

Laser Card Services Limited

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

Date: 15th June 2006

Dear Mr. Martinez-Rivero

We refer to the Interim Report I on Payment Cards (the *Interim Report*), the publication of which we welcome.

As we understand the Interim Report's preliminary conclusions, the existing payment card market in Ireland allows Irish consumers and businesses to benefit from a high degree of competition when benchmarked against comparable markets in other Member States. Obviously, we welcome that conclusion. We believe that the organisation, structure and governance of the Laser system has facilitated and encouraged this competitive market structure.

The Interim Report also provides us (Laser Card Services Limited or the *Company*) with a useful insight into how issues that have confronted the Company and the Laser Scheme have been addressed in other jurisdictions. We note in this regard that card payment schemes in some other jurisdictions have similar governance and operational structures to that of the Laser Scheme and that therefore, the Company's structure and rules are, generally speaking, in line with practices in other Member States.

We also note, however, that in respect of one particular criterion, namely the joining fee, a preliminary conclusion¹ reached is that the Laser Scheme is "... in a category of its own." We write to clarify that, while apparently high relative to fees in other Member States, we have no evidence to suggest that the joining fee (or indeed any other of the Laser Scheme governance rules) has, in practice, operated to limit access to the Laser Scheme or otherwise to foreclose competition. Nor is there any evidence to suggest that the joining fee may have operated to discourage issuers from increasing their volume of card holders.

¹ Interim Report, p105

To the contrary, a recent review² of relevant Irish banking markets by the Irish Competition Authority considered that “ ... *no competition concerns have arisen with respect of Laser.*”

The Interim Report seems to support the analysis by the Competition Authority showing that the organisation, structure and governance of the Irish payment system have produced a competitive outcome for Irish consumers and business. We note in this regard the findings that Irish interchange fees are relatively low compared to some Member States. We also note the findings regarding the increasingly competitive nature of the Irish market (according to which “ ... the biggest acquirer in 2000 had lost by 2004 a significant part of its market share to its competitors”).³ Finally, we note in the Interim Report’s findings that the level of concentration of the Irish domestic network is less than half of the EU average concentration level.

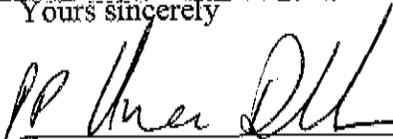
~~Given the importance of the Commission’s study, the Board of the Company has decided to~~
review the Laser Scheme structure and rules and has commissioned an independent review to this effect. This review will be carried out by a group consisting of an independent chair, an independent legal adviser and an industry specialist together with the Laser Scheme Manager. The remit of the review is to examine all aspects of the Laser Scheme structure and to make proposals to the Board. The Board has requested that such proposals be submitted to it by September this year, with a view to the Company commencing a consultative process with interested parties (including, The Financial Regulator, the Competition Authority and the Commission) by October this year.

The primary intent of the Company and its stakeholders has been (and continues to be) to provide a pro-competitive, consumer friendly and low-cost debit card service. The Scheme operates within the regulatory and operational constraints of the Irish payments market (such as how the Irish settlement system is structured) over which the Laser Scheme has limited input.

This letter is without prejudice to any industry response that may be furnished by June 21st 2006.

If you have any queries, please contact me at +353 1 663 6746

Yours sincerely



Barbara Macrory, Chairman
Laser Card Services Limited

² ‘Competition in the (non-investment) banking sector in Ireland’, September 2005, at page 29

³ Interim Report, at page 80