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. Its members include national commerce federations in 31 countries, Europe’s 27 leading retail and wholesale companies, and federations representing specific sectors of commerce.
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.
VISA AND MASTERCARD SCHEME FEE INCREASES
Visa and Mastercard Scheme Fee Increases

CMSPI & Zephyre analysis and estimates based on retail data

OUTSIDE REVIEW PERIOD

New Acquirer Authorisation Fee (€86m)
Restructured Acquirer Clearing & Auth Fees (€61m)
Increased Fixed Component of Fee (€464m)
Intra-Regional Fees (€31m)
New CNP Inter-
3DS Scheme Fee & January 2021 Increases (€125m)
CNP Inter-Regional Fee Increase (€54m)
Increased Acquirer Association Fee (€241m)
3DS Scheme Fee (€35m)
CNP Inter-Regional Fee Increase (€54m)
Increased Ad Valorem Component of Fee (€314m)
Increased Ad Valorem Component of Fee (€314m)
INSIDE REVIEW PERIOD


Total Inside European Commission Review Period
Visa €400m
Mastercard €86m

Total Outside European Commission Review Period
Visa €867m
Mastercard €197m

Grand Total
Visa €1.18bn
Mastercard €282m
Visa and Mastercard Scheme Fee Increases

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CMSPI & Zephyre analysis and estimates based on retail data

Total Inside European Commission Review Period
- Visa: €400m
- Mastercard: €86m

Total Outside European Commission Review Period
- Visa: €867m
- Mastercard: €197m

Grand Total
- Visa: €1.18bn
- Mastercard: €282m
Visa and Mastercard Scheme Fee Increases

Excluding UK

CMSPI & Zephyr analysis and estimates based on retail data
Visa and Mastercard Scheme Fee Increases

Excluding UK

CMSPI & Zephyre analysis and estimates based on retail data
# January 2021 Scheme Fee Increases

<table>
<thead>
<tr>
<th>Mastercard Acquiring Volume Fee</th>
<th>Mastercard 3D Secure Fees</th>
<th>Mastercard Authorisation Fee</th>
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<tr>
<td>19 countries</td>
<td>40 countries</td>
<td>Introduction of 0.9 bps fee for declined transactions</td>
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<td>Changes from 1st January 2021</td>
<td>Changes from 1st January 2021</td>
<td>Changes from 1st January 2021</td>
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<td>Affecting all Mastercard transactions</td>
<td>Affecting all transactions that pass through 3DS V1</td>
<td>Affecting all Mastercard declined transactions</td>
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<td>Estimated additional annual cost to merchants of €62,610,000</td>
<td>Estimated additional annual cost to merchants of €25,220,000</td>
<td>Estimated additional annual cost to merchants of €8,800,000</td>
</tr>
</tbody>
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Estimated additional annual cost: **€100M**

CMSPI & Zephyre analysis and estimates based on retail data
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

European Commission data derived from EY/CE study*

Pre-IFR

2015: 39bp
2016: 42bp
2017: 46bp

Post-IFR

2018: 46bp
2019: 47bp
2020: 48bp

EU-28 Average Merchant Service Charge (MSC)

Acquirer Marging

Acquirer Scheme Fee

Interchange Fee

European Commission data derived from EY/CE study*

CMSPI & Zephyre data

*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

Source: CMSPI & Zephyre analysis and estimates based on retail data
Average Visa Scheme Fees (Post-IFR)

Spain
Germany
France
Italy
Sweden
Austria
Belgium
Netherlands

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

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

Spain Domestic

Spain Inter

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

France

France Intra

France Inter

France Domestic

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

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

Belgium

Belgium Intra

Belgium Domestic

Belgium Inter

+118% 0.085% 0.039% 0.065%
+98% 0.128% 0.065% 0.085%

+84% 0.027% 0.028% 0.050%
+176% 0.078% 0.028% 0.050%
+128% 0.032% 0.032% 0.073%

+112% 0.032% 0.015% 0.032%
+116% 0.014% 0.013% 0.021%
+80% 0.047% 0.047% 0.065%

+152% 0.021% 0.028% 0.050%
+183% 0.036% 0.028% 0.050%
+80% 0.047% 0.047% 0.065%

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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.

FOR ENQUIRIES REACH OUT TO

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