

# Interbank fees and MasterCard: 0.3% is the magic number

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0.3% seems to be the magic number for setting caps on interchange fees since it reappears not only in current and closed competition proceedings at the EU and national levels, but also in the upcoming Interchange Fees Regulation. MasterCard has promised the [Authority for Consumers & Markets](#) that it will reduce its domestic interchange fees from 0.9% to 0.3% in the coming two years. Reduced caps means good news for retailers, as interchange fees represent 60% of their costs for card-based payment transactions. Retail customers are likely to benefit too since lower costs normally result in lower prices.

Interchange fees are the tariffs charged by the cardholders' banks to the retailers' banks for processing credit card payments. These fees are set by the banks without competitive pressure by retailers and consumers having any impact on the fee level. This was why the [European Commission](#) prohibited MasterCard's cross-border EEA interchange fees in 2007. MasterCard subsequently [offered](#) to reduce its cross-border fees for credit transactions to 0.3% for undertakings until a [judgment](#) by the European Court of Justice on its appeal is issued.

At the national level, the [Authority for Consumers & Markets](#) (ACM) has accepted MasterCard's commitment to lower its domestic interchange fees over the next two years to 0.3%. In exchange, the ACM has discontinued its investigation into MasterCard. Similarly, the [French Competition Authority](#) accepted Visa's and MasterCard's commitments to reduce their domestic interchange fees in France to 0.28%.

But it is not over yet. Only last year, the European Commission [opened](#) an in-depth investigation into MasterCard's inter-regional interchange fees and cross-border acquiring. And earlier this year, [Visa](#) offered commitments to the European Commission to cut its cross-border EEA interchange fees to 0.3% and to amend its rules on cross-border acquiring. Apart from these antitrust activities, the Commission is also [proposing](#) a Regulation on interchange fees for card-based payment transactions which will introduce caps on domestic as well as cross-border interchange fees. These caps are to be set at 0.3% for credit cards.

All in all, it seems to be good news for retailers and consumers. Capping interchange fees, either through EU and national antitrust enforcement or through the proposed Regulation, will reduce retailers' costs and should ultimately benefit consumers through lower prices for goods and services.

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