2020-21 Review of Retail Payments Regulation: Response to Issues Paper

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The Australian Retailers Association

Review of Retail Payments Regulation

About the ARA

The **Australian Retailers Association** (ARA) is the retail industry's peak body, representing a $325 billion sector employing more than 1.3 million people. The ARA works to ensure retail success by informing, protecting, advocating, educating and saving money for its 7,800 independent and national retail members which operate over 60,000 shopfronts across Australia. The ARA ensures the long-term viability and position of the retail sector as a leading contributor to Australia's economy.

Members of the ARA include Australia's most trusted retailers, from the country's largest department stores and supermarkets, to specialty retail, electronics, food and convenience chains, to mum-and-dad operators.

Executive Summary

Australia has enjoyed an uninterrupted period of economic growth spanning almost three decades, an achievement envied by many nations across the world. While the economy has strengthened over the past decade, ongoing GDP growth appears tenuous amidst a difficult and uncertain environment.

The Reserve Bank of Australia (RBA) must be congratulated on the support it has given to the retail industry, and on the stable environment merchants work within to accept retail payments. Every day, merchants across the country rely on a stable financial system with card transactions now the most common payment method in Australia, with some 10 billion debit and credit card transactions totalling $678bn in value annually. Due to the increasing uptake of tap-and-go transactions, the volume and value of card transactions will continue to grow.

Most Australians enjoy the fruits of a vibrant country. However, despite our economic achievements, there are some areas where significant improvements in payments would assist the retail industry.

Australia's current political climate appears geared towards saddling small businesses with additional costs. The ARA believes this review of retail payments allows the RBA to reduce costs for both small and large retailers through changes which will close gaps in operating arrangements.

As payments change and new types of card payments evolve, it is imperative that regulations are updated to ensure Australia's retail and consumer payments system is efficient, secure, innovative and robust for the next decade and beyond. Ensuring choice for both merchants and consumers is critical to this process.

The ARA represents the interests of merchants operating within the payments sector of the economy. The perspectives of merchants must be considered in addition to those of schemes, acquirers and cardholders. Merchants make significant investments in payments infrastructure, and constitute an essential component of the payment system. Merchants pay fees on card payments of approximately $4.3bn annually. With 24 million Australians, we estimate the annual cost per household in merchant fees is $412.

Least Cost Routing

On 13 December 2019, RBA Head of Payments Policy Tony Richards addressed the Australian Payments Summit and made the following statements:

"Some disputes over dual-network debit cards emerged between the debit schemes in 2012-13. However, after a series of discussions with the Bank, in August 2013, the three debit schemes made voluntary undertakings to the Bank that addressed some policy concerns. These included commitments

- to work constructively to allow issuers to include applications from two networks on the same card and chip, where issuers wished to do this;
- not to prevent merchants from exercising choice in the networks they accept, in both the contact and contactless environments; and
- *not to prevent merchants from exercising their own transaction routing priorities when there are two contactless debit applications on one card"* (emphasis added).

Since December 2017, merchants have sought the ability to have transactions routed via the "least cost method," but almost three years later, the ARA continues to receive complaints from members that for various reasons they have been unable to route debit transactions via the lowest cost method.

Some acquirers (such as Tyro) have built systems to allow not only for low-cost routing but also "smart routing" whereby the value of each transaction is determined and routed through the lowest cost route.

To their credit, other banks (such as the Commonwealth Bank, or CBA) offer solutions for smart routing; however, they have not been able to roll this out to all merchants. Typically, if a merchant has a CBA "Albert" terminal, it cannot process smart routing; if a merchant has a bundled rate for credit and debit cards, the CBA appears unwilling to offer smart routing to that merchant.

Many merchants, particularly SMEs, have little understanding of the complexity of Merchant Service Fees (MSF), and therefore are reticent about unbundling the rates they have negotiated with their acquiring bank. The ARA believes these retailers may be paying more in MSF than they should be, as acquirers have made unbundling MSF too complex.

Other banks offer only the partial solution of low-cost routing rather than "smart" routing (which the ARA refers to as "half pregnant low-cost routing") by not offering the market a true "smart routing" solution. The ARA issued a media release dealing with these matters on 29 March 2019 (*see Appendix 1*).

The ARA supports access to the most inexpensive transaction solutions with the lowest cost routing for its members, but is concerned by ways in which some acquirers are passing on costs. We are pleased competition between schemes is bringing down interchange on debit rates, but we are concerned the "cheapest" scheme is not always passed on because *<u>some acquirers blend costs between debit and credit, and between Visa and MasterCard.</u>* We propose that all debit and credit payment charges be split by acquirers so retailers may see a clearer breakdown of component costs.

Recommendation 1: The ARA would like the RBA to mandate that eftpos be the default scheme for routing payments unless the merchant explicitly selects another option.

However – if the RBA is unprepared to regulate to this effect – the ARA would like acquiring banks compelled to promote the availability of smart routing to all business customers, large or small, and demonstrate to merchants how savings can be achieved.

Given the clear competition benefits Australian merchants have experienced since the introduction of low-cost routing and smart routing for debit transactions, the RBA should consider low-cost or smart routing functionality for credit card payments. The ARA strongly supports acquirers splitting the costs of debit and credit, and show the differences between debit and credit. (We note most acquirers do itemise costs for eftpos separately – *see Appendix 2*).

Buy-Now, Pay-Later Schemes (BNPL)

In recent years, BNPL schemes have proliferated, and these are being promoted by merchants for both online and instore applications. Despite the BNPL segment of the payments ecosystem being crowded, most (if not all) of these schemes place contractual obligations on the merchant that acceptance of the scheme is conditional on the merchant not surcharging to recoup BNPL scheme costs.

The ARA understands that while one BNPL scheme has softened its approach to this prohibition on surcharging, the majority of BNPL schemes remain unwilling to allow merchants to levy a surcharge on BNPL transactions.

Merchants are currently able to surcharge for schemes such as MasterCard, Visa, American Express, and other payment schemes, and the ARA believes merchants should have the ability to surcharge if they wish to do so.

The ability to surcharge is particularly important if a merchant has a low margin product; however, the ARA has discussed this with merchants in both low and high margin products. Both groups believe it is important to be able to surcharge.

BNPL schemes have become a “must have” retail offering. The view of most retailers is that if their competitor/s offer customers a BNPL scheme, they too must offer a BNPL option: whether the same scheme as a competitor, a different BNPL product, or a selection of the BNPL options in the market. The ARA’s view is that if major credit card schemes are regulated and must adhere to rules governing surcharges, then BNPL schemes must be brought into line with the same regulatory requirements.

Recommendation 2: All Buy-Now, Pay-Later (BNPL) schemes must not prevent merchants who wish to surcharge their customers for offering their schemes from doing so.

Surcharging

The RBA permits merchants to surcharge for various schemes; however, consumers now find many merchants surcharging for a variety of different payment platforms and, in many cases, the surcharge will be the same across all payment types (e.g. a common surcharge rate for Visa, MasterCard and American Express, despite differing scheme costs).

The ARA assumes these merchants surcharge using an average of the costs of the various schemes they accept. The ARA and its members do not believe this signals the actual cost of acceptance of each scheme. This average surcharging may unfairly advantage or disadvantage individual schemes whose real costs are higher or lower than such an average.

The ARA and its members believe merchants wishing to surcharge should surcharge *only* the acceptance costs of the individual scheme in question.

This will be most important should the RBA allow merchants to surcharge when accepting a BNPL scheme. We are aware that the percentage of each sale charged by BNPL schemes can be higher than 6%, whereas others may be as low as 2.2% or lower.

To put this into perspective, if a merchant is being charged 0.95% for Scheme A and Scheme B is charging 1.5%, then the surcharge passed on to consumers should reflect these different fees. Further, if a merchant is prepared to accept card Scheme A and not surcharge, then they should only surcharge the difference between Scheme A and Scheme B, i.e. 0.55%.

Recommendation 3: Retailers should surcharge differentially for the acceptance costs of various schemes rather than surcharging based on a blending of those costs, thus enabling pricing signals so the true cost of acceptance is known to the consumer, and ensuring the ACCC can undertake enforcement action when merchants gouge consumers on surcharging.

Regulation for all payment systems

As noted at the outset of this submission, Australia has a very stable payments system. However, the world of payments is changing rapidly, and payments systems operating today could be obsolete in a few years' time. Just as we have seen the emergence of BNPL schemes, industry is now witnessing changes with new and exciting payments platforms being brought to market. Despite our belief that less regulation is better, the reason Australia has a stable payments system is due to regulation the RBA has enacted, for both Visa and MasterCard, along with abolishing the "no surcharge" rule with respect to all schemes. Merchants are consequently able to surcharge to recoup scheme costs associated with acceptance of these platforms. Whilst we can be certain payments will change, it is not possible to foresee the exact nature of this change over the next few years.

We have evolved from magnetic strip technology, chips and pin cards to phones and wearables. Industry cannot predict what future payment systems may look like. Even so, the ARA's view is that all payment systems must be regulated to ensure an even playing field.

The ARA believes any payment system occupying more than 3% of the total payments market in Australia should be regulated by the RBA. It believes this should apply to all payment schemes and systems. The ARA believes the RBA should regulate all participants, and regulate the processing of all transactions initiated in Australia. Interestingly, regulators in several other countries have mandated that processing of debit transactions be conducted using locally-based infrastructure: this is particulary importantant wherever digital identity information is processed.

It is important that Australia has a competitive payments marketplace that is sustainable in the long term. Regulation should be framed to ensure there can be no technical or commercial lockouts. All payments should be open to competition, ensuring consumers and merchants are charged the lowest costs possible when utilising a regulated payments service.

Recommendation 4 The RBA should regulate all payment systems occupying more than 3% of the total payments market in Australia including four-party schemes, three-party schemes, and payment schemes such as PayPal, BNPL schemes, AliPay, Union Pay, and other relevant payments schemes.

Transparency in Pricing

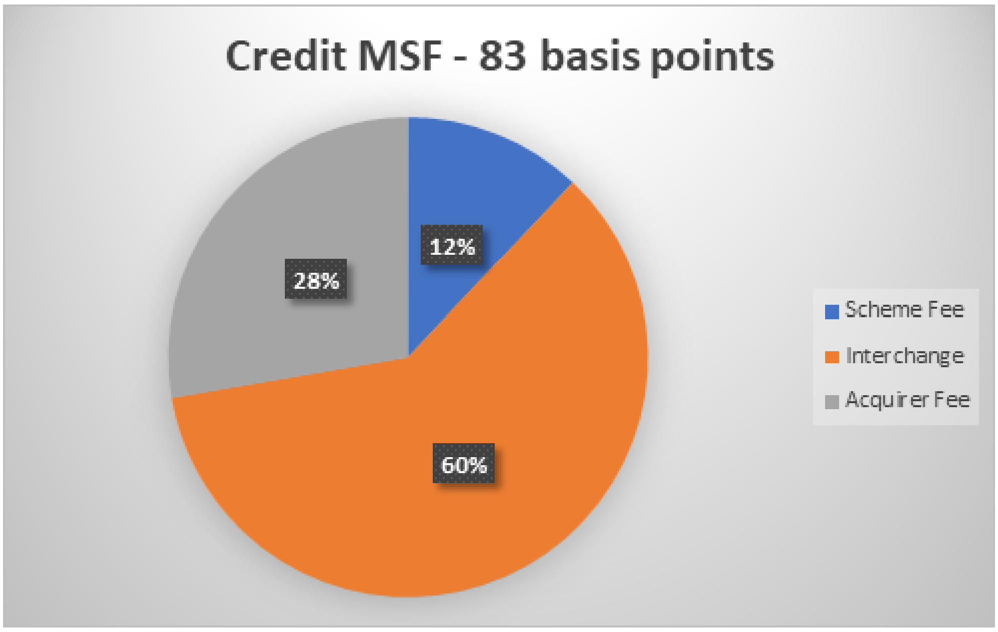
There is very little transparency around pricing across all payments industry participants; however, this goes well beyond interchange. Price transparency should include scheme fees, interchange fees, and the acquirer's margin. Considering hundreds of different fees and charges may apply to payments, pricing transparency is critical to understanding these. Interchange should always be "interchange plus plus," rather than a weighted average fee.

Retailers' relationships with acquirers differ across the market. Some ARA members have an intimate knowledge of their payment costs; others do not understand interchange, scheme fees, or even MSF. They opt for simple plans which provide certainty arounds costs. While the notions of transparency and simpler fees are attractive to the ARA, we also wish to ensure the approach to these provides guidance to our members and allows them to have more informed conversations with their banks on their payment costs.

The ARA believes there is no need to break down scheme fees, but rather show on a merchant statement how costs are broken down between interchange, scheme fees and acquirer fees.

The model we propose could be presented on the merchant statement separately for Visa Debit, Visa Credit, MasterCard Debit, MasterCard Credit, and eftpos. In the chart *below*, we have based the breakdown on an 83 basis points (bp) average credit cost and assumed (based on conversations with the schemes) a 10bp average scheme fee and 50bp for interchange.

Figure 1



Further, while retailers pay scheme fees passed on by their acquirer, they do not pay this directly to schemes. The ARA requires any representation of scheme fees to be accurate, without the margin applied by the acquirer, so retailers can see the costs of different schemes. Any margin should be accounted for in the acquirer fee portion. Where a retailer wants a greater level of transparency, we would expect they could get a breakdown of costs on a per-transaction basis with "interchange plus plus."

While scheme fees are complex, we understand different fees apply to different types of transactions, and we would not want to simplify fee structures if this risked reducing transaction safety and security. Rather, we want options to add safety services to transactions with a higher risk of fraud which, in turn, will protect retailers from fraudulent hacks and chargebacks.

Recommendation 5: The RBA should regulate to ensure pricing transparency on all cards, requiring a breakdown to be shown on merchant statements (by percentage) of a) scheme fees, b) interchange fees, and c) acquirer fees; and that these be shown for all schemes individually, including debit, credit and eftpos.

Cross Border Transactions Fees

Cross border transactions are a relatively small proportion of total retail transactions; however, with the rise in e-commerce, cross border transactions are more common than they have ever been. This increasing volume of cross border transactions is also partly driven by the influx of international tourists using cards deriving from their countries of origin. These international payments attract cross border fees (charged by card schemes).

Merchants with the highest costs are selling to tourists, so it is crucial that shops in high-tourist areas can accept these cards. It is important that all Australian merchants can accept cross border payments. The ARA strongly recomends the RBA regulate the cost of cross border transactions to limit fees that merchants pay.

We believe the encouragement of foreign tourists to spend money at Australian retail outlets is critical; however, the ARA does not support the practice of Australian citizens and residents who have spent time abroad – perhaps with offshore accounts they established overseas – returning to Australia and continuing to use foreign payment schemes to spend money locally. The ARA is open to working with the RBA to explore ways in which a balance may be struck in this regard to optimise tourist expenditure and minimise excessive interchange costs entailed by the latter scenario.

A possible approach to minimising costs on foreign transactions would be to limit interchange to avoid causing creep, and to limit applicable scheme fees on these transactions.

The *Revised EU Cross-Border Payment Regulation*, which takes effect from April 2020, has extended the price equality rule so that it applies to cross border Euro payments outside the Eurozone. It also requires providers of currency conversion services at ATMs and at the point of sale to disclose information about the cost of the transaction, and to offer customers the option to pay in their own currency.

The regulation also requires card issuers to send electronic messages to payers, informing them of currency conversion charges, and requires payment services providers to inform the payer of the cost of currency conversions in connection with online-initated credit transfers.

The issue for most merchants is that costs of acceptance for cross border payments are increasing. The ARA would like the RBA to regulate to limit these costs, including interchange fees and cross border fees.

Recommendation 6: That the RBA regulate cross border fees and interchange fees on all overseas transactions to ensure there is a cap on these costs to merchants. (*Please note: in April 2009, Visa and MasterCard reduced interchange fees for payments made in Europe by an average of 40% after the anti-trust investigation – see Appendix 3*).

Digital wallets and mobile payment applications

The ARA has concerns over the rise of digital wallets, and the implications of the growing use of mobile devices and digital platforms within the retail payments system in Australia. The expanded use of these digital technologies could threaten low cost routing, and remove consumer choice, by reducing competition in the payments system.

As Australians continue to embrace mobile payments, the consequent growth in tokenisation must nevertheless safeguard competition for both the consumer and the merchant. As mobile payment acceptance increases, local innovation and the needs of a local market must be taken into account in the design of the payments system.

The payment system that administers mobile wallets must allow for acceptance of, and compliance with, local requirements. We understand issuers use the international card schemes to facilitate tokenisation for use in mobile and e-commerce ecosystems.

At present, there is only one way to process these transactions: via the international scheme which provides the tokenisation services. The consequence is a technical lockout, increasing costs for merchants, as dual network cards cannot traverse the eftpos network.

Tokenisation must have interoperability across all schemes.This should include a requirement for dual network routing by allowing eftpos on all debit products issued in the Australian market – both mobile and physical cards – and for dual network debit cards in new channels (such as mobile wallets) to have both schemes available in those channels simultaneously.

Recommendation 7: That the RBA regulate mobile wallet applications, ensuring dual network routing is mandated on mobile payments, ensuring the merchant is given the choice to route transactions via the lowest cost method, and ensuring interoperability of tokenisation across all schemes.

Regulation of Three Party Schemes

The ARA stated in Recommendation 4 that the RBA should regulate all payment systems occupying more than 3% of the total payments market in Australia including four party schemes, three party schemes, and payment schemes such as PayPal, BNPL schemes, AliPay, and Union Pay. We support the regulation of all schemes to ensure a level playing field, to guarantee the best outcomes for merchants, and to ensure consumers are protected.

As previously stated, payment schemes are changing rapidly. Unless the RBA regulates all schemes with a market share of greater than 3%, the RBA will continue to tinker at the edges as new payment systems emerge, and will continue to regulate reactively rather than through a proactive, whole-of-market approach of the kind the ARA seeks.

Recommendation 8: All payment schemes with a market share of more than 3% of the Australian payments market should be regulated by the RBA to ensure a level playing field for all participants; all schemes should publish fees and charges in a similar manner to the form suggested in Figure 1.

The Use of Cheques

In 2017, Australians wrote approximately 81 million cheques, with cheque usage falling by 83% over the past decade. From 2018 to 2019 alone, cheque usage dropped by 25% to 60.2 million. The value of cheque payments in 2015 was $1.2 trillion; by 2016, this had declined to $600 billion: a fall of 50%.

The Australian Payments Network advises the cheque system is continuing to operate efficiently as cheque numbers decline as a result of the introduction of industry-wide digital cheque clearing in 2015 to speed up cheque processing.

Generally, retailers no longer accept the number of cheques they once did; nor do they use cheques to pay suppliers. Among consumers, older Australians are likeliest to still write cheques. The ARA appreciates the cost of cheque acceptance will continue to rise as volumes fall, and our view is that once a cost effective replacement system can be devised and introduced to the market to facilitate payment of large transactions (e.g. at auctions of residential property), we would support the abolition of the cheque system at that point.

Recommendation 9: The RBA, the Australian Payments Network and industry should work together to devise a cost effective alternative system to replace cheques and abolish the current cheque system.

Same Day Settlement of Card Transactions

The ARA is aware some smaller acquirers have difficulty offering same day settlement of funds to their merchants. We realise that smaller acquirers may be nett receivers of funds, whereas large acquirers may in fact be nett payers of funds into the schemes' interbank settlement system. We appreciate there may be barriers both in terms of competition considerations and technological factors that contrive to make this a problem for small acquirers; however, it is vital that all merchants receive their funds in a same day settlement.

Recommendation 10: The RBA should work with acquirers to identify and implement, as a matter of urgency, methods to ensure merchants are able to access funds from settled transactions on the same day purchases are made.

Conclusion

The ARA appreciates the opportunity to respond to the RBA's Review of Retail Payments Regulation.

We wish to see competition in the payments sector on as widespread a basis as possible to ensure low costs for merchants, ensuring lower costs for consumers.

The Australian retail sector is an extremely competitive industry. We know any cost savings to merchants as a result of competition will ultimately be passed onto consumers as retailers strive to gain market share and to ward off threats to their business model, such as from online entrants to the sector.

Australian Retailers Association

Appendix 1

Media Release

A Half-Pregnant Least Cost Routing Offer

Friday 29 March 2019: The Australian Retailers Association (ARA) is pleased to acknowledge Australia and New Zealand Bank (ANZ) along with the Westpac bank and its subsidiaries decision to allow retailers and merchants a choice on how Tap and Go debit card transactions are processed.

Currently, ANZ charges retailers around 25 cents to process contactless debit card payments through eftpos, while Visa and Mastercard impose a fee of approximately 1% of the value on a transaction.

Russell Zimmerman, Executive Director of the ARA said, while the bank's announcement is sound news for retailers and merchants across Australia, there is still a long way to go before those who have higher value average transaction tickets recognise any marginal reductions in costs.

"Contactless payments were first introduced into Australia 13 years ago and since then major banks have automatically routed contactless debit card transactions through higher-cost processing platforms such as Visa and Mastercard, and the extra costs have been borne by retailers and merchants," Mr Zimmerman said.

"The bank's approach is a step forward for retailers and merchants across Australia. However, the ARA is disappointed that the banks have only gone halfway by offering merchants an "opt-in model" and not supported "Least Cost Routing" as per the RBA Payments System Board, who have been urging banks to adopt the least cost routing processing platform."

While the ANZ and Westpac bank's initiatives are aimed at saving retailers and merchants' substantial costs, the ARA is unable to comprehend why the major banks have been unable to introduce "Least Cost Routing" to the market.

"Although the ANZ bank has stated that it is committed to working towards "Least Cost Routing" it is difficult to understand why ANZ was unable to achieve this when Tyro, a small acquirer, was able to accomplish this in about 3 months," Mr Zimmerman said.

"Furthermore, the ARA is perplexed as to why the National Australia Bank (NAB) and Commonwealth Bank of Australia (CBA) banks are still silent on this issue. While we understand that both banks' will be working towards an offering, we would encourage both banks to offer a "Least Cost Routing" and not an opt-in model as a matter of urgency."

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While the ANZ website stipulates that merchants must disclose to customers using a sign at the point of sale, that all contactless Multi Network Debit card transactions are to be routed through a domestic ePal network (i.e. eftpos), the ARA is under the impression that this is an unnecessary measure.

"It is the ARA's understanding - having had past discussions with the Reserve Bank of Australia (RBA) that the RBA does not require merchants to reveal the way consumers transactions are routed, as it makes no difference to the consumer," Mr Zimmerman said.

The ARA strongly encourage merchants to consider routing debit transactions via the eftpos network, to secure the vibrancy of the Australian retail industry and the sustainability of the economy.

"eftpos make significant contributions to the vitality of the Australian economy. Therefore, it is imperative that transaction costs are kept low, to ensure eftpos remains a competitive force within the payments system."

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For interview opportunities with Russell Zimmerman, ARA Executive Director, call the ARA Media Line on 0439 612 556, or email media@retail.org.au

About the Australian Retailers Association:
Founded in 1903, the Australian Retailers Association (ARA) is Australia's largest retail association, representing the country's $320 billion-dollar sector, which employs more than 1.3 million people. As Australia's leading retail peak industry body, the ARA is a strong pro-active advocate for Australian retail and works to ensure retail success by informing, protecting, advocating, educating and saving money for its 7,800 independent and national retail members throughout Australia. For more information, visit www.retail.org.au or call 1300 368 041.

Appendix 3

The European Commission has made commitments offered by Mastercard and Visa legally binding under EU antitrust rules. The companies will significantly reduce (on average by around 40%) their multilateral interchange fees for payments in the EEA with consumer cards issued elsewhere.

Commissioner Margrethe **Vestager**, in charge of competition policy, said: *"Mastercard and Visa have committed to significantly reduce the interchange fees applied to payments made in Europe with cards issued elsewhere.The commitments, which are now binding on Visa and Mastercard, will reduce the costs borne by retailers for accepting payments with cards issued outside the EEA. This, together with our January 2019 decision on Mastercard's cross-border card payment services, will lead to lower prices for European retailers to do business, ultimately to the benefit of all consumers"*

When a consumer uses a debit or a credit card in a shop or online, the bank of the retailer (the "acquiring bank") pays a fee called "multilateral interchange fee" ("MIF") to the cardholder's bank (the "issuing bank"). The acquiring bank passes this fee to the retailer who includes it, like any other cost, in the final prices to all consumers, even to those who do not use cards.

Inter-regional interchange fees (also referred to as "**inter-regional MIFs**") are MIFs applied to payments made in the European Economic Area (EEA) with consumer debit and credit cards issued outside the EEA. This would be the case, for example, when a US tourist uses a Mastercard or Visa card to pay a restaurant bill in Belgium.

The Mastercard and Visa networks set the level of MIFs (including inter-regional MIFs) applied by their licensee banks between them. In the absence of bilateral agreements between the banks, the level of the MIFs set by Mastercard or Visa networks applies by default. Retailers and consumers have no means of influencing the level of MIFs.

Both **Mastercard** and **Visa** have now committed to reduce their respective **inter-regional MIFs**. These commitments, which will cut the inter-regional MIFs by on average 40%, will significantly reduce the costs for retailers in the EEA when they accept payments made with cards issued outside the EEA. This is expected to lead to lower prices to the benefit of all European consumers.

The Commission is the first competition authority in the world to intervene on inter-regional MIFs.

The Commission's concerns

The Commission outlined its competition concerns related to inter-regional MIFs in a Statement of Objections addressed to Mastercard on 9 July 2015 and a Supplementary Statement of Objections addressed to Visa on 3 August 2017.

In particular, the Commission was concerned that inter-regional MIFs may anti-competitively increase prices for European retailers accepting payments from cards issued outside the EEA and in turn lead to higher prices for consumer goods and services in the EEA.

The concerns identified by the Commission regarding the level of the MIFs are specific to this case and the inter-regional context.

The Commitments

Mastercard and Visa, each separately, offered commitments that would reduce the inter-regional MIFs by an average of 40%. Under the commitments, each of Mastercard and Visa undertake to:

1. **Reduce the current level of inter-regional interchange fees** to or below the following binding caps, within six months:

   For card payments carried out by the cardholder in a shop ("Card Present Transactions"):

- 0.2% of the value of the transaction for debit cards;
- 0.3% of the value of the transaction for credit cards.

   For online payments ("Card Not Present Transactions"):

- 1.15% of the value of the transaction for debit cards;
- 1.50% of the value of the transaction for credit cards.

2. **Refrain from circumventing these caps** by any measure equivalent in object or effect to inter-regional MIFs.
3. **Publish all inter-regional interchange fees** covered by the commitments in a clearly visible manner on their respective websites.

The commitments, which will apply for five years and six months, cover inter-regional interchange fees applied to payments made with the Mastercard, Maestro, Visa, Visa Electron and V-PAY credit and debit card brands. A trustee will be appointed by the Commission to monitor the implementation of the commitments.

In December 2018, the Commission consulted market participants to verify the appropriateness of the proposed commitments. In light of the Commission's analysis and the results of the market test, the Commission is satisfied that the commitments offered by Mastercard and Visa address its concerns.

In particular, the Commission concluded that, with the proposed inter-regional MIFs caps, the cost for retailers of accepting inter-regional consumer card payments does not exceed the cost of accepting alternative means for such payments, such as cash for Card Present Transactions and e-wallets (digital wallets) funded via bank transfers for Card Not Present Transactions.

Therefore, the Commission has made the commitments legally binding on Mastercard and Visa respectively.

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