

INTERCHANGE FEES

The Hidden Dynamo of the Cards Business



This report is the first independent study into interchange fees for card transactions worldwide.

It provides a detailed analysis of the rationale for and implementation of these fees, and their impact on the dynamics of the cards business.

RBR

RETAIL BANKING RESEARCH LIMITED

Dear Executive,

Interchange fees on card transactions amount to over \$34 billion per year worldwide, a massive transfer of funds between banks and other financial institutions that has an important impact on the cards business, merchants and consumers.

Interchange Fees Are Coming Under Ever Increasing Scrutiny

Merchants in many countries have complained to regulatory and competition authorities about the nature and level of interchange fees, and the fees are currently under investigation in Australia, the European Union, the United Kingdom and the United States.

To date, regulatory and competition authorities have not forbidden interchange fees, but the rationale for interchange and the level of fees are coming under increasing scrutiny. Any enforced changes to interchange fees would have a dramatic impact on the profitability and strategies of different parts of the card business.

Independent High Quality Research Now Available

Independent information and analysis is vital for card payment schemes, banks and others in responding to enquiries from regulatory and competition authorities and in helping to develop their card strategies for the 21st century.

RBR has completed the most in-depth independent analysis of interchange fees ever undertaken. The study involved extensive primary and secondary research over a three-year period. Interviews were conducted with, and information and data obtained from, international and national card payment schemes, banks, retailer organisations and regulatory bodies in Australia, Europe and North America.

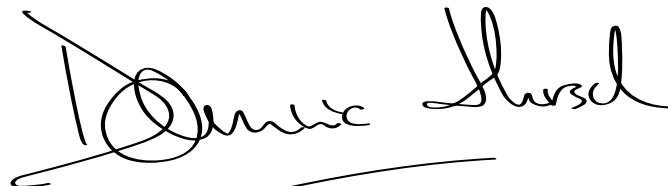
The results of this research and analysis are now available in a comprehensive 500 page report. The report provides a detailed and independent analysis of the rationale for and implementation of interchange fees for card transactions, and their impact on the dynamics of the card business. It draws on examples and developments from around the world.

To purchase this report or to obtain further information, simply use the form on the final page or contact us directly.

We look forward to hearing from you.

Yours sincerely,

Dominic Hirsch
Managing Director

A handwritten signature in black ink, appearing to read 'Dominic Hirsch', with a horizontal line underneath.

INTERCHANGE FEES - SUMMARY CONTENTS

EXECUTIVE OVERVIEW

- Concise summary of the main arguments and key findings

1 INTRODUCTION

- What are Interchange Fees?
- Purpose of the Report
- Structure of the Report
- Methodology
- Terminology and Conventions
- Volume Data and Exchange Rates

2 EVOLUTION OF INTERCHANGE

- Interchange Fees for Non-Card Payments
- Rationale for Card Interchange Fees for POS Transactions
- Card Interchange Fees for Cash Advances and ATM Cash Withdrawals
- Development of Card Interchange Fees for POS Transactions

3 ANALYSIS OF ACADEMIC ARGUMENTS

- Current Academic Justification of Interchange Fees
- Baxter Paper Used to Justify Interchange Fees
- Frankel Paper Challenges Baxter's Economic Analysis
- CEPR Paper Raises Many Questions
- Balto Argues for a Reassessment
- Professors Gans and King Introduce New Ideas
- University of Auckland Papers Support Current Practices and Rules

4 ANALYSIS OF MERCHANT ARGUMENTS

- Growing Merchant Pressure
- EuroCommerce Takes the Lead in the European Union
- A Source of Complaints in the United Kingdom for Many Years
- Greater Awareness and Similar Complaints in the United States

5 LANDMARK LEGAL CASES AND INVESTIGATIONS

- Growing Public Scrutiny by Regulators and Competition Authorities
- Little Recent Investigation of Interchange Fees in the United States
- European Commission Has Changed Its Position Many Times
- Interchange Fees Investigated Many Times in the United Kingdom
- Interchange Arrangements in Australia to be Changed
- Swedish Investigation into Interchange Fees and Price Discrimination
- Other Countries

6 ANALYSIS OF METHODOLOGIES & COST/REVENUE ELEMENTS

- Transparency in Setting Interchange Rates
- One Process, Two Different Methodologies for POS Interchange Rates
- Cash Interchange Rates Use ATM Owner and Bank Costs
- POS Interchange Cost and Revenue Elements
- ATM Cash Withdrawal Interchange Cost Elements
- Interchange Rates
- Objective Assessment of Interchange Methodologies & Cost/Revenue Elements

7 INTERCHANGE FEE/COST COMPARISONS AND VALUES

- Can Current Interchange Rates Be Justified?
- POS Interchange Rates in Developed Markets
- Value of POS Interchange Fees in 2000
- Defensible POS Interchange Fees in 2000
- Comparison of ATM Cash Withdrawal Interchange Rates and Costs
- ATM Cash Withdrawal Interchange Fees in 2000
- Defensible ATM Cash Withdrawal Interchange Fees in 2000

8 IMPACT ON STRATEGY, INDUSTRY PLAYERS & COMPETITION

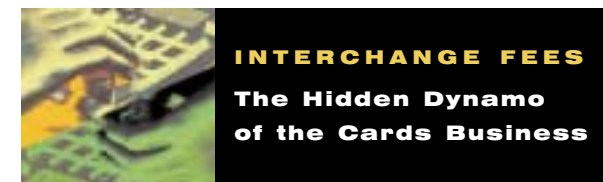
- Strategic Implications of POS Interchange Fees
- Impact on Card Payment Schemes of POS Interchange Fees
- Impact on Issuers of POS Interchange Fees
- Impact on Acquirers of POS Interchange Fees
- Impact on Merchants of POS Interchange Fees
- Impact on Consumers of POS Interchange Fees
- Impact on Retail Banking of POS Interchange Fees
- Impact of POS Interchange Fees on Other Players
- Impact of Interchange Fees for ATM Cash Withdrawals
- Overall Competitive Assessment

9 FORCES FOR CHANGE

- Electronic Purse Schemes
- E-Commerce Transactions
- Smart Cards
- Specific European Forces For Change
- Price Discrimination
- ATM Surcharging

10 STRATEGIC IMPLICATIONS OF REDUCING OR BANNING INTERCHANGE FEES

- Card Payment Scheme and Bank Arguments
- Implications of Reducing POS Interchange Fees
- Implications of Banning POS Interchange Fees
- Implications of Reducing ATM Interchange Fees



OTHER REPORTS FROM RETAIL BANKING RESEARCH



Payment Cards in Europe: International Survey and Analysis

The new edition of this report gives the most authoritative picture of the payment card business in Europe available. The report provides reliable, detailed, country by country quantitative and qualitative information on card issuing, that is not available from any other source.

It covers the structure and nature of the card market in 17 countries with detail to the level of the individual card scheme. Statistical data include card numbers, transaction volumes and values by type of card and issuer, merchant outlets and numbers of point of sale terminals.



The Global ATM Market to 2007

ATMs and cash dispensers are by far the largest investment ever made in electronic self-service by financial institutions. Over US\$ 30 billion has been invested in buying these machines and many times that in running them. There are now over 1.1 million machines operating in well over 100 countries. This is the only comprehensive analysis of how the ATM market worldwide has evolved and where it is going. This latest edition revises and updates the analysis and extends the forecasts to 2007. The report is invaluable for manufacturers, financial institutions, networks operators and other suppliers to the financial services industry.



Off-Site ATMs

Changes in regulations to allow ATM surcharging, in the late 1990s, have spurred rapid growth in off-site ATMs.

Initially this growth was most visible in North America, but now the market for off-site ATMs in Europe is also rapidly expanding. This report identifies the extent to which off-site machines have impacted the ATM market in 35 countries worldwide.

It identifies the major bank and non-bank deployers as well as fee structures, legal and technical requirements, and the opportunities for new players.



ATMs and Cash Dispensers: International Survey and Analysis

Since its first appearance in 1983, RBR's annual survey and analysis has become an essential source of information to every major manufacturer of ATMs for the European market.

The report addresses questions such as:

- How large is the market and how fast is it growing?
- Who are the leading players?
- What services are banks delivering through ATMs?
- What are the trends in machine location?
- Who are the leading manufacturers in each country?
- What software is used to drive ATMs?



Eastern Europe: Banking Automation and Payment Systems

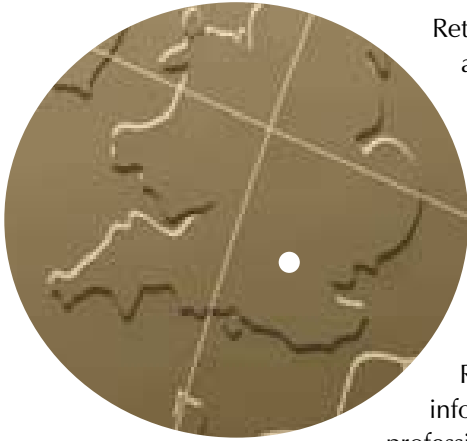
Eastern Europe is the fastest developing market in the world for self service banking and cards technology.

The region presents enormous opportunities for companies that understand these markets and know how to address them.

This report provides the information and analysis to help manufacturers and service providers succeed in these markets. The report covers six principal markets in the region – Russia, Hungary, Poland, Czech Republic, Slovakia and Bulgaria – and includes detailed information on the markets for ATMs, credit and debit cards and electronic purses.



ABOUT RETAIL BANKING RESEARCH



Retail Banking Research Ltd (RBR) is a leading consultancy providing independent information, analysis and strategic advice. We carry out evaluations of markets, products and services in retail banking and payment systems.

Our work includes assessing the business implications of new technologies and forecasting new developments and future demand. While focusing on western and eastern Europe, our capability is worldwide.

The company has more than a decade of experience in its specialist fields and is able to draw on an extensive, international network of contacts and experts.

RBR supports its clients with information, analysis and advice that allows them to make better, more informed decisions. The European Commission, for example, described RBR as having "outstanding professional experience in the area of banking and payment systems".

RBR SERVICES

As well as our reports, RBR offers two other types of service: a subscription research newsletter, Banking Automation Bulletin for Europe (BABE); and confidential consultancy tailored to the client's specific requirements.

RBR Confidential Consultancy Projects include:

- assessing market opportunities, nationally and internationally (e.g. for branch equipment, third-party processing);
- forecasting the demand for new and existing products and services (e.g. cash dispensers, cheque printing equipment);
- conducting surveys of products and services worldwide (e.g. availability and quality of ATM services);
- analysing the impact of new technologies on retail banking (e.g. chip cards, telephone banking, PCs and computer networks);
- evaluating the business case for new products (e.g. prepayment cards, self service devices).

Please contact us for more details

BABE (Banking Automation Bulletin for Europe)

Published 10 times a year, BABE brings you objective analysis and insights by experienced consultants.

For 20 years it has reported on developments in banking and payment automation worldwide and been read by senior executives of banks, manufacturers, retailers, card organisations, CIT companies, software companies, network operators and others, in 24 countries.

Subscribers recognise it as a unique source of in-depth analysis of key issues in the retail banking sector, which plays an important role in their market intelligence and strategic planning activities.

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RETAIL BANKING RESEARCH LTD

304 Sandycombe Road, Kew Gardens, Richmond, Surrey TW9 3NG, UK

Fax to:

+44 (20) 8940 1527

OR

- **send us an e-mail**
- **telephone us direct**
- **visit our website**

E-mail us:

Our address is: interchange@rbrldn.demon.co.uk

Please include your name and contact details in your message.

Call us direct:

We are available between 0930-1800 GMT/BST, Monday-Friday.

+44 (20) 8940 1398

Visit our website:

You'll find us at: <http://www.rbrldn.demon.co.uk>

