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Mr Eduardo Martinez-Rivero
Deputy Head of Unit, Financial Services
Directorate D
DG Competition
European Commission
B-1049 Brussels
Belgium

15th June 2006

Dear Mr Martinez-Rivero

We refer to the Interim Report I on Payment Cards (the "Interim Report"), as published by the European Commission on 12th April 2006.

We note that responses to the Interim Report are required to be submitted to the Commission by 21st June 2006. As the principal representative body for payment systems in Ireland, we would like to make some brief observations with reference to certain aspects of the Interim Report in the context of payments in Ireland, and as may assist the Commission in its further deliberations.

With regard to IPSO as an organisation, and generally as to the construct of payment systems in Ireland, detailed particulars are given in our response to the European Commission of March 2006 to the Sector Enquiry on Retail Banking under I.D. Number: QS-IE-12 ("IPSO Response March 2006").

We would add that IPSO's principal role relates to regulated domestic payment systems in Ireland, as well as planning for the transitioning of Irish payments to the evolving SEPA environment and framework. Whilst to date IPSO has had minimal involvement with, and does not exercise any control over, any Irish or Irish related payment schemes (or payment card systems as referred to in the Interim Report), such as the domestic debit card scheme known as LASER, nevertheless IPSO has been active in recent years in promoting the adoption in Ireland of transparent and competition compliant governance structures for domestic payment systems and payment schemes.

Because of our minimal involvement in card schemes, we are not in a position to comment on most aspects of the Interim Report, although we have noted with interest various comments as referable to Ireland. It will be a matter in the Irish debit card context, in particular for LASER, to determine its response to the issues raised in the Interim Report – but which where consulted IPSO will endeavour to input its experience and expertise, for example on scheme governance. We understand, however, that the Board of Directors of LASER has determined to have conducted a full and independent review of the LASER scheme in light of the issues identified in the Interim Report.

Thus we confine our brief comments in this letter to the aspects of the Interim Report which touch upon payment system or clearing issues.

Bi-Lateral Clearing

As identified in the Interim Report, Ireland has a bi-lateral clearing system structure, which we would add is regulated by the Central Bank & Financial Services Authority of Ireland ("CBFSAI"). This is described in more detail in the IPSO Response of March 2006. Included with that Response (by way of Appendix) is Ireland's National Plan for SEPA dated December 2005. In that Plan provision is made for the consideration, in a SEPA context, of the banks' participation in a SEPA compliant Automated Clearing House (ACH) for electronic payments.

We can advise that the ACH project is well underway, and in the course of which IPSO is liaising with all relevant parties, including the CBFSAI and the Irish Competition Authority.

Sponsorship

As identified in the IPSO Response March 2006, access to the Irish clearing system can be on a direct basis, or an indirect or sponsored basis (that is through an agency relationship with a direct member of the system).


The applicable rules in this regard are subject to regulation by the CBFSAI, and have also been considered recently by the Irish Competition Authority in their study of retail banking in Ireland. IPSO is not aware of any material concerns from a competition law perspective as may pertain to the current rules and structures, including the categories of membership or participation. However, suffice to say that 'sponsorship' may become a thing of the past if a PEACH structure in due course replaces the bilateral structure for Irish payment systems (at least for electronic payments, noting that paper payments are currently outside the terms or framework of SEPA).

Float

IPSO has promoted quicker clearing cycles for electronic payments in Ireland, resulting in the adoption in Ireland in 2005 of generally a two day cycle for the presentation, clearance and settlement of electronic payments (which would include the settlement of card related payments).

We assume that in due course the Commission will publish its interim report on retail banking, and thus we refrain from further comment at this stage. However we hope that our comments in this letter are of some assistance to the Commission with reference to Ireland and the Interim Report on payment cards.

Yours sincerely


Stewart MacKinnon

Chief Executive

Irish Payment Services Organisation Limited