

■ Card Payment Sweden Positions on IFR

About Card Payment Sweden (CPS)

Card Payment Sweden (CPS) is an industry association that promotes the use of cashless payments by card in Sweden. CPS was established in 2017 by card acquirers and card issuers on the Swedish market. We aim to ensure that payments by card can be made securely, efficiently and in a commercially viable way. Card payments benefit the whole of society – consumers, companies and merchants.

The very high use of cards has given Sweden the reputation of having one of the world's most efficient payment markets. CPS strives to ensure that the regulatory framework in Sweden and the EU works as it should do and facilitates fair competition. Our aim is to create the conditions to make card payments more attractive both to households and companies.

The Issue

The Commission will by Q2 2020, probably in June, present a report on the application of the IFR. The Commission could decide to link a legislative initiative to the report. If so, this would be in line with the review clause saying that the report “shall, if appropriate, be accompanied by a legislative proposal”.

An IFR study made for the Commission by EY/Copenhagen Economics was published March 11th. The main message is that “the main objectives of the regulation have been achieved”. The recommendations are in line with this, suggesting to keep ICF caps at current levels on consumer cards, keep commercial cards exempted from the ICF caps, to strengthen some provisions and to monitor the development of scheme fees and of the acquiring market.

Conclusion

Since the presented IFR study is narrow, uncertain and inaccurate on key points, we appreciate that the study does not recommend any legislative initiatives at this point.

Furthermore, since the overall concentration problems that the Commission wanted to deal with seem not to have been solved, it would be reasonable to have an open-minded approach in future dialogue on these issues.

Comments on next page



Comments on the Published Study

- We are concerned about the quality of the empirical material. With limited coverage and low response rates, the data set of the survey is in fact quite weak. When discussing general take-aways, one should be careful not to draw far-reaching conclusions.
- The reported levels of Interchange fees in the Nordic markets, especially for Sweden, are not correct. The figures for the Swedish market 2015 and 2017 are clearly wrong and raise questions about how the data has been collected and processed. It has also resulted in reactions in the market among players that have seen the study and become concerned about their terms.
- Another area is the frequency of surcharging. That 60% of merchants respond that they surcharge commercial cards, does in our mind not reflect the real-world pattern very well. This figure is especially hard to understand, given that surcharging is prohibited in a large number of Member States, as the report also mentions. However, EY has missed that Sweden is also among the countries where surcharging of commercial cards is forbidden.
- This study can never be a substitute for a proper impact assessment. If the Commission would like to follow up with a legislative proposal, such an assessment would be an absolute necessity.

Comments on Next Step

- The record of the IFR on core competition aspects is rather mixed. The overall concentration problems that the Commission wanted to deal with seem not to have been solved. Not much has happened at all. Therefore, it would be reasonable to have an open-minded approach in any future dialogue on these issues.

In our analysis of the market dynamics, any further reduction of interchange fee caps would undermine card scheme business models and thereby make it even less attractive for new actors to enter the market. It could, in fact, be legitimate to evaluate whether a 0,1-0,3 percentage point increase of interchange fee caps for remote card payments could actually make the market dynamics more sound. There were such a price differentiation in the market before IFR and that would reflect actual differences in transaction and risk costs, between regular POS transactions (card present) and remote payments (card not present), eg. e-commerce payments.

- Regarding commercial cards, there is no problem to fix. The IFR study does not unveil any substantial negative effects of the exclusion of commercial cards from interchange fee caps. To disturb or even destroy the evolution towards a more efficient, secure, smooth, fast and innovative-friendly way to do B2B payments by not-called-for regulatory activism would be highly misguided.

Card Payment Sweden (CPS) is an industry association that promotes the use of cashless payments by card in Sweden. The members are card acquirers and card issuers on the Swedish market:

Bambora, Nets, Danske Bank Sverige Filial, Nordea Bank, SEB Kort, Svenska Handelsbanken, Swedbank, Volvofinans Bank, Catella Bank, DNB Bank, Forex Bank, ICA Banken, Länsförsäkringar Bank, Marginalen Bank, Medmera Bank, Skandiabanken