



EC prevails on card interchange

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The drawn-out struggle between MasterCard Worldwide and the European Commission over the level of interchange fees on card-based payments in Europe has finally been resolved.

The voluntary reduction in interchange fees paid between acquiring banks and issuing banks will reduce fee income to card issuers by around €2.6 billion, according to an estimate published by Lafferty Group.

The arrangement between MasterCard and the EC establishes a new methodology under which the maximum weighted average MIF per transaction will be reduced to 30 basis points for consumer credit cards and 20 basis points for consumer debit cards.

Previously, MasterCard's cross-border MIF ranged from 80 to 190 basis points for credit cards, and between 40 to 75 basis points for debit cards, Lafferty reported.

The agreement relates to cross-border transactions but the principles underlying this agreement may extend to domestic payment card transactions as well.

The EC has agreed to drop long-running anti-trust actions against MasterCard while MasterCard, even though it reached agreement with the EC, will seek to overturn EC rules on interchange in the European Court.

Visa International recently reduced its interchange fees in Europe in line with EC policy but has not resolved legal disputes.

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