



EUROPEAN PARLIAMENT

2009 - 2014

Committee on Economic and Monetary Affairs

2013/0265(COD)

25.11.2013

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DRAFT REPORT

on the proposal for a regulation of the European Parliament and of the Council
on interchange fees for card-based payment transactions
(COM(2013)0550 – C7-0241/2013 – 2013/0265(COD))

Committee on Economic and Monetary Affairs

Rapporteur: Pablo Zalba Bidegain

Symbols for procedures

- * Consultation procedure
- *** Consent procedure
- ***I Ordinary legislative procedure (first reading)
- ***II Ordinary legislative procedure (second reading)
- ***III Ordinary legislative procedure (third reading)

(The type of procedure depends on the legal basis proposed by the draft act.)

Amendments to a draft act

Amendments by Parliament set out in two columns

Deletions are indicated in ***bold italics*** in the left-hand column. Replacements are indicated in ***bold italics*** in both columns. New text is indicated in ***bold italics*** in the right-hand column.

The first and second lines of the header of each amendment identify the relevant part of the draft act under consideration. If an amendment pertains to an existing act that the draft act is seeking to amend, the amendment heading includes a third line identifying the existing act and a fourth line identifying the provision in that act that Parliament wishes to amend.

Amendments by Parliament in the form of a consolidated text

New text is highlighted in ***bold italics***. Deletions are indicated using either the ¶ symbol or strikeout. Replacements are indicated by highlighting the new text in ***bold italics*** and by deleting or striking out the text that has been replaced.

By way of exception, purely technical changes made by the drafting departments in preparing the final text are not highlighted.

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DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION

on the proposal for a regulation of the European Parliament and of the Council on interchange fees for card-based payment transactions (COM(2013)0550 – C7-0241/2013 – 2013/0265(COD))

(Ordinary legislative procedure: first reading)

The European Parliament,

- having regard to the Commission proposal to Parliament and the Council (COM(2013)0550),
 - having regard to Article 294(2) and Article 114(1) of the Treaty on the Functioning of the European Union, pursuant to which the Commission submitted the proposal to Parliament (C7-0241/2013),
 - having regard to Article 294(3) of the Treaty on the Functioning of the European Union,
 - having regard to the opinion of the European Economic and Social Committee of ... 2013¹,
 - having regard to the opinion of the European Central Bank of ... 2013²,
 - having regard to Rule 55 of its Rules of Procedure,
 - having regard to the report of the Committee on Economic and Monetary Affairs and the opinion of the Committee on the Internal Market and Consumer Protection (A7-0000/2013),
1. Adopts its position at first reading hereinafter set out;
 2. Calls on the Commission to refer the matter to Parliament again if it intends to amend its proposal substantially or replace it with another text;
 3. Instructs its President to forward its position to the Council, the Commission and the national parliaments.

Amendment 1

Proposal for a regulation
Recital 23

¹ OJ C ... /Not yet published in the Official Journal.

² OJ C ... /Not yet published in the Official Journal.

Text proposed by the Commission

(23) It is important to ensure that the provisions concerning the interchange fees to be paid or received by payment service providers are not circumvented by alternative flows of fees to issuing payment services providers. To avoid this, the ‘net compensation’ of fees paid and received by the issuing payment service provider from a payment card scheme should be considered as the interchange fee. When calculating the interchange fee, for the purpose of checking whether circumvention is taking place the total amount of payments or incentives received by an issuing payment services provider from a payment card scheme ***with respect to the regulated*** transactions less the fees paid by the issuing payment services provider to the scheme should be taken into account. ***Payments, incentives and fees considered could be direct (i.e. volume-based or transaction-specific) or indirect (including marketing incentives, bonuses, rebates for meeting certain transaction volumes).***

Amendment

(23) It is important to ensure that the provisions concerning the interchange fees to be paid or received by payment service providers are not circumvented by alternative flows of fees to issuing payment services providers. To avoid this, the ‘net compensation’ of fees paid and received by the issuing payment service provider from a payment card scheme should be considered as the interchange fee. When calculating the interchange fee, for the purpose of checking whether circumvention is taking place the total amount of payments or incentives received by an issuing payment services provider from a payment card scheme ***in direct relation to payment*** transactions less the fees paid by the issuing payment services provider to the scheme should be taken into account.

Or. en

Amendment 2

Proposal for a regulation
Recital 25

Text proposed by the Commission

(25) A separation of scheme and infrastructure should allow all processors to compete for customers of the schemes. As the cost of processing is a significant part of the total cost of card acceptance, it is important for this part of the value chain to be opened to effective competition. On the basis of the separation of scheme and

Amendment

(25) A separation of scheme and infrastructure should allow all processors to compete for customers of the schemes. As the cost of processing is a significant part of the total cost of card acceptance, it is important for this part of the value chain to be opened to effective competition. On the basis of the separation of scheme and

infrastructure, card schemes and processing *entities* should be *independent* in terms of *legal form*, organisation and decision making process. They should not discriminate, for instance by providing each other with preferential treatment or privileged information which is not available to their competitors on their respective market segment, imposing excessive information requirements on their competitor in their respective market segment, cross-subsidizing their respective activities or having shared governance arrangements. Such discriminatory practises contribute to market fragmentation, negatively impact market entry by new players and prevent pan-Union players from emerging, hence hindering the completion of the internal market in cards, internet and mobile payments, to the detriment of retailers, companies and consumers.

infrastructure, card schemes and processing *activities* should be *separated* in terms of organisation and decision making process. They should not discriminate, for instance by providing each other with preferential treatment or privileged information which is not available to their competitors on their respective market segment, imposing excessive information requirements on their competitor in their respective market segment, cross-subsidizing their respective activities or having shared governance arrangements. Such discriminatory practises contribute to market fragmentation, negatively impact market entry by new players and prevent pan-Union players from emerging, hence hindering the completion of the internal market in cards, internet and mobile payments, to the detriment of retailers, companies and consumers.

Or. en

Amendment 3

Proposal for a regulation

Recital 29

Text proposed by the Commission

(29) The Honour all Cards Rule is a twofold obligation imposed by issuing payment services providers and payment card schemes on payees to, on the one hand, accept all the cards of the same brand ('Honour all Products' - element), irrespective of the different costs of these cards, and on the other hand irrespective of the individual issuing bank which has issued the card ('Honour all Issuers' - element). It is in the interest of the consumer that for the same category of cards the payee cannot discriminate between issuers or cardholders, and

Amendment

deleted

payments schemes and payment service providers can impose such obligation on them. Therefore, although the ‘Honour all Issuers’ element of the Honour all Cards Rule is a justifiable rule within a payment card system, since it prevents that payees from discriminating between the individual banks which have issued a card, the ‘Honour all Products’ element is essentially a tying practice that has the effect of tying acceptance of low fee cards to acceptance of high fee cards. A removal of the ‘Honour all Products’ element of the Honour All Cards Rule would allow merchants to limit the choice of payment cards they offer to low(er) cost payment cards only, which would also benefit consumers through reduced merchants’ costs. Merchants accepting debit cards would then not be forced also to accept credit cards, and those accepting credit cards would not be forced to accept commercial cards. However, to protect the consumer and his ability to use the payment cards as often as possible, merchants should be obliged to accept all cards that are subject to the same regulated interchange fee. Such a limitation would also result in a more competitive environment for cards with interchange fees not regulated under this Regulation, as merchants would gain more negotiating power as regards the conditions under which they accept such cards.

Or. en

Amendment 4

Proposal for a regulation Recital 30

Text proposed by the Commission

(30) *For the effective functioning of the*

Amendment

(30) Payees should have the means to

limitations to the Honour All Cards Rule certain information is indispensable.
First, payees should have the means to identify the different categories of cards. Therefore, the various categories should be identifiable ***visibly and*** electronically on the device. ***Secondly***, also the payer should be informed about the acceptance of his payment instrument(s) at a given point of sale. ***It is necessary that any limitation on the use of a given brand to be announced by the payee to the payer at the same time and under the same conditions as the information that a given brand is accepted.***

identify the different categories of cards. Therefore, the various categories should be identifiable electronically on the device. Also the payer should be informed about the acceptance of his payment instrument(s) at a given point of sale.

Or. en

Amendment 5

Proposal for a regulation Article 1 – paragraph 3 – point b

Text proposed by the Commission

(b) cash withdrawals at automatic teller machines and

Amendment

(b) cash withdrawals ***or any transaction other than sale of goods or services performed*** at automatic teller machines and

Or. en

Amendment 6

Proposal for a regulation Article 2 – paragraph 1 – point 4

Text proposed by the Commission

(4) ‘debit card transaction’ means ***an*** card payment transaction included with prepaid cards linked to a current or deposit access account to which a transaction is debited in less than or 48 hours after the transaction has been ***authorised/initiated***.

Amendment

(4) ‘debit card transaction’ means ***a***card payment transaction included with prepaid cards linked to a current or deposit access account to which a transaction is debited in less than or 48 hours after the transaction has been ***cleared***;

Amendment 7

Proposal for a regulation

Article 2 – paragraph 1 – point 5

Text proposed by the Commission

(5) ‘credit card transaction’ means **an** card payment transaction where the transaction is settled more than 48 hours after the transaction has been **authorised/initiated**;

Amendment

(5) ‘credit card transaction’ means **a** card payment transaction where the transaction is settled more than 48 hours after the transaction has been **cleared**;

Amendment 8

Proposal for a regulation

Article 2 – paragraph 1 – point 8

Text proposed by the Commission

(8) ‘cross-border payment transaction’ means a card payment or card-based payment transaction initiated by a payer or by a payee where the ***payer’s payment service provider and the payee’s payment service provider are established in different Member States or where the*** payment card is issued by an issuing payment service provider established in a different Member State than that of the point of sale;

Amendment

(8) ‘cross-border payment transaction’ means a card payment or card-based payment transaction initiated by a payer or by a payee where the payment card is issued by an issuing payment service provider established in a different Member State than that of the point of sale;

Amendment 9

Proposal for a regulation

Article 2 – paragraph 1 – point 8 a (new)

Text proposed by the Commission

Amendment

(8a) ‘established’ means having a presence through establishment or by way of an agent;

Or. en

Amendment 10

Proposal for a regulation

Article 2 – paragraph 1 – point 25 a (new)

Text proposed by the Commission

Amendment

(25a) ‘weighted average’ means the total amount of credit card or debit card interchange fees paid divided by the total amount of related transactions over the same time period;

Or. en

Amendment 11

Proposal for a regulation

Article 3 – paragraph 1

Text proposed by the Commission

Amendment

1. With effect from two months after the entry into force of this Regulation, payment services providers shall not offer or request for cross-border debit card transactions a per transaction interchange fee or other agreed remuneration with an equivalent object or effect of more than 0,2 % of the value of the transaction.

1. With effect from two months after the entry into force of this Regulation, payment services providers shall not offer or request for cross-border debit card transactions a per transaction interchange fee or other agreed remuneration with an equivalent object or effect of more than 0,2 % ***on a weighted average*** of the value of the transaction.

Or. en

Amendment 12

Proposal for a regulation Article 3 – paragraph 2

Text proposed by the Commission

2. With effect from two months after the entry into force of this Regulation, payment services providers shall not offer or request for cross-border credit card transactions a per transaction interchange fee or other agreed remuneration with an equivalent object or effect of more than 0,3 % of the value of the transaction.

Amendment

2. With effect from two months after the entry into force of this Regulation, payment services providers shall not offer or request for cross-border credit card transactions a per transaction interchange fee or other agreed remuneration with an equivalent object or effect of more than 0,3 % ***on a weighted average*** of the value of the transaction.

Or. en

Amendment 13

Proposal for a regulation Article 4 – paragraph 1

Text proposed by the Commission

1. With effect from two years after the entry into force of this Regulation, payment service providers shall not offer or request a per transaction interchange fee or other agreed remuneration with an equivalent object or effect of more than 0,2 % of the value of the transaction for any debit card based transactions.

Amendment

1. With effect from two years after the entry into force of this Regulation, payment service providers shall not offer or request a per transaction interchange fee or other agreed remuneration with an equivalent object or effect of more than 0,2 % ***on a weighted average*** of the value of the transaction for any debit card based transactions.

Or. en

Amendment 14

Proposal for a regulation Article 4 – paragraph 2

Text proposed by the Commission

2. With effect from two years after the entry into force of this Regulation, payment service providers shall not offer or request a per transaction interchange fee or other agreed remuneration with an equivalent object or effect of more than 0,3 % of the value of the transaction for any credit card based transactions.

Amendment

2. With effect from two years after the entry into force of this Regulation, payment service providers shall not offer or request a per transaction interchange fee or other agreed remuneration with an equivalent object or effect of more than 0,3 % **on a weighted average** of the value of the transaction for any credit card based transactions.

Or. en

Amendment 15

**Proposal for a regulation
Article 5**

Text proposed by the Commission

For the purposes of the application of the caps referred to in Article 3 **and Article 4**, any net compensation received by an issuing **bank from a payment card scheme** in relation to payment transactions **or related activities** shall be treated as part of the interchange fee.

Amendment

For the purposes of the application of the caps referred to in Article 3, any net compensation received by an issuing payment **service provider** in relation to payment transactions shall be treated as part of the interchange fee.

Or. en

Amendment 16

**Proposal for a regulation
Article 7 – paragraph 1**

Text proposed by the Commission

1. Payment card schemes and processing **entities** shall be **independent in terms of legal form, organisation and decision making. They shall not discriminate** in any way **between their subsidiaries or**

Amendment

1. Payment card schemes and processing **activities** shall be **separated. Payment card schemes offering processing services shall not make the provision of any service they offer conditional** in any way on the

shareholders on the one hand and users of these schemes and other contractual partners on the other hand and shall not in particular make the provision of any service they offer conditional in any way on the acceptance by their contractual party of any other service they offer.

acceptance by their contractual party of any other service they offer. They shall not present their prices for payment card scheme and processing activities in a bundled manner, and shall not operate cross-subsidies between those activities.

Or. en

Amendment 17

Proposal for a regulation Article 7 – paragraph 2

Text proposed by the Commission

2. **Payment card schemes** shall allow for the possibility that authorisation and clearing messages of single card transactions be separated and processed by different processing entities.

Amendment

2. **Processing entities** shall allow for the possibility that authorisation and clearing messages of single card transactions be separated and processed by different processing entities.

Or. en

Amendment 18

Proposal for a regulation Article 7 – paragraph 3

Text proposed by the Commission

3. Any territorial discrimination in processing rules operated by **payment card schemes** shall be prohibited.

Amendment

3. Any territorial discrimination in processing rules operated by **processing entities** shall be prohibited.

Or. en

Amendment 19

Proposal for a regulation Article 7 – paragraph 4

Text proposed by the Commission

4. Processing entities within the Union shall ensure that their system is technically interoperable with other systems of processing entities within the Union through the use of standards developed by international or European standardisation bodies. In addition, processing entities shall not adopt or apply business rules that restrict interoperability with other processing entities within the Union.

Amendment

4. **By ... * [one year after the entry into force of this Regulation]** processing entities within the Union shall ensure that their system is technically interoperable with other systems of processing entities within the Union through the use of standards developed by international or European standardisation bodies. In addition, processing entities shall not adopt or apply business rules that restrict interoperability with other processing entities within the Union.

EBA shall, in close cooperation with the SEPA Council, establish requirements to be complied with by payment systems, payment schemes and processing entities to ensure a fully open and competitive card processing market. Those requirements shall be issued by ... * [two years from the date of entry into force of this Regulation] and shall be updated on a regular basis, as appropriate.

Or. en

Amendment 20

**Proposal for a regulation
Article 8**

Text proposed by the Commission

Article 8

Co-badging and choice of application

1. Any schemes rules and rules in licensing agreements that hinder or prevent an issuer from co-badging two or more different brands of payment instruments on a card, telecommunication, digital or IT device shall be prohibited.

Amendment

deleted

2. Any difference in treatment of issuers or acquirers in schemes rules and rules in licensing agreements concerning co-badging on a card, telecommunication, digital or IT device shall be objectively justified and non-discriminatory.

3. Payment card schemes shall not impose reporting requirements, obligations to pay fees or other obligations with the same object or effect on card issuing and acquiring payment services providers for transactions carried out with any device on which their brand is present in relation to transactions for which their scheme is not used.

4. Any routing principles aimed at directing transactions through a specific channel or process and other technical and security standards and requirements with respect to the handling of more than one payment card brand on a card, telecommunication, digital or IT device shall be non-discriminatory and shall be applied in a non-discriminatory manner.

5. Where a payment device offers the choice between different brands of payment instruments, the brand applied to the payment transaction at issue shall be determined by the payer at the point of sale.

6. Payment card schemes, issuers, acquirers and payment card handling infrastructure providers shall not insert automatic mechanisms, software or devices on the payment instrument or at equipment applied at the point of sale which limit the choice of application by the payer when using a co-badged payment instrument.

Or. en

Amendment 21

Proposal for a regulation Article 9 – paragraph 1

Text proposed by the Commission

1. Acquirers shall offer **and** charge payees individually specified merchant service charges for different categories and different brands of payment cards **unless merchants request in writing acquiring payment services providers to charge blended merchant services charges**.

Amendment

1. Acquirers shall offer **to** charge payees individually specified merchant service charges for different categories and different brands of payment cards.

Or. en

Amendment 22

Proposal for a regulation Article 10 – title

Text proposed by the Commission

Honour All Card rules

Amendment

Electronic identification

Or. en

Amendment 23

Proposal for a regulation Article 10 – paragraph 1

Text proposed by the Commission

1. Payment schemes and payment service providers shall not apply any rule that may oblige payees accepting cards and other payment instruments issued by one issuing payment service provider within the framework of a payment instruments scheme to also accept other payment instruments of the same brand and/or category issued by other issuing payment service providers within the framework of

Amendment

deleted

the same scheme, except if they are subject to the same regulated interchange fee.

Or. en

Amendment 24

Proposal for a regulation Article 10 – paragraph 2

Text proposed by the Commission

Amendment

2. The restriction of Honour all card rules referred to in paragraph 1 is without prejudice to the possibility for payments schemes and payment service providers to provide that certain cards may not be refused on the basis of the identity of the issuing payment service provider or of the cardholder. *deleted*

Or. en

Amendment 25

Proposal for a regulation Article 10 – paragraph 3

Text proposed by the Commission

Amendment

3. Merchants deciding not to accept all cards or other payment instruments of a payment card scheme shall inform consumers in a clear and unequivocal manner at the same time as they inform the consumer on the acceptance of other cards and payment instruments of the scheme. That information shall be displayed prominently at the entrance of the shop, at the till or on the website or other applicable electronic or mobile medium, and shall be provided to the payer in good time before he enters into a *deleted*

purchase agreement with the payee.

Or. en

Amendment 26

Proposal for a regulation Article 10 – paragraph 4

Text proposed by the Commission

4. Issuing payment service providers shall ensure that their payment instruments are **visibly and** electronically identifiable, enabling payees to identify unequivocally which brands and categories of prepaid, debit, credit or commercial cards or card based payments based on these are chosen by the payer.

Amendment

By ... * [one year after the entry into force of this Regulation] issuing payment service providers shall ensure that their payment instruments are electronically identifiable, enabling payees to identify unequivocally which brands and categories of prepaid, debit, credit or commercial cards or card based payments based on these are chosen by the payer.

Or. en

Amendment 27

Proposal for a regulation Article 15 – paragraph 2

Text proposed by the Commission

2. Member States shall notify the Commission of those bodies by two **years** after the entry into force of this Regulation. They shall notify the Commission without delay of any subsequent change concerning those bodies.

Amendment

2. Member States shall notify the Commission of those bodies by ... ***/two months** after the entry into force of this Regulation]. They shall notify the Commission without delay of any subsequent change concerning those bodies.

Or. en

Amendment 28

Proposal for a regulation

Article 16

Text proposed by the Commission

Four years after the entry into force of this Regulation, the Commission shall present to the European Parliament and to the Council a report on the application of this Regulation. The Commission's report shall look in particular at the appropriateness of the levels of interchange fees and at steering mechanisms such as charges, taking into account the use and cost of the various means of payments and the level of entry of new players and new technology on the market.

Amendment

Four years after the entry into force of this Regulation, the Commission shall present to the European Parliament and to the Council a report on the application of this Regulation. The Commission's report shall look in particular at the appropriateness of the levels of interchange fees and at steering mechanisms such as charges, taking into account the use and cost of the various means of payments and the level of entry of new players and new technology on the market, ***and the impact on consumers and merchants.***

Or. en

EXPLANATORY STATEMENT

The rapporteur supports the aim of the proposal for a regulation to help develop an EU-wide market for payments, which will enable consumers, retailers and other undertakings to enjoy the full benefits of the EU internal market, in line with the Europe 2020 Strategy and the Digital Agenda.

The rapporteur regrets that the Commission did not base its proposals on a sound impact assessment study demonstrating that its proposals would provide all interested parties with the expected benefits. He considers therefore that the possible effects some of the Commission's proposals may have need to be assessed very carefully to avoid consequences that are contrary to the goal pursued, and which could cause new problems for users of these means of payment.

Scope

The Commission proposes that all three-party and four-party schemes remain within the scope of the Regulation. However, it excludes three-party schemes from the scope of provisions referring to caps on interchange fees and from the provisions in Article 7 on the separation of payment cards and processing entities.

These exceptions will not apply to three-party payment card schemes that license other payment service providers to issue and/or acquire payment cards. In these circumstances they will be regarded for all purposes as four-party payment schemes.

The rapporteur believes that this proposal should guarantee a level playing field ensuring that four-party and three-party payment schemes, new market players and new technologies can all compete on equal terms.

Interchange fees

The Commission proposes that caps be introduced on interchange fees in cross-border and domestic transactions. The Commission has proposed caps of 0.2 % for debit card transactions and 0.3 % for credit card transactions. These figures appear to be completely arbitrary: to date, no impact assessments supporting these figures and analysing their effect on the different national markets have been presented.

The rapporteur points out that the different national card markets have marked structural differences. These include factors such as the level of card penetration, trading volumes, fraud levels, the nature and specific characteristics of each market (percentage of debit and credit cards, percentage of card-not-present transactions compared to card-present transactions, ratio of cash dispensers to population, etc.).

The Commission acknowledges in its proposal that these differences exist and uses them as grounds for proposing different periods for the entry into force of interchange fee levels in cross-border and domestic transactions. However because of these differences it is important

that the impact these proposals may have on the different national markets is analysed and assessed, and this has not been done.

At this stage of the legislative process the rapporteur upholds the Commission's proposals. However he believes that the suitability of these caps should be thoroughly discussed on the basis of an in-depth assessment. Consequently, he reserves the right to put forward different proposals on this point at later stages of the legislative process, should he deem this necessary.

These interchange fees may deal a severe blow to incentivising the use of cards in Member States with undeveloped markets and this must be prevented. Caps on interchange fees should not act as a brake on incentives to investing as necessary in developing payment networks in these Member States, nor mean less investment in innovation and combating fraud.

On the other hand, the rapporteur is in favour of introducing a degree of flexibility in capping the interchange fees so that caps are a weighted average of all transactions instead of absolute caps. This would make it possible to differentiate between sectors that have different default or risk rates, or incentivise the introduction of new technologies or more secure payment methods.

Licensing

The rapporteur agrees with the Commission's proposal to ensure that licences for issuing or acquiring payment instruments must be valid with no geographical restrictions within the Union. The measures proposed by the Commission will facilitate the smooth running of an internal market in card, Internet and mobile payments, which will benefit consumers and retailers.

Separating schemes and processing entities, and interoperability

The rapporteur believes that there needs to be greater competition enabling all processing entities to compete on equal terms for customers in the schemes. Nonetheless he thinks that the Commission's proposal requiring payment schemes to be separated from processing entities in terms of their legal form, organisation and decision-making is disproportionate, and it has not been endorsed by any impact study.

The rapporteur feels that ensuring functional separation of the two activities, and guaranteeing that the provision of any one service is in no way subject to the acceptance of any other service, will suffice. Territorial discrimination in the processing rules operated by payment card schemes must moreover continue to be prohibited.

All processing entities in the European Union must guarantee that their scheme is technically interoperable with all other processing entities in the Union. More time must be provided for this than has been envisaged in the Regulation, to allow the processing entities to implement these requirements.

Co-badging and choice of application

The Commission proposes that issuers should be able to incorporate all the card brands they

consider suitable into one card or card-based device without needing the agreement of the brands concerned.

The rapporteur believes this proposal contravenes the most basic principles of competition between brands. Brand value and the ability to distribute goods freely are a vital aspect of the free market which must be preserved. Proposing that firms should have control over the marketing of one of their products taken away from them, possibly being forced to have their brand associated with competitor brands or brands with a dubious reputation without their express permission, is incomprehensible.

Moreover, there do not seem to be any grounds for believing there are problems in regard to co-badging. There are a vast number of examples of co-badged cards on the market nowadays.

The rapporteur believes that the measures linked to the choice of applications may have the opposite effect to the one desired. For instance, the fact that a user cannot have a preselected default means of payment and is forced to choose between different payment instrument brands each time he wishes to make a payment will lead to a great deal of inefficiency, serious complications for users, possible mistakes, and more time spent waiting when paying.

Moreover, these measures could mean a step backwards for all those innovations intended to speed up card payments such as contactless systems or biometric authentication. Innovation is one of the main incentives for encouraging their use and negative effects which could cause difficulties or make technological developments less attractive must be avoided.

Honour All Card rules

The rapporteur believes that the Commission's proposals on this point are not an effective way of making it easier to use cards as a means of payment. These proposals will result in consumers discovering that their cards are not accepted when they come to pay with them, causing them to lose faith and feel insecure about electronic payment methods, preferring to pay in cash.

The Commission proposes that payment instruments be made visibly and electronically identifiable enabling payees to identify unequivocally which brands and categories of prepaid, debit, credit or commercial cards or card-based payments based on these are chosen by the payer. The rapporteur believes that the payment instruments should be electronically identifiable but believes that requiring visible identification is going too far.

Making visible identification mandatory would mean replacing all the payment cards in the EU, currently numbering more than 725 million, with all the costs this would entail. Moreover new innovations and the popularisation of new payment devices, such as mobile phones and other technology, makes the need for these costs questionable.

Review clause

The rapporteur proposes that the Commission issue a report on the application of this

Regulation. The report should look at aspects such as the steering mechanisms and how appropriate the levels of interchange fees are, bearing in mind the use and cost of the various means of payment and the entry level of new players and new technologies on the different national markets. It should also assess the impact on consumers and businesses.