

The Role and Regulation of Interchange Fees in European Payments Cards



15 June 2011
Hotel Silken Berlaymont
Brussels

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Interchange fees remain a subject of controversy in the European Union as well as other jurisdictions around the world. Competition authorities and bank regulators have questioned the legality, or propriety, of setting these fees as well as whether merchants are being asked to pay too much. Merchants have also complained about these fees. The card schemes, and the banks that ultimately receive these interchange fees, say they are necessary for operating systems that maximize the value to consumers and merchants and for encouraging investment and innovation.

Against this backdrop the pioneering work on the economics of two-sided markets has delved deeply into the role these fees play in card schemes. A vibrant debate has resulted in that literature over whether there is a problem at all and, if an authority is going to regulate interchange fees, how it should go about doing it. New research is coming out frequently on this topic.

Interchange fees are now a critical issue in the debate over the economic viability of payments in the European Union as well as rising concerns that Europe is lagging in innovation in payments. With the hoped-for success of the Single European Payments Area (SEPA) initiative worries have been raised over the future of the European domestic schemes and the prospects for a European-based scheme to become a leading player in Europe and elsewhere in the world. Regulation of interchange fees alters the business model for payments by eliminating a source of revenue from the merchant side of the business. Whether and to what extent interchange fee regulation could alter incentives for the entry of new payment systems, of the pace and direction of innovation, is an important subject.

The purpose of this conference is to bring economists, policymakers, and innovators together to discuss and debate these important and controversial issues. The conference will focus on four key questions:

- What's the role for interchange fees, are they needed, and how should regulation address these fees?
- How does the interchange fee affect the pace and direction of innovation and investment in payments card systems?
- How would the participants in the payments card systems respond to changes in interchange fees and how would those changes affect European consumers and merchants?
- What's the relationship between interchange fees and SEPA and what is the role of the interchange fee in the viability of new payment systems in Europe?

Competition Policy International (CPI) and PYMNTS.com have joined forces put on this conference. We are grateful for financial support for this conference from The Monnet Project—an initiative on the part of European banks to consider the creation of a European payments scheme. The views expressed by the speakers at this conference do not, of course, necessarily reflect the views of the participants in Monnet or the views of PYMNTS.com or CPI.

Competition Policy International (CPI) provides comprehensive resources and continuing education for the global antitrust and competition policy community. Created and managed by leaders in the competition policy community, CPI delivers timely commentary and analysis on antitrust and global competition policy matters through a variety of media and applications.

PYMNTS.com is the premier B2B marketing platform that promotes the companies, products and people that drive “what's next” in payments worldwide. A joint venture between industry leaders Market Platform Dynamics and Business Wire, PYMNTS.com provides an innovative and interactive platform for companies to acquire leads, popularize products and demonstrate thought leadership.

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9:00 to 16:30

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The Agenda

- 9:00 to 9:15 | Welcome Remarks**
- 9:15 to 9:45 | Keynote Speech, The Monnet Project and the Future of Payments in Europe**
- 9:45 to 11:00 | Role and Regulation of Interchange Fees**
- 11:00 to 11:15 | Coffee Break**
- 11:15a to 12:30 | Innovation, Investment and Interchange Fees**
- 12:30 to 14:00 | Lunch: European Payments and Monetary Integration**
- 14:00 to 15:30 | Impact of Changes in Interchange Fees on Consumers and Merchants**
- 15:30 to 16:30 | Interchange Fees, SEPA, and Payment System Entry**

The Speakers Include:

- Tim Attinger, Managing Director, Market Platform Dynamics; former Global Head of Product Innovation and Development, Visa International
- Richard Schmalensee, Howard Johnson Professor of Economics, Massachusetts Institute of Technology; former Dean, Sloan School, MIT; former Member, President's Council of Economic Advisors.
- Tommaso Valletti, Professor of Economics, Imperial College Business School and University of Rome "Tor Vergata"; Member of panel of academic advisors to Ofcom and Competition Commission in the United Kingdom.
- Emilio Calvano, Unicredit Crivelli Research Fellow, Bocconi University, Milan
- Alberto Heimler, Professor of Economics, School of Public Administration, Rome. Chairman of Working Party on Competition and Regulation of the Competition Committee of OECD.
- Frank Maier-Rigaud, Senior Economist, OECD (TBC)
- Georges Pauget, in charge of the Monnet project for the French banking community; former CEO of the Credit Agricole Bank Group
- Thibaud Vergé, Chief Economist, French Competition Authority
- David S. Evans, Executive Director of the Jevons Institute and Visiting Professor, University College London; Lecturer, University of Chicago Law School
- Marc Bourreau, Professor of Economics, Telecom Paris Tech
- Abel Mateus, Professor, New University of Lisbon; Former President, Portuguese Competition Authority, former Executive Director of the Bank of Portugal, former member of the Monetary and Economic Policy Committees of the European Commission
- Marianne Verdier, Assistant Professor, University of Paris Ouest Nanterre
- Oz Shy, Senior Economist and Member of the Consumer Payments Research Group, Federal Reserve Bank of Boston
- Wilko Bolt, Senior Economist, De Nederlandsche Bank, Amsterdam