



Financial Stability Department
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Response by Sveriges Riksbank to consultation regarding the European Commission's Green Paper on card, internet and mobile payments

The Riksbank (the central bank of Sweden) appreciates the opportunity to contribute to the European Commission's Green Paper on card, internet and mobile payments in Europe. The Riksbank takes a positive view of the initiative of the Green Paper and supports the visions the Commission presents regarding more competition, more freedom of choice and cost transparency, more innovation and more payment security. In the long term, greater harmonisation of the regulatory framework in this area is desirable.

The Riksbank's basic view is that market mechanisms are often best suited to resolving various problems and that any intervention by the authorities, for example in the form of regulation, should only take place when the social benefits of such intervention exceed the costs. This approach forms the basis for the standpoints on all of the areas that the Green Paper is relating to.

Multilateral Interchange Fees

Multilateral Interchange fees are a complex phenomenon, and the Riksbank can see potential problems here. However, MIFs perform a particularly important function in the development phase of a payment service as the fees can to a certain extent help to subsidise the activities of the payer, for example the cardholder, and thus more rapidly tie both the payer and the payee to the payment service. This is one way of solving the problem known as two-sided markets. The Riksbank would like to emphasise the need to conduct a thorough analysis before any regulation of this area is considered.

It also appears reasonable that in the long term the MIFs should be at the same level throughout Europe given the SEPA initiative and the single market. The Riksbank would also like to generally encourage transparent fees as these are beneficial for both merchants and cardholders, and this should also apply to MIFs.

Cross-border acquiring

The Riksbank is positive towards the removal of barriers that hinder cross-border operations and the merchants should thus be able to use cross-border acquiring. In the long term, it would be desirable to have uniform conditions in this area.

Co-badging

With regard to co-badging, that is combining several brands on the same card, the Riksbank believes that it is up to the card issuers to decide what brands their cards should carry. On the other hand it should be up to the cardholder to decide which brand to use when paying. However, the possibility of the merchant to influence the choice of brand, if the cardholder has no particular preference, should not be excluded.

Separating card schemes and card payment processing

The Riksbank sees no reason to prohibit card schemes from conducting card payment processing. It may, on the other hand, be reasonable to consider the demand for a legal separation of these activities so that they are not conducted within the same legal entity, with the aim of preventing cross-subsidisation between the two services. There should be clear regulations that aim to open up this area to competition.

Access to settlement systems

The Riksbank sees the value of increased competition but also believes that it is important to safeguard the safety and functioning of the payment system. In addition, the payment system is made up of several very different infrastructures. It is a fact that some market participants, such as payment institutions, are less regulated than others, such as credit institutions, and the question of which parts of a clearing and settlement system these participants should have access to, may be of importance to the functioning of the payment system. If payment institutions are to be given greater access to clearing and settlement systems, then this should be preceded by a thorough analysis, based on a precautionary principle, in which the precondition should be that the safety of the payment system is not put at risk.

Consumer - merchant relationship: transparency

The Riksbank takes a positive view of merchants informing the consumers about the costs of various payment instruments, either before or after a purchase is made. However, this should be done on a voluntary basis as the giving and receiving of information also carries a cost and it may be difficult to determine in advance whether the benefits exceed the costs in each individual case.

Consumer - merchant relationship: rebates, surcharging and other steering practices

The Riksbank favours the approval of surcharges and these should as far as possible reflect the actual costs of a certain payment instrument. At present, the merchants pay fees to the banks for cash and for card payment services, but are not able to price these services directly to their own customers. This results instead in a general surcharge on goods and services. Such a situation does not give the consumers any indication of the costs of different payment instruments and thus risks counteracting the efficient use of these instruments.

The differences in the costs of different instruments should instead be as transparent as possible. It should be up to the merchants to determine whether a fee should be charged for a certain payment instrument, and if so the level of the fee. However, the Riksbank would like to make it clear that it should be possible to charge fees for all types of payment instruments.

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