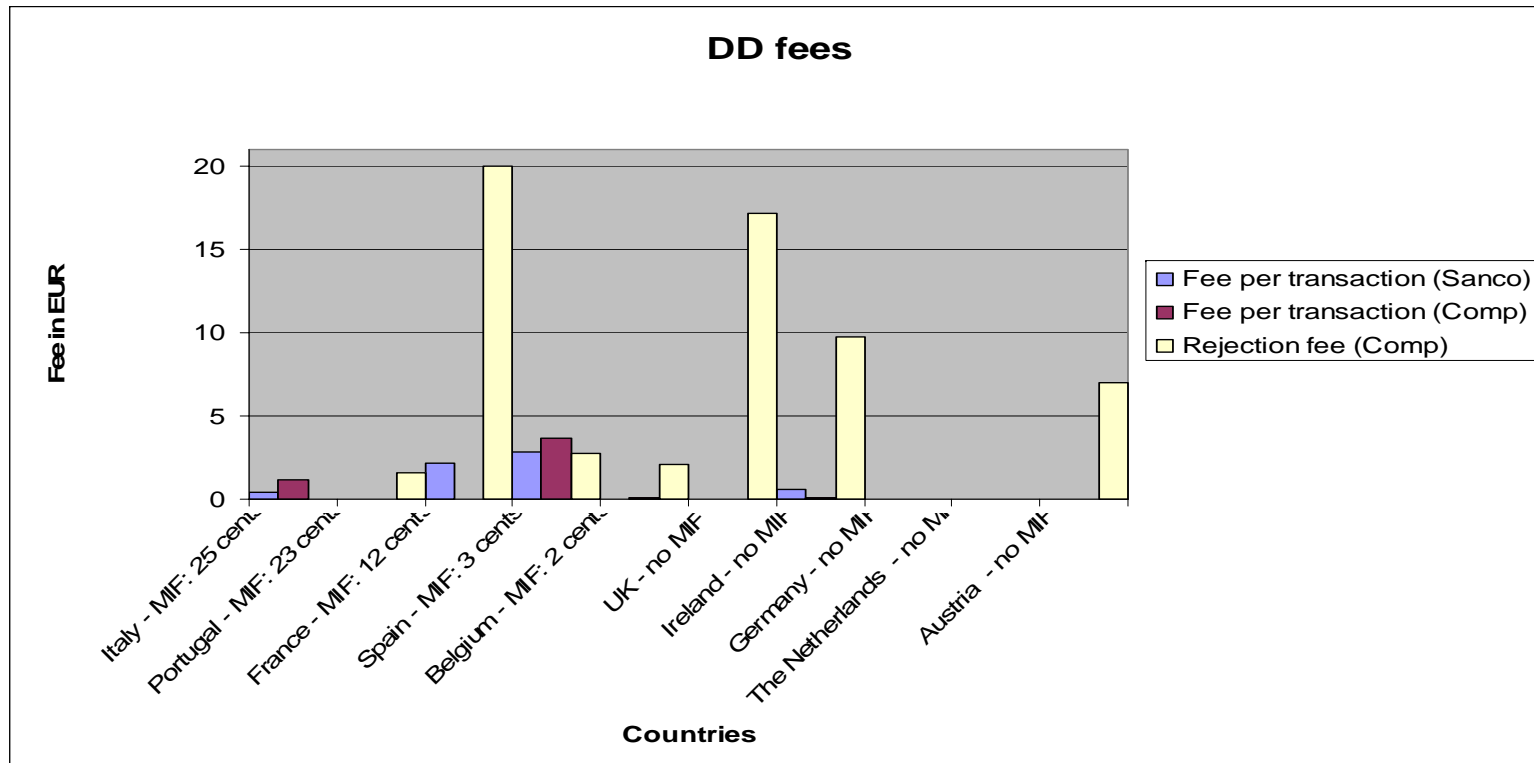


## Likely effect: Higher *dd* fees for consumers ?

- Compare review Reg. 2560/2001:
  - fear that charges for ‘national’ payments would increase to offset the reduced revenues from cross border payments.
  - Review 2006: ‘*Reg. brought huge decrease of charges for cross border payments without provoking significant increases on charges for national payments*’.



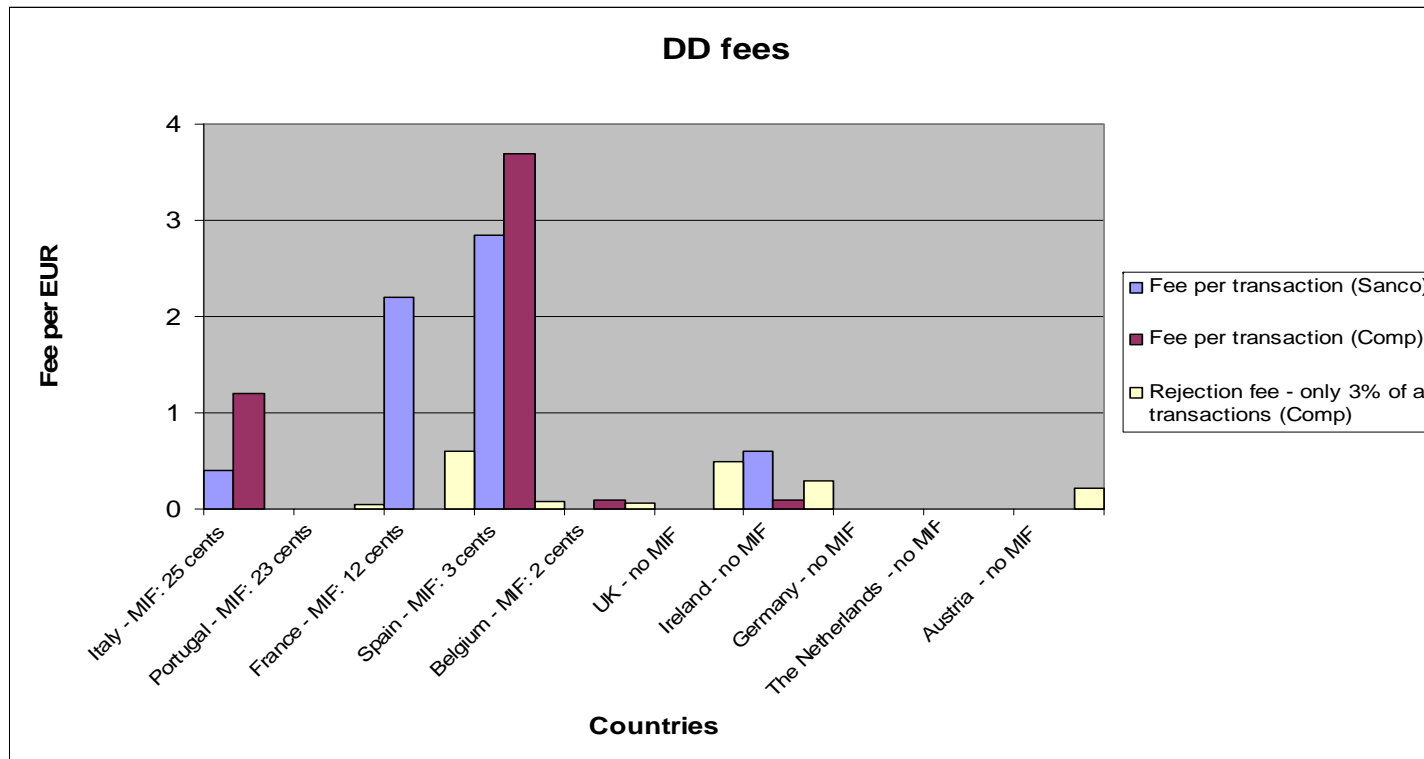
## Likely effect: Higher *dd* fees for consumers (II) ?



- **No conclusions can be drawn on relationship between MIFs charged for direct debits and fees charged directly to consumers per transaction and for R-transactions**



## Likely effect: Higher *dd* fees for consumers (III)?

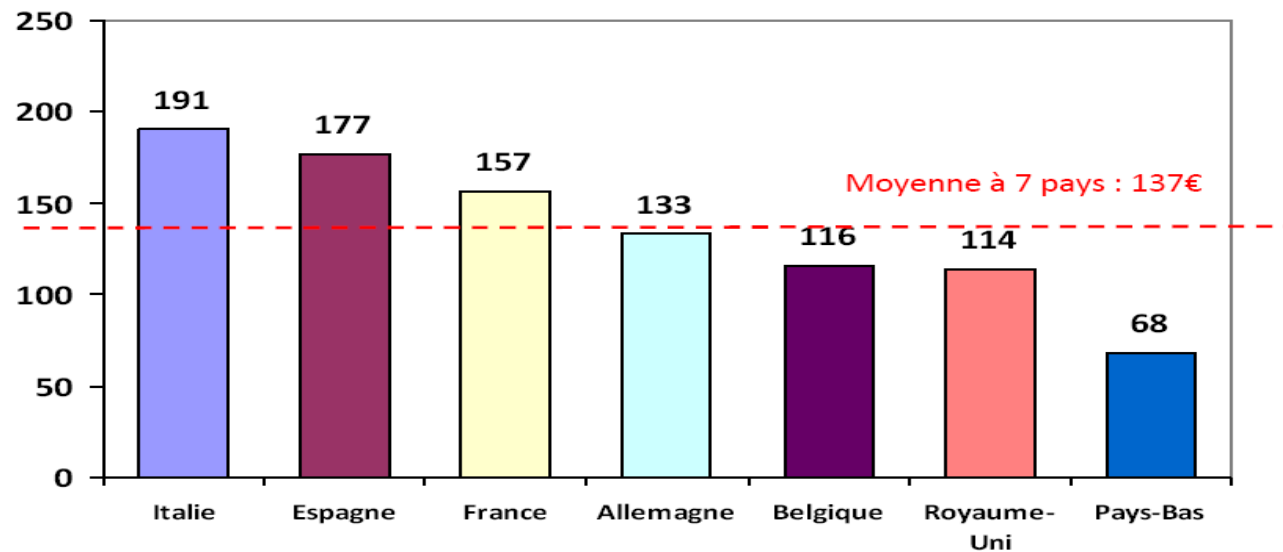


- Table taking into account relative weight of R-transactions (up to 3% on average)
- No conclusions can be drawn concerning relationship between no/ low MIFs and consumer fees.



## Likely effect: Higher general bank account fees?

Montant annuel de frais bancaires acquitté par un consommateur ayant un profil européen moyen de consommation (€)



Source : Bain & Company, 2010

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- No relationship between high MIFs and low bank account fees



## Conclusion

- Proposed regulation should regulate interchange fees
  - by prohibiting *per transaction* fees
  - allowing “R” transaction interchange fees under certain conditions
  - And, in order to maintain *level playing field*, prescribing the same approach for bilateral and unilateral interchange fees.