



Electronic Money Association

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Payment Systems Regulator
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By email: cards@psr.org.uk

14 September 2018

Dear Sirs

Re: Draft Terms of Reference: Market review into the supply of card acquiring services MRI8_1.1

The Electronic Money Association (“**EMA**”) welcomes the opportunity to respond to the consultation on the Draft Terms of Reference for your proposed review of the card acquiring market.

The EMA is a trade body representing some 60 electronic money (“**e-money**”) issuers and innovative payment service providers operating within the EEA, including the UK. Our members are leading payments and e-commerce businesses worldwide, representing online payments, card-based products, vouchers and those employing mobile channels of payment. A list of EMA members is provided at the end of this letter.

We would be grateful if you would consider our comments.

Yours faithfully

Dr Thaer Sabri
Chief Executive Officer
Electronic Money Association

The EMA's Response

Question 2: Do you agree with the proposed scope of the market review?

Ancillary services

Paragraph 2.10 proposes that ancillary services provided with acquiring services remain outside the scope of the review, except in cases where ancillary services affect the supply of acquiring services. Ancillary services are arguably equally as important as core acquiring services as they are often the means through which the core acquiring services can be provided. Furthermore, ancillary services can include assisting merchants with fraud detection and helping manage customer disputes. Hence, the review should not consider the acquiring part of services offered in isolation.

As the PSR has stated that fees charged to merchants are a key issue of interest in this review, the terms of reference should be tailored to include ancillary services within scope so that the structure of merchant fees are understood in the full context of all the services that acquirers offer. Otherwise the outcome of the review may give an incomplete picture of fees charged to merchants.

Question 4: Do you agree with our proposed approach?

Representation from all stakeholders

Paragraph 2.14 indicates the PSR's approach to understand whether the supply of card acquiring service is 'working well for UK merchants and ultimately consumers'. This approach suggests that issues affecting merchants may be prioritised over those providing acquiring services.

Acquirers and payment facilitators take on significant risks as a result of providing acquiring services; understanding these risks and the subtleties of the acquirers' operational environment should be given an equal weight in the review and the terms of reference should be amended to reflect this.

Methods and Techniques

Paragraph 2.15 omits the methods and techniques the PSR will employ to carry out the review. In light of our response above, regarding equal representation of all views on both the supply and demand side of the sector, we recommend the PSR include in the terms of reference the methods and techniques the PSR intends to use. An examination of the items listed in paragraph 2.15 would not be complete without information provided by all stakeholders comprising the card acquiring service chain, including merchants, payment facilitators, ISOs and acquirers in a balanced manner.

Objective criteria to benchmark pricing and service quality

In Paragraph 2.16 the PSR proposes to examine the outcomes of the competitive process by 'looking at the fees merchants pay and the quality of service they receive'. The manner in which the PSR will carry out this benchmarking exercise and obtain such information is not specified. Paragraph 2.16 should include how this information shall be obtained to ensure that data is obtained from both service providers and merchants on a confidential basis.

Further, the terms of reference should include objective criteria comprised of independent metrics that services will be measured against. Without independent criteria, data derived from merchants informing their views of pricing and service quality may not provide a balanced view of the acquiring market.

Additional issues

Timing of Review

The PSR website indicates the terms of reference will be finalised 'by the end of 2018' and that a timetable for the review will be communicated in the final version. We urge the PSR to consider the timing of the review in light of the current environment faced by the acquiring and payments industry as a whole. The implementation of PSD2 requirements in 2019, the review of the Interchange Fee Regulations, alongside the uncertainty and impact on the competitive landscape for UK acquirers caused by Brexit should all be considered when determining when to conduct this review.

In addition, we would hope that the outcomes of the review will take a forward looking view, with recommendations recognising the competitive pressures that card payments will face as new and innovative types of payment may become more prevalent in the UK market.

List of EMA members as of September 2018:

- [Airbnb Inc](#)
- [Allegro Group](#)
- [American Express](#)
- [Azimo Limited](#)
- [Bitstamp](#)
- [BlaBla Connect UK Ltd](#)
- [Blackhawk Network Ltd](#)
- [Boku Inc](#)
- [CashFlows](#)
- [Circle](#)
- [Citadel Commerce UK Ltd](#)
- [Coinbase](#)
- [Corner Banca SA](#)
- [Curve](#)
- [Ebanx](#)
- [eBay Sarl](#)
- [Euronet Worldwide Inc](#)
- [Facebook Payments International Ltd](#)
- [First Rate Exchange Services](#)
- [Flex-e-card](#)
- [Flywire](#)
- [GoCardless Ltd](#)
- [Google Payment Ltd](#)
- [IDT Financial Services Limited](#)
- [Imagor SA](#)
- [Intuit Inc.](#)
- [Ixaris Systems Ltd](#)
- [Merpay Ltd.](#)
- [MuchBetter](#)
- [Nvayo Limited](#)
- [One Money Mail Ltd](#)
- [Optal](#)
- [Ozan](#)
- [Park Card Services Limited](#)
- [Paybase Limited](#)
- [Payoneer](#)
- [PayPal Europe Ltd](#)
- [PayPoint Plc](#)
- [Paysafe Group](#)
- [PPRO Financial Ltd](#)
- [PrePay Solutions](#)
- [R. Raphael & Sons plc](#)
- [Remitly](#)
- [SafeCharge UK Limited](#)
- [Securiclick Limited](#)
- [Skrill Limited](#)
- [Starpay Global Ltd.](#)
- [Stripe](#)
- [Syspay Ltd](#)
- [Transact Payments Limited](#)
- [Transact24 \(UK\) Ltd](#)
- [TransferWise Ltd](#)
- [TrueLayer Limited](#)
- [Trustly Group AB](#)
- [Uber BV](#)
- [Valitor](#)
- [Vitesse PSP Ltd](#)
- [Viva Payments SA](#)
- [Wave Crest Holdings Ltd](#)
- [Wirecard AG](#)
- [Wirex Limited](#)
- [Worldpay UK Limited](#)