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REPORT

From: General Secretariat of the Council
To: Delegations

Subject: Proposal for a Regulation of the European Parliament and of the Council on interchange fees for card-based payment transactions (First Reading)
- *General approach*

I. INTRODUCTION

1. On 24 July 2013 the Commission transmitted to the Council its proposal for a Regulation of the European Parliament and of the Council on interchange fees for card-based payment transactions.
2. This Regulation will enhance the internal market for payments and support the establishment of a Single Euro Payments Area. The new rules will reduce market fragmentation and further develop a level playing field in the card payments market. They will foster competition and facilitate new entrants joining the market, leading to broader availability of payment instruments, increased efficiency and lower costs for payment card users.

3. The ECON Committee of the European Parliament voted its report on 11 March 2014. The European Economic and Social Committee and the European Central Bank¹ delivered their opinions on 11 December 2013 and 5 February 2014 respectively.

II. STATE OF PLAY

4. Following the last meeting of the Working Party on 17 October 2014, a broad agreement has been reached on the text of the Presidency compromise as set out in document 14773/14 EF 281 ECOFIN 983 CONSOM 216 CODEC 2107.
5. However, one delegation does not agree with the Presidency compromise. The delegation concerned considers that a different solution should be provided in the regime applying to domestic card-based payment transactions with payment instruments which are not distinguishable as a debit or a credit card (so called “universal cards”).
6. The Presidency compromise allows payment service providers to apply:
- (i) for domestic debit card transactions, a weighted average interchange fee of no more than the equivalent of 0.2% of the annual average transaction value of all domestic debit card transactions within each payment card scheme, or a per transaction interchange fee of no more than 0.2% of the value of the transaction;
 - (ii) for cross-border debit card transactions, a per transaction interchange fee of no more than 0.2% of the value of the transaction;
 - (iii) for any credit card transaction, a per transaction interchange fee of no more than 0.3% of the value of the transaction.

¹ Doc. 8587/14

In relation to domestic payment transactions that are not distinguishable as debit or credit card transactions (“universal cards” transactions), the cap provided for debit cards transactions must be applied.

7. The delegation concerned requested to allow payment service providers to apply, to “universal cards” transactions, a weighted average interchange fee of no more than the equivalent of 0.25% of the annual average transaction value, instead of the same cap provided for debit cards transactions (0.20%); as an alternative, the delegation concerned requested that a transitional period is provided for, before applying the Regulation to the “universal cards” transactions.
8. A number of other issues of a more technical nature have been raised by delegations during the various stages of the negotiations in the Council. The Presidency believes that most of those issues have been addressed in the compromise.

III. CONCLUSION

9. Against this background the Permanent Representatives Committee is invited to:
 - agree the general approach with regard to the proposed Regulation, as set out in document 14773/14 EF 281 ECOFIN 983 CONSOM 216 CODEC 2107;
 - request the Presidency to conduct negotiations with the European Parliament on the basis of the agreed general approach with a view to reaching an agreement at first reading.