

PORTUGAL

CISP - INTERBANK COORDINATION COMMITTEE FOR PAYMENT SYSTEMS

Interbank Working Group on Bankcards

Comments on the European Commission's Interim Report I – Payment Cards

June 20, 2006

I. GENERAL COMMENT

1. Need for a systemic approach

The European retail payments landscape is nowadays characterized by a multiplicity of national systems that emerged and developed in response to the particular needs and concerns of each national community, as displayed in their own historical and cultural contexts. This development is clearly understood if one takes into account the fact that retail payments is a business of proximity¹, its activity naturally tending to congregate around social and politically homogeneous communities, similar to those that constitute the current national states. This is further demonstrated by the fact that cross-border payments represent a mere 3% of the total retail payments in the European region.

In this context it is natural that the financing models of the services in each system may differ, as a result of the history of incentives that each might have had to introduce, under their own particular circumstances, in order to stimulate migration of users to globally more efficient instruments or to stimulate a more or less smooth development of the two – sometimes three – complementary networks that constitute the system. Financial incentives were normally used as part of those stimuli and, as each respective market evolved towards maturity, it was not always possible to eliminate such mechanisms, sometimes due to “prisoner's-dilemma” situations, or even from administrative restrictions.

For a better understanding of the systemic importance of what is at stake, one should consider, for example, that focusing on point of sale payments only takes into account a “narrow slice” of the full range of functionalities available to “payment” card users as well as of the actual card usage. In reality, possessing a card offers the cardholder a multiplicity of transactional possibilities – from payments at the point of sale to cash withdrawals (basic functions, so to speak), to a more or less extensive range of specific services offered by each system (utilities payments, purchase of tickets for shows and transports, safe transactions on the internet, dynamic toll payment², access to a diverse range of information, etc..) – to points of exercise of these possibilities which, depending on the wider or narrower extension of these possibilities and their points of usage, differentiate each type of card's value.

On the other hand, on the acceptors' side, the value of participating in a card acceptance network is also indirectly connected to the extension and range of transactional possibilities of those cards, considering that such extension influences the

¹ In the sense of social and cultural proximity and not necessarily geographic proximity

² i.e. the driver does not have to stop.

cardholder's choice. It is natural, therefore, that the accepting side also contributes to financing the range of possibilities that allow for enhanced value in the dispute for clients (i.e., that it participates in funding the system from which it benefits).

The analysis of the profitability of providing payment functionalities at the point of sale cannot, therefore, ignore the existence of pricing solutions which bundle all card functionalities, or the fact that operational costs of cards are, often, hard to allocate to strict payment functionalities. In the case of credit cards, for example, this aspect is particularly relevant, especially in markets where a lower development of revolving credit might translate into tighter risk management on the issuing side, with higher interest rate margins in the short term.

Furthermore, the financial reality and the market organisation in the cards industry are hardly dissociable from the relative use of the diverse means of payment available in the market in question. For historical reasons, as a result of the very nature of the operations and support systems, and reflecting the diversity of autonomous development strategies followed by the different market players, among several other reasons, crucial aspects of the financial analysis, such as the pricing of the different functionalities of cards (payments among others), in many cases reflect the degree of cash displacement or cheque usage in the market.

Therefore, when intending to dissect all these interdependencies, one cannot ignore that, watertight individual analysis results in loss of perspective of the integrated nature of market-established solutions and that, consequently, one should not fail to complement that analysis with recognition of the existence of significant cross externalities on cards usage and their relation with to remaining diverse payment solutions. Card users and merchants benefit from the dimension of the network(s) to which they belong; processors benefit from a wider offer (with more functions besides payments) diluting in scale a mainly fixed cost structure; society as a whole benefits from pricing strategies that promote the development of more efficient payment solutions – namely cards.

At a more fundamental level of economic analysis, the very dynamics of the payment cards industry, being a two-sided market, raises some questions on the adequacy of a strict analysis of the financial and organisational aspects of each of the “sides” – issuing and acquiring – which is the structure of the Commission's analysis. As is widely mentioned in the economic literature generically quoted in the interim report, traditional equilibrium in margin and competitive structure do not necessarily result in (in some cases are even incompatible with) socially optimal solutions.

Therefore, it is of little use comparing prices of isolated services between the various systems without considering the global model for the totality of interrelated services in each system, or even without taking into account the different characteristics of each of the compared services. For example, comparing prices expressed as a percentage of

the transaction value without comparing the average transaction value in each system, leads inevitably to a distorted conclusion.

In fact, since a large part of costs associated with supplying services related to card payments are fixed costs, their conversion into a percentage, for recovery through the corresponding price, depends a great deal on the average transaction value. Markets with higher average transaction values recover their costs with lower percentages and markets with a lower average transaction value recover costs with higher percentages. Comparing percentages implemented in markets with different structures is, also for this reason, inevitably misleading.

On the other hand, if proper precautions are not taken when investigating the nature of what is being compared, one runs the risk of comparing services which are different enough in their nature – payment terms, guarantees, system security, full spectrum of functionalities permitted, etc... - although at first glance they might seem similar. From such an evaluation, unqualified, one cannot derive fair judgements or conclusions.

Furthermore, and recognizing the existence of cross-subsidies in the financing of certain services, to compare the profitability of particular services – as is the case of payment card issuing and acquiring – may lead to slanted judgments, if one does not take into account such aspects. And also if one does not take into account namely the financial intermediation margin of the members of each system, since it is from this margin that banks tend to “residually” externalize (i.e. recover) all costs that they cannot otherwise externalize through the sale of other specific services, as is the case of payments.

2. Harmonizing while not forgetting

As part of the drive behind European integration, which gave birth to the creation of the European Monetary Union, it is understandable (although disputable, in light of the principle of subsidiarity) that European authorities may want to promote the integration of the various national systems into a single (super) pan-European system, homogenising its functionalities. But it is not understandable, nor does it make any sense, to wish to evaluate each of the existing systems astray from the particular contexts in which they developed and still function. Nor does it make sense, for the same reasons, that the evaluation of the current systems is limited to a comparison of individual parts of each system, instead of trying to understand and judge each system as a whole – whose systemic value is, by definition, greater than the sum of the value of each of its parts, (i.e. systemic integration produces positive externalities) -, respecting the methodology of a true systemic approach.

That is to say, attempting to harmonize existing differences, in order to render homogeneous the pieces of the current systems with an aim to promoting a (super)

integrated system is one thing, judging past and present functioning from the various and different existing systems based on the paradigm of the wilful purpose is another.

II. THE PORTUGUESE PAYMENT SYSTEM

1. Introduction

In this sense and with the intention of contributing to a balanced consideration of the functioning of the card payment systems and, in particular, of the Portuguese system, we shall proceed by developing a characterization of the way this system works, including historical elements considered relevant for this analysis.

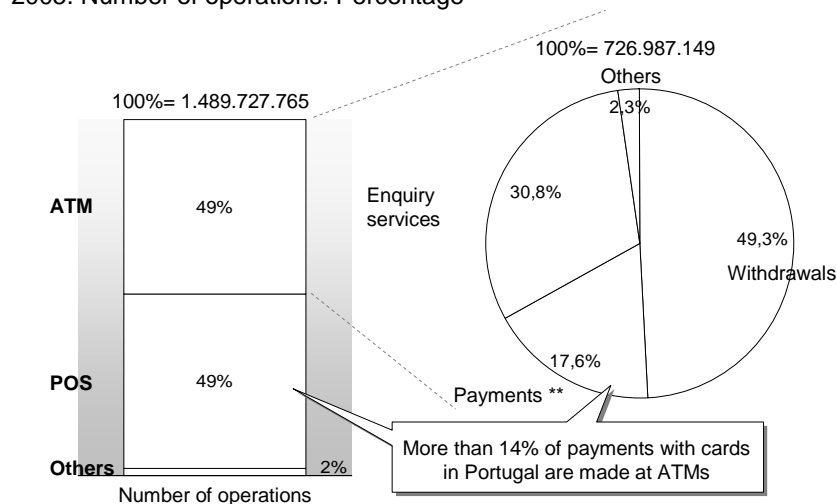
2. A functionally integrated and open system

Portugal has a payment system with a totally integrated technological network (the Multibanco network) which allowed for, in a market of reduced dimension, the generation of considerable economies of scale and scope and the leveraging of a range of available functions, unparalleled worldwide. In fact, the ATM network offers around 30 functionalities (cash withdrawals, remote payments, several enquiry services, loading of various non-financial services, bill payments – namely utilities – tax payments, purchase of show or transport tickets, interbank transfers, direct debit system enrolment, internet safe-payments option subscription, etc...)³ while the POS network offers about 10 functionalities.

³ In fact, one could say that the Portuguese ATM system, “also offers cash-withdrawal functionality”...

DISTRIBUTION OF CARD OPERATIONS IN PORTUGAL*

2005. Number of operations. Percentage



* Includes only transactions present in the SIBS database

** Payments includes Payment of Purchases and Services (6,6%) and Special Services (11,0%)

Source: SIBS

The availability of the majority of this wide range of services was offered to the cardholder gradually and at no transactional charge, in conformity with the initial economical Multibanco model, ever since its launch in the mid-80s⁴. That model was established with a view to attracting customers to electronic payment instruments (cards) and channels (namely ATMs), “diverting them” from traditional, less efficient, instruments and channels.

3. History matters

This incentive to migrate to more efficient instruments and channels was therefore based on the “traditional” model of not charging for services rendered, financing the costs of such services through bank’s financial intermediation margin, as had been common practice for a long time in the banking sector⁵.

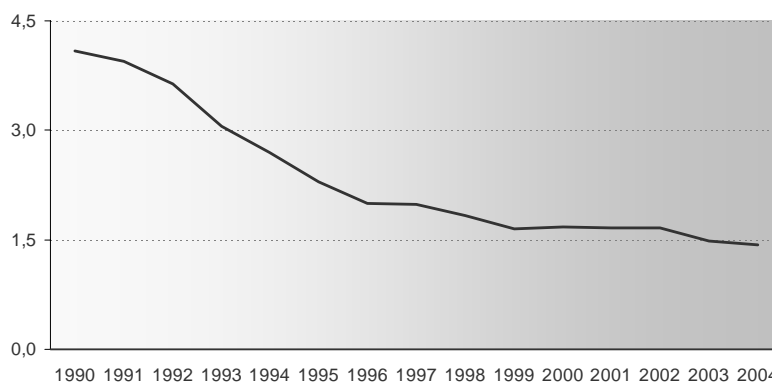
⁴ Portuguese banks attempted, from the mid 90s, to charge the beneficiaries of card payments the economic remuneration due for the services rendered. However the problem soon turned into a political argument (1995 was a year of important parliamentary elections) and, through administrative intervention, political power established a limit to the charge of commissions for payments with Multibanco cards, thus rendering impractical the natural evolution of the system to a more rational economical model.

⁵ As is well known, the traditional banking activity model, in force for many decades, was based on the gratuity of services associated to bank accounts (namely payments), financing all banking costs, in undifferentiated form, through the financial intermediation margin. It should be recalled that this free delivery of services, often served as basis for (or was a consequence of) regulation restricting remuneration of current accounts, for example.

Nonetheless, this move towards migration allowed for considerable gains of efficiency in the banking sector (i.e. economies of scale), gains that quickly reflected in significant reductions in the sector's intermediation margin.

INTEREST MARGIN OF THE PORTUGUESE BANKING SYSTEM

Percentage of Assets*.



* (Interest Income – Interest Expense) / Assets
Source: APB

It was, thus, as a result of this margin – caused by active competition in the banking sector – that those gains of efficiency were handed back to the market (i.e. to the users of intermediation services), permitting, for example, that Portuguese banks offer a mortgage interest rate significantly lower than the European average. Besides, ATM users benefited directly from considerable advantages, both in terms of comfort, and in terms of time spent on banking transactions⁶.

Particular attention should be paid to the fact that the development of the cards market, as a model of integrated networks, had particular specificities in Portugal, rendering it an interesting case study. In fact, the element driving card usage was the creation and fast expansion of the ATM network, destined to offer, automatically, in any place, at any time, banking services until then available only at bank branches. For user authentication at this ATM network a card was developed which quickly established consumer card usage habits, as an “access key” to the network. I.e., the expansion of the ATM network also rapidly created and developed a network of card users.

Thus, when automatic payment services were made available in mass to merchants, a vast network of regular card users already existed, who quickly adhered to the

⁶ SIBS – the company that manages the Multibanco System – estimates that the time saved on banking operations resulting from the introduction of the ATM network currently represents savings to card users of about 600 millions euros per year.

networks of acceptance points. As a result, merchants ended up benefiting from important externalities created by heavy investments (made direct or indirectly by card issuers) in the creation and expansion of the Multibanco ATM network. Co-badging, in turn, and as explained below, allowed these externalities to be extended to the acceptance networks of practically all card brands.

From the foundational logic of the Multibanco system, cardholders still benefit from the transactional gratuity of services, from which it is not easy to escape due to a “prisoner’s-dilemma” type of situation, as is acknowledged, at a theoretical level, on page 11 of the Commission’s report.

The eventual financing by revenues originating from other means of payment – in a logic of complementary networks – is nevertheless more efficient and socially fairer than its financing through interest margin. In other words, it is socially fairer that the costs of running the payment system are wholly financed by the system’s stakeholders (even if that involves cross-subsidization between functions) than if it has to be financed by users of other services (e.g., banking credit namely holders of mortgage credits).

It should also be noted that the obligation for card payment systems to resort to cross-subsidisations was imposed by the EU Authorities, when imposing, through Regulation 2560, forced homogenisation of cross-border and respective domestic market prices, where it is common knowledge that the costs involved are different.

4. Externalities outside the system

Moreover, the high degree of integration of the Portuguese solution offered considerable externalities to activities outside the financial system, which, benefiting from this leverage, created and rapidly expanded world class innovative services. That is the case, namely, of Via Verde⁷ dynamic toll payment system, and the pre-payment⁸ functionality of mobile phone accounts, that significantly stimulated the rapid expansion of these instruments, freeing operators from the credit risk analysis. For this reason, the Portuguese system has been object of frequent praise from international analysts and observers and was even given favourable reference in a recent report by the British OFT⁹.

⁷ Although the technology for dynamic collection is of foreign origin, it was in Portugal, and thanks to its association to the Multibanco system for automatic payments, that it became easily and generally used, turning quickly into a popular instrument for frequent travellers.

⁸ This innovation, nowadays used almost everywhere in the world, originated in Portugal and was stimulated by the existence of a totally integrated payments network (ATM and POS), that allowed any user of mobile networks (and the networks themselves) to share universal charging points, whatever the bank to which they were associated as costumers.

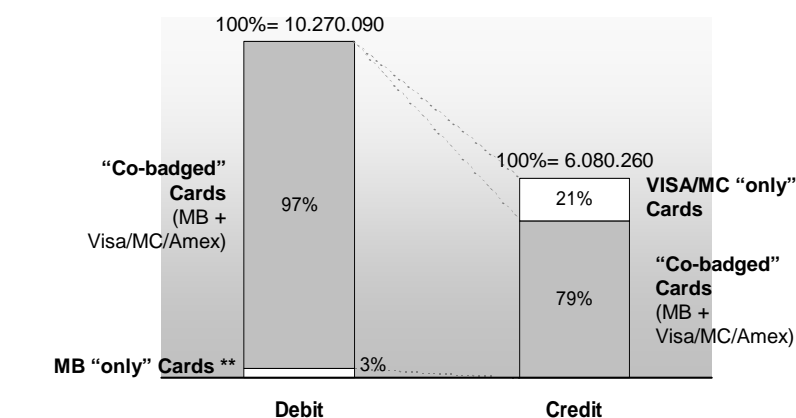
⁹ “Furthermore, the example of the Portuguese system, SIBS, suggests that greater innovation may arise out of a system where all the processing for a number of payment methods is carried out centrally. This

5. Multi-function cards and multi-acceptance channels

Additionally, and considering that the overwhelming majority of cards existent in Portugal co-badge the national brand – Multibanco – with one of the main international brands, their users have the possibility of carrying out purchases and making cash-withdrawals anywhere in the world, as well as accessing all the specific functions of the Portuguese network (particularly at ATMs) with no transactional costs. One should note that this possibility of joint universal card usage places the Portuguese users, in practical terms, already within SEPA's main goal.

DISTRIBUTION OF CARDS BY SCHEME IN PORTUGAL*

December 2005. Percentage. Number of cards.



* Includes only information related to the cards present in the SIBS Database.

** Includes cards of reduced functionalities.

Source: SIBS

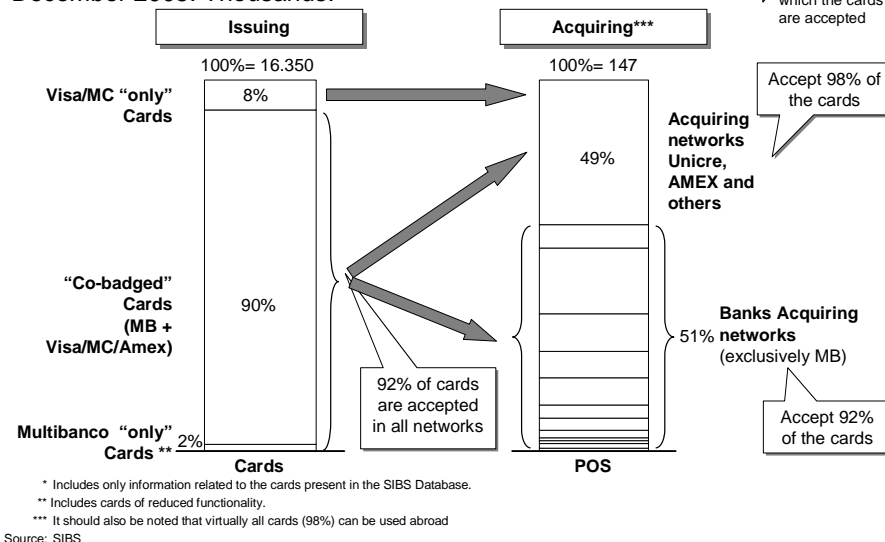
In turn, merchants have the choice of accepting either the domestic brand only or the international brands, without experiencing a reduction (with any relevant meaning) in scope of access to potential national users¹⁰. They are also given the possibility of simultaneously – through contracts with different acquirers – accepting international brands plus the domestic brand, each with individually negotiated conditions. On top of that, they benefit in any case from the possibility of having the total amount of their daily sales automatically credited to their accounts, at the opening of the following working day.

shows that there may be benefits to having more, rather than less, processing in the cooperative space
(As in "Link Access and Governance Working Group report", OFT, April 2006 [OFT840], page 16, note 13)

¹⁰ In economic literature, the effects of the Portuguese co-badging solution are described as representing a situation of simultaneous "multi-homing" for card holders and merchants, a situation that translates into a reduction of competitive barriers (in contrast with situations in which one side opts for "single-homing")

MARKET STRUCTURE IN ISSUING AND ACQUIRING OF PAYMENT CARDS IN PORTUGAL*

December 2005. Thousands.



This potential diversity, without loss of scope of domestic users (which remains almost universal whatever the choice of system), as well as the immediate credit of sale revenues, must be recognized for its right value and certainly for being different from other systems of narrower reach.

The alleged concentration of the acquiring of international brands – sometimes pointed out as a competition problem, as is suggested in the Commission's report – does not constitute, in itself and for the reasons already mentioned, any relevant difficulty for social and economical efficiency. As a matter of fact, this situation is natural in a market of small dimension and - as demonstrated by the experience of other markets of similar dimension – in a business with reduced or even negative¹¹ margin (as mentioned in the report), where scale is highly relevant for efficiency and where, consequently, there is not enough room to significantly differentiate prices while sustaining profitability.

In face of the above – co-badging with the domestic scheme, ensuring universal access to national users and the possibility of choice between acceptance of the domestic brand (where acquiring is totally decentralized) or of international brands (or their complementary acceptance), in both cases without loss in terms of scope of potential national clients – competition between schemes eventually guarantees the diversity and the necessary incentives to promote general efficiency and social welfare.

¹¹ Which means the activity is subsidised by revenues from other activities.

6. Functional integration, global characteristics and coverage

The Portuguese payment cards system currently shows global and functional integration characteristics, which social benefits cannot be refuted:

- a) practically all consumers hold a bank card¹²;
- b) bank cards, given co-badging of the local brand with international brands, have the potential for universal and multi-functional use: they can be accepted at any merchant network (including abroad) and in the ATM network (at no cost), for cash-advance plus an additional high number of functionalities, including payments;
- c) there is an ATM network, which is totally integrated and widely spread country-wide (universal coverage), where practically all cards can be used under the same conditions;
- d) faced with the possibility of a free and easy (at no cost) cash-withdrawal facility, consumers have an effective capacity of choice as to the payment instrument they wish to use: namely card or cash.

In such a scenario – universal coverage and card multi-functionality – even eventual financial incentives between functionalities tend to be neutral in terms of social effects, as long as *interchange fees* ensure adequate remuneration of functionalities made available by issuers (internalising the respective externalities), both to cardholders and to payment beneficiaries, and if 5 aspects are not left out. First, that all payment instruments have costs, even though only cards are object of explicit pricing. Second, that if it is argued that MSCs resulting from card payments are passed on to consumers on retail prices, then it must also be recognised that costs of dealing with cash (even though not mentioned) are directed in the same manner. Third, that consumers have an effective choice of paying with card or cash. Fourth, that consumers who choose to pay cash are subsidised when they use ATMs for cash-disbursement. And last, that merchants absorb considerable positive externalities from the ATM network.

¹² In Portugal circa 88% of the population holds a bank account and, of this, circa 81% hold a payment card.

7. Cooptitive model sharing technological infrastructure

It should be noted that in order to promote its efficiency, the Portuguese system had to settle its development in a cooperative base as far as its infrastructures are concerned, as a way of overcoming the scale limitations resulting from the size of the market. But this cooperative base never resulted in any competition inconvenient. Entry was never refused to any new entrant wishing to access the system and, as time went by, the necessary regulatory adjustments were introduced to better cope with market requirements. Just as cooperation at system-infrastructure level never stopped banks from offering a high level of competition and efficiency in terms of services offered to their clients, as has been recognized by international analysts, making the Portuguese system an exemplary case study of cooptitive model.

Among adjustments introduced, – for example – it is worth noting that when a new international systems' acquirer showed some discomfort with bilateral interchange fees (ICF) agreed between the then main acquirer and local issuers, the subscribers of these bilateral agreements promptly volunteered to renounce to them and reverted to default ICF (which were already very similar). This is not acknowledged in the Commission's report.

The same applies to many other adjustments made in the meantime – among them a considerable reduction in ICF – which, if taken into account in the Commission's report, would have prevented some of the unfavourable references to the Portuguese market, clearly misadjusted to current reality.

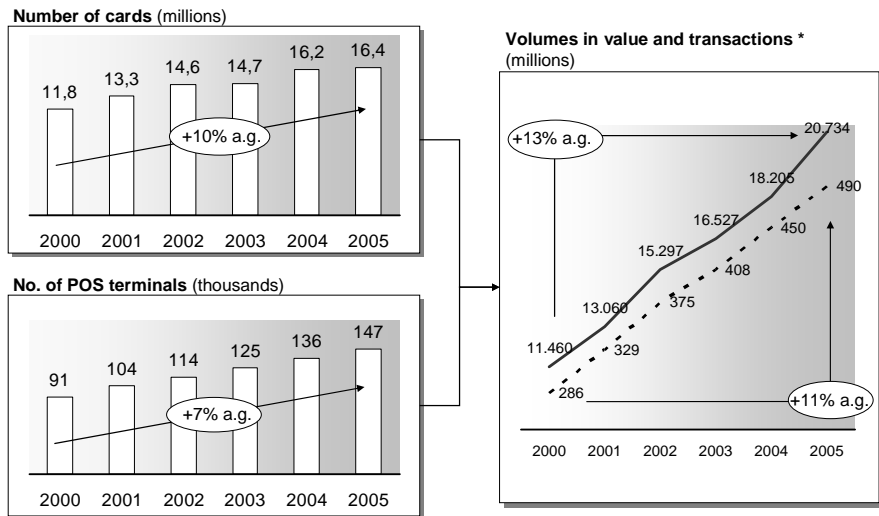
This considerable reduction in ICF was, and is in fact, part of a huge effort of scale promotion and internal efficiency – the gains of which are quickly passed on to the beneficiaries of the system – and that results from the conscience that in the upcoming SEPA environment – to which the entire system has been committed in converging – institutions of smaller size (as Portuguese institutions are) must have a higher degree of efficiency in order to compete with those of greater dimension.

As general characteristics of the network and system, it should still be noted that its functional integration and sophistication – debit transactions have been online PIN based from the beginning – have resulted in a very high security level that represents important value for all stakeholders of the system and that, in rigorous economical terms, cannot be considered *free lunch* by the respective beneficiaries.

8. System developed above European average

The development indicators for the card payments market are also highly suggestive; the market grew quickly and key indicators show, in general, values at par or even above international practices.

PAYMENT CARDS MARKET EVOLUTION IN PORTUGAL *

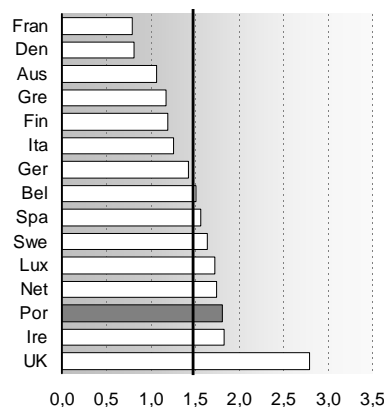


* Doesn't include value of transactions with cards accepted outside SIBS technologic network. Doesn't include Cash Advance
Source: SIBS

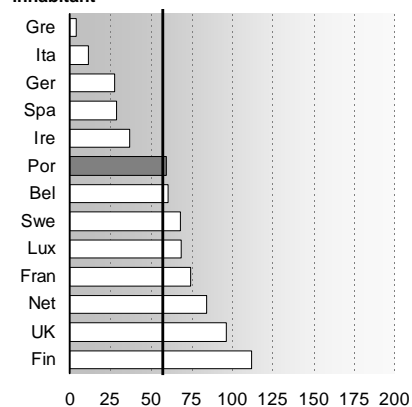
OWNERSHIP AND USAGE OF CARDS IN PORTUGAL VERSUS EUROPEAN AVERAGES

2004

Average number of cards per inhabitant



Average number of card payments per inhabitant *

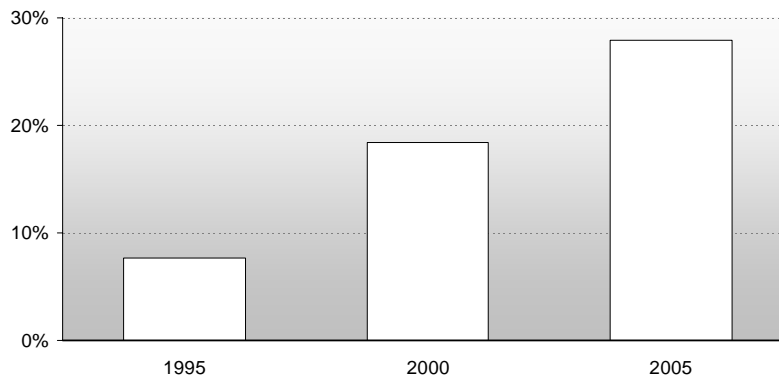


* Transactions at local terminals with cards issued locally
Source: Blue Book

Globally, the payments market in Portugal has made substantial developments in the sense of greater use of electronic payment means, displacing widely recognized less efficient instruments, as is the cases of cash and cheques. As for payment cards in particular, the total value of payments made with them, when compared with private consumption, already reaches levels well in line with European practices.

EVOLUTION OF CARD PURCHASES VALUE VERSUS PRIVATE CONSUMPTION EXPENDITURE IN PORTUGAL*

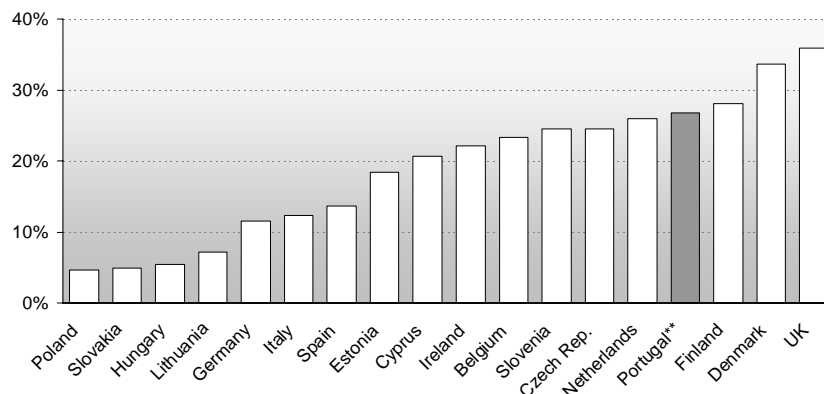
Percentage.



* (Purchases with debit and credit cards at POS terminals) / Private Consumption. Includes Purchases and Payment of Purchases and Services at POS, Payment of Purchases and Services and Special Services at ATM and Low Value.
Source: SIBS, Eurostat

CARD PURCHASES VALUE VERSUS PRIVATE CONSUMPTION EXPENDITURE*

2004



* (Purchases with debit and credit cards at POS terminals) / Private Consumption
** Includes Purchases and Payment of Purchases and Services at POS, Payment of Purchases and Services and Special Services at ATM and Low Value.
BlueBook values (which appear to include double counting of some transactions) would result in a 35% figure for Portugal
Source: SIBS, Blue Book; EuroStat

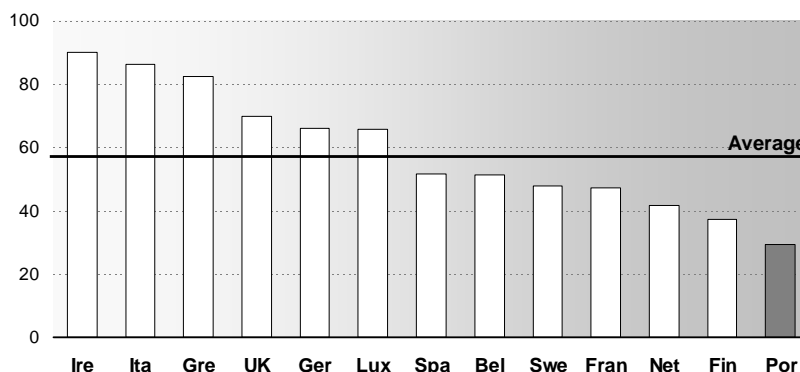
9. Comparing “apples with apples”

The only indicator where Portugal ranks in a less flattering position is on the average card transaction value. But here, two considerations must be taken in account when judging the issue: first, Portugal is the previous “Europe 15” with the smaller GDP per capita; second, the efficiency of the Portuguese system is probably more inclusive of low-value transactions than most other systems (which is very positive). Consequently and in view of these two considerations, it should not be surprising that Portugal presents a lower average transaction value than other countries.

AVERAGE TRANSACTION VALUE

Average card transaction value*

2004. Euros



* Transactions at local terminals with cards issued locally
Source: Blue Book

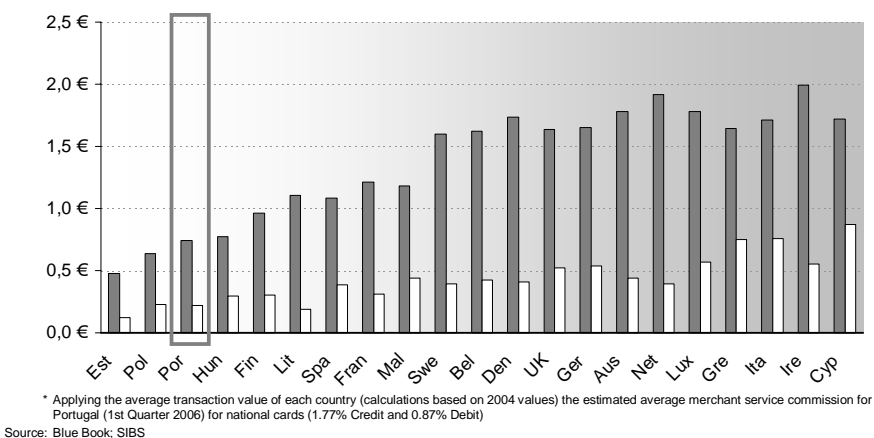
However, this smaller average transaction value should not be ignored when comparing prices expressed in percentage of the transaction value. In fact, confronted by a smaller average transaction value, the Portuguese payment suppliers can only recover the same absolute value of costs – in good measure fixed costs as was previously mentioned – through a higher percentage of the transaction value. As a result, when the price of services in Portugal is exposed in a simple comparison of percentages, the judgment generated by that comparison, if not fairly pondered, will unavoidably be wrong.

EQUIVALENT VALUES FOR COMISSIONS CHARGED TO MERCHANTS

Absolute average value per transaction*

2004-1st Quarter 2006. Euros

■ Credit
□ Debit



Finally, it should be noted, that above a certain level, the progression of the electronisation of payments – of which cards are an instrument – meets obstacles which have little to do with the conditions of the business itself (including the price of services), but with the fact that the said progress often implies migration of an informal economy to a formal economy (taxable by definition), in which many agents may not be interested.

10. Improving while not destroying

In summary, the Portuguese payments system holds an history of acknowledged success, that places it in a very favourable position when globally compared, and that has greatly assisted all those that live and work in Portugal. The system's organisation in itself has demonstrated, through the practical results it has achieved, that it holds the right incentives to promote innovation and efficiency, as has often been acknowledged by independent international entities and analysts (as mentioned before).

In face of this concrete reality, any intervention destined to improve the system cannot avoid pondering very carefully the benefits and costs to be expected, taking into particular consideration the fact that experience shows that the results of public interventions in social and economic engineering have often been dominated by unintended consequences which, in the end, overtake the original good intentions.

June 20, 2006

FEEDBACK FORM

Name of undertaking: **Interbank Working Group on Bankcards** from CISP*

(*) CISP is the **Portuguese Interbank Coordination Committee for Payments Systems**

Industry (network, current/potential acquirer, current/potential issuer, processor, other third party provider (e.g. merchant service provider), merchant (industry needs to be specified), other): **Banking**

Address: Av. Liberdade, 195

1250-142 Lisboa

Country: Portugal

Name of contact person: Cristina Sequeira

Phone of contact person: +351 214184210

Email of contact person: cristina.sequeira@bes.pt

Participated in the questionnaire:

• Yes

✓ No

Specific questions from Executive Summary:

A. Financial analysis of the industry

1. Are high merchant fees a competitiveness issue for the EU economy?

2. Are there compelling justifications for the comparatively high level of merchant fees observed in some parts of the EU25?

3. In view of the apparent profitability of card issuing, is there a generally applicable justification for substantial revenue transfers through interchange fees in card payment systems?

4. Are the high profits observed due to innovation or do they arise from some kind of market power in a two-sided industry?

5. What pricing practices, rules and legal provisions distort price signals to consumers and the choice of the most efficient payment instrument?

6. Would cost-based pricing promote the use of efficient payment instruments and how could such pricing be implemented?

7. Do currently existing pricing practices have a substantial negative effect on cross-border card usage by consumers?

B. Market structures, governance and behaviour

8. What market structures work well in payment cards?

9. What market structures do not appear to work well / deliver efficient outcomes?

10. What governance arrangements can facilitate competition within and between card payment systems?

11. What governance arrangements can incentivise card payment schemes to respond to the needs and demands of users (consumers and merchants)?

12. What governance arrangements can allow minority participants or minority members to receive appropriate information and participate appropriately in decision-making?

13. What access conditions and fees are indispensable?

14. To what extent is separation between scheme, infrastructures and financial activities desirable to facilitate competition and efficiency?

C. Future market developments

15. Are significant structural changes to be anticipated in the payment cards industry?

16. What are the anticipated impacts on the industry of innovation and technological change?

D. Potential solutions to market barriers

17. How can structural barriers to competition, which may arise for instance from the integration of different functions within a payment system or from acquiring joint ventures, be tackled?

18. Are there compelling justifications for the identified possible behavioural barriers to competition?

19. How much need and scope is there for harmonising technical standards in the payment cards industry? How large are the potential benefits and costs of harmonisation?

E. Lessons for SEPA

20. What lessons (best practice) for the design of SEPA schemes can be learnt from existing national and international payment systems?

21. How could competition between schemes in SEPA be strengthened?

22. Which structural and behavioural barriers to effective competition between banks and payment service providers should be removed to achieve SEPA?

23. What governance requirements should SEPA schemes meet?

24. By what means can interoperable communication protocols, security and other technical standards be achieved and certification procedures be limited to the minimum necessary?

25. Do the removal of barriers to competition, the observance of pro-competitive governance and the creation of interoperable standards require (further) regulation?

General comments:

Please refer to documents in attach:

Portuguese version - “Grupo_de_Trabalho_Interbancário_de_Cartões-Comentários_Interim_ReportI.pdf”

English version – “Interbank_Working_Group_on_Bankcards-Comments_Interim_ReportI.pdf”

General questions:

1. Did you find the content of the report easily accessible and understandable?
 - yes, fully;
 - the report was too general;
 - the report was too technical.
2. Did you find that the level of detail in the report was:
 - about right;
 - not sufficiently detailed;
 - too detailed.
3. Did the information contained in the report was:
 - generally new to you/the payment cards industry;
 - mostly known to you/the payment cards industry.
4. Did the market analysis in the report:
 - confirm your views on the operation of payment cards market;
 - challenge your/industry's views on the operation of payment cards market;
 - represent a mix of both aspects.
5. Did the report raised the right policy issues;
 - yes, covered most of the key issues;
 - no, there were some significant issues left out.

Thank you for your contribution!