

VISA EUROPE

Response to CMA Retail banking market investigation:

Provisional decision on remedies

1. Introduction

Visa Europe welcomes the opportunity to provide comments in response to the Competition Market Authority's (the "CMA") Provisional decision on remedies, published on 17 May 2016, as part of its ongoing Retail banking market investigation.

The CMA's overall approach and remedies

Visa Europe welcomes the CMA's rigorous and considered approach to the Retail banking market investigation. A significant amount of work has been undertaken to gather evidence, and careful consideration has been given to the implications of various remedial options for businesses and customers.

In particular, we appreciate the CMA's active engagement with Visa Europe regarding two aspects of the review that are related to our business: the request for information regarding Visa's process for authorising, clearing and settling card transactions, and the flexibility that we provide to customers and financial institutions to manage debit card transactions; and the proposal to enable the transfer of continuous payment authorities ("CPAs") on debit cards via the Current Account Switching Services ("CASS").

2. The CMA's proposed remedies

In this response we limit our comments to the following two remedies proposed by the CMA:

- (a) Open API banking standard
- (b) Current account switching measures

Open API banking standard

We broadly support the CMA's proposal to develop and implement an open API banking standard. We agree with the CMA that APIs have the potential to transform retail banking, by paving the way for the development of new business models and services for customers.

Visa Europe is committed to staying at the forefront of innovation by putting greater emphasis on openness, collaboration and engagement with the wider economy. To this end, we are exploring new innovations that will improve experiences for our customers, such as new forms of authentication, biometrics, and provide potential efficiencies, such as blockchain technologies. We believe that an open API banking standard will enable competition and raise the bar for retail banking products and services, enabling customers to identify the best products for their needs.

Visa Europe is also generally supportive of CMA's proposal to set out a timetable and create a new entity to develop and implement an open API banking standard. This should facilitate cooperation within the

industry in a timely and efficient manner to deliver an open API standard, while avoiding overly prescriptive regulatory intervention.

However, as set out in the Payment Service Directive 2 (“PSD2”) Art.98.1(d), we note that the European Banking Authority (“EBA”) is due to publish the Regulatory Technical Standards (“RTS”) for the EU as part of PSD2 by 13 January 2017 in relation to “common and secure open standards of communication for the purpose of identification, authentication, notification, and information, as well as for the implementation of security measures, between account servicing payment service providers, payment initiation service providers, account information service providers, payers, payees and other payment service providers”. By developing an open API banking standard for the UK that is separate to the broader European initiative, there is a risk that the UK and European standards will differ. Any requirement to implement and comply with two different standards for the UK and EU could impose considerable cost on the UK financial system. In our view, the design and timetable for the UK open API standard should, as much as possible, align with the RTS for the EU.

Current account switching measures

We are also generally supportive of the CMA’s approach to improving the ease and benefits to consumers of switching accounts.

In particular, we welcome the CMA’s decision not to require the transfer of CPAs on debit cards when switching through CASS. We agree with the CMA’s conclusion that the transfer of CPAs in the switching process would not be a proportionate remedy, and that Visa and other schemes “already offer a solution for many customers who could be affected”.

As we have outlined in our previous correspondence with the CMA, the cost and complexity of building and maintaining a centralised database to allow CPAs to be automatically transferred as part of the switching process would be considerable, and market research does not indicate that CPAs are a major issue for customers wishing to switch bank accounts.

Further, the Visa Account Updater (“VAU”) service provides an effective market solution that supports account switching in the UK. The service, which was first launched in 2005, was enhanced in 2013 to provide support for account switching from one bank’s Visa debit card to another bank’s Visa debit card. Visa Europe is committed to continuing to improve the VAU service and provide a service to our customer that enables flexibility, transparency and control over CPAs. To further improve the quality of information available to consumers, it is our view that issuers should be required to identify CPAs using information provided in the transaction messaging and apply this to statements and electronic banking services.