

## Cofece identified barriers to competition in the card payment processing market

- *Cofece issued recommendations to Banxico and the CNBV to eliminate barriers to competition and restore conditions of competition in the card payment processing market.*
- *It also ordered clearinghouses to implement compliance programs, as well as the appointment of officials to verify their implementation.*

**Mexico City, September 14, 2023.-** The Board of Commissioners of the Federal Economic Competition Commission (Cofece or Commission) determined the existence of [barriers to competition and free market access](#) in the card payment processing services market, which are carried out by clearinghouses. These conditions contribute to the exclusion of the most vulnerable groups and micro, small, and medium-sized companies from the financial system because they cannot afford to pay high fees.

Card payment processing services allow customers to pay for goods or services to a business. These transactions initiate when a consumer pays with a card through a point-of-sale (POS or TPV, by its initials in Spanish) terminal, through which authorization is requested from the bank that issued the card used. If the issuing bank guarantees the purchase, the business receives the corresponding amount. For this to happen, there is an electronic service that allows communication between the banks involved and the payment in favor of the business (a fee is charged in each transaction); this service is offered by the Clearinghouses.

In Mexico, fees paid between banks for the operation of the card payment system are [1.36% on average, while in European countries are only 0.2%](#); in other words, they are 6 times higher in our country. If the anti-competitive effects identified by Cofece are corrected, it would trigger a greater dynamism in consumption, encourage formality, and increase financial inclusion. Access and use of financial services promotes savings and financial planning among individuals and allows them to improve the management of their resources; it also fosters the formal economy, reduces the risk of loss or theft, and promotes economic development. According to the document [Panorama Anual de Inclusión Financiera 2022 \(Annual Overview of Financial Inclusion 2022\)](#) of the Comisión Nacional Bancaria y de Valores (National Banking and Securities Commission, CNBV by its initials in Spanish), in 2021 the number of POS increased 5% compared to 2020, that is, they amounted to 4.3 million in the country. However, the number of POS per capita in Mexico is still lower than in Brazil and Argentina.

During the investigation of this market, Cofece identified that two Clearinghouses were operating: E-Global and Prosa. In addition, during this period, two economic agents were found that, due to barriers to competition, had not been able to provide Clearinghouse services despite having the corresponding permits.

Based on the content and conclusions of the investigation, work that includes the opinion of economic agents and authorities involved, Cofece's Board of Commissioners determined that there are no conditions of effective competition in the card payment processing service provided by the Clearinghouses, because:

- As mentioned before, there is excessive concentration in the market as there are only two suppliers.

- The regulatory ecosystem tends to favor the status quo to the benefit of the Clearinghouses that already operate in the market, to hinder the entry of new competitors and, additionally, to make innovation and differentiation of their services impossible through: a) the application of its own operating rules and b) the determination of the most competitive fees.
- The Clearinghouses are owned by the banks themselves, who in turn issue cards or provide POS, creating structures that could facilitate anti-competitive behavior in related markets.

To eliminate these barriers and restore the conditions for effective competition in this market, Cofece recommends that:

1. Banco de México (Bank of Mexico or Banxico) and the CNBV modify the regulations so that it is both institutions and not the participating economic agents, who guarantee the interoperability of card payment networks.
2. Interchange Fees (which are part of the commissions) should no longer be set by consensus so that they are not the same for all participants and so that they can compete.
3. Banxico and the CNBV modify the formula for determining the Interchange Fees, considering, among others: a) the operating costs of the system, b) the incentives to reduce operating costs, and c) the promotion of financial inclusion.
4. Banxico modifies the necessary regulations to guarantee the linkage of processing systems and fairness in the certification that allows communication between new and existing Clearinghouses.
5. Banxico establishes rules, mechanisms, and protocols for the treatment of information within Clearinghouses, to mitigate the risks of collusion between banks.
6. Banxico and the CNBV analyze the relevance of regulating the requirements and qualities that members of the Board of Directors of Clearinghouses must have to prevent their participation in a bank, aggregator, brand owner, or other Clearinghouse from affecting the performance of their functions and facilitate anti-competitive behavior.
7. E-Global and Prosa design, implement, and disseminate among their personnel and shareholders an effective program of compliance with the Federal Economic Competition Law and designate a compliance officer to monitor the program.

With these actions, Cofece aims to make the card payment processing services market operate more efficiently, with more participants, greater innovation, and lower costs for businesses, cardholders, and banks. This will contribute to promoting greater degrees of financial inclusion and economic dynamism for the benefit of society.

[See the complementary note of the press release here.](#) (In Spanish)

– 000 –

#### **MORE COMPETITION FOR A STRONGER MEXICO**

*The Federal Economic Competition Commission safeguards competition and free market access.*

*With its work, it seeks better conditions for consumers, that more higher quality services are offered and that there is a “level-playing-field” for companies.*