

## **Support needed for EU payments package**

Written by Gilbert Arira on 18 November 2013 in Thought Leader  
Thought Leader

Will the EU's 'payments package' help or hinder Europe's economic growth? Gilbert Arira asks.



Earlier this month, at the European Policy Centre's annual conference, internal market and services commissioner Michel Barnier argued that now is the time to move towards a new industrial policy for Europe, and paying attention to Europe's industrial strengths not only means supporting traditional sectors but also investing in key enabling technologies. Barnier added that Europe must become the home of global standard-setting in new sectors and tomorrow's must-have technology.

I couldn't agree more with the commissioner. The importance to the European economy of the card payment industry and service sector is unquestionable: more than 10,000 jobs in France alone and approaching 100,000 in Europe; annual revenues of over €10bn with shipment in 2012 of 6.9bn smart

secure devices worth €7bn. It is also a proven generator of export revenue, building on strengths in its internal market with forecasted growth of around 10 per cent for 2013.

As a European card scheme, Cartes Bancaires is at the centre of a complex ecosystem comprising consumers, retailers and other card acceptors, payment service providers and the card industry as a whole, setting rules for interoperability and security, thus enabling 9.6 billion CB card transactions for cash withdrawal and payment last year to a value of €507bn. This is why I'm somewhat concerned about the 'payments package' that has been submitted to the European parliament and its likely collateral effects on consumers, retailers and this industry, since the package is based on definitions, practices and product segmentation of global card schemes.

For example the multilateral interchange fees (MIF) regulation proposes to cap interchange for debit and credit card transactions at 0.2 per cent and 0.3 per cent - values which have no economic justification and simply reflect commitments made to competition authorities by the two prominent global card schemes Visa and MasterCard. MIF also uses definitions of debit and credit card transactions which are artificial and drawn directly, not from European card scheme rules, but from those of Visa and MasterCard.

This policy will result in the disappearance over time of domestic European card schemes, and if this happens the consequences for European industry are easy to imagine. European schemes likely to be affected include Bancontact/MisterCash, Cartes Bancaires, Dankort, EURO6000, Girocard, LINK, MultiBanco, ConsorzioBancomat, Servired, and Sistema 4B.

While building a level playing field for card payments in Europe, we should also support European champions for payment services and technologies. This is a necessary condition for Europe to retain control of this key economic activity, and even more importantly, ensure the necessary level of data protection for European citizens, retailers and industry in a modern economy. Ensuring confidentiality of payment transaction messages is even more important than for simple telephone calls.

European card schemes can together, step by step, build a European alternative to the current duopoly recognised by the commission. Cartes Bancaires is a strong advocate of this process, and is committed to sharing our knowledge, experience and expertise with likeminded partners to attain this goal. Naturally, global card schemes would not be excluded from this European construction, but they simply should not be given the monopoly.

To achieve this, support is needed from the European regulator who must provide a clear legal framework which neither neglects nor dilutes existing strengths or the inventiveness of the European card payments industry and schemes.

### **About the author**

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