



Press Release

MASTERCARD DECISION ON MIF: GOOD PROGRESS, MUCH FURTHER TO GO...

1 April 2009

Commenting on the deal announced today between MasterCard and DG Competition, **Paul Skehan, Director, European Retail Round Table (ERRT)**, said: *"The announcement today is something of a 'curate's egg': it contains some good news, but also prompts some immediate questions and concerns.*

Overall, we welcome the announcement today as representing another step towards creating a fairer and transparent cards system in Europe. We appreciate the consistent focus Commissioner Kroes has kept on the problem of cards, and to the real advances that have been made over her term in office. That said, much remains to be done.

We welcome the announcement that the scheme fees introduced by MasterCard last October are being scrapped – these newly introduced fees dissuaded many banks from passing on the benefits to retailers and consumers of the Commission's original (December 2007) decision.

"We also welcome the promises of greater transparency, something sorely lacking until now. By 'unblending' the reports issued to merchants, by publishing clearer details of rates and by naming those banks that also agree to become more transparent, many hitherto hidden aspects of this arcane industry will be made more transparent.

"However, the announcement also raises a number of questions:

"We appreciate that the MIF rates agreed are lower than those which prevailed before the Commission's decision in December 2007. However, we are not convinced that the rates set are correct, or constructed on a fair basis. The credit card and debit card average MIF rates of 0.30% and 0.20% respectively have been agreed before the Commission's own study on the cost of card transactions has even begun. We believe these rates are still higher than justified by the 'tourist test', and we urge the Commission to benchmark the rates against core processing costs, as will be identified by the study.

"Also, we strongly believe that these rates should be fixed rates per transaction, not based on a % of the transaction value. The processing costs of a €10 transaction are the same as those of a €1,000 transaction – the banks and MasterCard do nothing different – so the amount the consumer/retailer has to pay should also be fixed. Ad valorem rates are a licence for the banks and card companies to continue to make exorbitant profits.

"We question why it is possible for MasterCard to agree maximum weighted average rates such as these for cross-border transactions, but not possible to set them for domestic transactions also. This is where the bulk of transactions still take place, and where the card schemes and banks continue to suck up to €13 billion per year out of the European economy.

"While we appreciate the announcement of the appointment of a trustee to monitor compliance with these new undertakings, we insist this trustee must be truly independent from the financial service

sector, and should report to a range of stakeholders, including the Commission, merchants and others - not to MasterCard.

“We welcome the announcement that MasterCard will require its acquiring banks to inform merchants that they are permitted to accept MasterCard cards and/or Maestro cards and/or competing schemes’ cards. However, this does not go far enough: merchants should also be permitted to accept different types of MasterCard’s credit cards. For example, the amount of MIF a merchant will pay on a transaction involving a corporate credit card will be much greater than a transaction which is paid for using a personal credit card. Why should the same purchase, for the same product, by the same consumer cost more, depending on the type of card used?”

“While this announcement represents a significant step forward, it will remain a paper success unless the effects are quickly and efficiently passed through to consumers. Card costs are direct input costs for retailers. Given the highly competitive nature of the retail arena, any reduction in fees will be passed on to consumers quickly.

“We urge the Commission to press on with its case against VISA, and we urge the EU national competition authorities to make rapid progress in forcing real change on domestic credit and debit card use – this is where the biggest savings for European consumers will be won.”

Ends.

For any further information or clarification, please contact Paul Skehan, ERRT +32.475.388415

ERRT: The European Retail Round Table was established to express the views of large retailers on a range of issues of common interest focused on EU public policy. Their businesses operate worldwide and represent a cross-section of the retail sector. Collectively, ERRT members have a turnover of more than €400 billion and employ 2.3 million people in over 40,000 stores.

ERRT Members: Asda Wal*Mart, C&A, Carrefour Group, Delhaize Group, El Corte Inglés, H&M, IKEA, Inditex, Kingfisher, Marks & Spencer, Mercadona, Metro Group, Royal Ahold and Tesco.

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