

# Interchange in a changing market

## Observations from the euro-area perspective

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# Agenda

1. Interchange fees in the euro area
2. Role and focus of the ECB
3. A fragmented payments landscape
4. Some legal and competition policy aspects

# Interchange fees

- Brings both sides of the market on board
- May help in overcoming the chicken-and-egg problem
- Merchant complaints on excessive charges
- Increased activities of competition authorities

# Interchange fees and euro area integration

- Fragmentation of interchange fee practices across the euro area
- Differentiation of fees for transactions within/between euro area countries is problematic -> Link between interchange fees and euro area integration
- Ways ahead: ECB prefers market-driven progress, transparency and competition

# ECB's focus: safety and efficiency

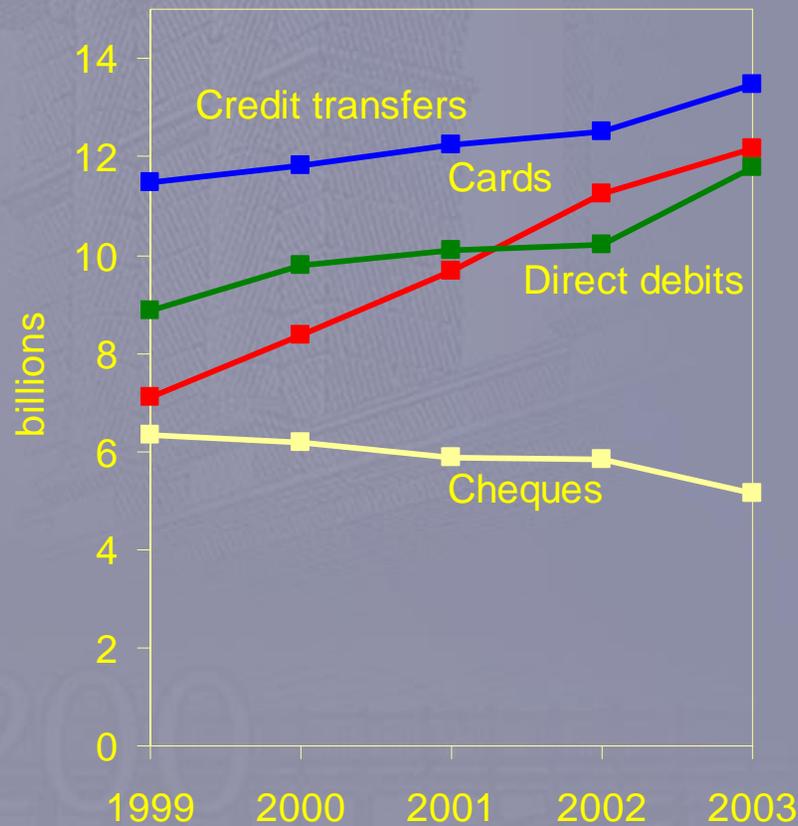
- So far: safety of payments; establishment of structures and standards
  - ECB is operating TARGET
  - ECB acts as overseer of payment systems
- Priority now: efficiency of payments
  - ECB is playing role of catalyst/facilitator
  - Objective is the establishment of a Single Euro Area for Payments (SEPA)
  - SEPA is a project of the European banking industry; dialogue with all parties involved
  - Efficiency gains to be realised

# Trends in payment instrument use

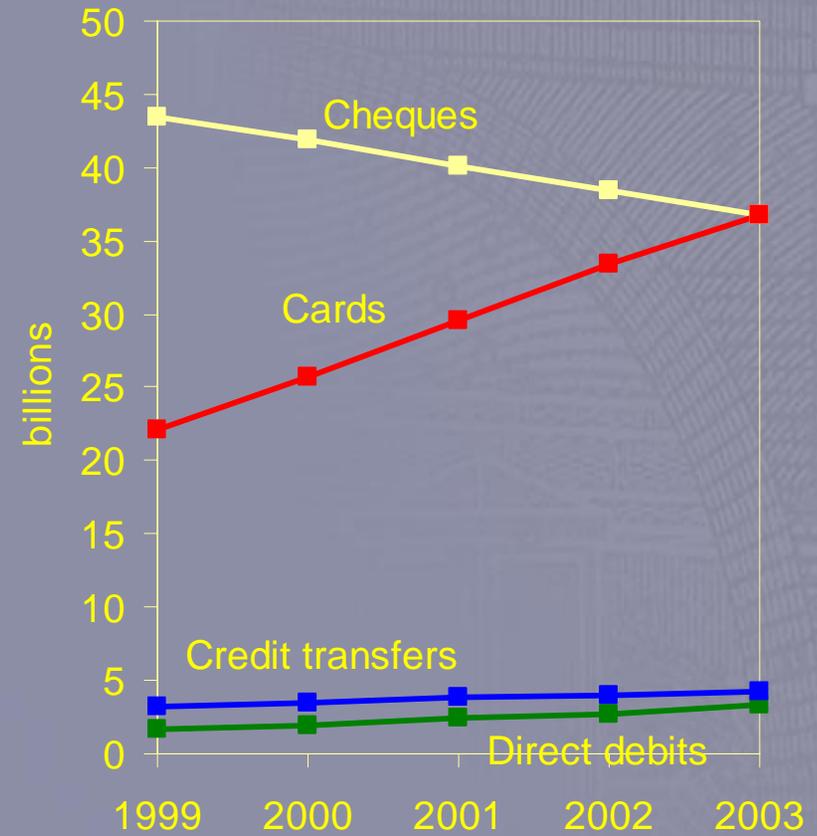
Number of transactions:

Sources: Blue Book and Red Book

## Euro area



## United States

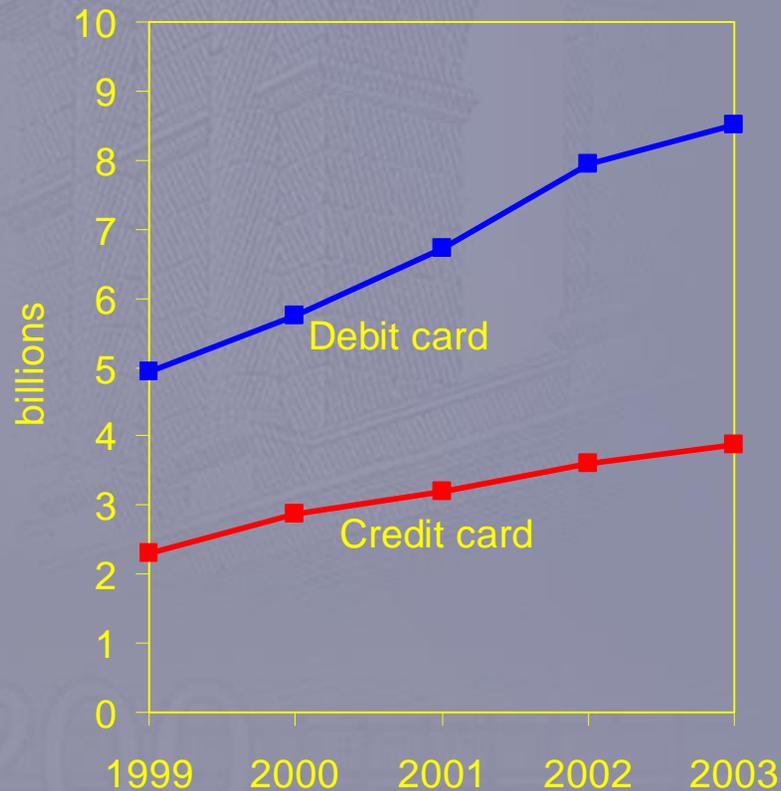


# Debit vs. Credit

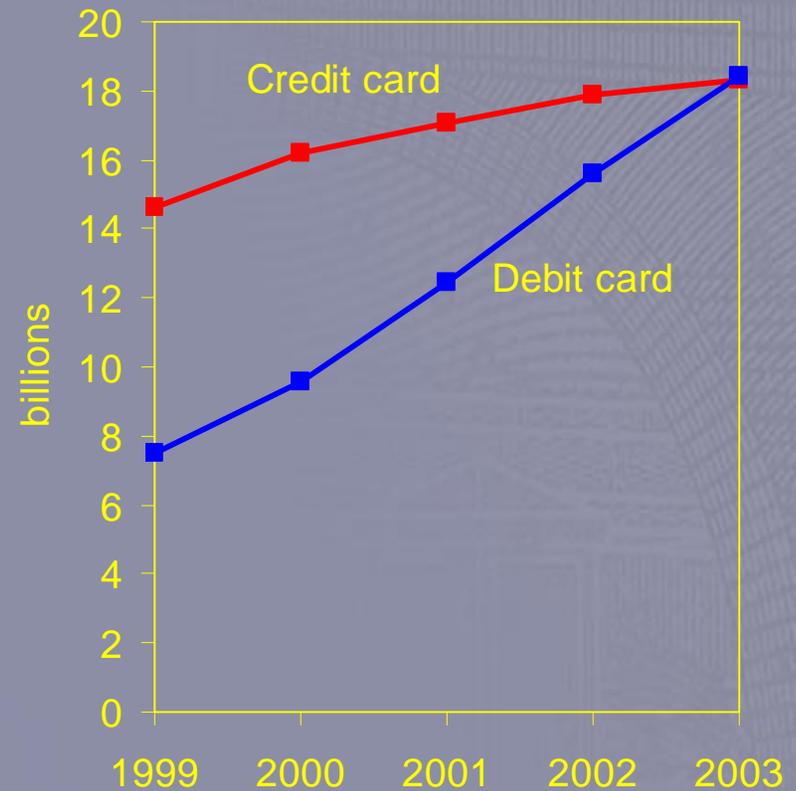
Number of transactions:

Sources: Blue Book and Red Book

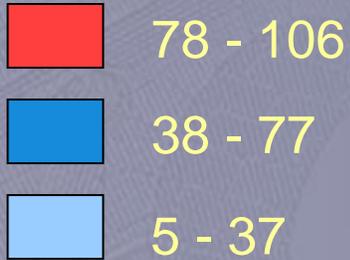
## Euro area



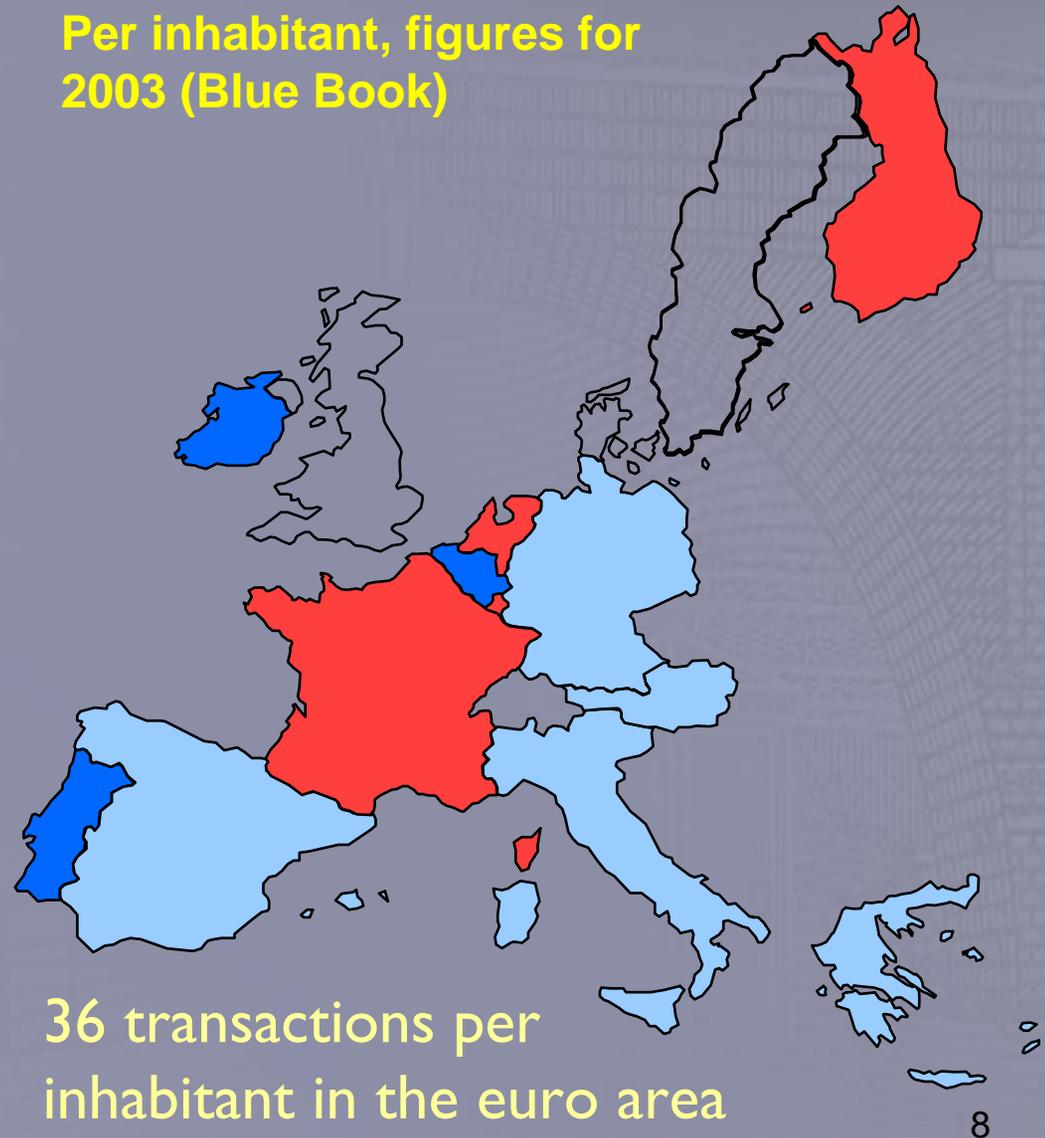
## United States



# Use of cards



Per inhabitant, figures for 2003 (Blue Book)



# Payment habits

relatively high



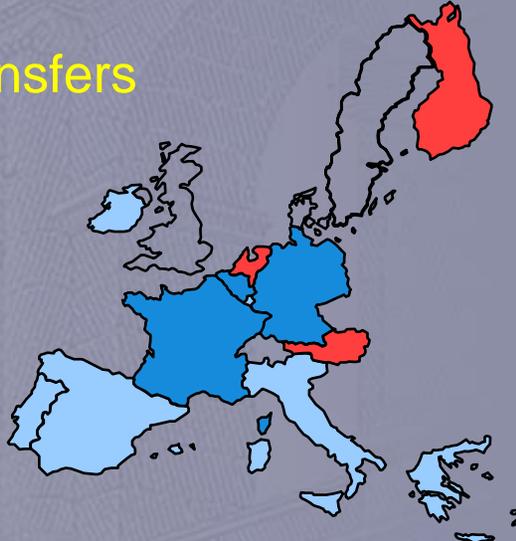
in between



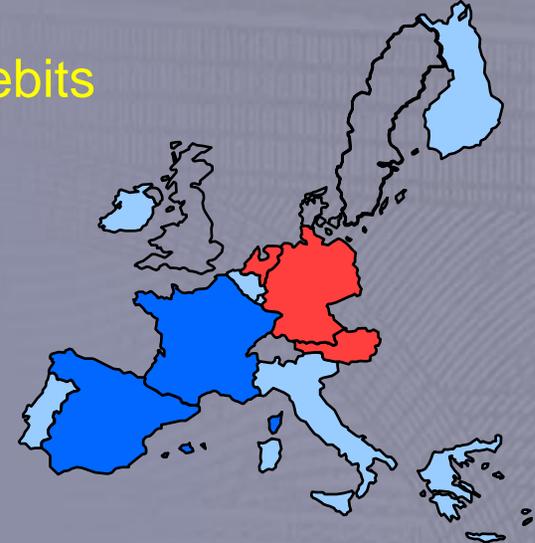
relatively low



Credit transfers



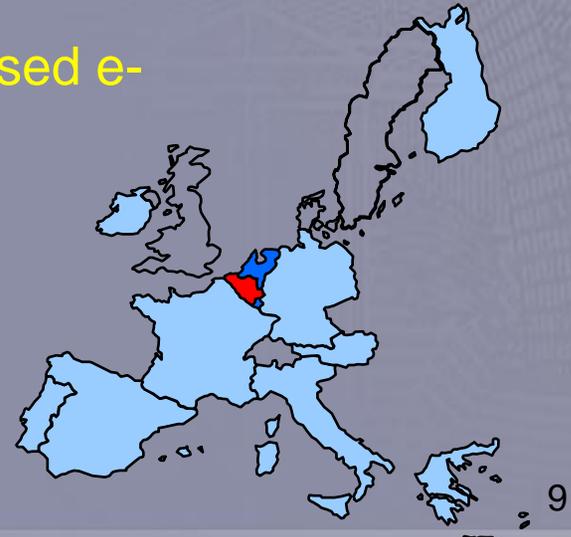
Direct debits



Cheques



Card based e-money



# Some legal aspects: Competition issues

## ➤ **Visa International**

Decision by the EU Commission, July 2002

## ➤ **MasterCard**

UK, preliminary conclusion by the office of Fair Trading, February 2003

## ➤ **Dankort**

Denmark, legal proposal, 2005

## ➤ **Interpay**

Netherlands, decision of Competition Authority, April 2004

## ➤ **Cartes Bancaires**

France, a statement of objections by the EU Commission, July 2004

# Closing remarks

- **The euro is the driver**
- **SEPA is a key project to reap full benefits**
- **Integration is the main focus of the ECB on interchange fees**
- **Banking industry should use the current window of opportunity**