



Next Steps for European Payments Regulation

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EU MIF Legislation Review

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PSD2 Impact to POS Deployment?

EU MIF Legislation: Key Articles Reality Check?




The EU MIF legislation has been in place since 2015 but there is limited evidence that unblending and honour all cards regulations have been fully implemented

	In Place	Comments		In Place	Comments
Article 3 Consumer Credit I/C Rates	✓	<ul style="list-style-type: none"> Consumer credit rates have been aligned to 0.3% across the EU – MSCs remain high for SMEs 	Article 8 Co-Badging & Payment Choice	✗	<ul style="list-style-type: none"> Limited rollout of consumer choice at the POS with any POS configuration complex.
Article 4 Consumer Debit I/C Rates	✓	<ul style="list-style-type: none"> Several countries e.g. Malta, Ireland etc have lower debit card rates lower than 0.2% with caps 	Article 9 Unblending	✗	<ul style="list-style-type: none"> Limited evidence that <u>all</u> merchants have migrated or offered unblending of fees e.g. SMEs.
Article 5 Circumvention	✓	<ul style="list-style-type: none"> Implemented and part of the annual regulatory review 	Article 10 Honour All Cards	✗	<ul style="list-style-type: none"> Merchants have not implemented identification of card products e.g. Consumer vs Corporate.
Article 6 Licencing	✓	<ul style="list-style-type: none"> Implemented within the card schemes but controls in place to manage pan-EU expansion 	Article 11 Steering Rules	✓	<ul style="list-style-type: none"> In place today with limited changes required in the acceptance environment.
Article 7 Scheme Separation	✓	<ul style="list-style-type: none"> Implemented by Visa and Mastercard with new scheme and processing issued but EBA/EU Commission still reviewing 	Article 12 Payee Txn Information	✗	<ul style="list-style-type: none"> Partial rollout of detailed MSC fees but many acquirers unable to fully meet the requirements.

By 9th June 2019, the EU Commission intends to completed a review of the impact of the EU MIF Legislation planned over two phases

Phase One

- DG Competition has issued a formal tender to undertake a detailed review of the EU MIF Legislation
- Data gathering will be through quantitative & Qualitative Research across all EU Member states



Subject to EU
Commission
Review of
Phase 1

Phase Two

- Approach still to be defined and will be dependant upon the success of Phase one
- The EU Commission may plan to analyse the information gathered in Phase One as this data must be made available to the Commission

Phase 1: EU MIF Review: Focus Areas



Article 17 requires a comprehensive qualitative and quantitative analysis of the Regulation's technical, economic and legal effects across several areas

Core Analysis

- 1. Fees and costs for cardholders and retailer:** This will focus on interchange fees, scheme fees, card fees and merchant service charges, the interrelation between those fees and costs.
- 2. Sector evolution:** This includes competition between issuers and schemes
- 3. Revenues:** This will focus of the card schemes and issuers
- 4. Merchant pass-through of fee reductions:** What has been the impact of the interchange caps to consumer purchases.
- 5. Commercial Cards:** The use of business & commercial cards along with the impact of surcharges.

Overall Impact of Legislation

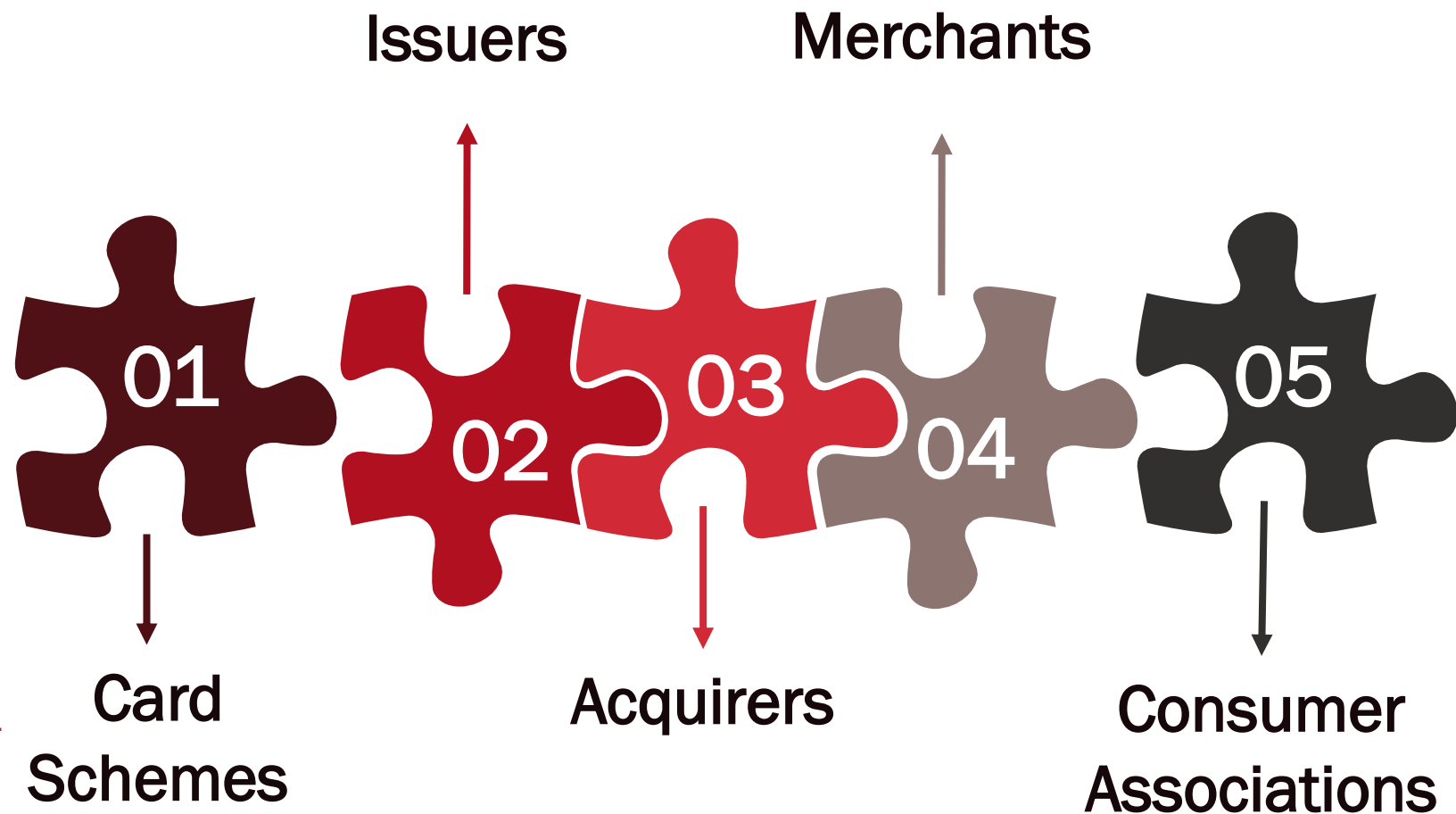
Article 17 also requires an analyse of the effects of:

- 6. Technical requirements:** Several technical changes were required in order to support the legislation
- 7. Co-badging:** The impact of co-badged transactions.
- 8. Domestic Debit:** Special provisions for interchange fees for domestic debit card transaction.
- 9. Cross Border Acquiring:** comparing the effects of non-capping with capping
- 10. Scheme Separation:** Separation of card schemes and processing.
- 11. High ATVs:** Interchange fees for medium and high value debit card transactions.

Phase 1: EU MIF Review - Data Gathering



Data will be collected across all EU Member states and focus on several different stakeholders



EU MIF Review Targets



Set criteria has been defined in order to statistically ensure adequate data is collated

Member States



Issuing & Acquired
Volume



Face to Face



Large Retailers
T&E Sectors



Consumer Cards

Potential Outcome?



Topic Area	Description	Likelihood	Impact			
			Cardholder	Issuer	Acquirer	Merchant
Consumer Debit Cards	<ul style="list-style-type: none"> Reduction in debit card interchange rates to lesser of 0.2%/€0.07 or elimination of EU debit card interchange fees 	H	L	H	H	H
Consumer Credit Cards	<ul style="list-style-type: none"> Further reduction of credit interchange fees to 0.1% 	M	L	H	H	H
Commercial Cards	<ul style="list-style-type: none"> Alignment of commercial & consumer card interchange fees Levels to be set at existing Consumer Rates 	M	M	H	H	H
Scheme Fee Caps	<ul style="list-style-type: none"> A capping on scheme fees for EU transactions following review of current share of card fees 	M	L	L	M	H
High Valued Transactions	<ul style="list-style-type: none"> A new commercial model for high valued card transactions e.g. capped rates 	H	L	H	L	H
MSC Rates Capped	<ul style="list-style-type: none"> The capping of MSC rates which can be charged to merchants 	L	L	L	H	H



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Payments Graveyard

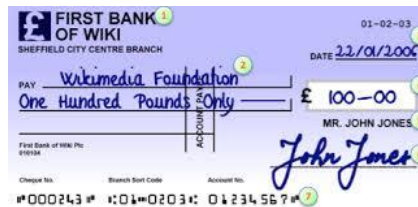
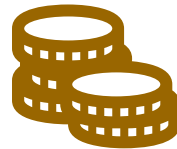
Several payment innovations have been discarded to the graveyard not all unsuccessful



Payment Types – Last Rites?



Several payment methods have matured and possibly reaching their end of life?



Chip & PIN Device???

Regulation Driving Change

Industry standards supported by legislation is driving change in how consumers make and authenticate payments



3D Secure 2.0



Strong Customer Authentication



Future Role for Gateways?



Combining SCA requirements and innovations at the PED, creates a growing role for Gateways to offer software only solutions as the physical PED is read the last rites

01

Bank Acquirers Challenges

Bank acquirers lack the skills and capabilities to develop software solutions and may become further distance from merchants



02

Software Solutions

There will be an increase deployment of software solutions designed to support payments and using new authentication methods



03

Meeting Consumer & Retailer Demands

More merchants are investing in technical solutions designed to make the management of their business easier



04

New Partnerships

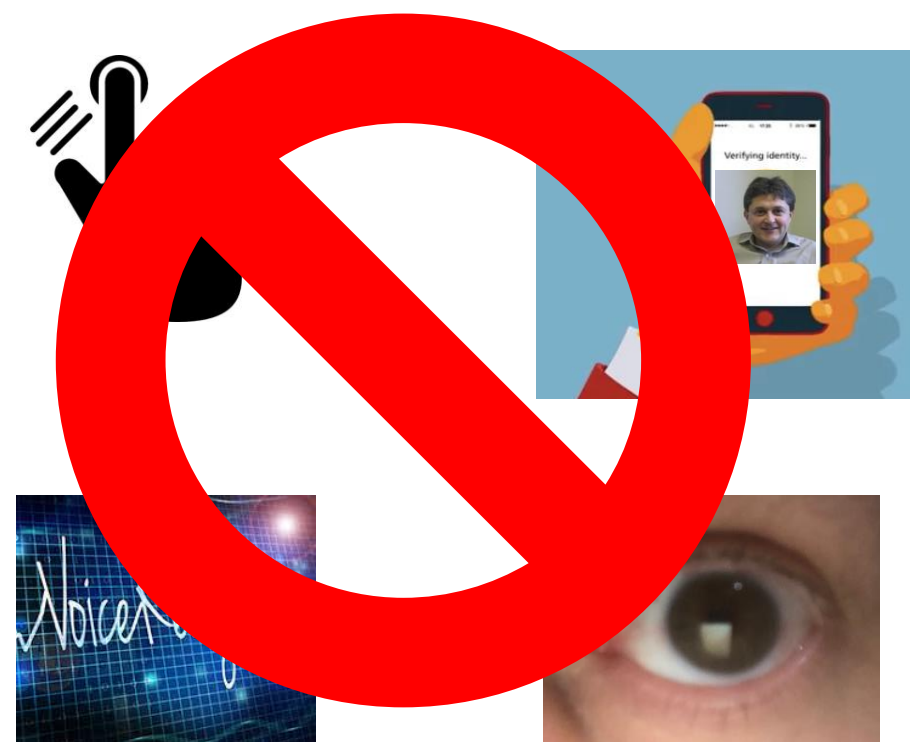
New partnerships will be developed as companies seek the skills and knowledge to integrated with existing and future technologies



Amusing Consequence



New technology combined with regulation mandating two factor authentication will make it even harder for consumers to impersonate others!



I will just have to buy my own beer!

Thank You

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