

Cofece issues recommendations to promote competition and free market access in card payment reception services

- *The financial sector is a priority for Cofece given its transversality and its contribution to economic growth.*
- *This opinion is complementary to the resolution issued by the Board of Commissioners of Cofece in September 2023.*

Mexico City, December 1, 2023.- The Board of Commissioners of the Federal Economic Competition Commission (Cofece or Commission) issued an opinion (file OPN-002-2023) with recommendations aimed at promoting the improvement of competition conditions in the card payment reception market in collaboration with the Bank of Mexico (Banxico, per its acronym in Spanish) and the National Banking and Securities Commission (CNBV).

In order to accept card payments, businesses hire the service to **acquirers** or **aggregators**, which act **as intermediaries between these establishments and card issuers**. Thereafter, each transaction has two types of fees: the **interchange fee**, paid by the acquirer to the card issuer when a payment is made at a business, and the **discount rate**, paid by the business to the acquirer or aggregator, which is usually proportional to the value of the purchase and in accordance with the type of business.

The opinion complements other actions that Cofece has taken to promote competition in the sector, including the resolution which establishes the lack of effective competition conditions in the domestic transaction processing service market provided by clearinghouses for card payments, consisting of routing, clearing and settlement (file IEBC-005-2018), which was made public in September of this year.

Regarding the services offered to businesses, Cofece identified areas of opportunity to promote competition in this market:

- **Interchange fees paid by businesses are higher when they do not prove the line of business they are engaged in.** This results in businesses who do not register with their suppliers having to pay higher fees.
- **The information on interchange fees and discount rates published by Banxico may be difficult to access** for businesses to consult and decide on the card payment reception provider that best suits them and meets their business characteristics.
- **The regulatory framework establishes that contracts and agreements must provide for a non-discriminatory dispute resolution process, free of conflicts of interest and expeditious**, so these principles must be common knowledge and be observed in practice by all market participants.

Derived from the above, the Board of Commissioners recommended to Banxico and the CNBV, within the framework of their respective attributions, that:

- i. The mechanism to implement the natural rate is made more flexible by exception, which would allow lower interchange fees to translate into lower discount rates for businesses. This recommendation is complementary to what was stated in the resolution of file IEBC-005-2018 on the regulation of interchange fees.
- ii. Ensure that in practice the mechanisms established guarantee aggregators legal certainty before acquirers and other participants in the payment network in the event of a dispute.

- iii. Mechanisms are generated to disseminate information that will facilitate businesses to make more informed decisions regarding the prices and benefits associated with the services offered by aggregators or acquirers, so that they can choose the service provider that best suits their needs.

With these interventions, the Commission reaffirms its commitment to deepening the conditions of competition in essential markets to facilitate the exchange of goods and services between consumers and businesses.

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MORE COMPETITION FOR A STRONGER MEXICO

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

Through its work, it seeks better conditions for consumers, that more services are supplied with higher quality and that there is a "level-playing-field" for companies.