

Case study: interchange fee regulation workshop

Brief



- We were engaged by a **pan European acquirer** to **validate their planned approach** for IFR compliance.
- Highlight and **advise of industry best practice** and typical ways to comply with the current IFR regulation.
- Discuss and **make recommendations** as to their future approach to strategy.

Approach



- We conducted a **full day on-site workshop** where we addressed concerns, presented a regulatory overview, and lead an in-depth discussion around our findings from an analyses we had performed pre-workshop, including **critical assessment of their draft letters and communications**.
- A **subsequent report** was written concluding our recommendations as to best practice.

Example material



It's not too late to adopt best practice...

a. Communication to ISO/PSPs
 → To achieve compliance, documentation should be agreed and distributed as soon as possible

b. Communication to merchants
 → Acquirers should be deciding on the communication approach/format with their merchants.
 → Merchants must agree in writing.
 → A response mechanism should be provided.

c. Agree commercial approach
 → The commercial and/or contractual approach is key to determining the level of complexity required, the communication themes and timescales for operational deployment.

d. Amend existing agreements
Obligation vs. completeness
 → Update unbundled pricing in merchant contracts & agreements
 → Agreements with partners for compliance obligations

e. Finalise pricing strategy
 → Finalise pricing strategy to meet compliance with Article 9 ready for June 9th
 → Rate reduction?
 → Review scheme fee recovery methodology

f. Formulate a compliance strategy
 → Prepare communication approach for all CA's
 → Agree evidence collection process and responsibility.



Impact



- Our client is successively **well prepared** for implementation come June 9th 2016, as well as now in a **strong position** to issue transaction reporting in line with Article 12.
- Their **commercial and contractual approach was reviewed and amended** directly in line with our recommendations and **overall knowledge** and understanding of the regulatory requirements in the company grew substantially.