

CMSPI & ZEPHYRE

SCHEME FEE STUDY

COMMISSIONED BY EUROCOMMERCE



ABOUT THE STUDY

As the leading global payments consultancy, CMSPI engages with hundreds of retail clients each year across multiple industries. Using data-insights garnered from retailers, this independent study aims to show the evolution of scheme fees since the period covered by the Commission's study on the Application of the Interchange Fee Regulation, prepared by EY and Copenhagen Economics ("CE"). The data provides aggregate information on changes to scheme fees across Europe as well changes to scheme fees in Spain, Germany, Italy, France, Netherlands, Sweden, Austria and Belgium. These countries represent some of the largest in Europe by card spend.



CMSPI is a global leader in retail payments consulting. Our expert team works to empower the retail community with insights, expertise, benchmarking, and analysis to drive value in their payments supply chain. This study was undertaken by CMSPI's market-leading '*Insights Team*', which is made up of economists, data and statistical experts, and experienced payments professionals.



Zephyre is a specialist antitrust and economics advisory firm focusing on the financial services, technology, and network sectors. Zephyre advises businesses, public sector bodies, and civil society organisations. Zephyre is currently adviser and expert to over 500 corporate claimants in antitrust litigation in the financial services, technology, and investment sectors, and adviser on price control reviews and regulatory appeals in electronic communications, energy, and water. Zephyre works in partnership with other leading advisory firms.



EuroCommerce is the voice for six million retail, wholesale, and other trading companies. It's members include national commerce federations in 31 countries, Europe's 27 leading retail and wholesale companies, and federations representing specific sectors of commerce.

CONTENTS



**Scheme Fee
Growth at the
Macro Level**



**Evolution of
The MSC**



**Scheme Fee
Growth at the
Country Level**



**Key
Takeaways**

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CMSPI & Zephyre analysis is derived from retail payments data including actual invoices and merchant acquirer notifications across a number of industry sectors, countries, sales channels and suppliers.

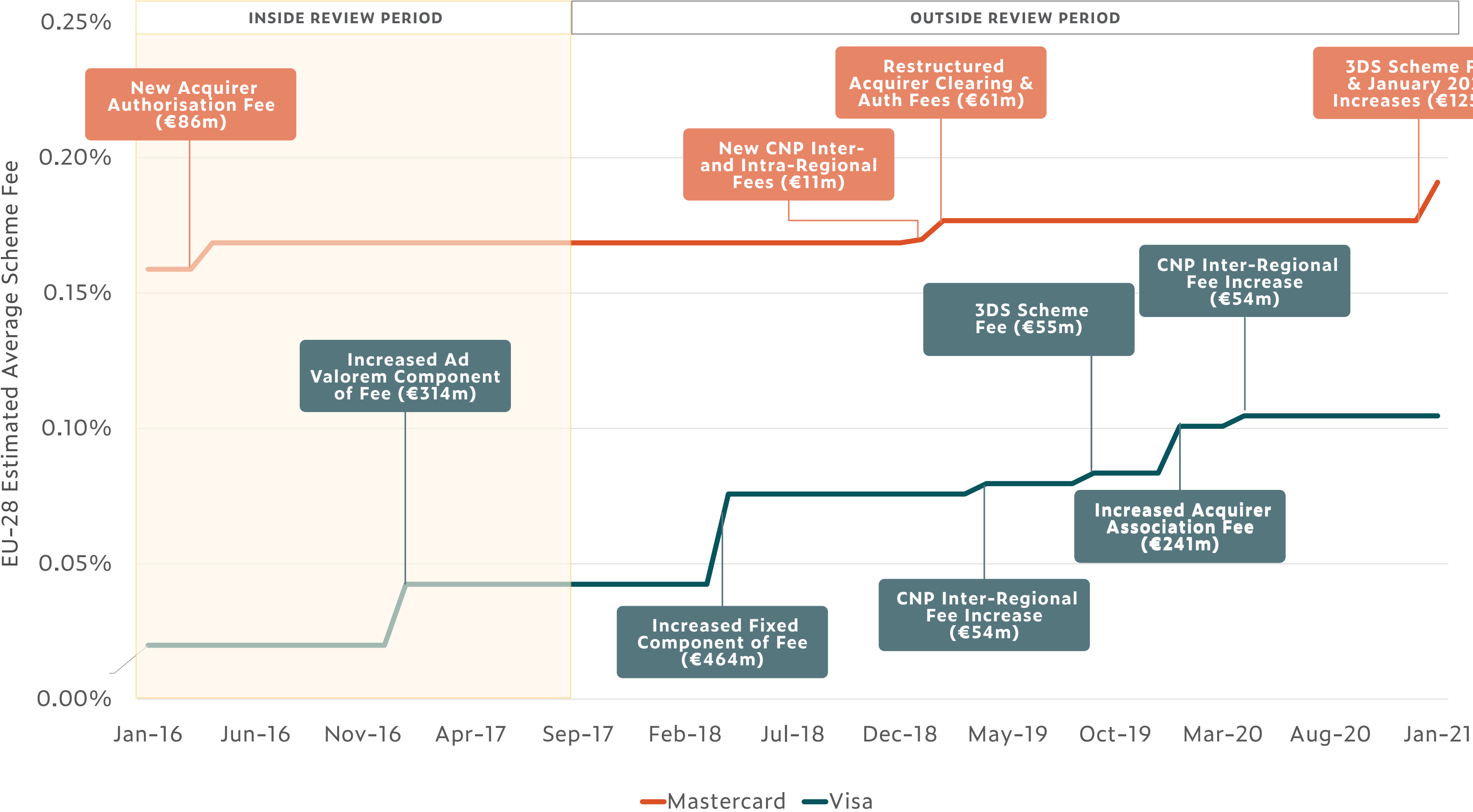
All findings are validated by CMSPI and approved by EuroCommerce and its members.

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VISA AND MASTERCARD SCHEME FEE INCREASES

Visa and Mastercard Scheme Fee Increases



Total Inside European Commission Review Period
€400m

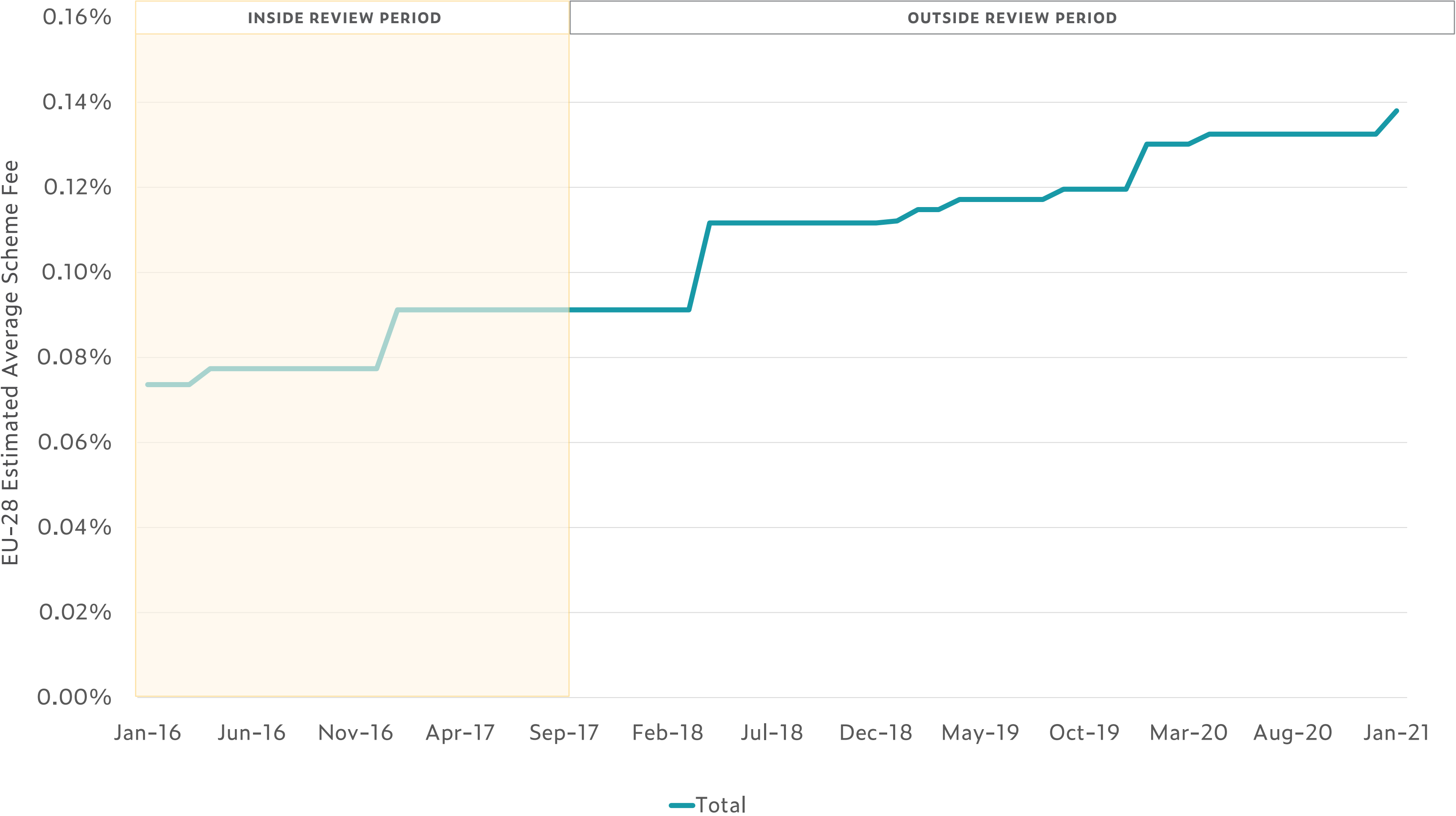
Visa
€314m
Mastercard
€86m

Total Outside European Commission Review Period
€1.06bn

Visa
€867m
Mastercard
€197m

Grand Total
€1.46bn
Visa
€1.18bn
Mastercard
€282m

Visa and Mastercard Scheme Fee Increases



Total Inside European
Commission Review Period

€400m

Visa

€314m

Mastercard

€86m

Total Outside European
Commission Review Period

€1.06bn

Visa

€867m

Mastercard

€197m

Grand Total

€1.46bn

Visa

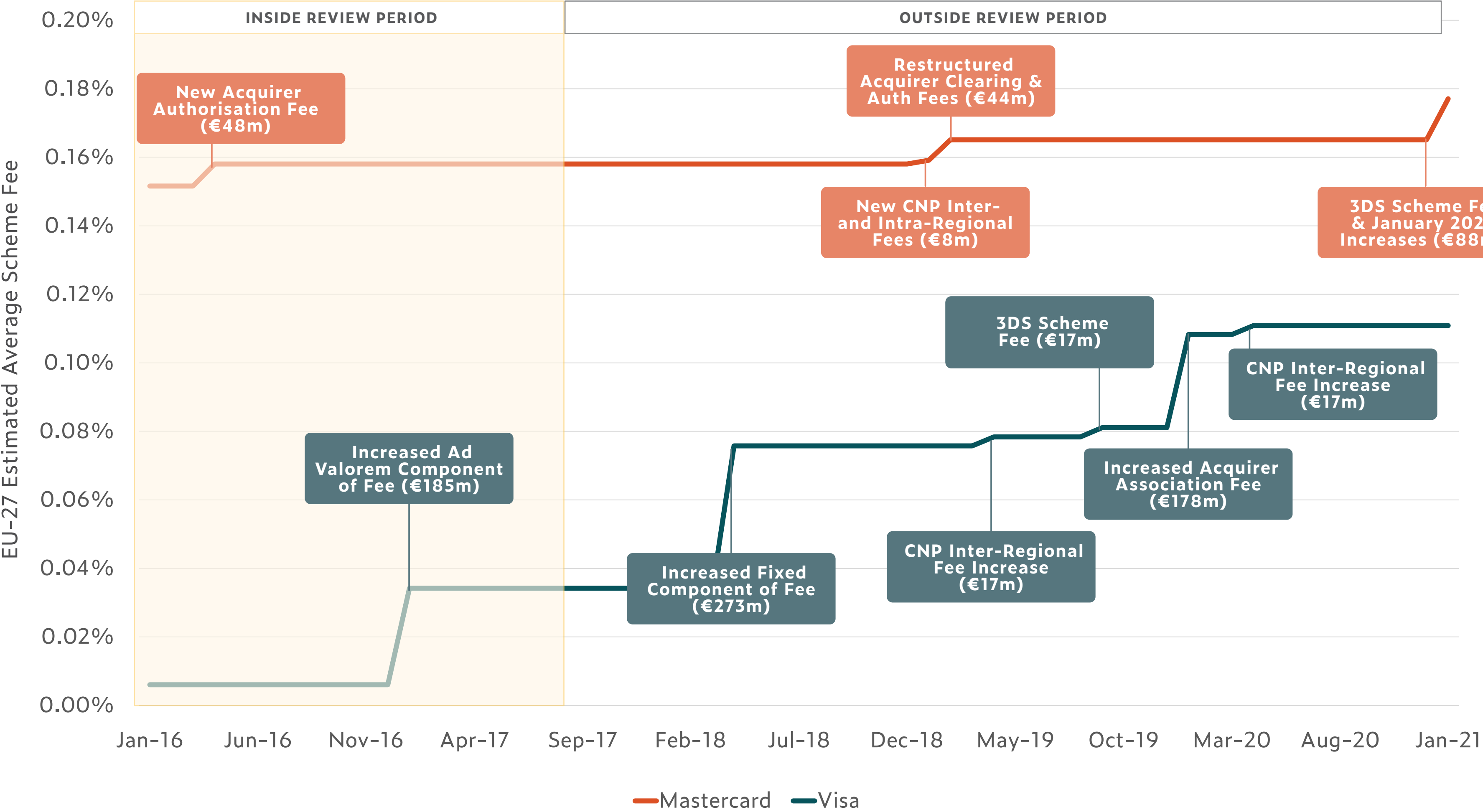
€1.18bn

Mastercard

€282m

Visa and Mastercard Scheme Fee Increases

Excluding UK



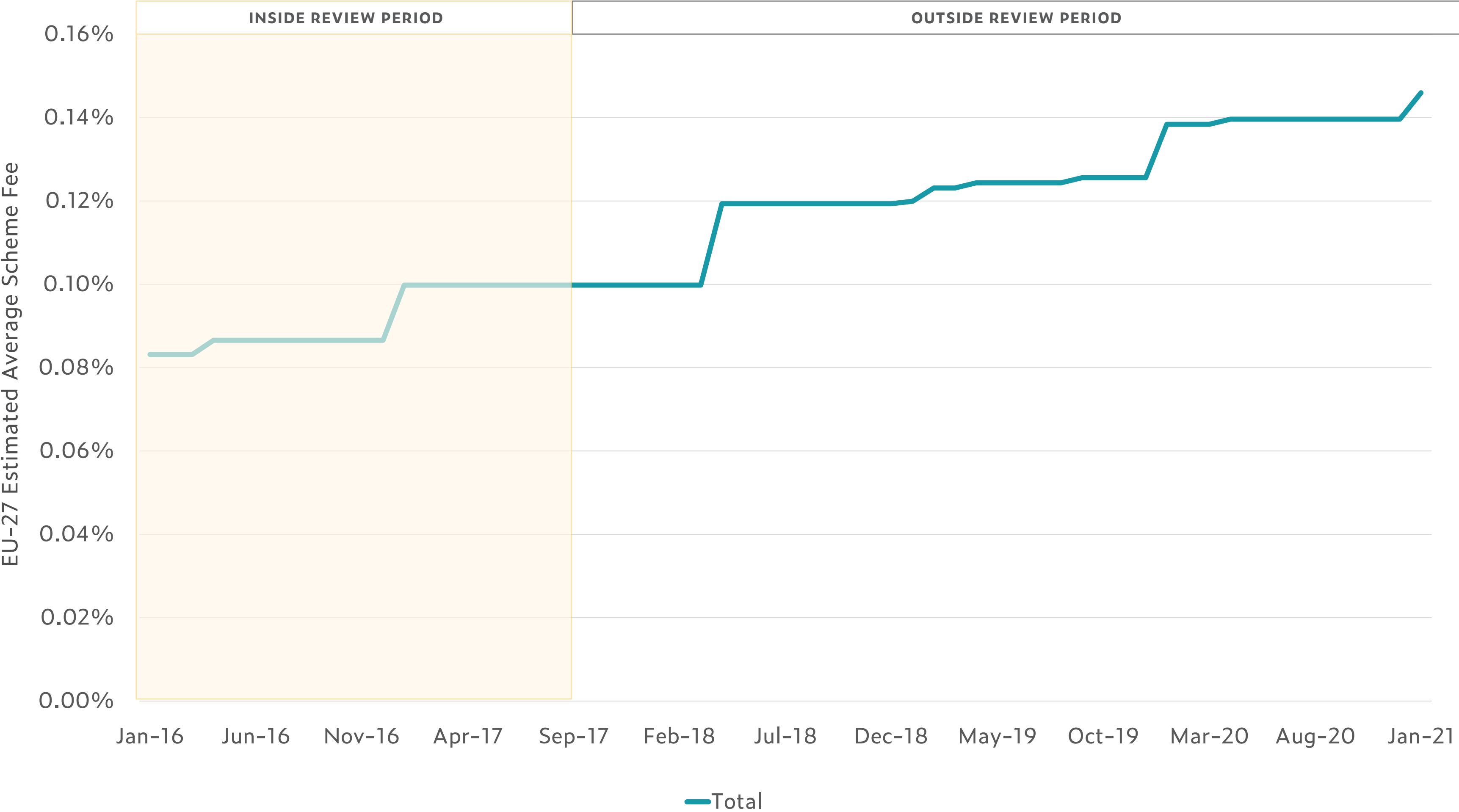
Total Inside European Commission Review Period
€232m
Visa
€185m
Mastercard
€48m

Total Outside European Commission Review Period
€643m
Visa
€503m
Mastercard
€141m

Grand Total
€876m
Visa
€688m
Mastercard
€188m

Visa and Mastercard Scheme Fee Increases

Excluding UK



Total Inside European Commission Review Period
€232m
Visa
€185m
Mastercard
€48m

Total Outside European Commission Review Period
€643m
Visa
€503m
Mastercard
€141m

Grand Total
€876m
Visa
€688m
Mastercard
€188m

January 2021 Scheme Fee Increases

Mastercard Acquiring Volume Fee

19 countries

Changes from 1st January 2021

Affecting all Mastercard transactions

Estimated additional annual cost to merchants of **€62,610,000**

Mastercard 3D Secure Fees

40 countries

Changes from 1st January 2021

Affecting all transactions that pass through 3DS V1

Estimated additional annual cost to merchants of **€25,220,000**

Mastercard Authorisation Fee

Introduction of 0.9 bps fee for declined transactions

Changes from 1st January 2021

Affecting all Mastercard declined transactions

Estimated additional annual cost to merchants of **€8,800,000**



Estimated additional annual cost:

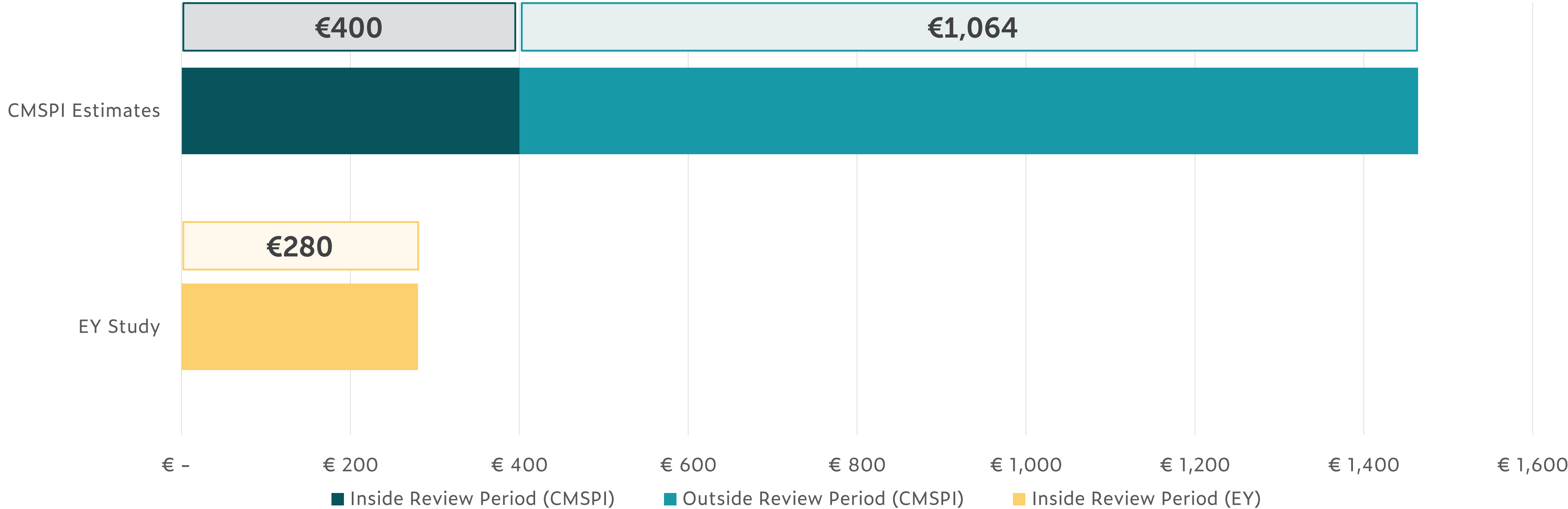
€100M

Visa and Mastercard Scheme Fee Increases (€, millions)



€1,064m of annual scheme fee increases have been levied outside the review period.

Our analysis is based on 2019 card volumes while the EY study used data from 2015-2017. Given the growth in volumes between 2017 and 2019 our estimate of scheme fee increases within the review period differs to that of EY.

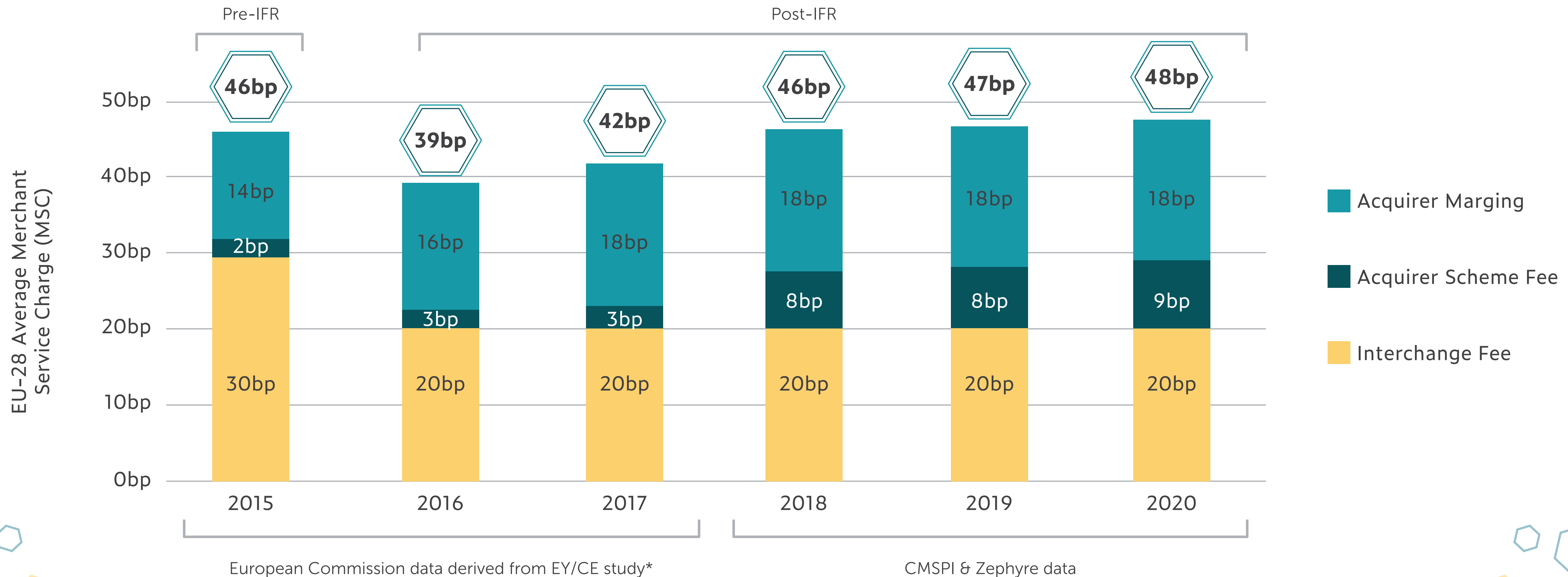


Source: CMSPI & Zephyre analysis and estimates based on retail data



EVOLUTION OF THE MSC

Evolution of the MSC



*See Appendix for sources



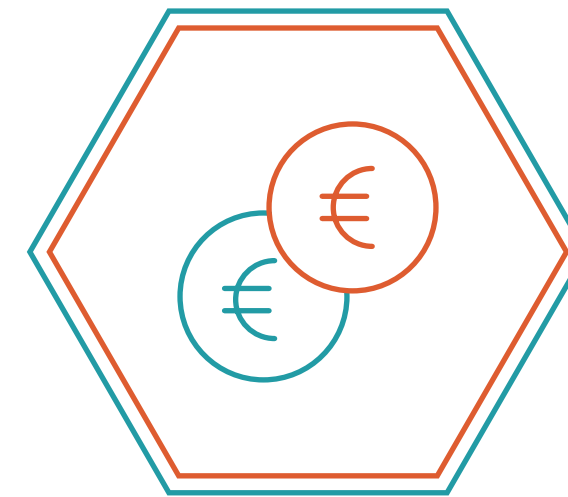
COUNTRY SPECIFIC SCHEME FEE GROWTH

Definitions



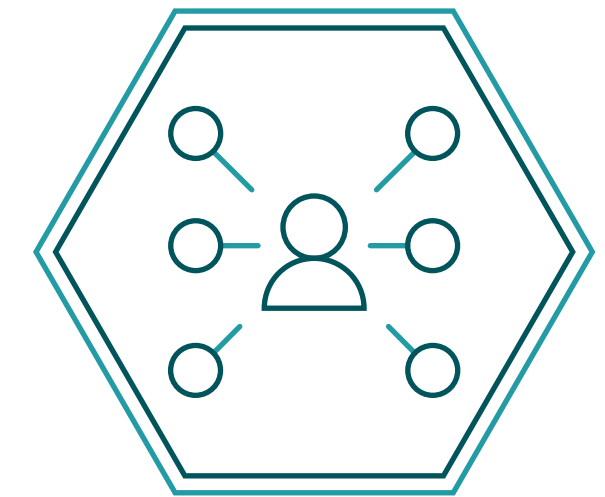
DOMESTIC

Transactions where both the card issuer and acquirer are located in the same country



INTRA

Transactions where both the card issuer and acquirer are located in the European Economic Area (EEA)

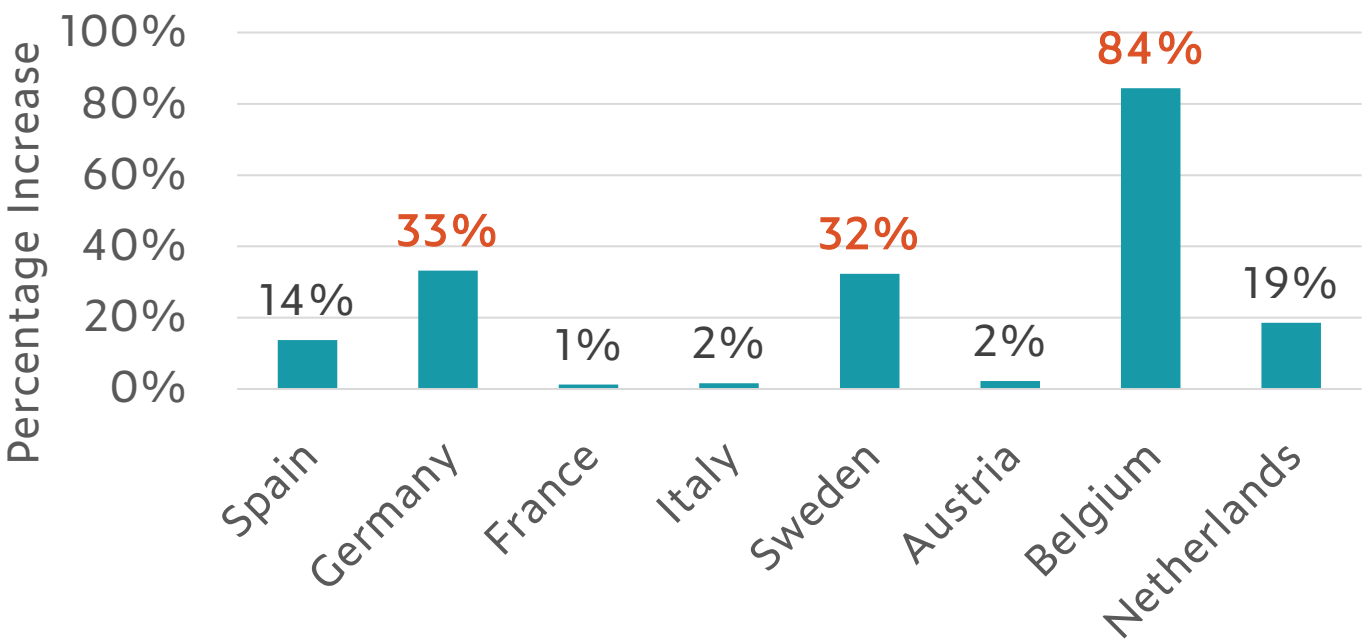


INTER

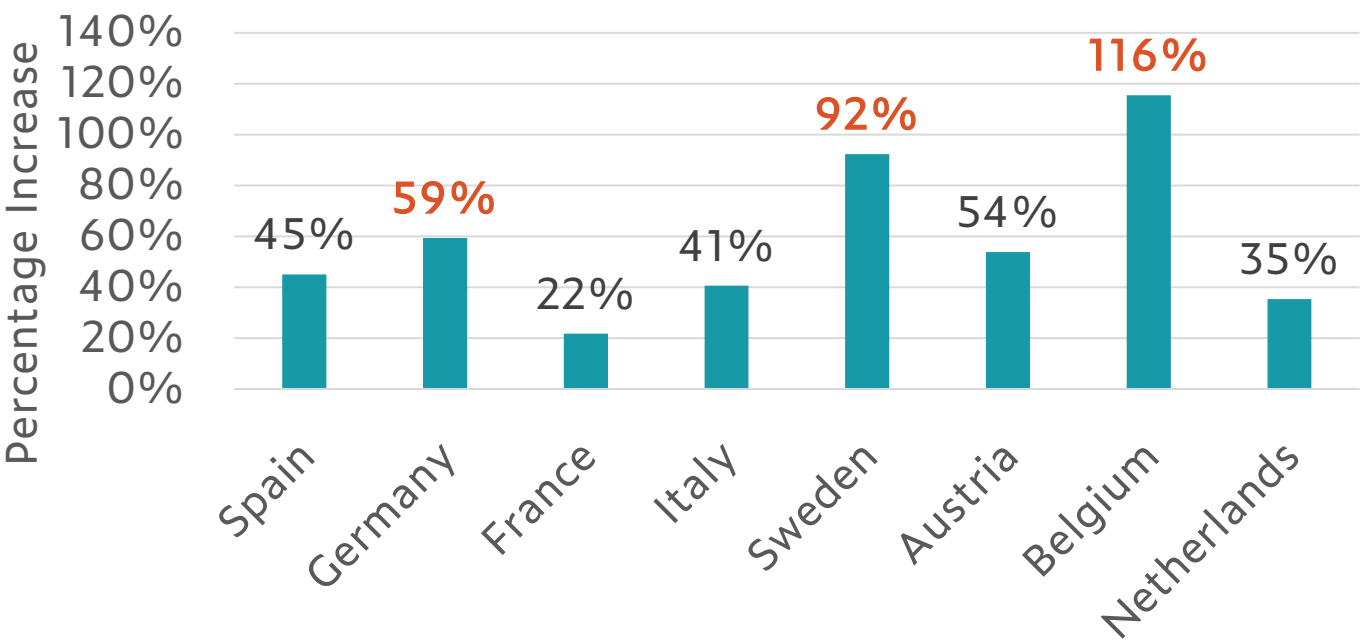
Transactions where the card issuer and acquirer are not located in the same country with at least one of the two located outside the EEA

Average Visa Scheme Fee Increases

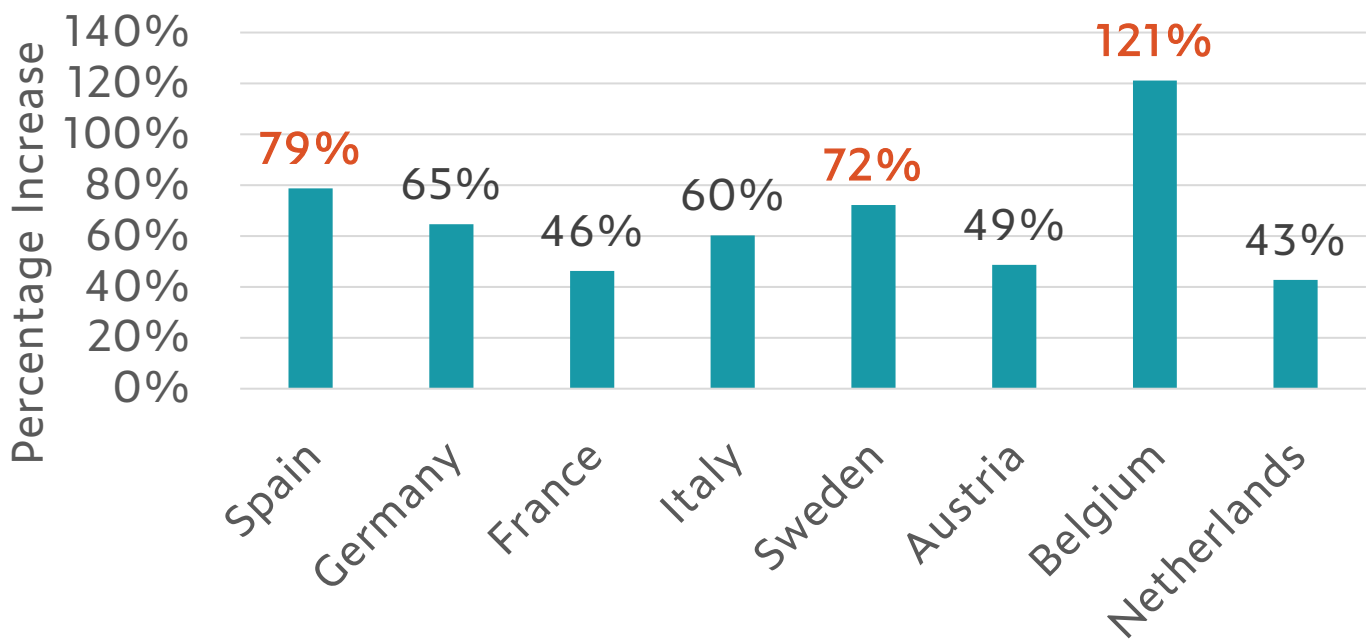
Visa Domestic Credit



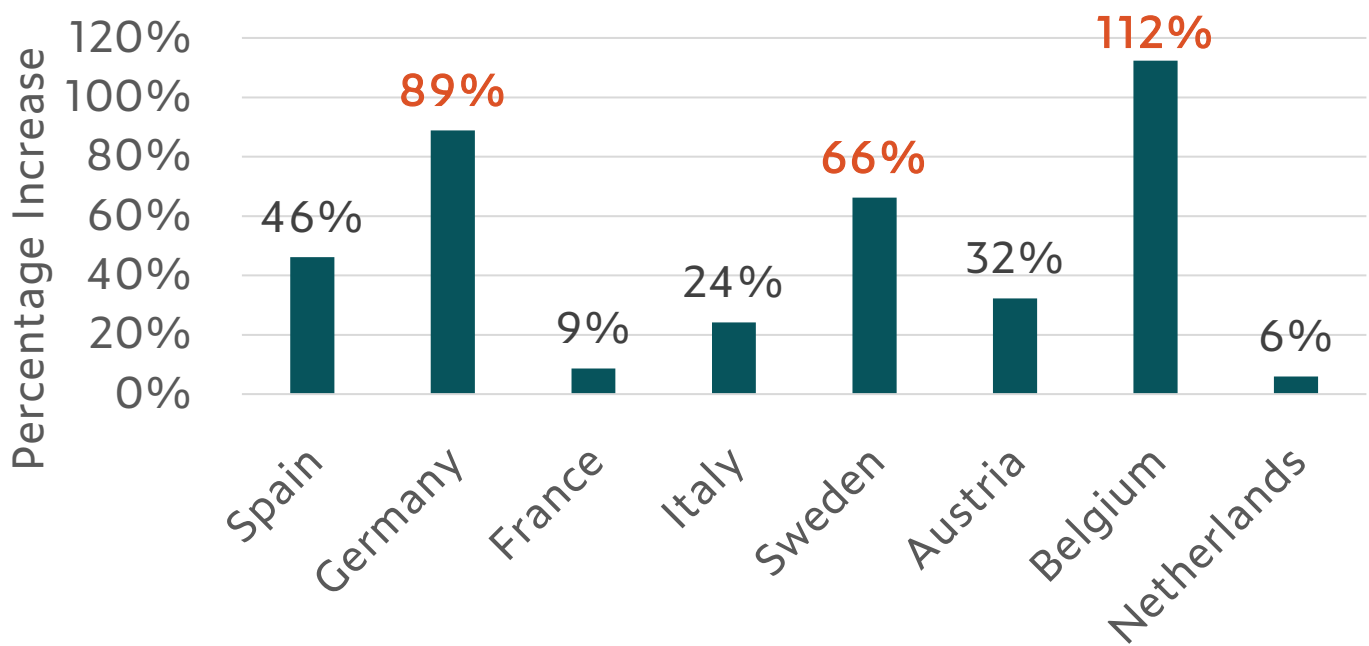
Visa Intra Credit



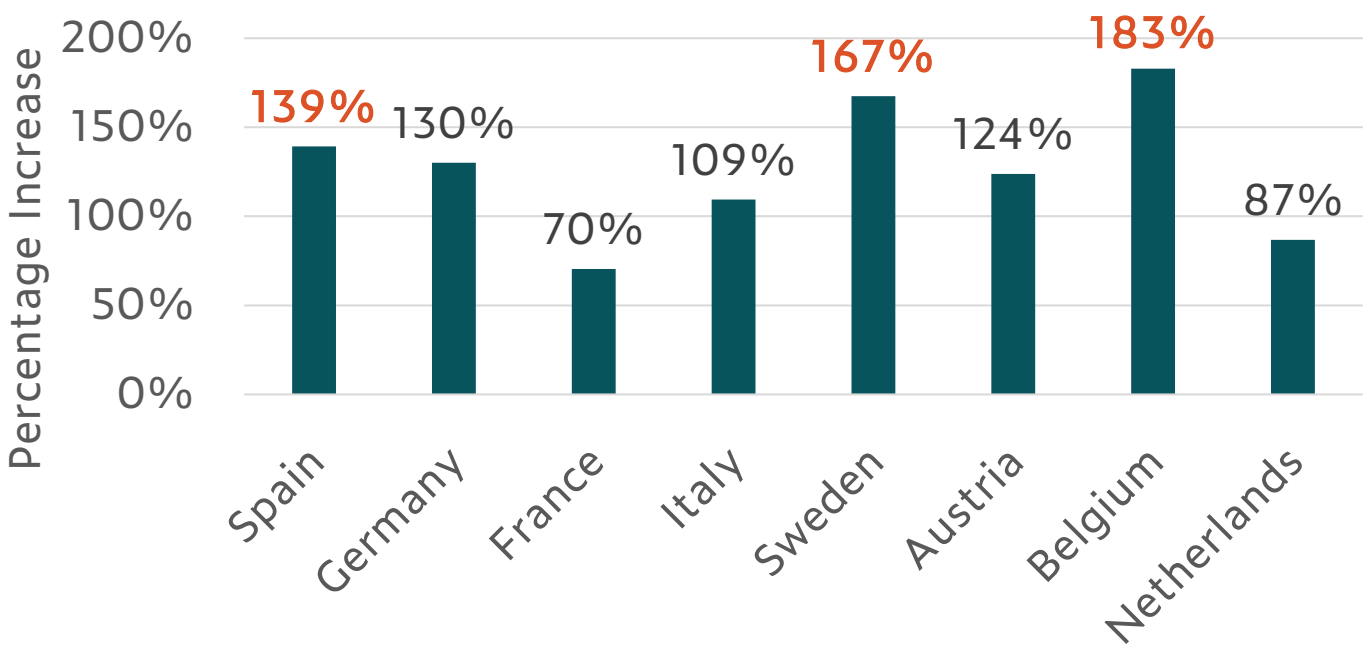
Visa Inter Credit



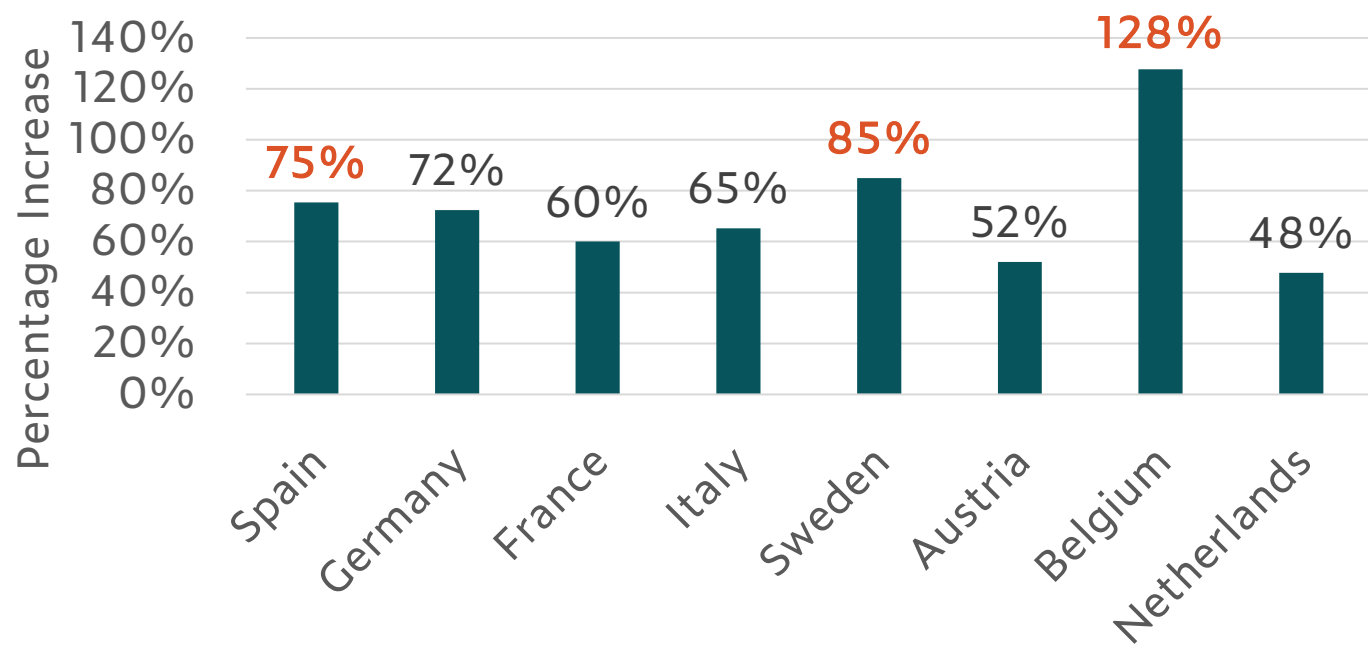
Visa Domestic Debit



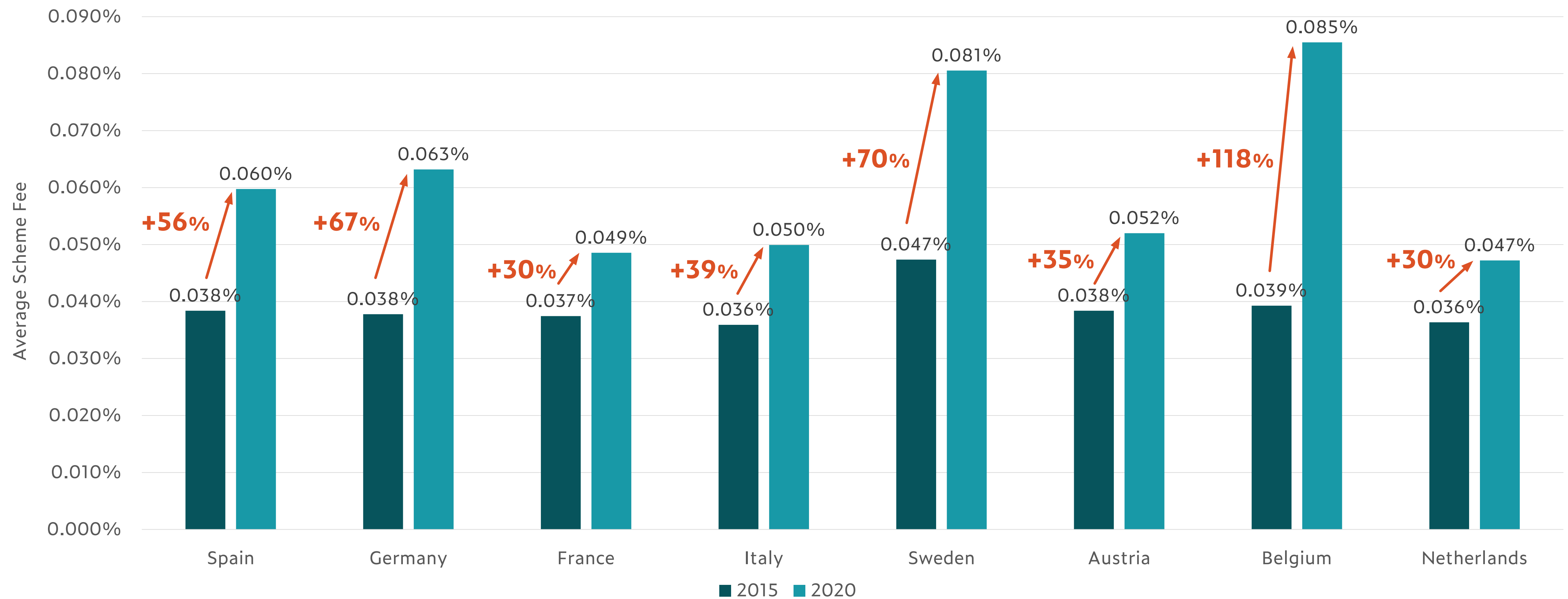
Visa Intra Debit



Visa Inter Debit



Average Visa Scheme Fees (Post-IFR)

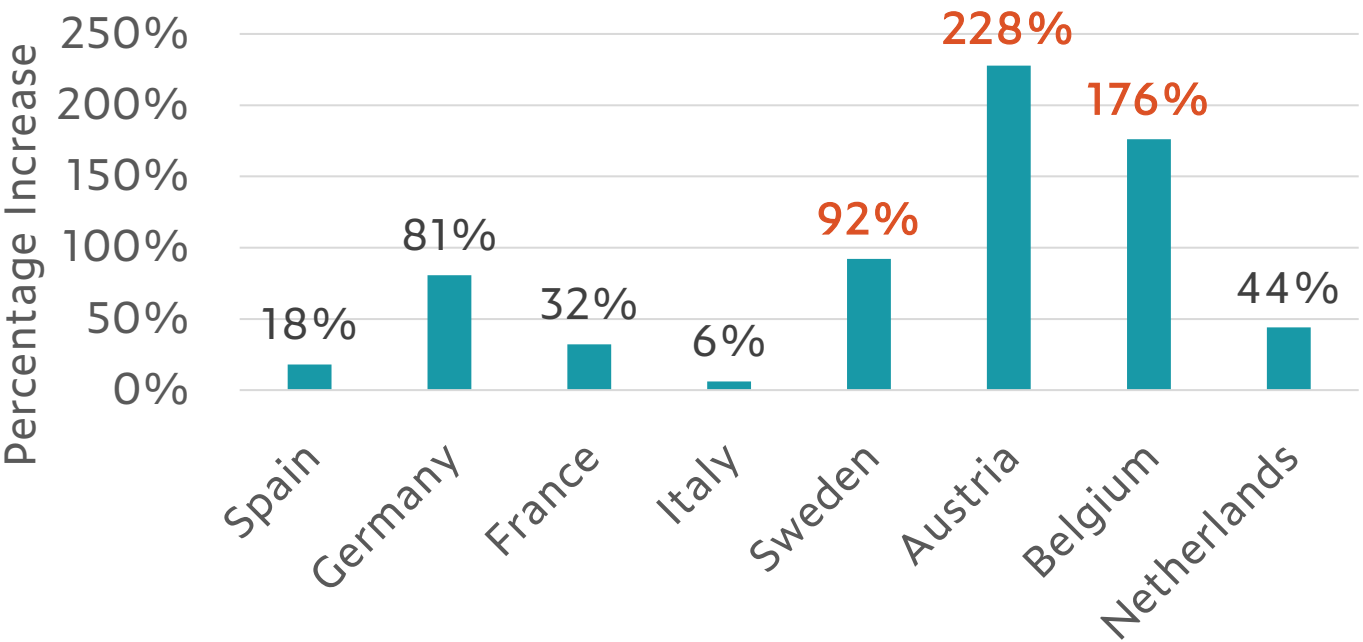


Source: CMSPI & Zephyre analysis and estimates based on retail data

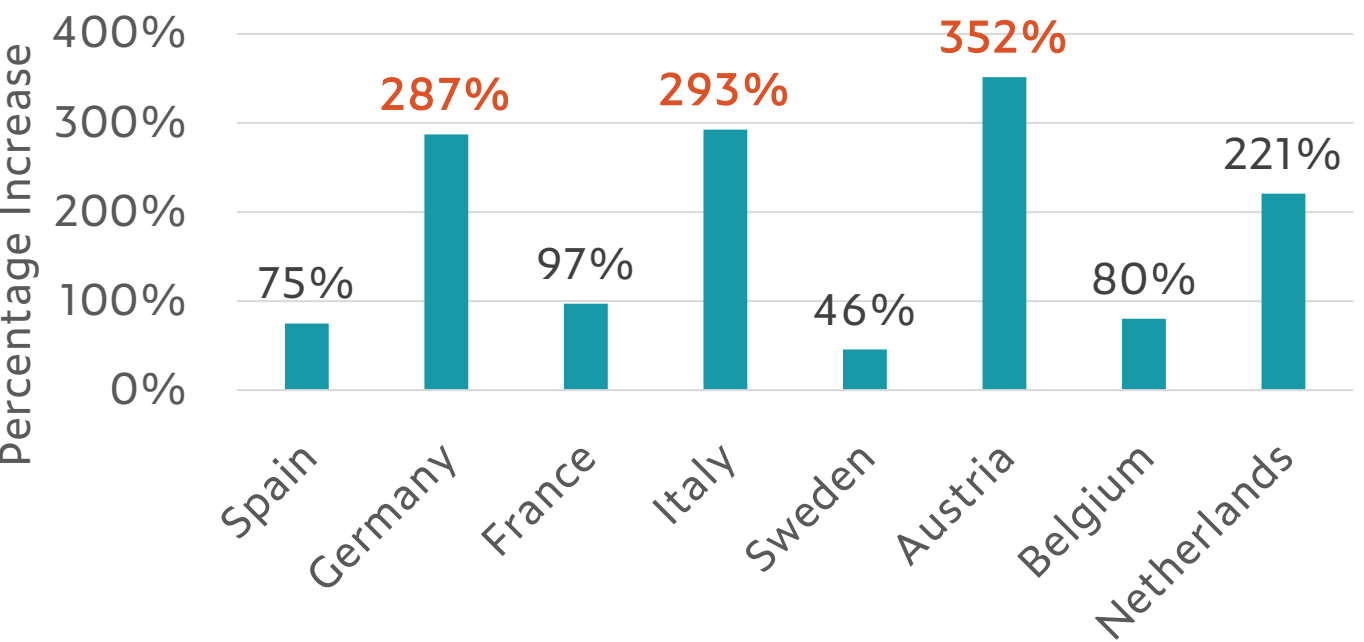
Weighted average across all categories (credit, debit, domestic, intra-regional and inter-regional)

Average Mastercard Scheme Fee Increases

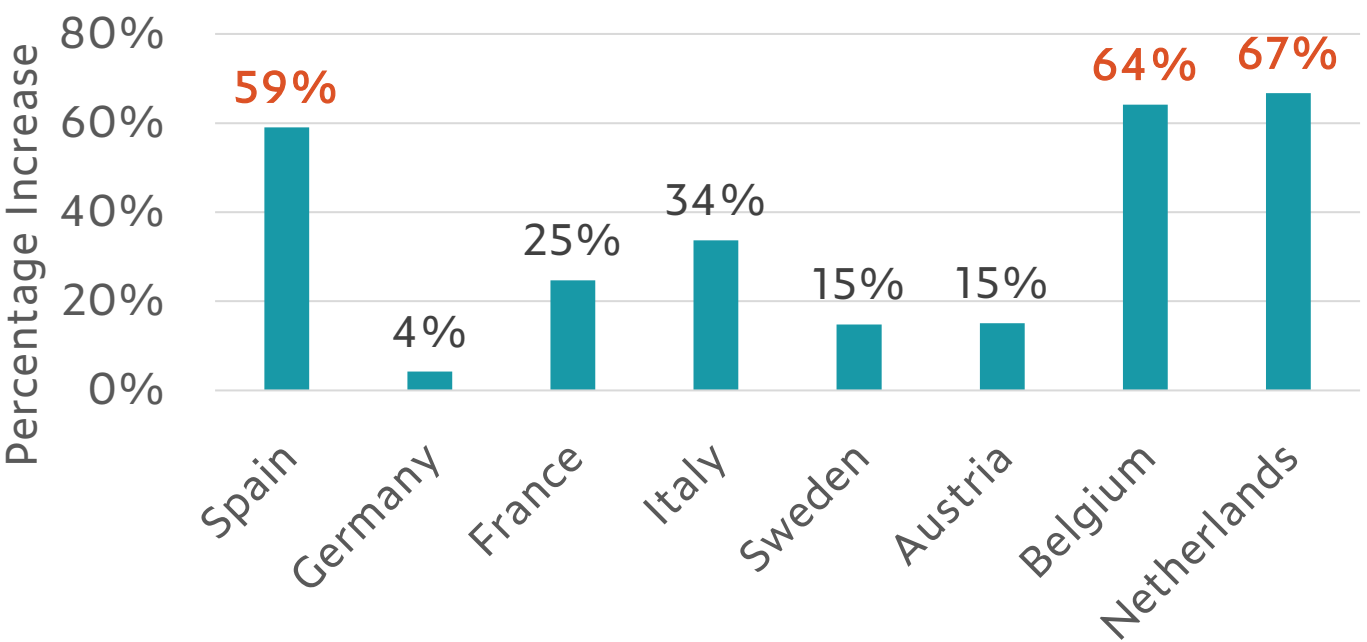
Mastercard Domestic Credit



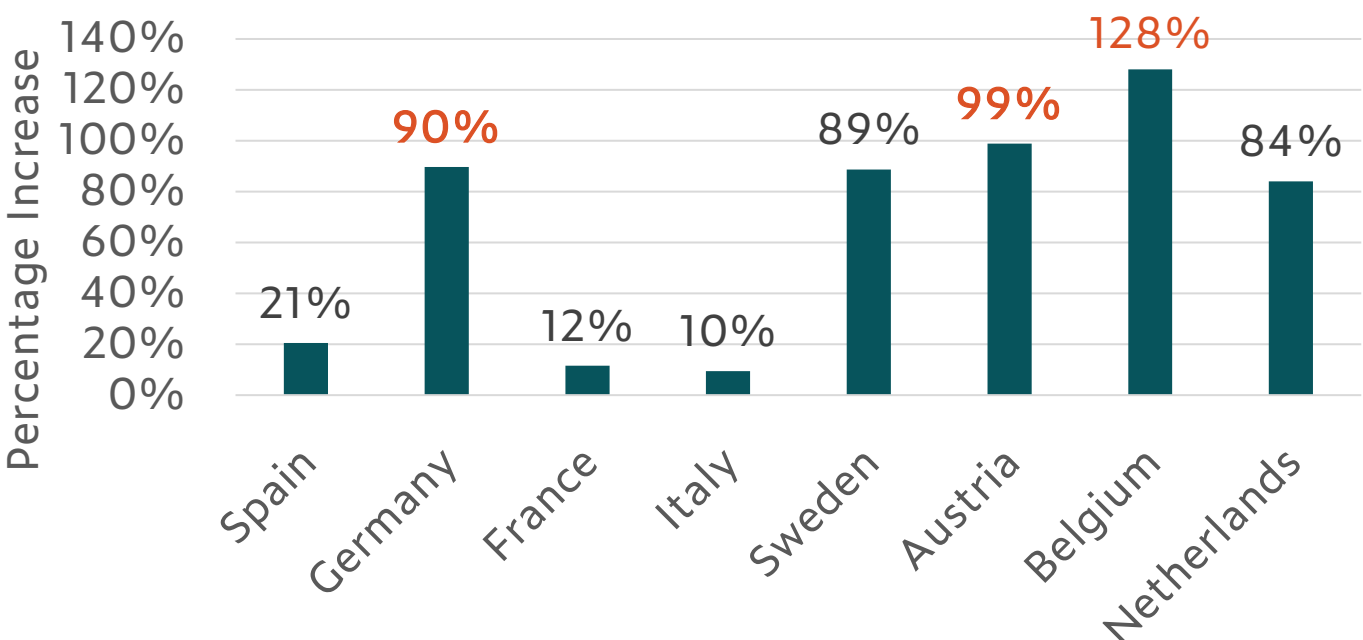
Mastercard Intra Credit



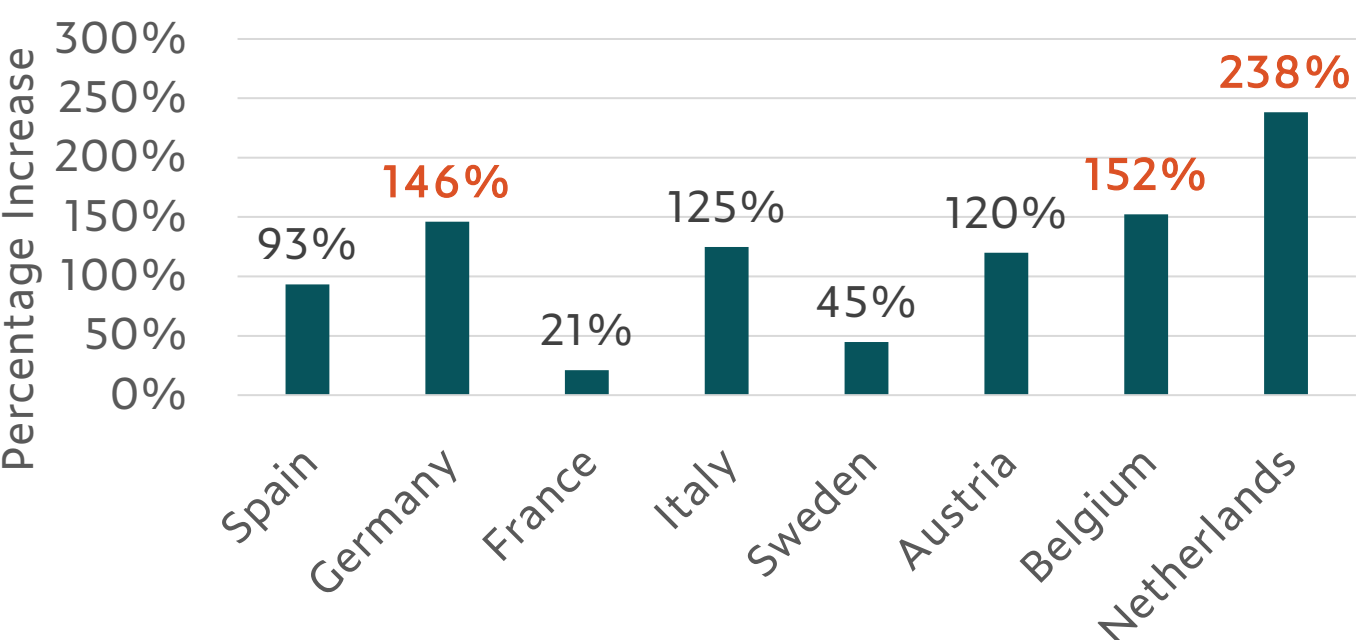
Mastercard Inter Credit



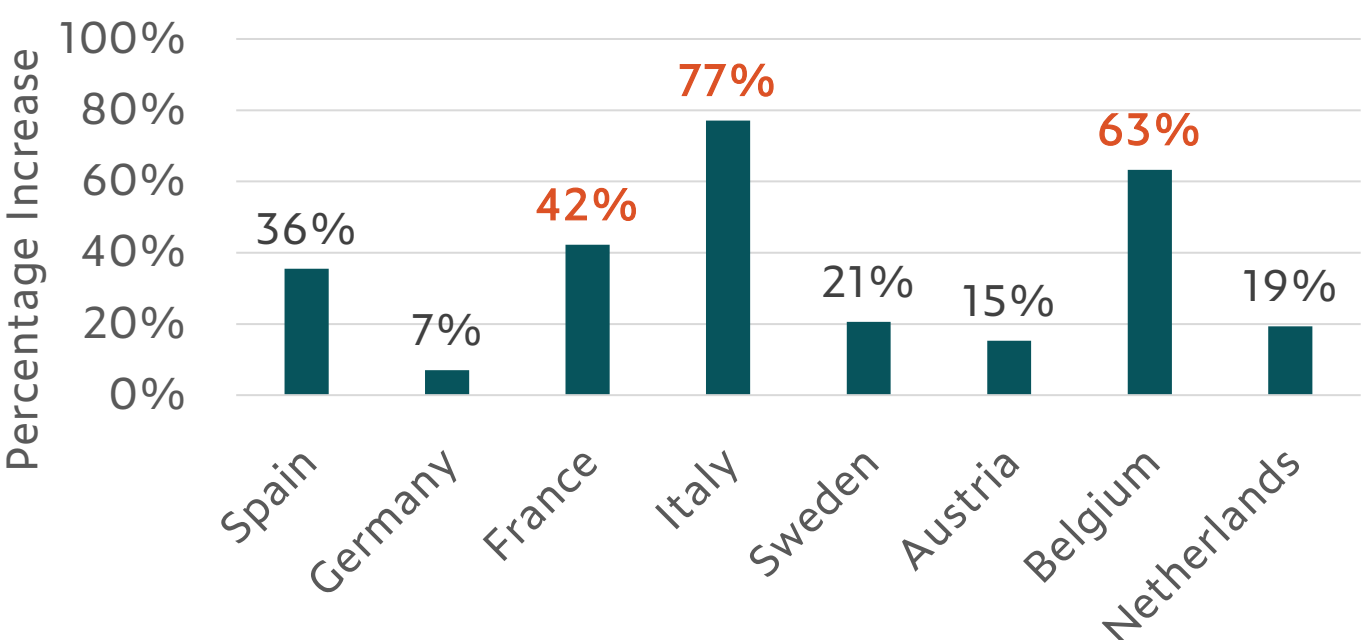
Mastercard Domestic Debit



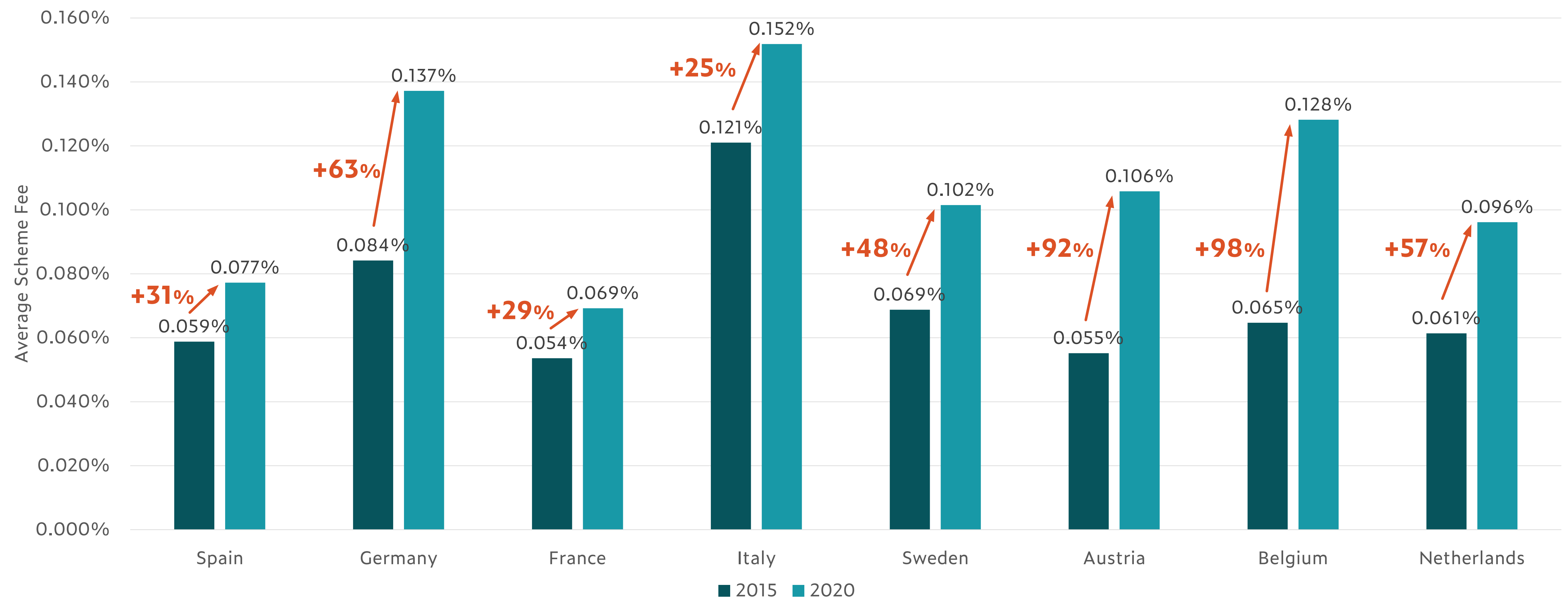
Mastercard Intra Debit



Mastercard Inter Debit



Average Mastercard Scheme Fees (Post-IFR)

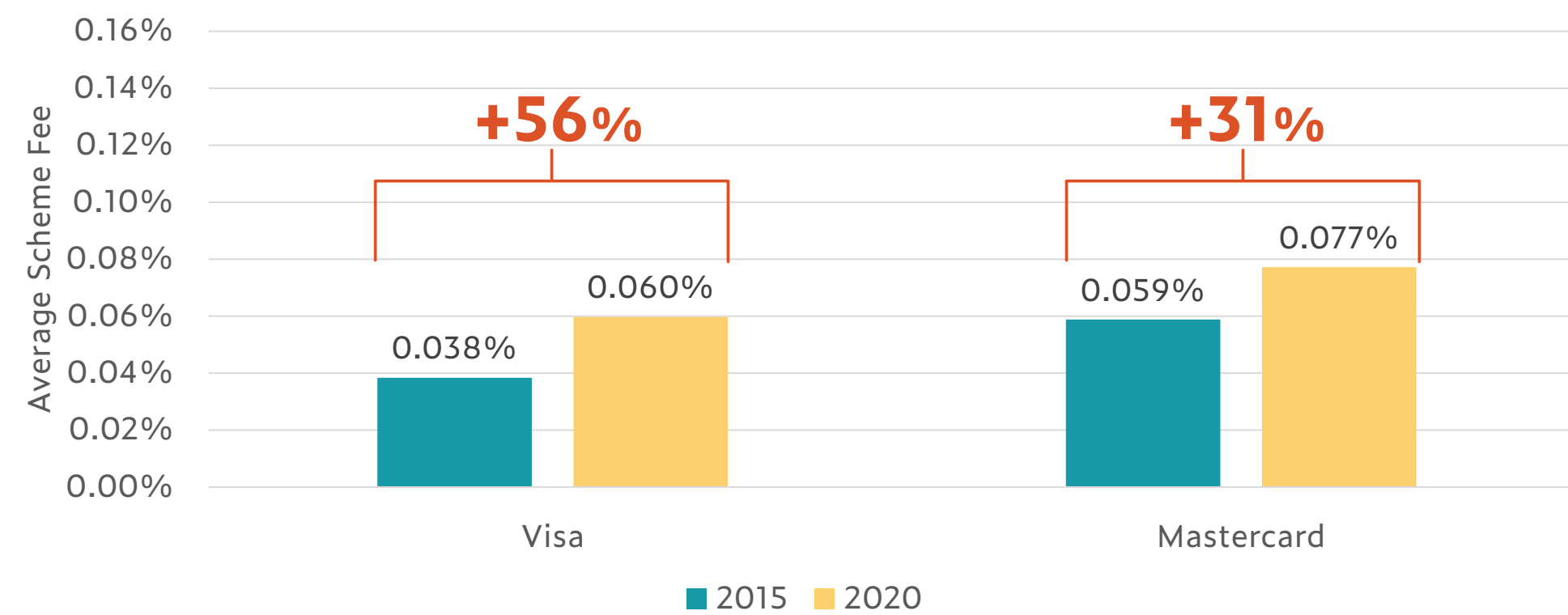


Source: CMSPI & Zephyre analysis and estimates based on retail data

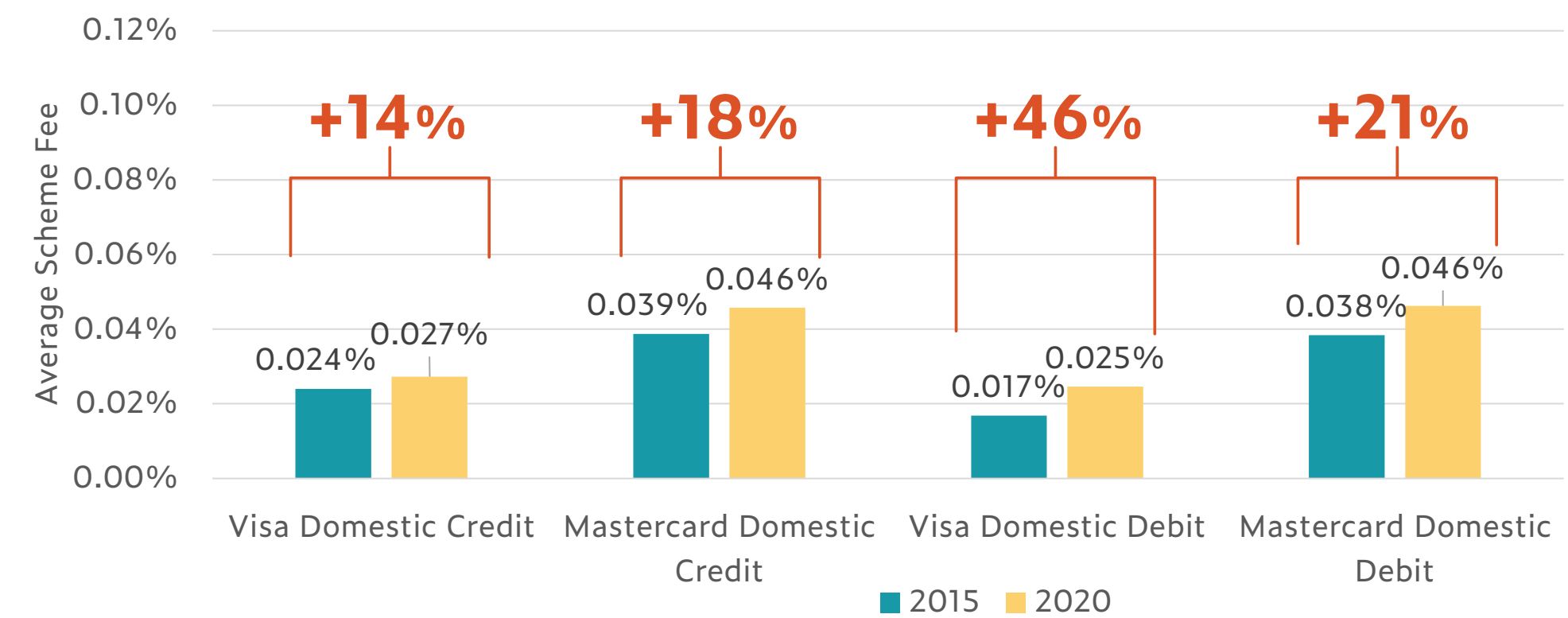
Weighted average across all categories (credit, debit, domestic, intra-regional and inter-regional)



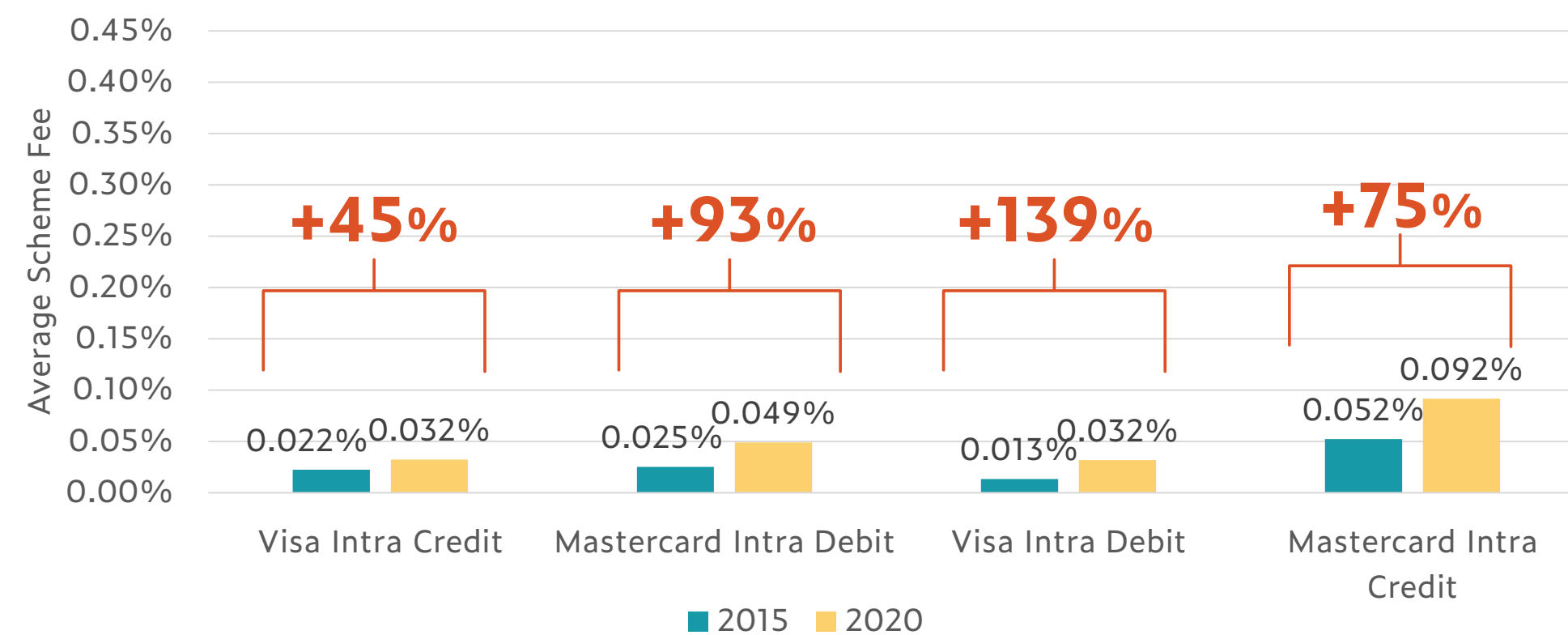
Spain



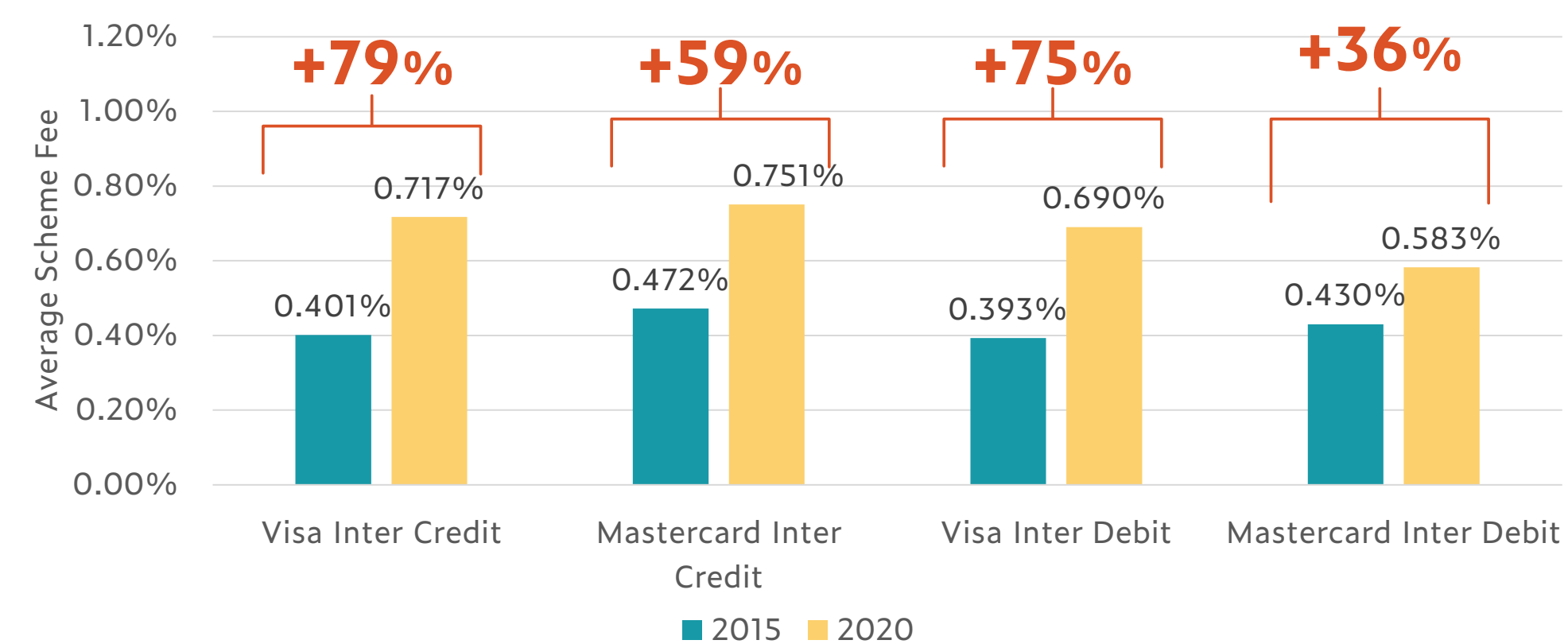
Spain Domestic



Spain Intra



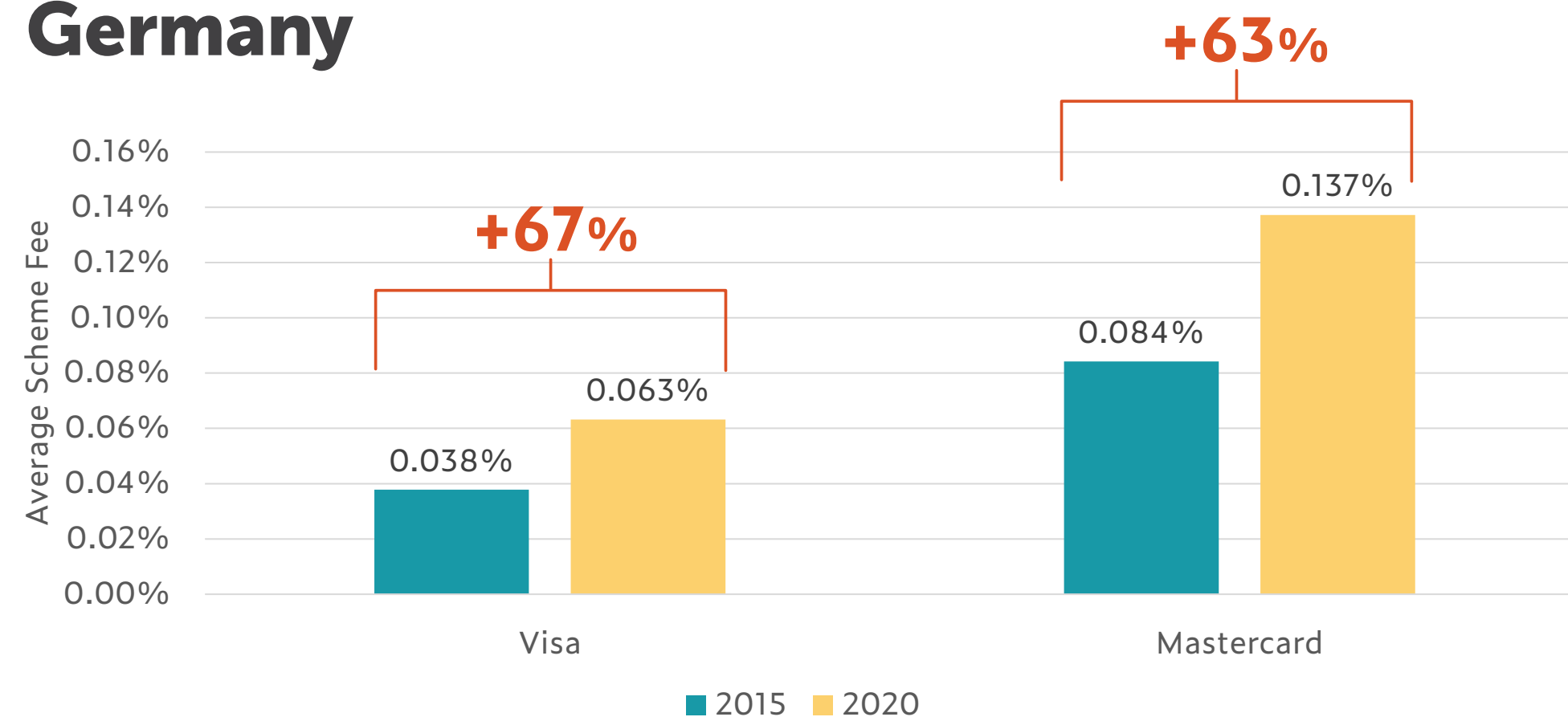
Spain Inter



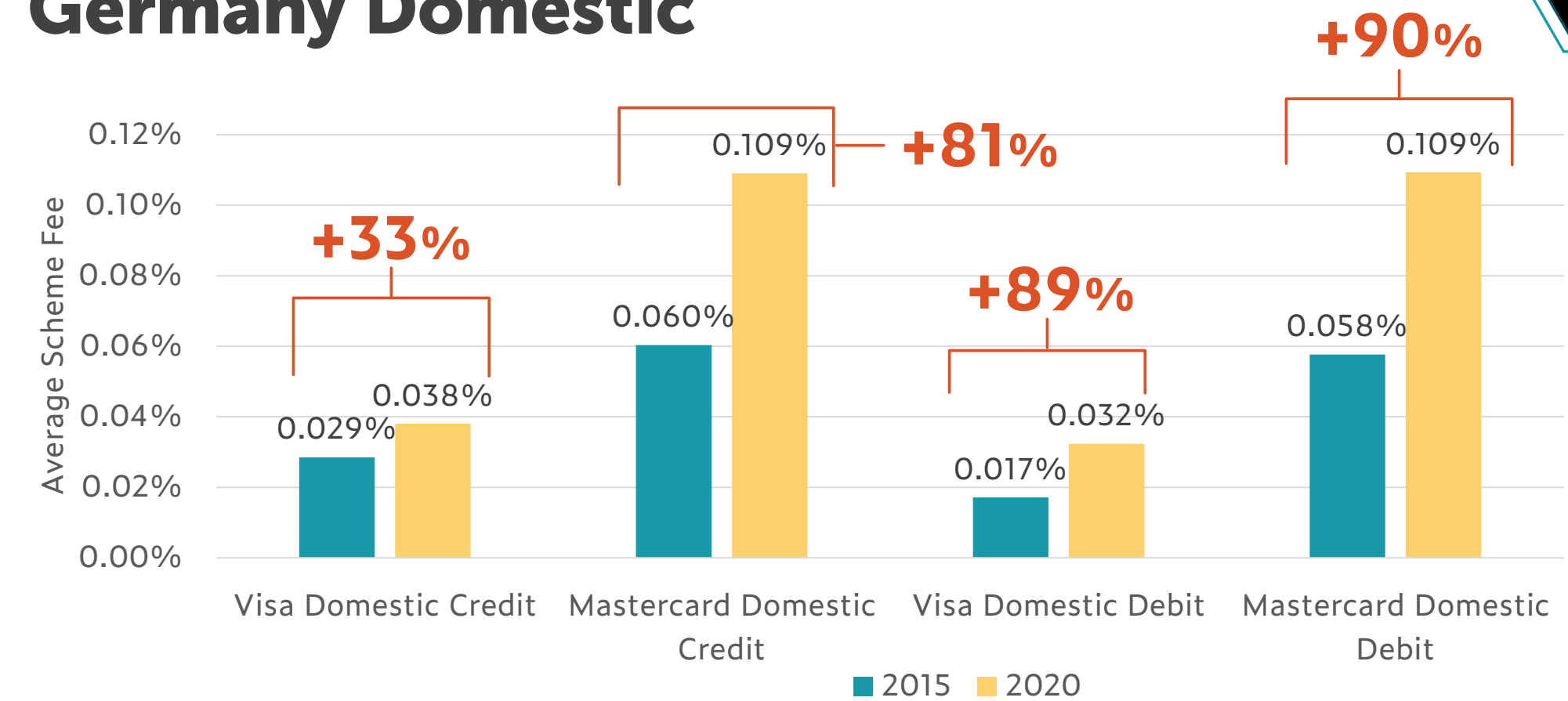
Germany



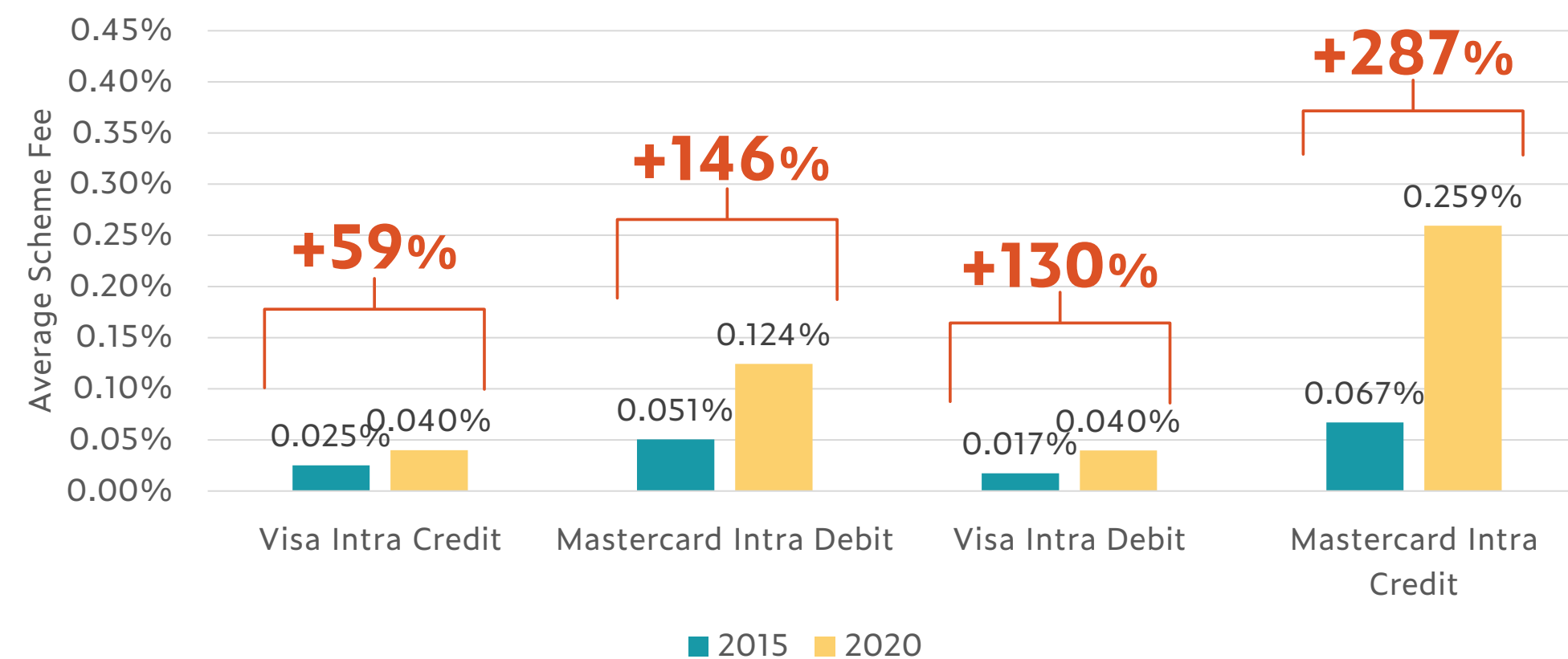
Germany



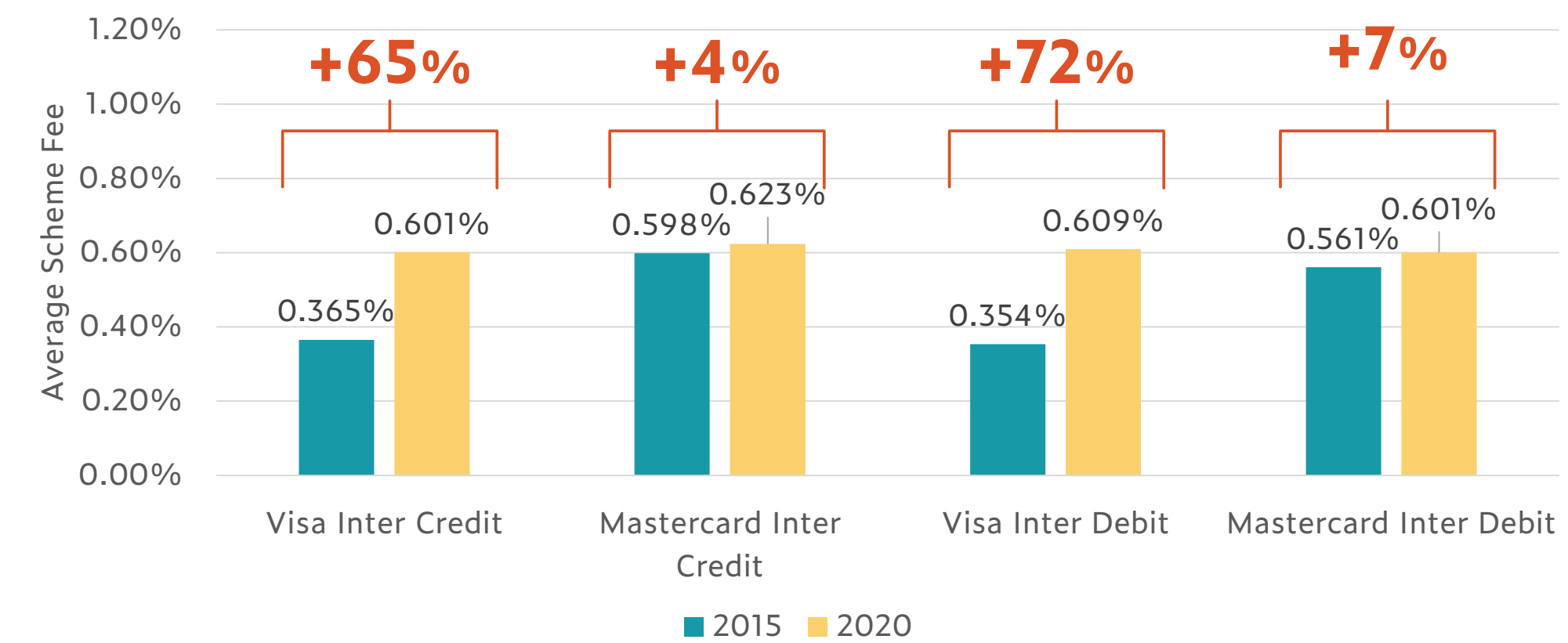
Germany Domestic

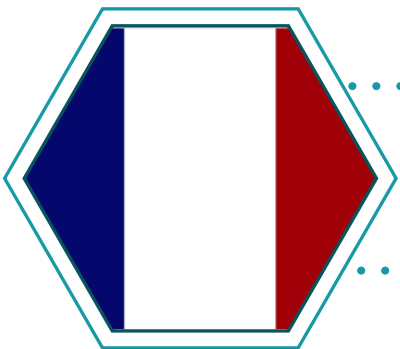


Germany Intra

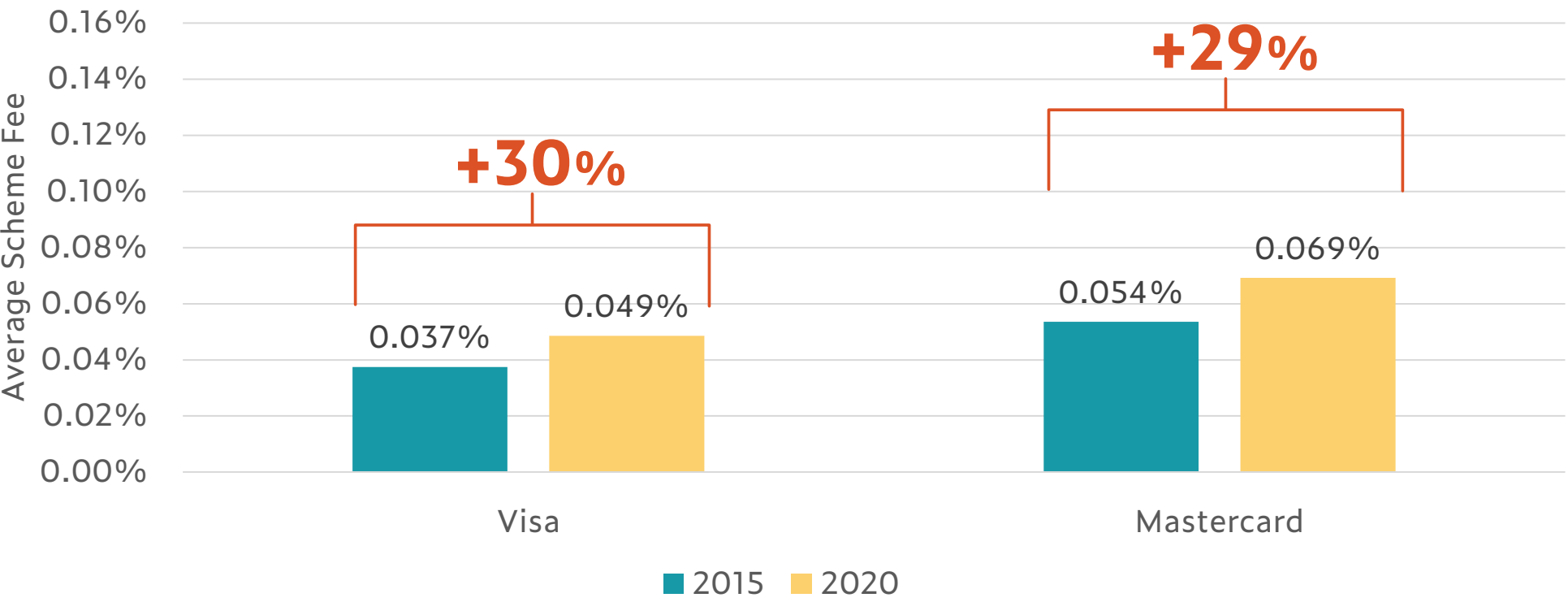


Germany Inter

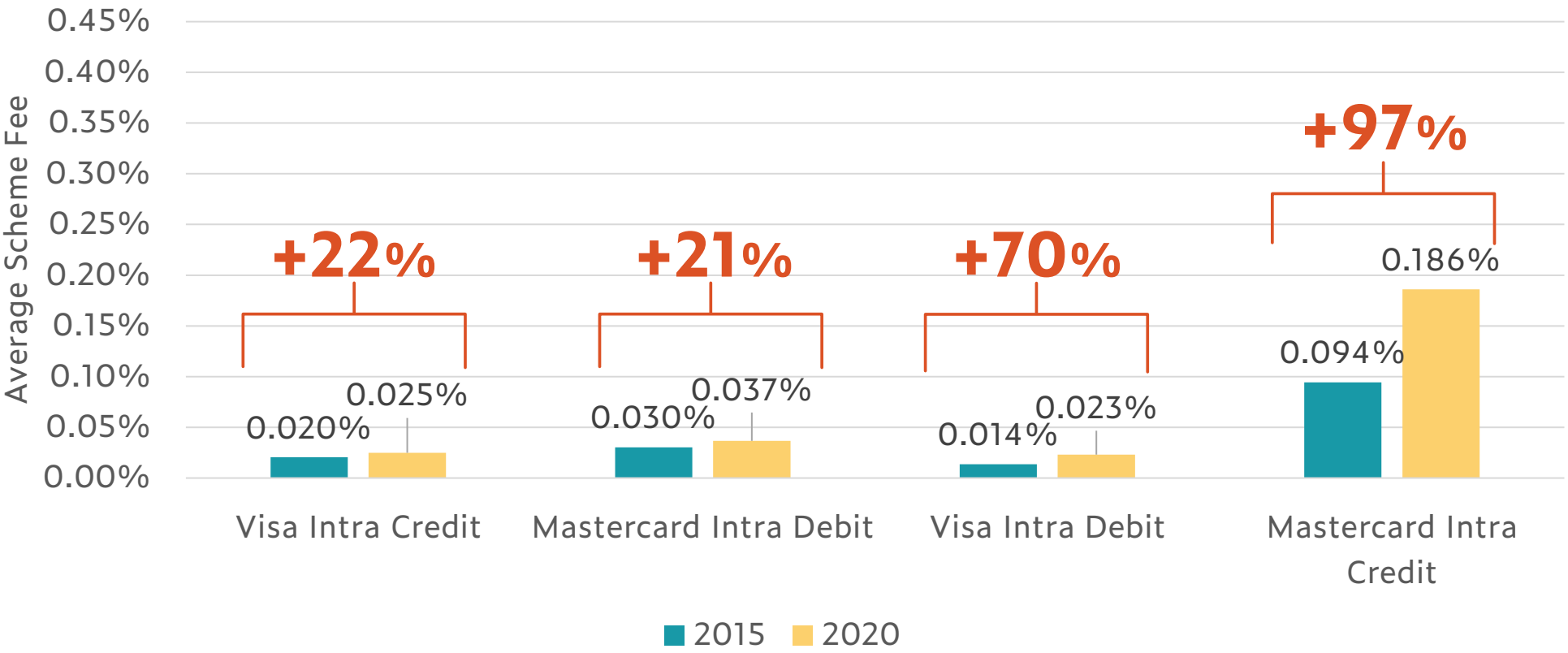




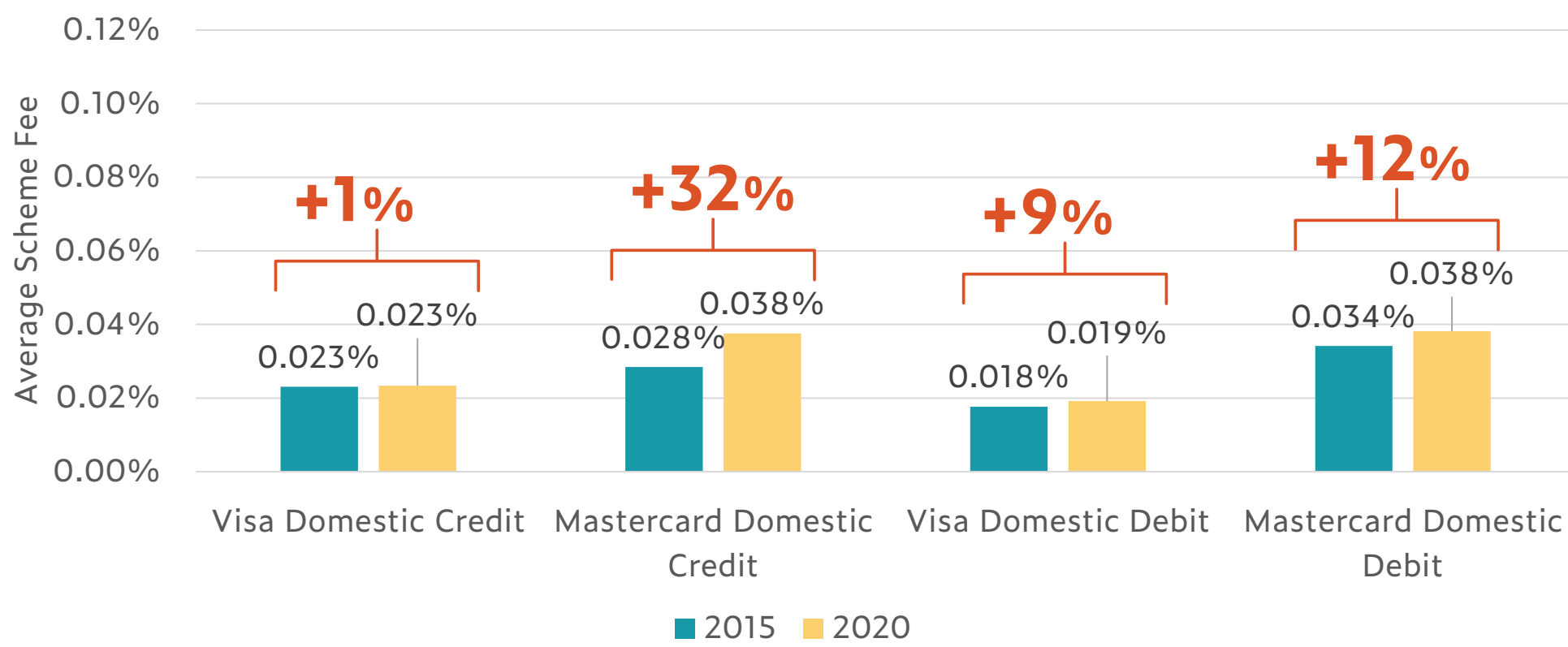
France



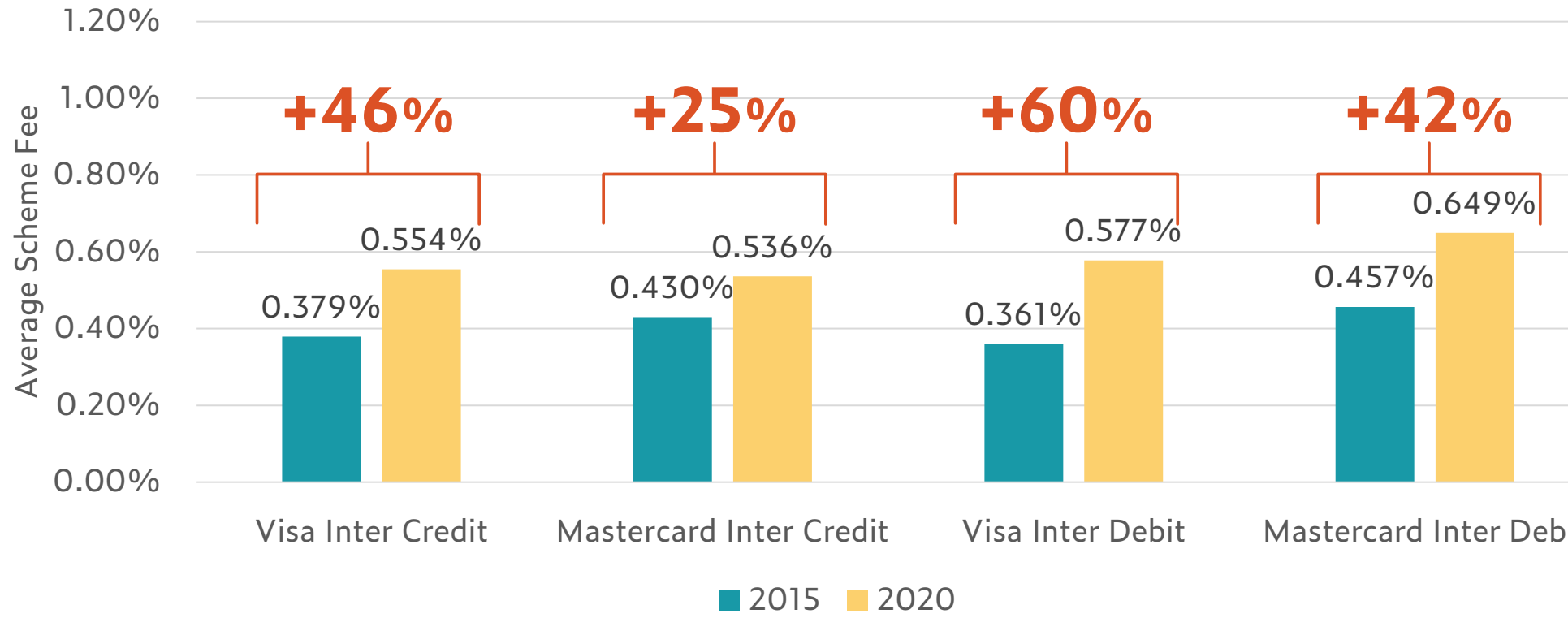
France Intra

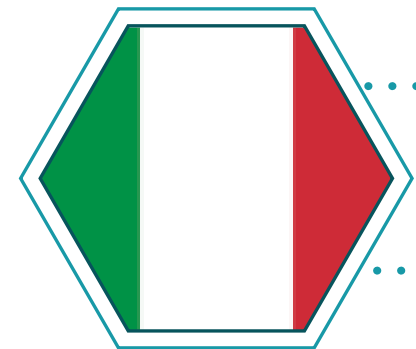


France Domestic

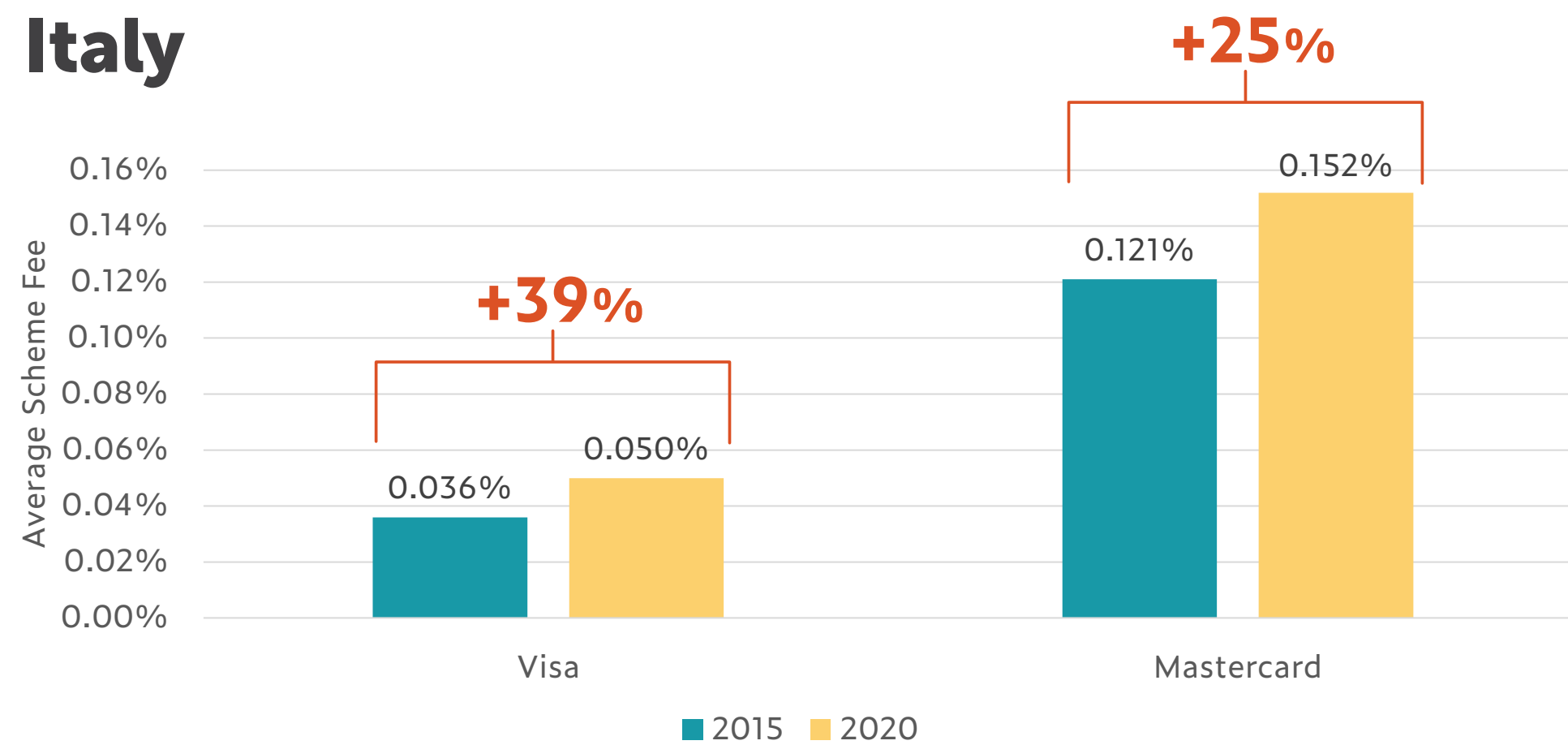


France Inter

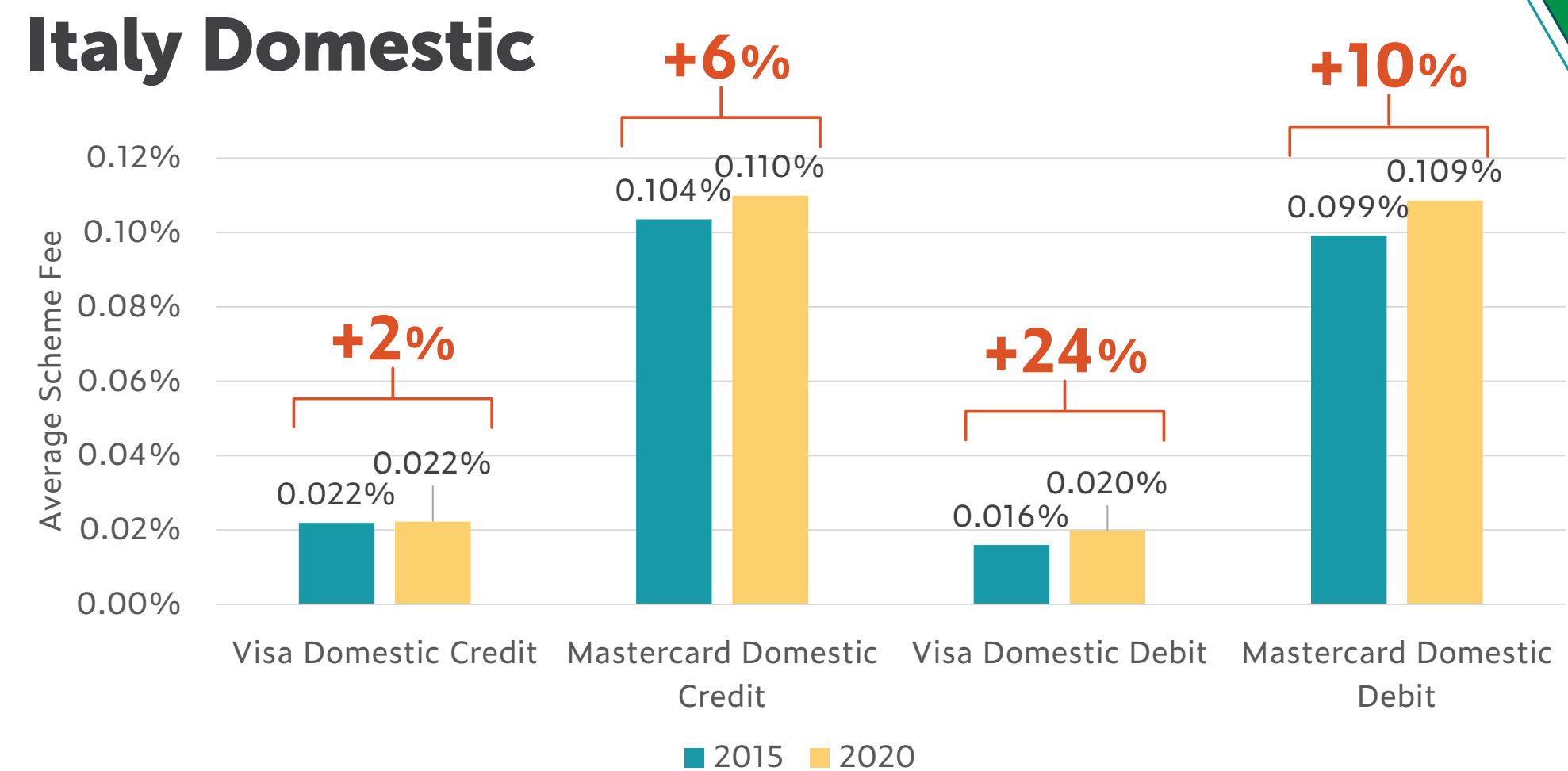




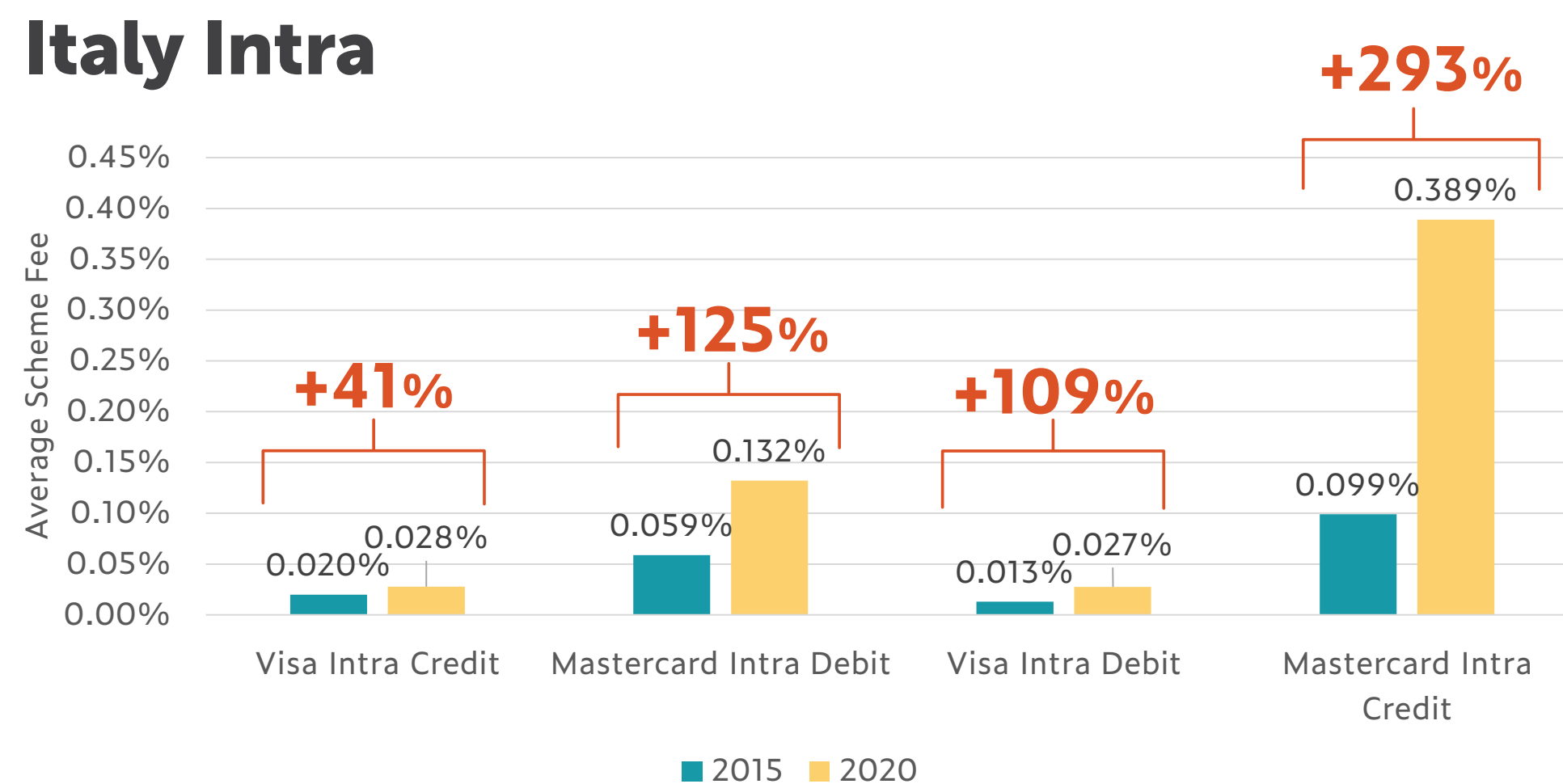
Italy



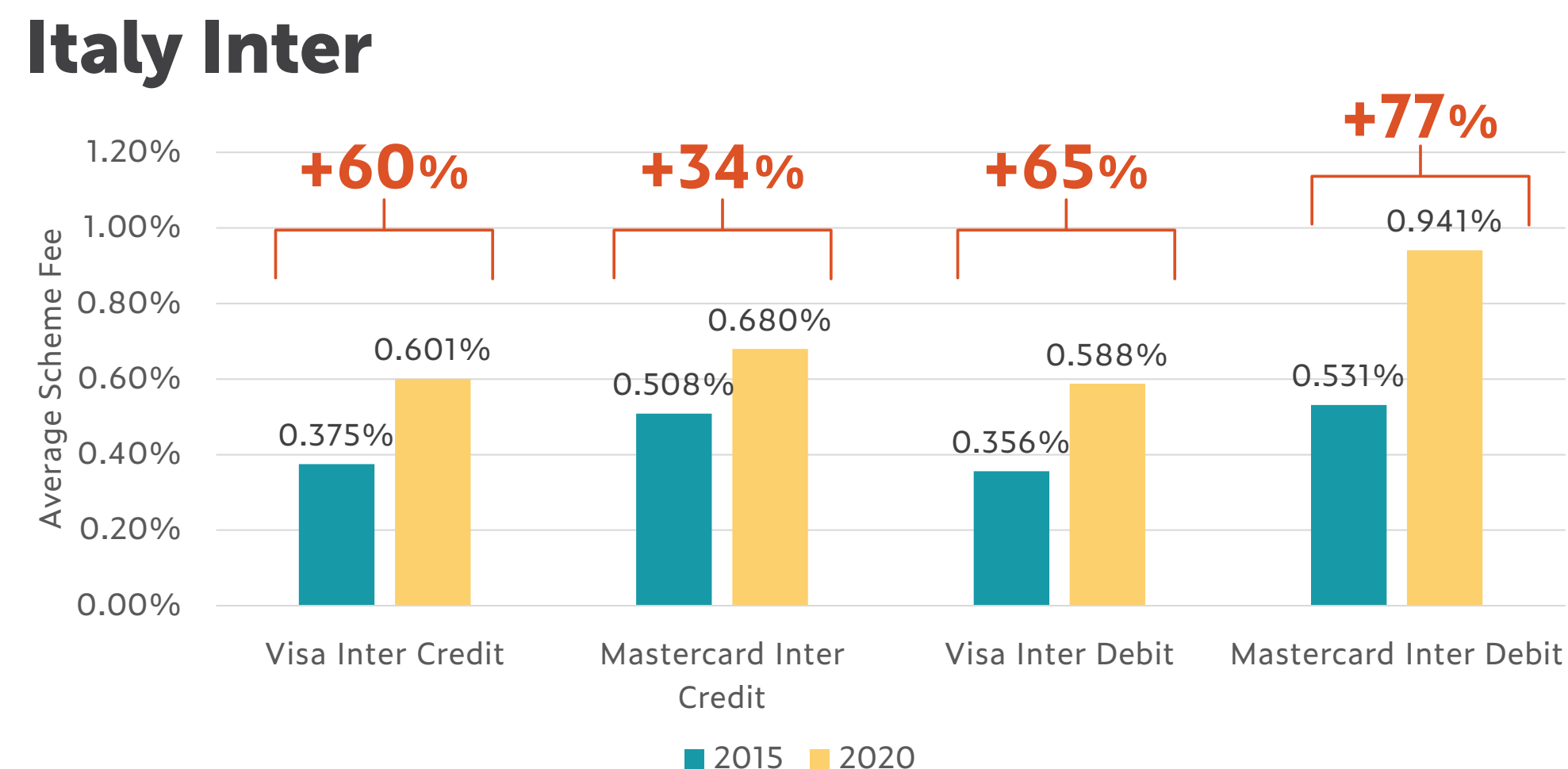
Italy Domestic



Italy Intra

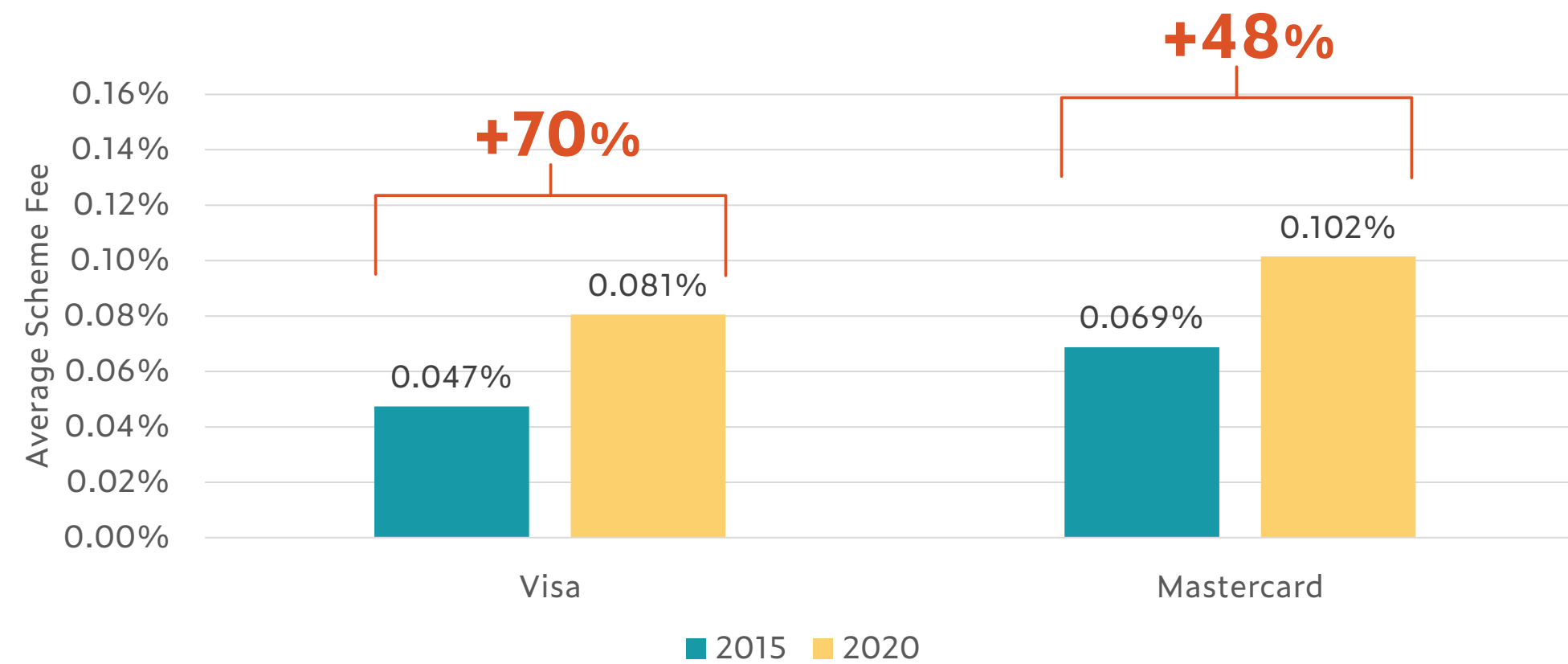


Italy Inter

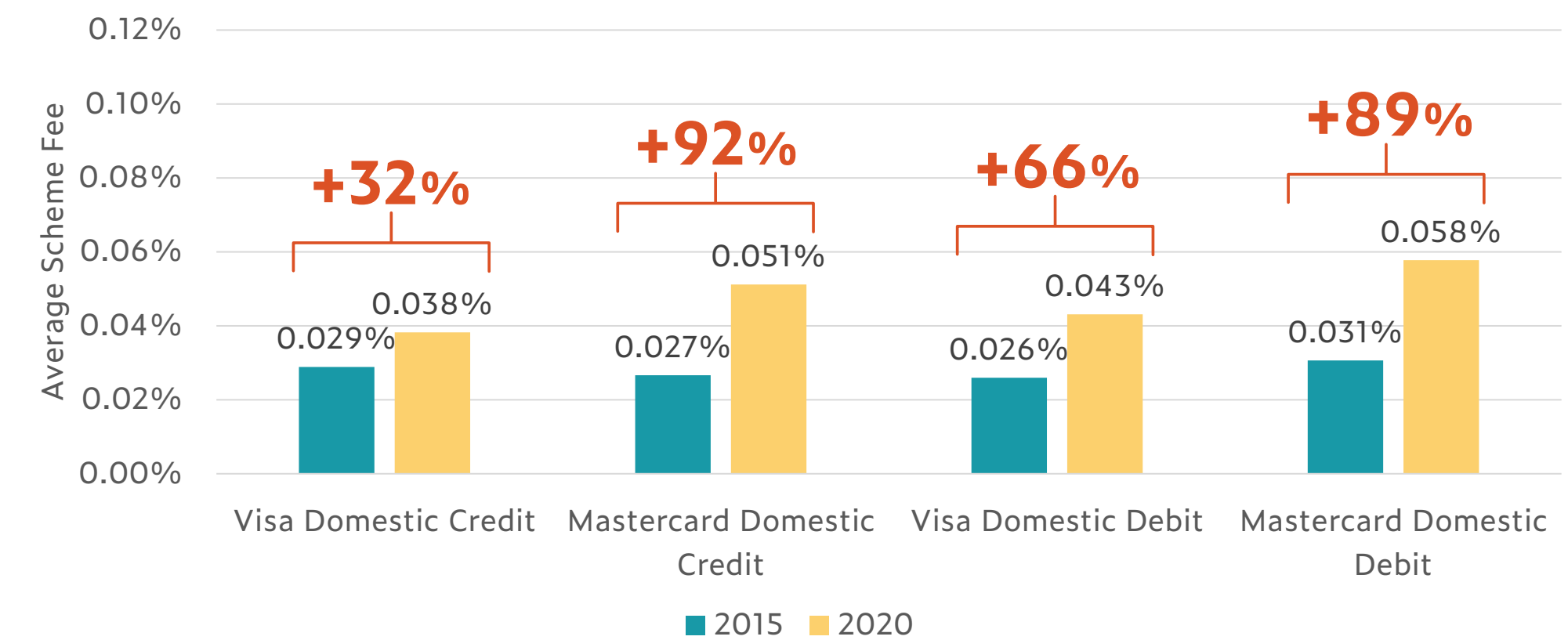




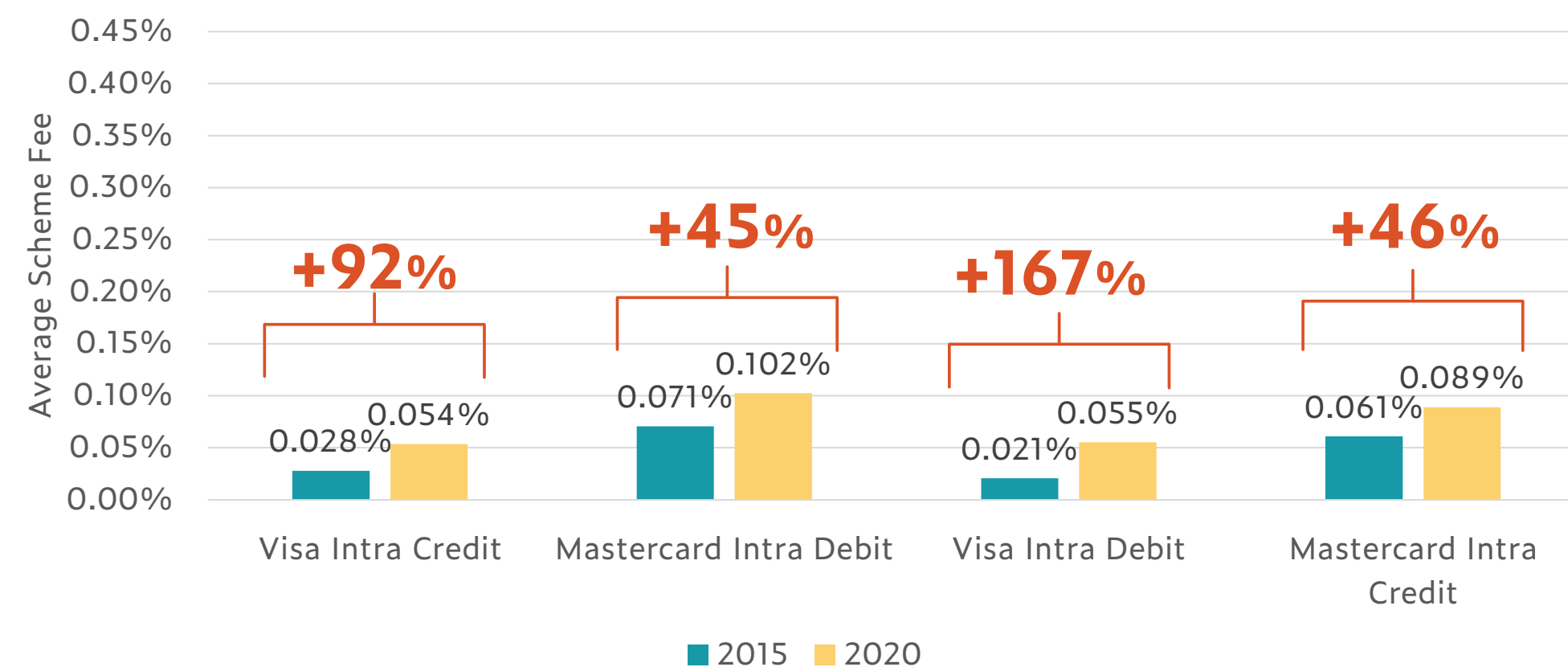
Sweden



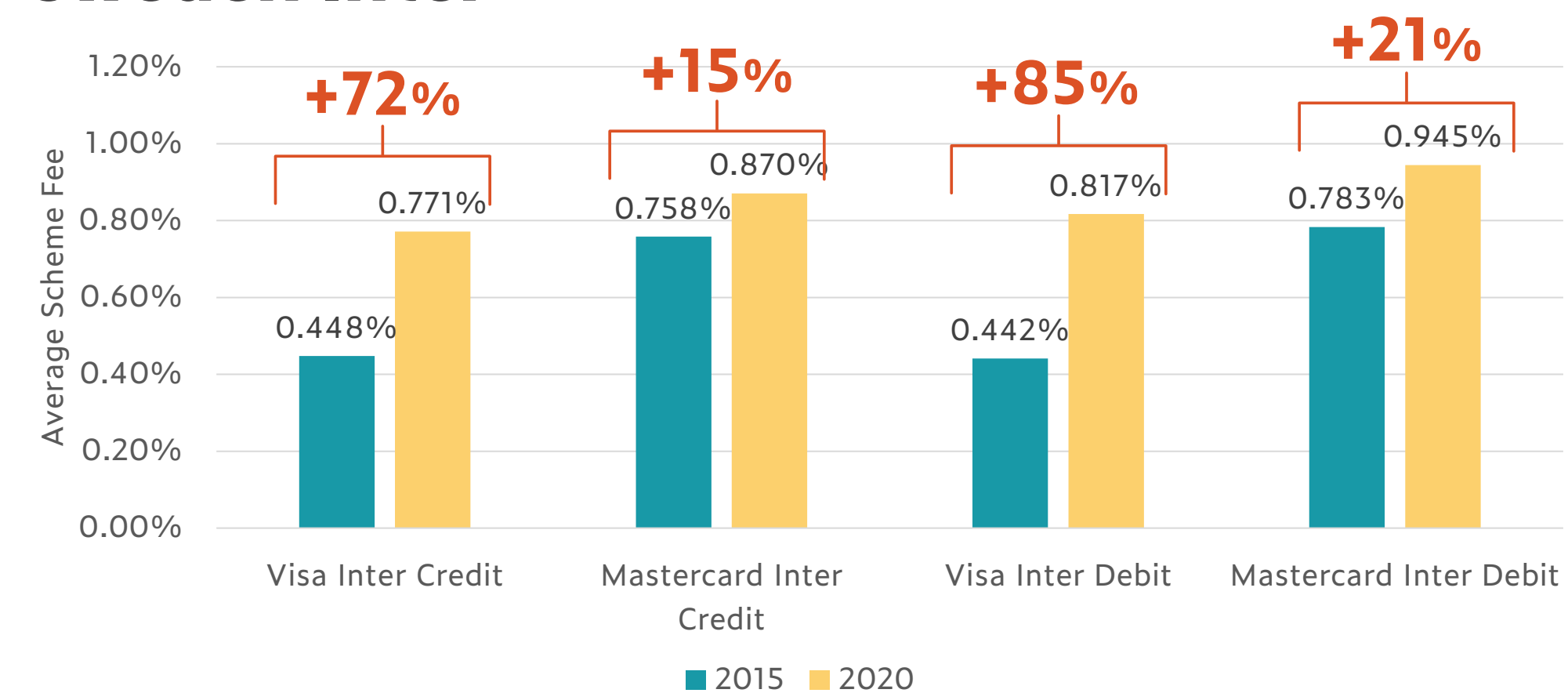
Sweden Domestic

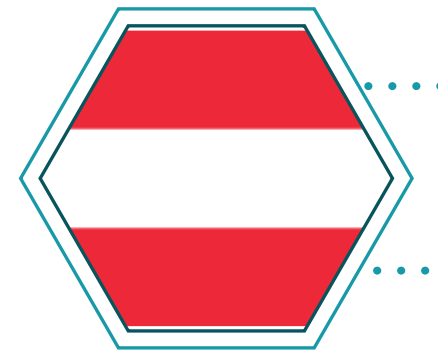


Sweden Intra

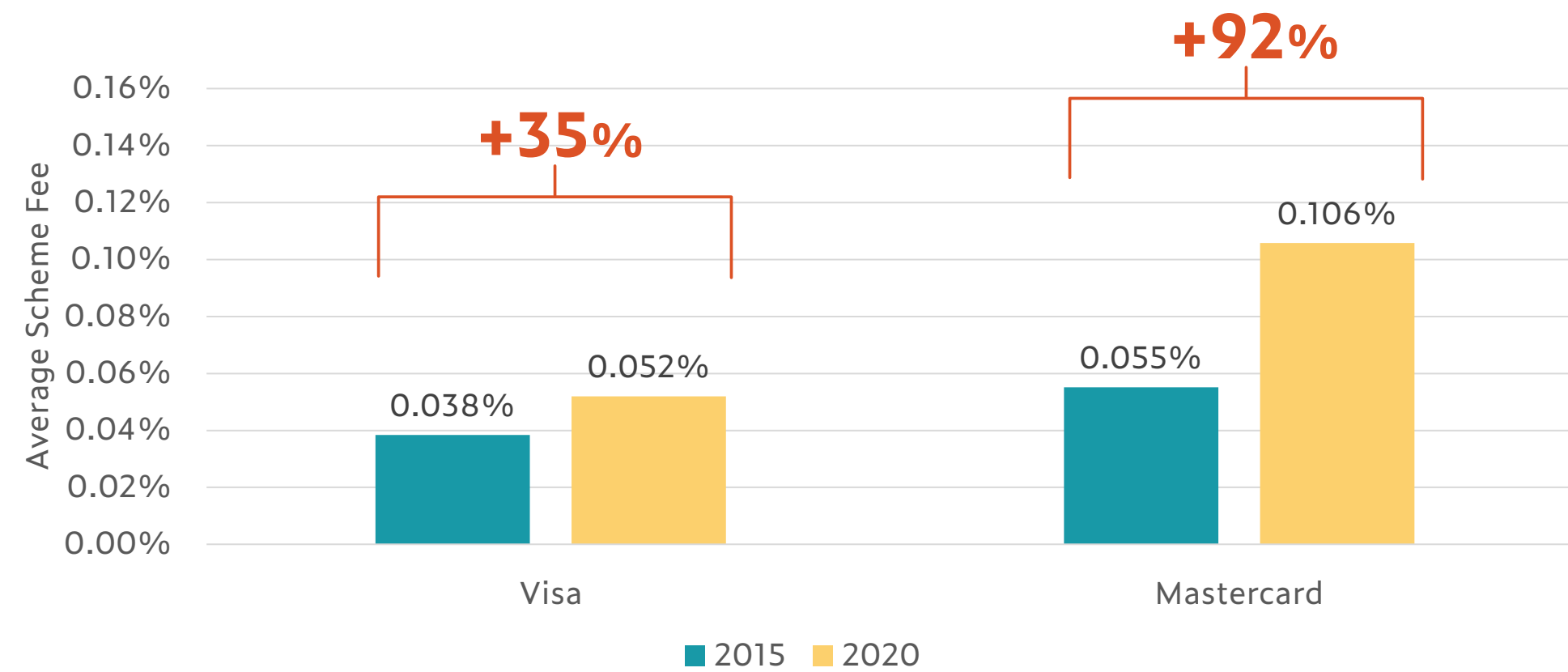


Sweden Inter

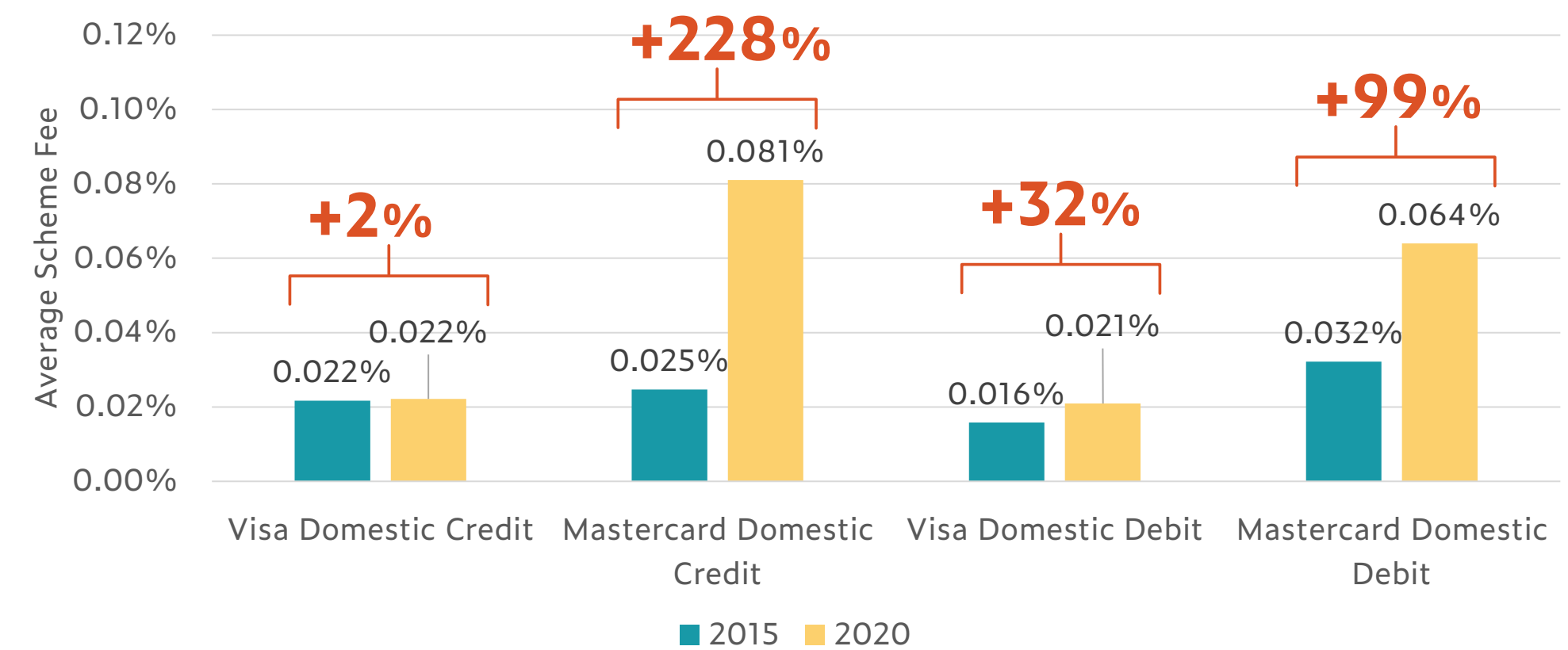




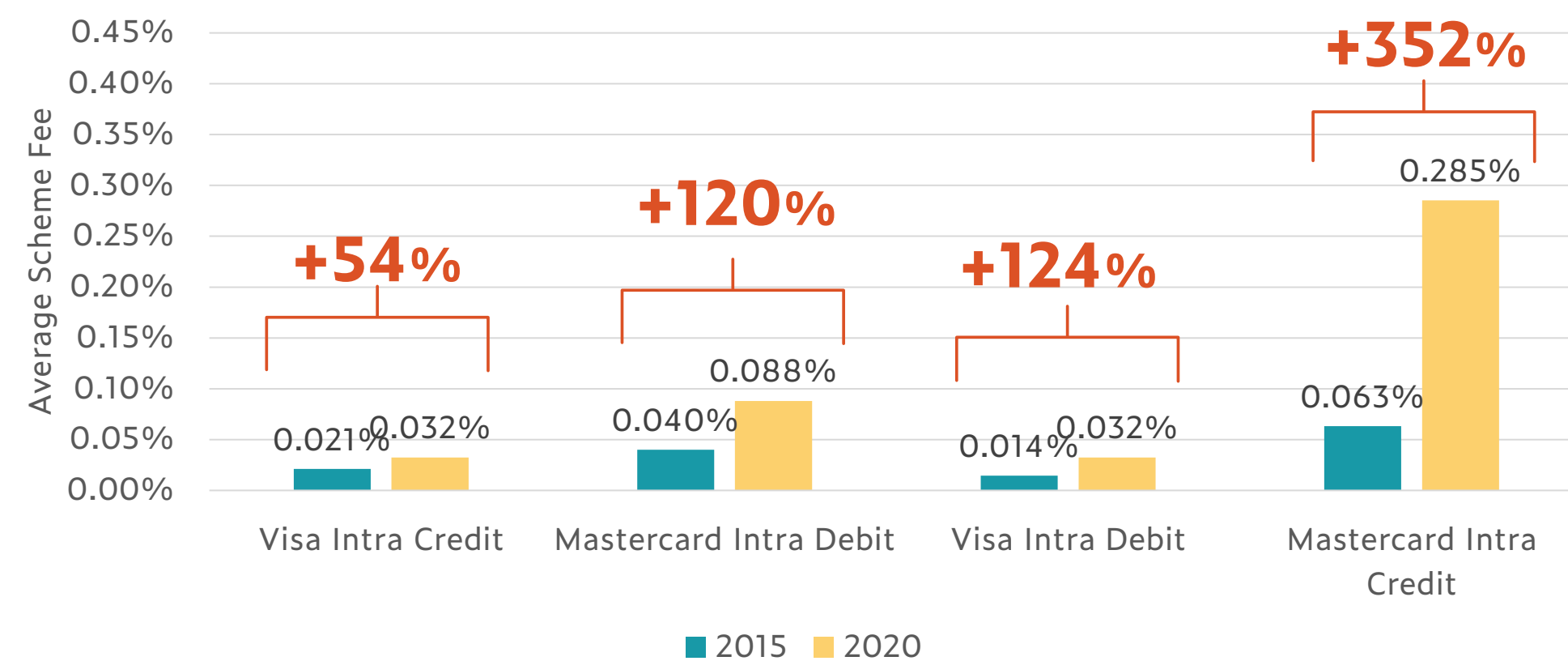
Austria



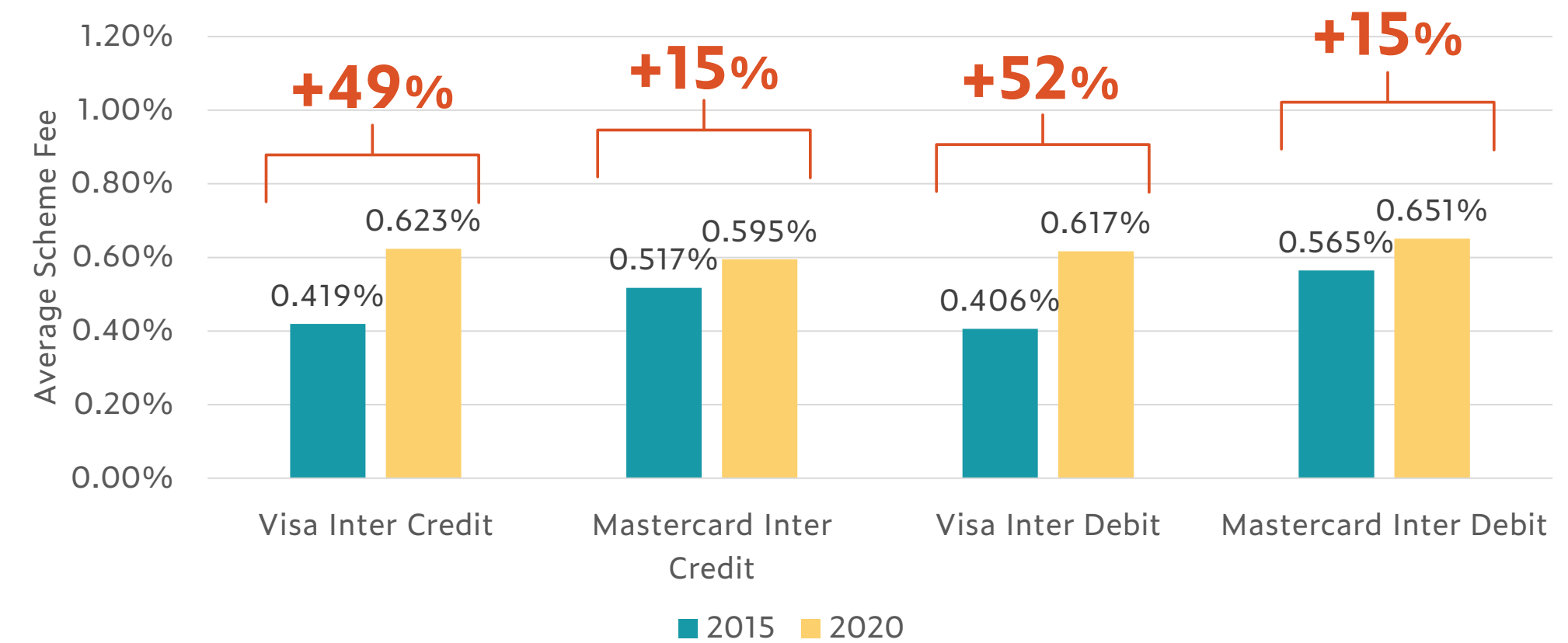
Austria Domestic



Austria Intra

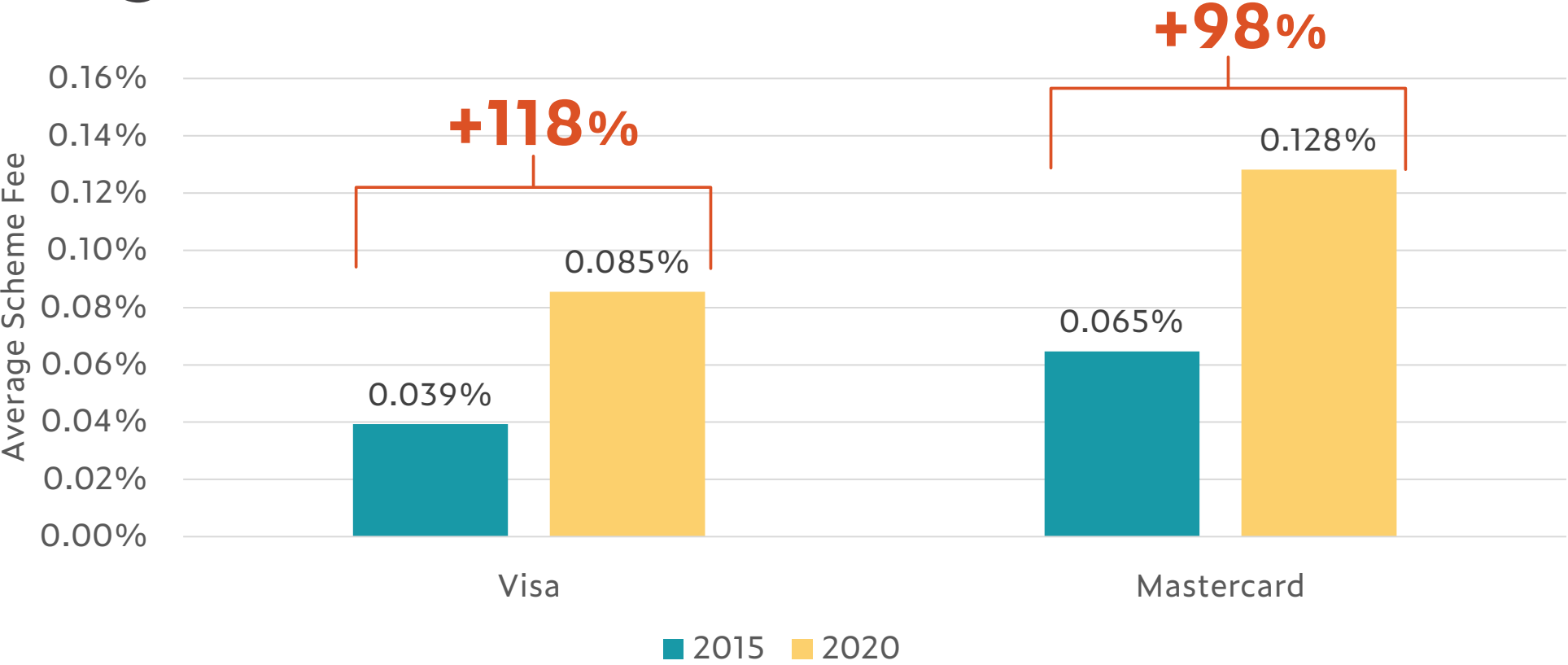


Austria Inter

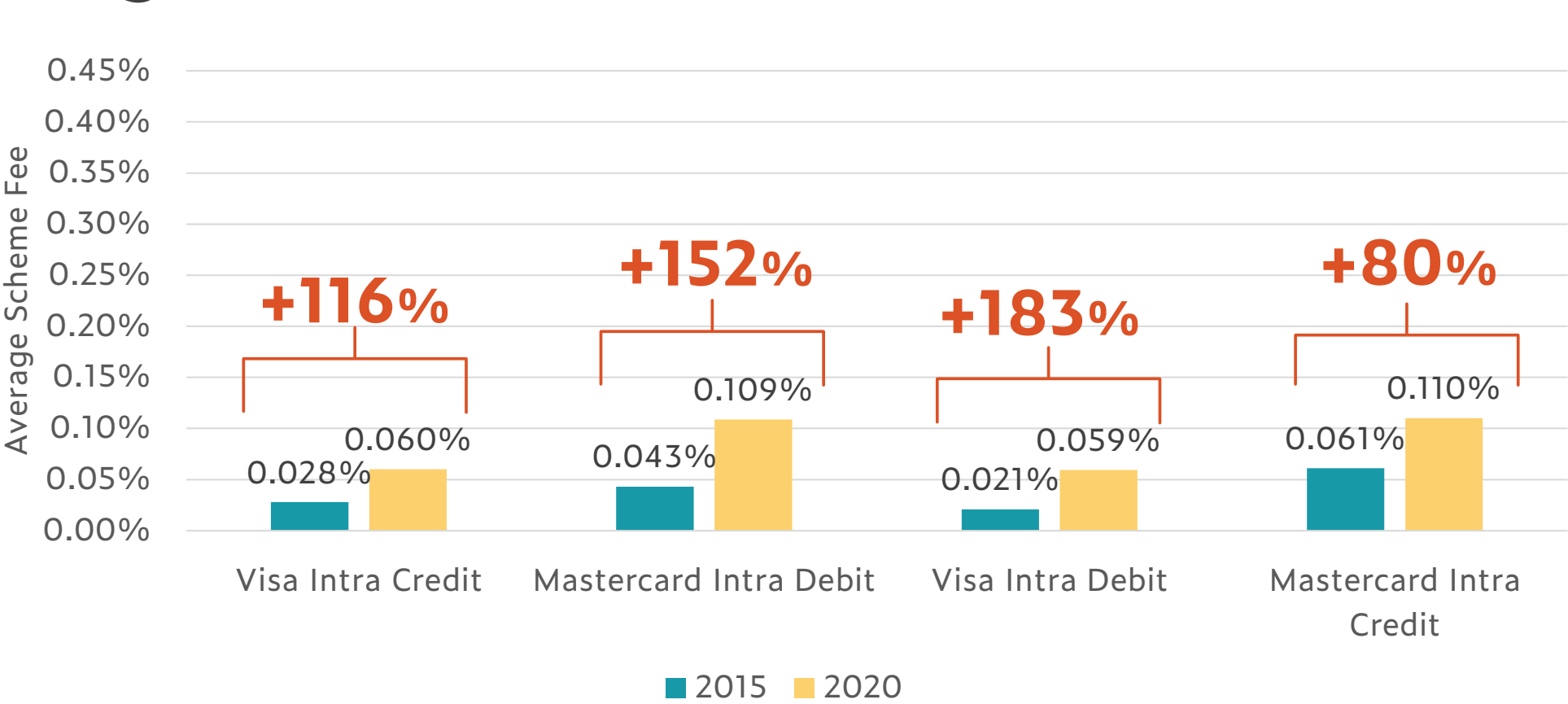




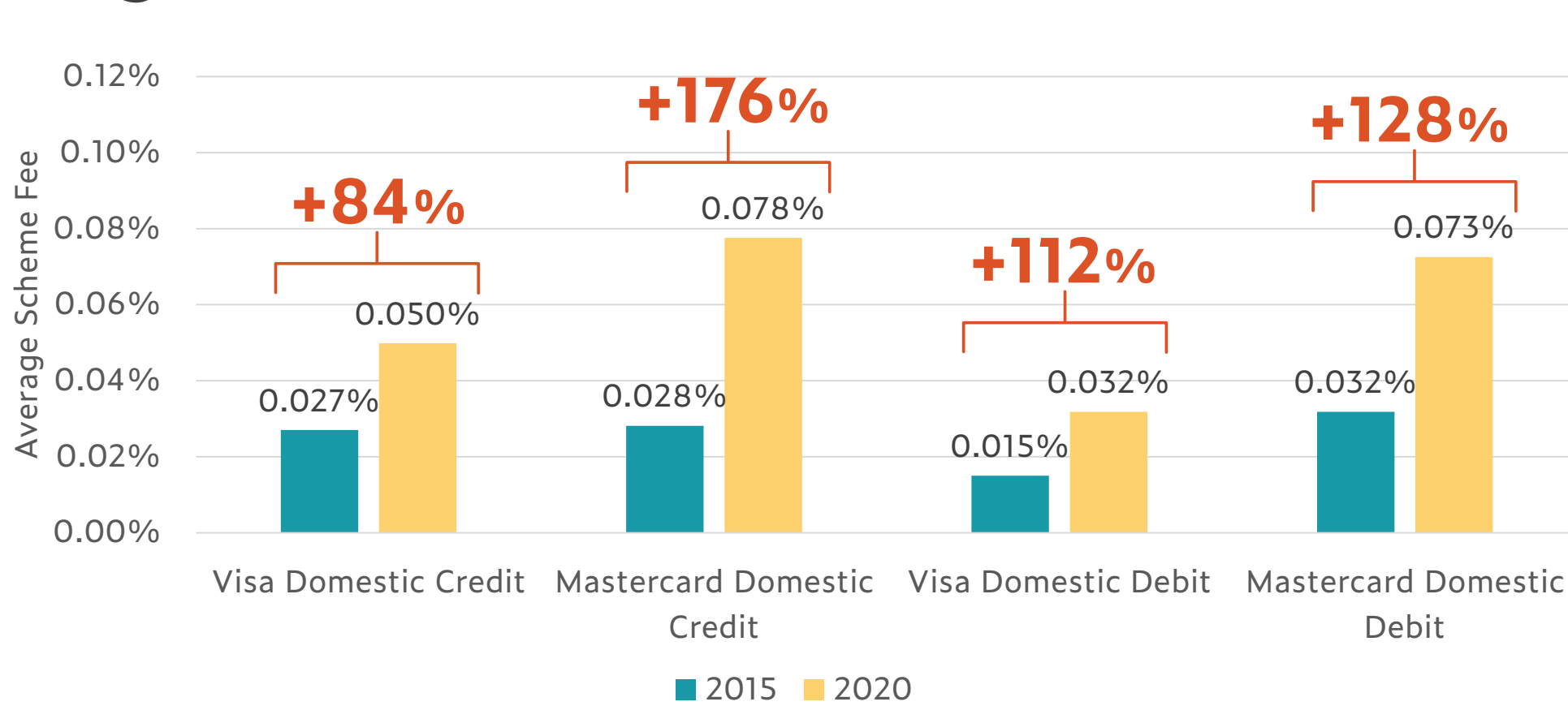
Belgium



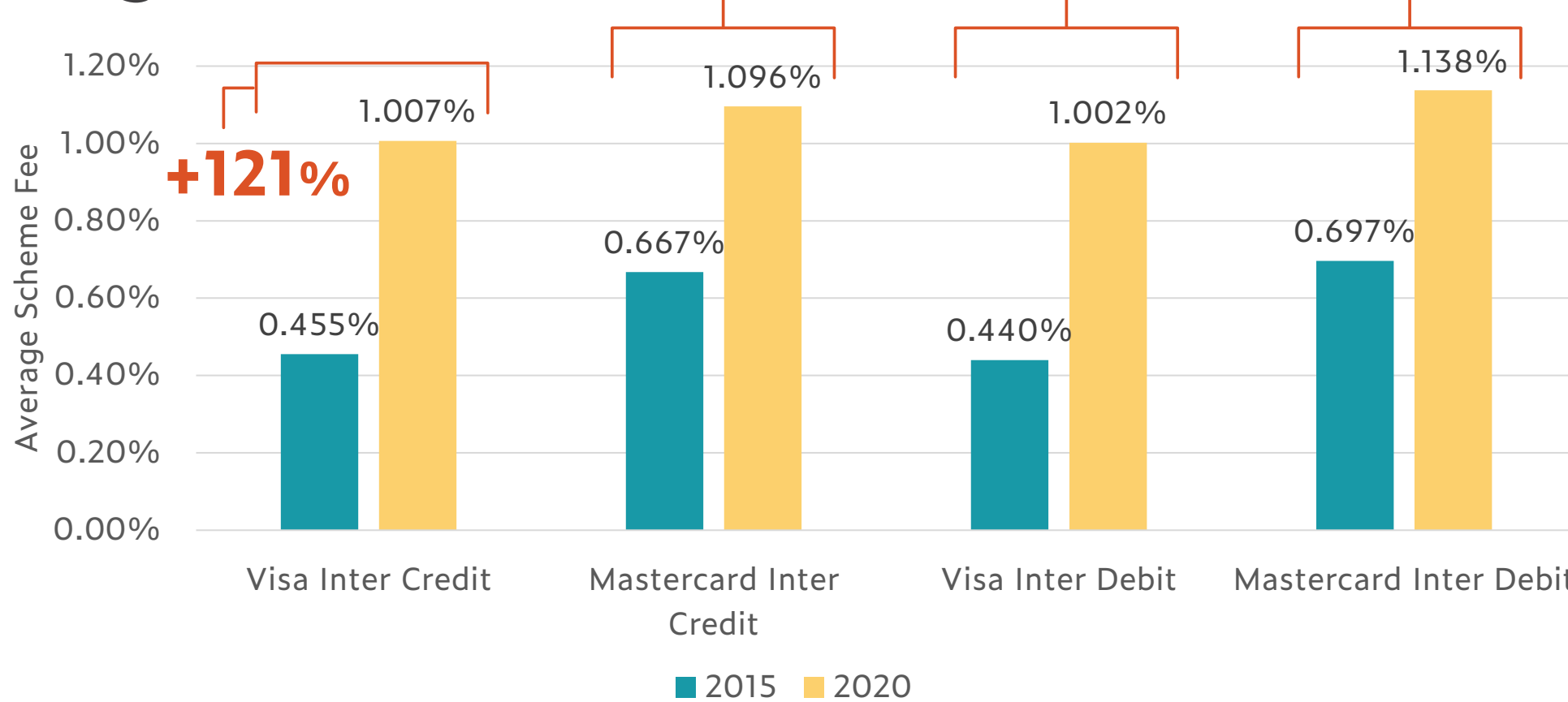
Belgium Intra



Belgium Domestic



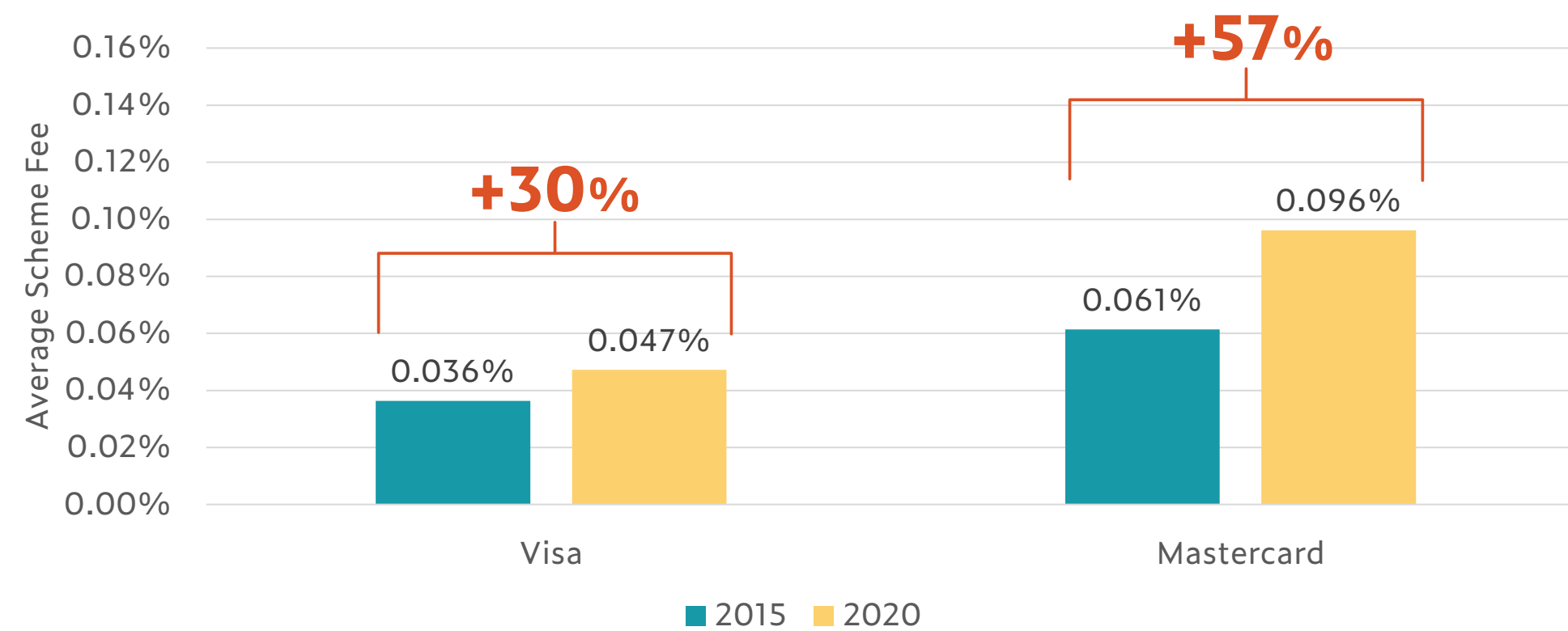
Belgium Inter



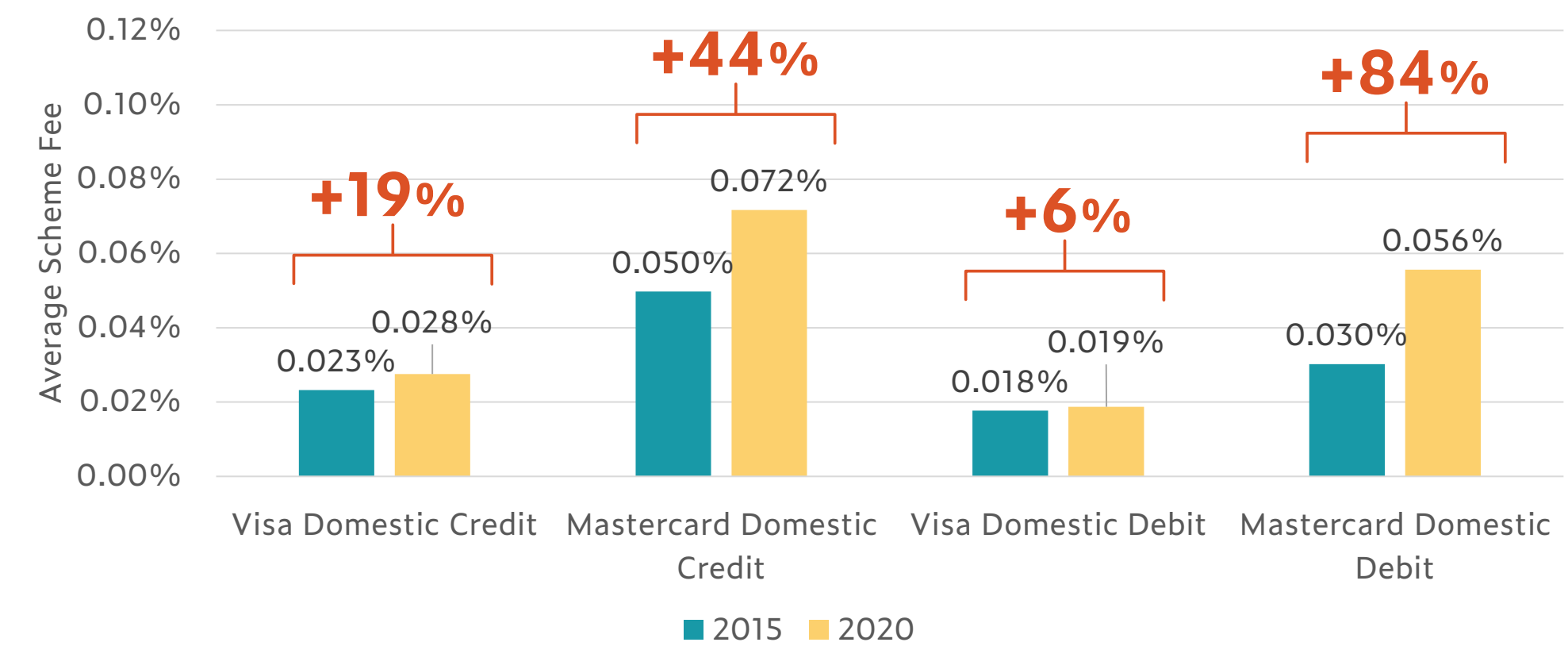
Netherlands



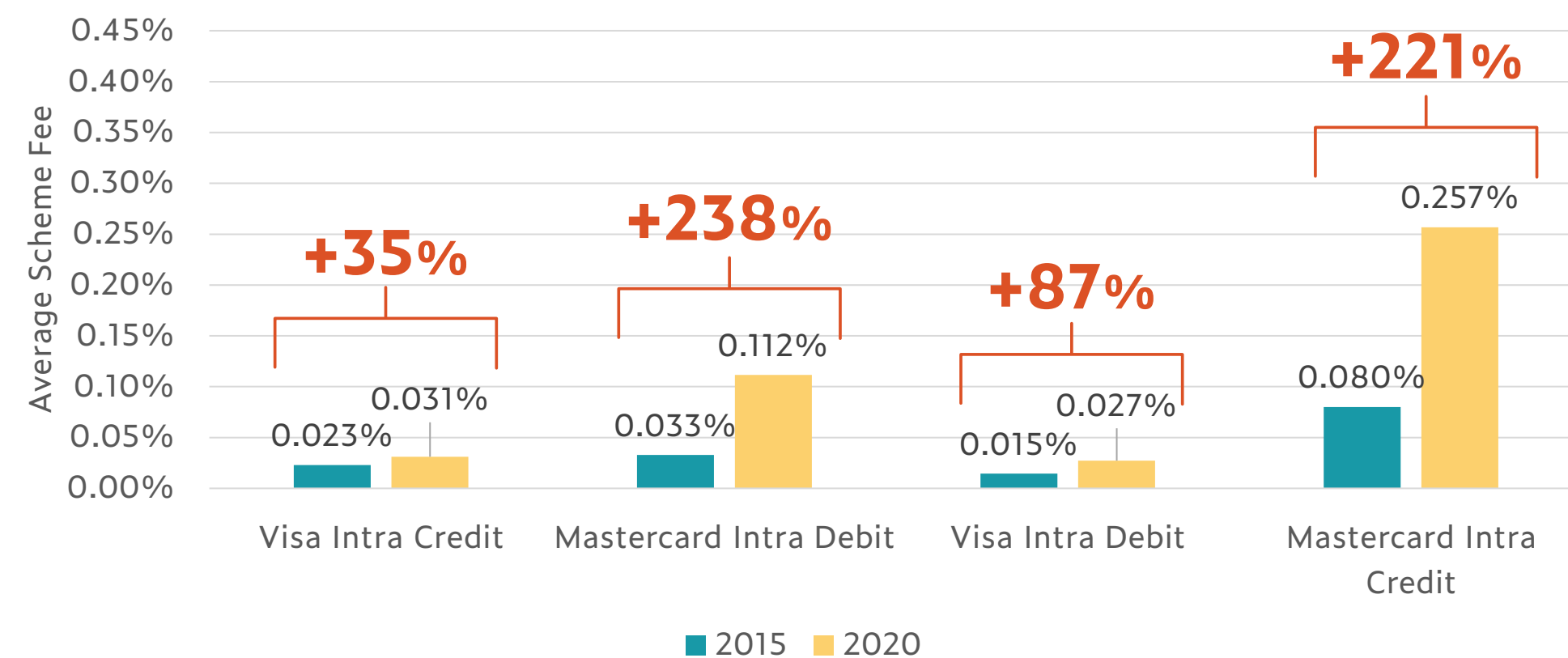
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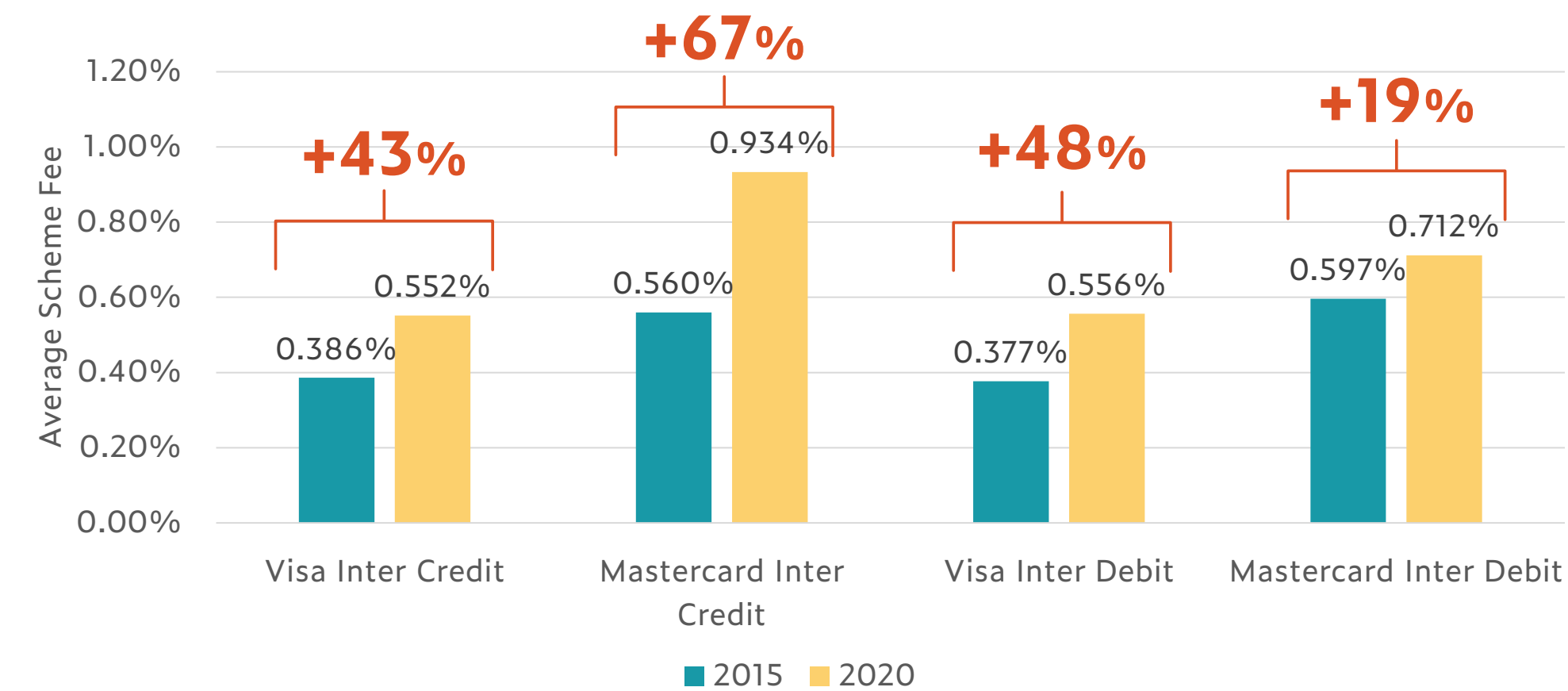
Netherlands Domestic



Netherlands Intra



Netherlands Inter



Appendix - Evolution of the MSC Data Sources

1. 2015 EU-28 average MIF equal to reported EU-28 average debit MIF (EY/CE report page 88), EU-28 average credit MIF (EY/CE report page 89), weighted by 2015 debit and credit transaction value (EY/CE report Table 11).
2. 2016-2021 average MIF based on ratio of total reported IFR MIF reduction since 2015 of €2,680 (EY/CE report Table 38) and total 2015 EU card transaction value of €2,851bn (EY/CE report Table 11), of 9bp, relative to 2015 average MIF.
3. 2015 and 2017 EU-28 average acquirer scheme fee as reported at EY/CE report page 118.
4. 2016 EU-28 EU-28 average acquirer scheme fee equal to average of 2015 and 2017 values.
5. 2018-21 estimated EU-28 average scheme fee based on retail data shown on the same basis as the EY/EC report (namely, including all domestic and intra-EU, debit and credit card transactions for national and international card schemes).
6. 2015 EU-28 average acquirer margin equal to reported 2015 credit and debit card value weighted (EY/CE report Table 11) credit and debit acquirer margins, calculated from 2015 EU-28 average credit and debit MSCs (EY/CE report page 143) and percentage of credit and debit MSCs attributable to acquirer margin (EY/CE report Figure 67).
7. 2017 EU-28 average acquirer margin based on ratio of reported increase in total acquirer margin since 2015 of €1,200 (EY/CE report Table 38) and total 2015 EU card transaction value of €2,851bn (EY/CE report Table 11) relative to 2015 average acquirer margin.
8. 2016 EU-28 average acquirer margin equal to average of 2015 and 2017 values.
9. 2018-21 EU-28 average acquirer margins equal to 2017 value.

FOR ENQUIRIES REACH OUT TO

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