



# Interchange Fees in Various Countries: Developments and Determinants

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# Global Interchange Fees

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- A number of issues and controversies currently surround credit and debit card interchange fees throughout the world
- Countries examined: Australia, Canada, Denmark, EU cross-border, Mexico, Netherlands, Spain, Sweden, UK, U.S.



# Global Interchange Fees

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- Central message: Interchange fee arrangements vary considerably across countries. While existing theory provides insight into fee levels and movements, much remains to be explained. A number of complex and interrelated factors, many country-specific, play a role.



# Credit Cards

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- Summarized in Table 1 (handout)
- IFs are set under a variety of arrangements
- In most countries, IFs have declined or are declining, often due to regulation or regulatory threat
- Industry participants and public authorities in virtually all of these countries have dealt with, or are currently discussing, IF or related issues and controversies



# Signature-based Debit Cards

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- Summarized in Table 2 (handout)
- Signature-based debit cards have an important presence in a few countries, e.g., Spain, the U.S.
- Essentially nonexistent in other countries, e.g., Canada, Denmark, Netherlands
- IFs have tended to decline in most countries in recent years
- Numerous countries facing various issues



# PIN-based Debit Cards

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- Summarized in Table 3 (handout)
- PIN-based debit cards have large presence in many European countries as well as in Australia, Canada, and the U.S.
- Variety of institutional features and practices across countries
- IF movements have shown varying patterns
- A number of PIN debit issues under discussion



# Public Authority Involvement

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- Summarized in Table 4 (handout)
- Virtually all central banks have general oversight responsibility for the payments systems of their respective countries
- In most countries, however, specific IF and other payment competition issues fall under the jurisdiction of competition (regulatory and antitrust) authorities, e.g., Canada, Denmark, EU, Netherlands, Spain, Sweden, UK, U.S.
- Exceptions: Reserve Bank of Australia, Banco de México



# Determinants

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- Balancing considerations
- Shifting revenues to issuers
- Merchant and inter-system competition
- Preliminary empirical evidence





# Determinants

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- Work in progress: Hayashi/Weiner
- Case studies for Australia, Netherlands, UK, U.S.
- Attempt to match theory with practice
- Theoretical literature summarized in Table 5 (handout)



# Contact Information

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