

EU PARLIAMENT ADOPTS INTERCHANGE FEE REGULATION

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Legal Briefings

The European Parliament has announced its adoption of the proposed Interchange Fees for Card-based Payment Transactions Regulation (**Interchange Fees Regulation**) on 10 March 2015. The Interchange Fees Regulation is intended to lead to transparent fee-capping for cross-border and domestic retail purchases throughout the EU.

The EU feels that "Secure, efficient, competitive and innovative electronic payments are crucial if consumers, merchants and companies are to enjoy the full benefits of the internal market, especially as the world moves towards e-commerce". Currently, payment card fees are applied based on territorial licensing policies which the EU feels imposes barriers to entry and hinders the creation of a uniform European market.

Whilst countries are able to apply lower maximum fees or impose a maximum capped amount, generally speaking they must comply with the fees-caps, set out in the following table.

Nature of transaction	Fee cap
Cross-border debit card transaction	0.2% of transaction value
Domestic debit card transaction	Five-year transition period: member states may cap fees at 0.2% of the "annual weighted average transaction value of all domestic transactions within the same card scheme". After transition period: 0.2% of transaction value.
Small domestic debit card transactions	Member states may set a maximum fee of €0.05 per transaction after the five-year transition period.
Credit card transactions	0.3% of transaction value. Member states may set a lower the cap for domestic credit card transactions.

These fee caps do not apply to the following types of transactions:

1. Three-party card schemes such as Diner's and American Express provided the card is both issued and processed within the same scheme.
2. Commercial cards used only to pay business expenses only.
3. ATM cash withdrawals.

Whilst the Interchange Fees Regulation is still waiting to be formally adopted by the European Council, the European Commission has welcomed the regulation as it would provide greater transparency on fees, enhance competition for payment card schemes, and pave the way for more innovation and competition in the field of online payments.

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