

## FEEDBACK FORM

Name of undertaking: VISA PORTUGAL ASSOCIAÇÃO NACIONAL DOS OPERADORES DE CARTÕES

Industry: other – VISA PORTUGAL it is a Portuguese membership of Visa branded cards issuers and acquirers having headquarters or any form of representation in Portugal. VISA PORTUGAL was incorporated in 1999 but only in year 2000 started its activity. VISA PORTUGAL received from VISA INTERNATIONAL EU delegated authority to set domestic interchange rates, applicable to national and cross-border transactions in Portugal with VISA branded cards. VISA PORTUGAL does not qualify as a NATIONAL ORGANIZATION under VISA EUROPE regulations.

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Participated in the questionnaire:

- No

GENERAL COMMENTS ON THE EUROPEAN COMMISSION INTERIM REPORT I – PAYMENT CARDS – SECTOR INQUIRY UNDER ARTICLE 17 REGULATION 1/2003 ON RETAIL BANKING – 12 APRIL 2006 (below the Report).

Due to the narrow scope of its actual activity VISA PORTUGAL will not comment the Report following the guidance of the feedback form. Nevertheless, a couple of statements made on the Report require a brief set of observations from Visa Portugal, as follows:

A) On Report page 31, Section B, paragraph 3.3.4, is stated the following:

*“ An informal complainant alleged that the structure and level of domestic interchange fees in the Visa system in Portugal were discriminating against foreign acquirers. The incumbent acquirer, UNICRE, could agree preferential “on us” interchange fees with domestic issuing banks while foreign acquirers could not obtain equally low fees and had to pay the higher fallback rates. UNICRE is co-owned by Portuguese issuing banks”.*

On the above VISA PORTUGAL has the following observations:

1. The Report is somewhat vague when referring to foreign acquirers, not specifying whether complainant was a EU based acquirer and whether the alleged discrimination affected acquiring activity made from other EU States or from elsewhere. It is also vague when does not mention the period in which the alleged discrimination occurred.
2. Fallback interchange fee set by VISA PORTUGAL never meant nor intended to be discriminatory.
3. From 2000 to 2005 fallback interchange fee set by VISA PORTUGAL could not be fully aligned with the above named on us interchange fee due to the lack of compatibility with the Visa Europe interchange fee record procedures. From 1 January 2006 onwards such barrier was ended and

“on us” and fallback interchange fees became fully aligned. The Report needs to be updated accordingly.

B) On page iv of the executive summary it is referred that even without interchange fee issuing activity in a set of 20 not identified countries could still be profitable. Portugal is likely to be one of the envisaged countries if one takes in consideration that it is identified in the same page as one of the countries where MSC are higher.

The Report does not state nor provide evidence that a zero rate interchange fee is optimal; however enabling one non in-depth reader to understand it as an implicit and mere suggestion it can induce market controversies and disputes among players, based on preliminary evidence only. Moreover such statement was made without a full detailed consideration of the Portuguese cards market and payment system features.

As most of the recognized economic literature currently understands the economics of interchange fee are a matter requiring for deeper analysis after a period of trial research and findings. As Stuart E. Weiner and Julian Wright refer in their 6 September 2005 paper titled “Interchange Fee in Various Countries – Developments and Determinants”, that researched on 20 countries and regions “the central message of the paper is that interchange fee vary considerably across countries, and while existing theory provides some insight into fee levels and movements, much remains to be explained. A number of complex and interrelated factors, many country-specific, play a role in interchange developments. To adequately test existing and future theories, richer data will be required”. Furthermore, on June 19<sup>th</sup> 2006 Competition Appeal Court decision on UK Mastercard interchange fee case should recommend further cautious on the matter.

Thus, although the Report contains a valuable and extensive analysis of the EU payment cards system, VISA PORTUGAL considers that nor the data gathered nor the econometric analysis performed constitutes an accurate basis to achieve the appropriate findings on the adequate interchange fee applied in Portugal to Visa branded cards transactions, to which analysis is seriously engaged to contribute.