



EUROPEAN COMMISSION

Competition DG

Markets and Cases III: Financial Services

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Subject: Survey of merchants' costs of processing cash and card payments

Dear Sir or Madam,

The European Commission is seeking to collect information on the costs incurred by merchants when accepting payments by cash and by cards. To this end, it has contracted Deloitte to carry out an in-depth survey of merchants in ten EU Member States. We would be grateful for your participation in this exercise.

The study is carried out against the background of antitrust investigations of multilateral interchange fees (MIFs) set by payment card schemes in the EEA. Seeking to comply with the Commission's Decision of December 2007 that found its cross-border MIFs to be in breach of EU competition rules, MasterCard undertook to reduce the level of interchange fees for cross-border debit card and credit card transactions to 0.20% and 0.30% respectively. In the context of subsequent proceedings against its MIFs, Visa proposed similar commitments with respect to debit cards in April 2010.

Both in the MasterCard Undertakings and Visa Commitments, levels of MIFs were determined on the basis of the so-called merchant indifference test (MIT). This test aims at identifying a maximum MIF level which could comply with competition rules by ensuring that the charges paid by merchants for accepting cards do not exceed the transactional benefits that they derive from card usage. Merchants are considered to derive such transactional benefits if card payments reduce their cost relative to alternative payments means like cash.

The current MIF caps have been calculated by comparing merchants' costs of accepting payments in cash to those of accepting payments by card, on the basis of aggregate data on costs of payments compiled in the past by three Central Banks in Europe. At the same time, the European Commission has launched a specific data gathering exercise in order to collect complete and precise information relevant for the application of the MIT. In light of the cumulative significance of the MIFs charged on each transaction, it is essential that the calculation of the MIT compliant MIF level is based on highly accurate, precise and comprehensive data on the costs incurred in accepting payments.

A methodology which consists of a cost model and a data collection method has been developed in previous stages of the project, which have shown that in order to ensure accuracy and precision, information on costs should be collected as close to their source as possible, through a rigorous surveying process whereby the quality of data being gathered can be guaranteed. For this reason, the current survey is based on a detailed questionnaire addressed to large merchants, who - thanks to their more detailed accounting and management records - are deemed to be the most suitable sources of precise cost data, and it is carried out in a way that allows the survey administrators to support respondents with specific guidance, at all steps of the exercise. The European Commission is in parallel carrying out a separate, more limited auxiliary survey with merchants of different sizes on the volume and value of payments in order to determine to what extent they exhibit differences as compared to large merchants.

The Commission has now contracted Deloitte to carry out a cost measurement exercise with merchants in 10 Member States where a majority of card payments and retail payments in the European Economic Area currently take place.

The objective of the survey is to collect, on the basis of the questionnaire sent to you as precise and accurate data as possible on the level and structure of relevant cost items, which will allow the Commission to compare the costs incurred by merchants in accepting different payment instruments. The results of the study are intended to be used in the assessment of efficiency justifications brought forward by payment card schemes in competition law proceedings. In addition, the Commission may publish a summary report of the aggregate survey results.

The European Commission will treat the data you provide confidentially and does not intend to disclose it without your prior consent.

As one of the large retailers in Europe, your participation in the survey would be highly valuable as it would allow the European Commission to compute a benchmark for maximum MIF levels under the MIT on the basis of robust data. We would therefore be grateful if you would agree to assist us in this important project.

Please do not hesitate to contact us by sending an e-mail to COMP-D1-MAIL@ec.europa.eu should you have any further questions regarding the purpose of the survey or the intended use of results.

Yours sincerely,



Irmfried SCHWIMANN

Director