

# Report on a Possible Regulation of ATM Fees

NON-CONFIDENTIAL VERSION

Inquiry  
BWB/AW-412

Final Report

Vienna, February 2017

Please cite as

BWB (2017). Report on a Possible Regulation of ATM Fees, BWB/AW-412, Final Report, Vienna.

This report does not include any trade secrets. Any confidential information has been deleted and replaced with [CONFIDENTIAL]. This is to prevent any sensitive corporate information provided by market participants being made known to their competitors.

Austrian Federal Competition Authority (BWB)  
Radetzkystraße 2, 1030 Vienna, Austria

T: +43 (0)1 245 08 - 0

F: +43 (0)1 587 42 00

E: [wettbewerb@bwb.gv.at](mailto:wettbewerb@bwb.gv.at)

W: <http://www.bwb.gv.at>

## **Executive Summary**

In anticipation of a possible regulation of ATM usage fees, the Austrian Federal Competition Authority has analyzed card payment transactions in order to provide a solid basis for discussion.

This report is based on discussions with institutions and stakeholders (Federal Ministry of Finance, Federal Ministry of Labour, Social Affairs and Consumer Protection, Austrian National Bank, Financial Market Authority, European Commission, Austrian Economic Chamber, Austrian Chamber of Labour etc.), information provided by the banks and third-party providers ('bank survey') and a survey among debit card users ('customer survey').

For the sake of a forward-looking economic and competition policy, it makes sense to create a conducive climate for effective competition. It is fundamentally true that, in a free market economy, competition is preferable to state-imposed regulations as a guarantee for the smooth functioning of markets.

### **Card payment transactions in Austria**

There are 9.8 million debit cards, 8,700 ATMs ('Automated Teller Machines') and approximately 120,000 POS terminals ('Point of Sale' terminals) in Austria.<sup>1</sup> Most ATMs are operated by banks themselves, but approximately one in six ATMs is operated by the payment service providers FirstData and Euronet, the so-called 'third-party providers'. POS terminals are primarily installed by retailers and restaurants. An average of 2-3 ATM withdrawal transactions and around 4 cashless payment transactions are carried out per month for each Austrian debit card.<sup>2</sup>

### **Charges and fees**

If debit card holders withdraw money from an ATM not operated by their issuing bank, the bank has to pay a so-called 'service fee' to the ATM operator. The service fee is used to cover the operators' cost of setting up and refilling the ATM. Due to a change in the regulations by the card network operator Maestro in July 2016, ATM operators can now waive the service fee and instead charge the card holder on the basis of a direct agreement ('surcharge'). Even before these surcharges were introduced, some banks announced that they would not refund the additional costs of their customers, because a surcharge is based on a contract between the card holder and the ATM operator. At the same time, some banks announced that they would introduce ATM withdrawal fees on the issuing side within the framework agreements for current accounts. The withdrawal fees would charge transactions at issuing banks own ATMs and/or transactions at ATMs not owned by the issuing banks.<sup>3</sup> These announcements led to a wide public debate,

---

<sup>1</sup> Cf. <https://www.oenb.at/isaweb/report.do;jsessionid=F32AA075695BF03F25166B547EB3B5D3?report=5.4.1> as of the third quarter of 2016 as well as [https://www.psa.at/fileadmin/user\\_upload/Presseinfo\\_16092014.pdf](https://www.psa.at/fileadmin/user_upload/Presseinfo_16092014.pdf), as of 2014.

<sup>2</sup> As of 2015.

<sup>3</sup> In the bank survey many banks stated that they already charged for withdrawing money at ATMs in certain current account packages.

which culminated in a discussion about the prohibition of 'ATM fees'. Withdrawal fees as part of the current account agreement and surcharges were not always clearly distinguished.

### **Customer behaviour with card payments**

While, generally speaking, the number of Austrian card users making cashless payments is increasing, there are still card users who prefer to pay by cash. However, the customer survey revealed that if ATM withdrawal fees or surcharges were widely introduced, customers would increasingly use ATMs where they could withdraw money without being charged (generally, the ATMs of their issuing banks), withdraw larger amounts of money and/or make cashless payments more often. Around 43% of the cardholders questioned do not know the fees associated with their current account and 35% know them only approximately. Only one in five cardholders knows exactly what his/her account costs. The willingness of customers to switch to another bank is also low. This reduced competitive pressure may imply that higher usage charges would not be passed on to the customers in the form of lower account maintenance fees.

### **Regulating withdrawal fees in current account agreements**

From the customer's point of view, however, the legal prohibition of withdrawal charges is not effective. Banks would have numerous other options for introducing new fees for current accounts. Such a prohibition would also prevent cheap 'no-frills'<sup>4</sup> offers being launched, where users only pay for the services they consume. However, measures which increase current account transparency and make it easier for customers to switch accounts are likely to increase competition, thereby reducing current account costs overall. With the Consumer Payment Account Act (Verbraucherzahlungskontogesetz – VZKG) adopted in 2016, a comprehensive list of measures was enacted, designed to increase competition mainly by means of higher cost transparency in current accounts. Since the majority of the relevant provisions of the VZKG have not entered into force, or have done so only recently, it remains to be seen whether the Act is effective.

### **Regulating ATM surcharges**

In recent years, the number of third-party operated ATMs has increased. The third parties' business model is based around the service fees of the card networks. In 2015, some service fees were reduced by nearly 50%. A prohibition of ATM withdrawal fees might result in third-party providers being forced to give up ATM locations if service fees are reduced even more. This could particularly affect structurally weak regions. From the point of view of ensuring a comprehensive cash supply for the population, prohibiting withdrawal fees does not seem to be expedient. Such a prohibition would also infringe upon people's private autonomy and therefore upon the right to respect for property guaranteed by constitutional law. From the point of view of the BWB, it is questionable whether such an infringement would be appropriate as it would represent an infringement upon the freedom of contract.

---

<sup>4</sup> A 'no-frills' strategy is a strategy based on downsizing the services offered. Such a strategy is applied e.g. by cheap airline companies or for pre-paid rates in mobile communications.

A variant of the prohibition of surcharges concerns the idea of obliging the card-issuing bank to bear and/or refund the ATM surcharge. Consumers would not have to pay the costs and the third-party providers could charge arbitrarily high charges without decline in demand. However, banks could pass the higher costs on to their customers in a different form, e.g. by increasing the account management fees. Ultimately, all customers would have to pay for these higher costs, not only those who cause them. Therefore, this variant also seems disadvantageous from the consumers' point of view.

### **Regulating the service fees between banks and ATM operators**

Another possibility is to regulate the service fees paid by the card-issuing bank to the ATM operator. Increasing the service fees might make it easier to cover the costs of operating ATMs in structurally weak regions. The service fees, however, should not be too high, in order to prevent the third-party providers gaining excessive revenue. Therefore, a structured regulatory procedure would be preferable to statutory fees.

### **Conclusion: regulation for more competition**

In summary, the promotion of competition in the current account business by increasing transparency and reducing barriers to switching, perhaps in combination with regulating the service fees between banks and ATM operators, would be the most promising way both to increase the efficiency of the card payment system and to enable consumers to benefit appropriately from the generated efficiency gains.

The Austrian Federal Competition Authority will continue to monitor the market and will again take stock of the situation by the end of 2017.

## Table of contents

Executive Summary .....	3
1 Introduction.....	8
1.1 Approach taken by BWB.....	8
1.2 Structure of the report.....	9
2 Description of the Austrian debit card payment system .....	9
2.1 How debit card payments work.....	10
2.2 How the Austrian card payment system came about .....	11
3 Market definition.....	11
3.1 Card payment networks as multi-sided platforms.....	12
3.2 Intermediaries in the card payment system.....	13
4 Market participants and market position .....	14
4.1 International card networks .....	14
4.2 Payment Service Austria (PSA) .....	14
4.3 Banks.....	17
4.4 Third-party providers.....	19
5 ATM transactions, costs and consumer behaviour.....	20
5.1 Types of ATM transactions and advance transaction fees.....	20
5.2 Withdrawal fees charged to cardholders (ATM fees).....	21
5.3 Income and costs entailed with ATM operations .....	23
5.4 Consumer behaviour of cardholders.....	26
6 Competitive assessment of the Austrian card payment system.....	29
7 Enforcement of competition in and regulation of the card payment system and current account business.....	32
7.1 Competition enforcement.....	32
7.2 Regulation.....	33
8 Options regarding the regulation of ATM fees.....	36
8.1 Regulation of withdrawal fees in the context of current account agreements ...	36
8.2 Regulation of direct agreements at ATMs (surcharges) .....	37
8.3 Transaction fees at wholesale level (service fees) .....	38
8.4 Constitutional aspects of a ban on withdrawal fees .....	39
References.....	40
Appendix .....	42
A. Bank survey.....	42
B. Customer survey.....	43
Glossary.....	50

## List of figures

Figure 1. Debit card payment network: 4-party system.....	10
Figure 2. ATM transactions and fees in Austria based on the example of the Maestro network.....	21

## List of tables

Table 1. ATM transactions with Austrian debit cards within Austria (2015).....	14
Table 2. HHI concentration of Austrian banks.....	18
Table 3. Weighted average of gross profit margins of card-issuing banks (in %).....	18
Table 4. Market position of banks and third-party providers as ATM operators.....	20
Table 5: Rates of change 2012-2015, banks and third-party providers.....	20
Table 6. Types of withdrawal fees for ATM transactions in Austria.....	22
Table 7. Number of banks charging withdrawal fees for ATM transactions with some of their account packages (2015).....	22
Table 8: Investment costs and fixed assets per ATM, banks and third-party providers (in EUR) Weighted average for 2012-2015.....	23
Table 9: Income and expenses per ATM and month (in EUR).....	24
Table 10: Income and expenses per transaction and ATM (in EUR).....	24
Table 11: Breakdown of income from ATM operations (2015).....	24
Table 12: Breakdown of expenses for ATM operations (2015).....	25
Table 13: Transactions per ATM and month.....	25
Table 14: Costs for a current account.....	26
Table 15: ATM and POS transactions by Austrian debit card holders.....	27
Table 16: Transactions per debit card and month, transaction volume per withdrawal/payment (in EUR), ATMs and POS.....	27
Table 17: Withdrawal fees for ATM transactions.....	28
Table 18. Weighted average of gross profit margins (%).....	29
Table 19: Surveyed banks/banking groups and third-party providers.....	42
Table 20: Market share by current account.....	43
Table 21: Important aspects in relation to a house bank.....	44
Table 22: Satisfaction with current account.....	44
Table 23: Cost awareness.....	45
Table 24: Frequency with which the ATM card is used.....	45
Table 25: Purposes for which the ATM card is used.....	46
Table 26: Preferences with regard to the ATM card.....	46
Table 27: Use of bank counters.....	46
Table 28: Habits with regard to use of ATMs.....	47
Table 29: Fees charged for using another bank's ATM.....	47
Table 30: Behaviour in the event of a fee being introduced to use other ATMs.....	48
Table 31. Use of ATMs: Perception of differences.....	48
Table 32. Use of ATMs: Preferences.....	49
Table 33. Profitability of ATM business.....	49

## 1 Introduction

Announcements in early 2016 that ATM fees might be introduced by way of direct agreements at the ATM (surcharges) or by way of withdrawal fees as part of current account agreements triggered a broad public debate.<sup>5</sup> While the introduction of surcharges was still being discussed, there was already a call for any such withdrawal fees to be prohibited.<sup>6</sup> This is why the Austrian Federal Minister of Finance, Hans Jörg Schelling, invited representatives of the banks and the Federal Competition Authority (BWB) to an information meeting in early May 2016. With a possible regulation of any ATM fees on the table, BWB considered it appropriate to conduct an in-depth survey of the card payment system.

This report is based on Section 2 para. 1 subparas. 5 and 8 of the Austrian Competition Act (WettbG) and the banks' cooperation in providing comprehensive information to BWB. In accordance with Section 2 para. 1 subpara. 5 WettbG, BWB may give its opinion on general issues of economic policy and, in accordance with Section 2 para. 1 subpara. 8 WettbG, carry out a competition monitoring, particularly with regard to the development of competition intensity.

The objective of the report is to provide an objective market analysis and make sound recommendations, on the basis of which a decision about a possible regulation of ATM fees can be reached. An effective market regulation in the interests of consumers should consider the impact on all market participants.

### 1.1 Approach taken by BWB

The BWB survey is based on existing academic literature, surveys conducted by the European Commission and other national competition authorities, as well as background talks with numerous market participants (*market screening*). In addition, BWB consulted regulators, ministries, social partners and other competition authorities.

The survey included questionnaires that were sent to Austrian banks and third-party providers of ATMs (*bank survey*) to collate quantitative data about debit card payments. The companies contacted took part in the survey voluntarily and the response rate was high. The surveyed companies accounted for approximately 97% of card-issuing banks, 97% of ATMs in operation, and around 91% of Austrian ATM transactions.

---

<sup>5</sup> For newspaper articles on surcharges please refer to, for example:

<http://www.salzburg.com/nachrichten/oesterreich/wirtschaft/sn/artikel/bawag-bereitet-kunden-auf-kosten-bei-bankomatabhebung-vor-182751/> , <http://orf.at/stories/2320840/2320848/> , <http://www.krone.at/oesterreich/bawag-warnt-versteckt-vor-bankomatgebuehr-in-kundenrichtlinien-story-494172> , retrieved on 20 January 2017; for withdrawal fees see, for example: <http://diepresse.com/home/wirtschaft/economist/4972484/Erste-Bank-und-Sparkassen-erwaegen-Bankomatgebuehr> , retrieved on 20 January 2017.

<sup>6</sup> Cf. for example: <http://diepresse.com/home/wirtschaft/economist/5056270/Stoeger-legt-Gesetzesentwurf-fuer-BankomatgebuehrVerbot-vor> , retrieved on 20 January 2017.



In order to get to know the ATM market from the consumer's perspective, BWB also commissioned a *customer survey*. The survey was carried out using a representative sample of Austrian bank customers who hold at least one current account and one ATM card. The Institute for Empirical Social Studies (IFES) carried out the survey on behalf of BWB, with the costs being paid by the banks.

## **1.2 Structure of the report**

The structure of this report is as follows: Section 2 describes the Austrian debit card payment system. Section 3 defines the relevant markets. Section 4 portrays the market participants and their position in the market. Section 5 explains various types of ATM transactions, fees at wholesale and end customer level, the cost structure of ATM operations, and consumer behaviour by debit card holders. Section 6 describes the competitive situation in the Austrian debit card payment system. Section 7 shows various approaches to regulating card payments, and Section 8 discusses concrete alternatives. The Appendix details the questionnaire sent to the banks and the customer survey, and also includes a glossary of the most important card payment terms.

## **2 Description of the Austrian debit card payment system**

A debit card is a payment card which can be used for cash withdrawals at automatic teller machines (ATMs) or for cashless payments at point of sale (POS) terminals. Immediately after each transaction, the amount spent is charged (debited) to the cardholder's current account.<sup>7</sup> A debit card therefore always requires an account relationship between the cardholder and the card-issuing institution. Debit cards are different from credit cards, where the card-issuing institution is first debited with the payment and cardholders are subsequently sent a statement showing the balance due. Prepaid cards are loaded in advance with a certain amount, which can then be used to make payments.

To make cashless card payments possible, it is necessary to have a network infrastructure in place that enables an extensive exchange of information. A particular issue in this context is the need to check whether the cardholder has sufficient funds to cover payments. Additionally, the payment must be balanced with the card-issuing institution and the owner of the ATM or POS terminal.

When debit cards were first introduced, the cards, ATMs and network infrastructure were all provided by the card-issuing banks. Later on, specialised card network providers entered the scene. Technical interfaces were then also added, connecting debit cards, credit cards, ATMs and POS terminals, meaning that nowadays any card can generally be used at any ATM or POS terminal.

---

<sup>7</sup> Cf. OeNB (2009).

Given that there are various national and international systems in place, distribution and acceptance varies from country to country. While some countries are increasingly focusing on national card networks, which might lead to foreign cards not being accepted everywhere, debit card payments in Austria are based on international card networks. Examples of such international systems are Maestro, which is issued by MasterCard and the debit card most widely used worldwide, and V-Pay, Visa’s debit card. National systems include Electronic Cash (EC) in Germany, Carte Bancaire (CB) in France and PagoBancomat in Italy.

**2.1 How debit card payments work**

Figure 1 illustrates the relevant parties in a debit card payment network in relation to an ATM transaction. Banks enter into current account agreements with end customers and issue these customers with debit cards. These institutions are referred to as debit issuers. Other companies enter into licence agreements with ATM operators. These companies are known as ATM acquirers. Banks are usually both issuers and ATM operators. Service providers deal with the technical side of the transaction, the so-called processing, although some debit issuers or ATM acquirers will do this themselves.

Card network operators (card schemes) grant licences to issuers and acquirers, which authorise them to use the network. Card schemes earn money by granting licences, per card issued or per linked POS terminal (volume fees) and per card transaction (transaction fees). Within the card payment system it is customary for issuers to pay ATM operators a “service fee” for each transaction. Conversely, operators of POS terminals transfer an “interchange fee” for each transaction to the issuer. These fees apply in addition to the fees payable to the card network.

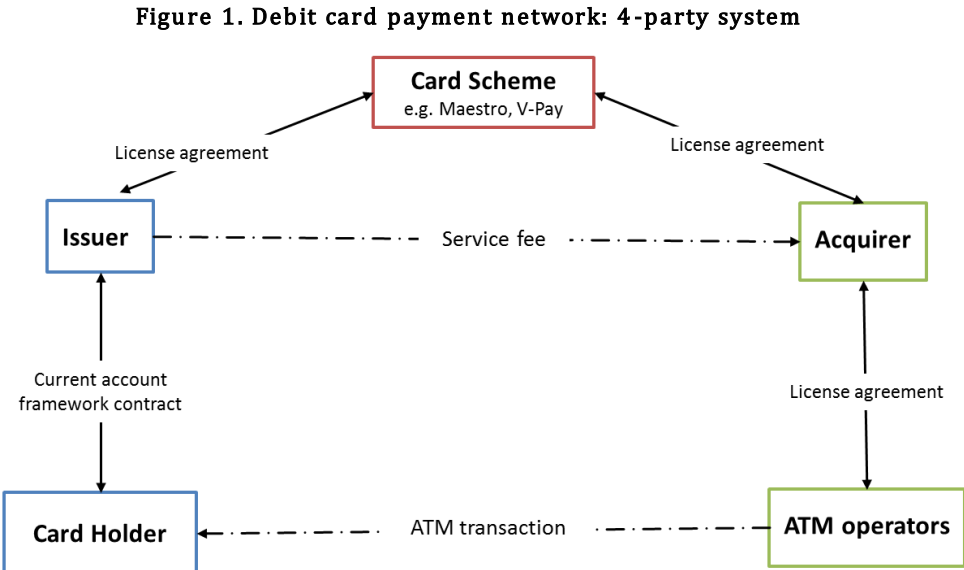


Chart: BWB.

For historical reasons, Maestro debit cards have tended to dominate the market in Austria. Some banks have recently also started to issue Visa’s V-Pay debit cards. Most

debit cards are issued by Austrian branch banks that have their own branches and ATMs. Some direct banks have recently also entered the market; they mostly offer their services online. Customers of direct banks may, however, access this existing ATM infrastructure with their debit card. Third-party providers are payment service providers that operate ATMs but do not issue debit cards as they are non-banks. While debit cards may only be used within one card network in Austria (e.g. Maestro or V-Pay), the Austrian ATMs and POS terminals are usually linked to all standard international debit and credit cards.

## **2.2 How the Austrian card payment system came about**

In 1978, the Geldausgabe-Automaten-Service (GABE) was founded and the first ATM cards were issued in Austria. In 1980, Eurocard Austria was established for the purposes of issuing and distributing Eurocard credit cards. In 1993, GABE and Eurocard Austria merged to become Europay Austria, owned by the major Austrian banks. This meant that one single company was issuing debit and credit cards, acquiring ATMs and POS terminals, and processing the related transactions. In 1998, Eurocard became MasterCard and the so-called EC card turned into a Maestro card. In 2002, processing was divested, with Austrian Payment System Services (APSS) carrying out the processing for the Austrian payment system from then on. APSS was sold to FirstData in 2006. However, in 2008 the APSS processing agreement with PayLife was transferred to the SIX company. FirstData then began installing its own ATMs and operating as a third-party provider. Also in 2006, Europay Austria was renamed PayLife Bank GmbH, and card acceptance by ATMs and POS terminals was increased. In 2012, PayLife Bank was divested, as recommended by the European Commission.<sup>8</sup> The newly created Payment Service Austria (PSA) took over the debit issuing support and ATM acquiring lines of business. The “new” PayLife Bank retained responsibility for credit issuing, prepaid issuing and POS acquiring. PayLife was sold to SIX in 2013,<sup>9</sup> and another third-party provider entered the Austrian market in the same year in the form of Euronet. [CONFIDENTIAL].<sup>10</sup>

## **3 Market definition**

In the rulings of the Austrian Cartel Court and decisions of the European Commission in card payment cases, a distinction is usually made between upstream markets for card networks and downstream markets for issuing and acquiring, with narrower definitions also regularly being discussed. These markets are defined nationally.<sup>11</sup> In the SIX/Paylife merger international markets for issuing and acquiring processing were defined as

---

<sup>8</sup> Cf. European Commission (2007b).

<sup>9</sup> Source: Information from market participants and PSA (2014). Wir machen zahlen einfach. Der Card-Service-Partner für Österreichs Banken [We make paying easy. The card service partner for Austria's banks]. Company presentation, Vienna and OeNB (2009). Zahlungsverkehrsbericht [Payment Systems Report] 2009, Vienna.

<sup>10</sup> Information from companies.

<sup>11</sup> Cf. COMP/34.579 MasterCard I of 6 November 2009 and COMP/39.398 Visa MIF of 26 February 2014; Europay Austria GmbH (27 Kt 20, 24, 27/06-10 of 22 December 2006).

well.<sup>12</sup> Special emphasis is also placed on the fact that card payment networks are multi-sided platforms.<sup>13</sup>

This survey is dedicated to the effects of a possible regulation of withdrawal fees within the scope of current account business and surcharges at ATMs. A more detailed market definition according to card type (debit/credit/prepaid) or according to the type of transaction (ATM/POS) therefore does not seem necessary. The aim is to highlight the effects that a regulation of withdrawal fees or surcharges for ATM transactions would have on the various players in the card payment system.<sup>14</sup> To this end, the characteristics of multi-sided platforms must be considered in greater detail.

### **3.1 Card payment networks as multi-sided platforms**

A multi-sided platform brings together two or more groups of end users. The user groups benefit from interacting with the other groups, without being able to influence the size of those other groups. By applying a suitable pricing policy, the platform can increase the number of interactions between the various user groups.<sup>15</sup>

Rochet and Tirole addressed the question of when a platform can be considered as being multi-sided in a widely acclaimed paper published in 2006. According to their definition, multi-sidedness applies where the number of transactions on a platform depends not only on the total fees paid by the various user groups (price level) but also on the proportion of those total fees paid by each user group (price structure). With regard to card payments at POS terminals this means, for instance, that the number of card transactions could be increased if POS operators paid cardholders an interchange fee to reward them for using their cards. Having one user group cross-subsidise another might, under certain circumstances, help to maximise total welfare.<sup>16</sup>

Pricing structure will be relevant in particular if direct compensation payments between user groups are not paying off due to high transaction costs or if the platform prohibits them. For example, a “no-surcharge rule” imposed by card networks in many countries prevents merchants from demanding a different price for cashless payments made with a credit card compared with cash payments. This is why it is not only the fee total that influences the number of card transactions but also the amount of the interchange fee.<sup>17</sup>

The term “indirect network externality” refers to the feature of multi-sided platforms whereby user groups benefit from interactions with other groups but are unable to internalise the benefits by direct compensation.<sup>18</sup> Debit card holders benefit from both a

---

<sup>12</sup> Cf. Cartel Court SIX/Paylife (27 Kt 48, 49/13 of 29 October 2013).

<sup>13</sup> Cf. for instance COMP/34.579 MasterCard I.

<sup>14</sup> Cf. Farrell (2006) and Schwartz/Vincent (2006).

<sup>15</sup> Cf. Maier-Rigaud/Schwalbe (2012).

<sup>16</sup> Overall welfare is the sum total of the consumer surplus (i.e. consumer benefit expressed in euro) and the producer surplus (i.e. corporate profits).

<sup>17</sup> Cf. Rochet/Tirole (2006) and Rochet/Tirole (2011).

<sup>18</sup> Cf. Rochet/Tirole (2006).

denser network of ATMs and a denser network of POS terminals. Conversely, ATM and POS operators profit from there being more debit cards in circulation. There are therefore indirect network externalities between debit cards and ATM operators, and between debit cards and POS operators. The number of POS transactions also depends on the number of ATM transactions, as cardholders will make more cashless payments at the point of sale if fees are introduced for ATM withdrawals.<sup>19</sup> There are therefore also negative externalities between ATM and POS payments. Such externalities should be considered when looking into withdrawal fees.

### **3.2 Intermediaries in the card payment system**

Austrian debit card holders, ATM operators and POS operators are not directly linked with card networks.<sup>20</sup> Debit cards are issued by banks as part of their current account business.<sup>21</sup> As will be explained in greater detail below, issuing banks are linked with the card networks through Payment Service Austria (PSA) which provides debit issuing support. On the acquiring side, ATM operators are linked via an ATM acquirer (as a rule, the PSA) with the card networks. POS operators are linked via a POS acquirer with the card networks.

Rochet and Tirole (2004) point out that platforms will no longer be able to decide on a pricing structure for themselves if intermediaries determine usage fees for end users.<sup>22</sup> According to recent judgments, such intermediaries are therefore not to be regarded as part of the multi-sided platform but as independent entities.

Moreover, Rochet and Tirole (2004) also state that intermediaries might carry out certain transactions by circumventing the platform. Such on-us transactions are therefore not to be assigned to the platform. In the Austrian card payment system, on-us ATM transactions are those bank transactions where bank customers withdraw money from their bank's own Type B ATMs.<sup>23</sup>

One special feature of the Austrian card payment system is that PSA is both an issuer and an acquirer, and processes ATM transactions without using the interfaces of international card networks via a "national shortcut". These transactions are therefore also not to be assigned to international card networks.

It should also be noted that a number of intermediaries in the Austrian card payment system are also end users: most Austrian banks are both issuers and ATM operators. Third-party providers carry out their ATM acquiring themselves.

---

<sup>19</sup> In this context, see also Chapter 5.4.

<sup>20</sup> Debit card issuing can therefore be considered to be part of a current account package, cf. for example CMA (2015), Retail banking market investigation.

<sup>21</sup> Cf. Austrian Supreme Court of Justice (OGH) as Supreme Cartel Court, 12 September 2007, 16 Ok 4/07, ATM Agreement II.

<sup>22</sup> Rochet/Tirole (2004).

<sup>23</sup> The distinction between Type A and Type B ATMs is explained in Chapter 4.2.

## 4 Market participants and market position

### 4.1 International card networks

In 2015, more than 95% of the debit cards in circulation were Maestro cards. Since then, Visa's V-Pay cards have also been issued. However, new debit cards make up only 7% of the total number of debit cards in circulation. Nearly all the banks surveyed use debit issuing licences from PSA. In 2015, more than 98% of Austrian debit cards were issued via the PSA issuing licence.

Banks also carry out most of their ATM acquiring via PSA, which is a principal member of Maestro/MasterCard, V-pay/Visa, JCP, Diners Club, American Express and China Unionpay. Since 2013 FirstData has also been operating the majority of the BAWAG PSK cash machines and using the Maestro/MasterCard and V-Pay/Visa principal member licences of BAWAG. Euronet holds principal member ATM acquiring licences from MasterCard/Maestro and V-pay/Visa.

As shown in Table 1, more than 50% of ATM transactions with Austrian debit cards are processed internally within the respective banks ("on us"). More than 38% of the transactions are executed within the PSA network ("PSA on us") and only around 10% of transactions are carried out via the interfaces of international card networks (domestic scheme).

**Table 1. ATM transactions with Austrian debit cards within Austria (2015)**

ATM withdrawals within same bank in %	ATM withdrawals within the PSA system in %	ATM withdrawals outside the PSA system in %	Total ATM withdrawals in Austria
127,762,254	94,859,909	24,874,534	247,496,697
51.62%	38.33%	10.05%	100.00%

Source: Bank survey, BWB calculations.

### 4.2 Payment Service Austria (PSA)

PSA is an Austrian financial services company based in Vienna, which offers a package of card payment services to banks. Since 2016, PSA has also been operating some ATMs.

PSA is owned by Austrian banks, with the largest owners being UniCredit (24.0%), BAWAG PSK (20.7%), Erste Bank (20.5%), the Raiffeisen cooperatives (12.8%), Volksbank Wien (8.3%) and the Association of Austrian Provincial Mortgage Banks (5.1%).<sup>24</sup>

#### **Services provided as part of a PSA agreement**

PSA holds principal membership licences of international card networks and offers debit issuing support and ATM acquiring services within the scope of a PSA agreement. Principal membership licences granted by card network providers allow licensees to

<sup>24</sup> Source: PSA.

issue cards and acquire ATMs or merchants on their own account. Principal members may also grant affiliate membership licences. These entitle holders to participate in a card network without the need for a direct contractual relationship with the card network.

The PSA's debit issuing support primarily covers the following services:

- Legal connection of the participating credit institutions to the Maestro and V-Pay networks by granting affiliate member debit issuing licences.
- Provision of technical interfaces with both international card networks and national acquiring systems. Through these direct connections, some of the cash withdrawals and POS payments made in Austria can be executed directly within an Austrian sub-network (national shortcut).
- Levying of risk contributions and insuring the card-issuing credit institutions against any damage incurred due to the loss or theft of cards in relation to ATM withdrawals or POS transactions.
- Acceptance of issued debit cards in accordance with the standards of international card networks, and generation of PINs for these cards for all participating credit institutions.
- Operation of a hotline for blocking the cards of end customers, and the blocking of these cards.
- 2nd level support for all participating credit institutions.
- Issuing processing for the debit cards of all participating credit institutions with the exception of cash withdrawals made by cardholders at their own bank's Type B ATMs. In the latter case, technical processing is carried out by the credit institution's computer centre.

The PSA's ATM acquiring primarily covers the following services:

- Legal connection of the participating credit institutions to the international card networks by granting affiliate member ATM acquiring licences.
- Provision of interfaces with international card networks. Direct processing of cash withdrawals from Type A or Type B ATMs made with cards serviced by PSA. Type A machines are directly connected to PSA's computer centre, and all transactions run via PSA. Type B machines are connected to the computer centre of the respective bank. Withdrawals by own customers ("on us") are processed internally. Only withdrawals by third-party customers ("not on us") are forwarded to the PSA interface (acquiring host).
- Provision and maintenance of software for Type A machines.
- Provision of support services to banks regarding acceptance of Type B software in accordance with the rules and regulations set by international card networks.
- Acquiring processing for all ATMs linked to PSA with the exception of transactions carried out by cardholders at Type B ATMs of their respective own bank. In the latter case, processing is carried out by the credit institution's computer centre (see also ATM processing below).

**PSA provides an Austrian sub-network (national shortcut)**

This covers ATM transactions with debit cards that were issued by the PSA's issuing customers at ATMs of the PSA's acquiring customers ("PSA on us") without using the interfaces of international card networks. This way there are no transaction and service fees to be paid to the card networks but PSA fees apply instead (see also below).

PSA is the direct licensee of the international card networks and the negotiating partner with these networks. Individual customers of PSA do not need to enter into a direct contractual relationship with the international card networks.

PSA is therefore an intermediary between its customers, i.e. the Austrian banks, and the international card networks, and operates a national sub-network for ATM withdrawals with debit cards. PSA offers this networking service in a package together with technical services such as the acceptance of debit cards and ATMs, and the processing of issuing and acquiring.



### **Market position**

Currently, nearly all Austrian banks that engage in retail banking are issuing customers of PSA. In 2015, more than 98% of all debit cards in circulation were issued via the debit issuing support services of PSA. In addition, PSA carried out ATM acquiring for 87% of all ATMs.

Branch banks usually use all of the services offered in the PSA agreement. Direct banks have fewer ATMs of their own and mostly use the PSA's debit issuing support services. The third-party providers FirstData and Euronet are not PSA customers.

### **4.3 Banks**

Debit cards are issued by Austrian banks as part of their current account business. The vast majority of debit cards are issued for retail customers, with a small proportion being issued to one-person businesses and small and medium-sized enterprises (SMEs). The banks issue debit cards and operate ATMs in order to give their customers access to their current accounts. The banks' business model includes revenues generated by current account fees as well as interchange fees from POS transactions. They do not charge their own customers fees for ATM withdrawals (on-us transactions). In the best case, the number of ATM withdrawals of own customers at third-party banks and vice versa will balance each other out. In this case, service fees to be paid by the issuer to the acquirer are a transitory item and the exact amount of the service fees is irrelevant. Only the transaction fees to be paid to the card network provider are of importance.

### **Market position**

There are several hundred credit institutions in Austria, which may be grouped in sectors according to their organisational form. In 2016, there were 41 private banks (joint stock banks and bankers), 49 savings banks, 10 provincial mortgage banks, 483 Raiffeisen cooperatives, 31 Volksbank cooperatives and 4 building societies, with the latter not offering any current accounts or card payments.<sup>25</sup> Of the 41 private banks in 2016, only 13 offered current accounts.<sup>26</sup> The other sectors have central institutions that take over core tasks for the individual credit institutions at the provincial or federal level and depending on the sector, these institutions exert more or less control.

A retail banking sector inquiry conducted by the European Commission in 2007 concluded that retail banks cooperate in many areas, making particular reference to the payment infrastructure. It also noted that cooperation between cooperative banks is even closer. Particular mention was made of the joint payment infrastructure, joint risk management, as well as joint corporate strategies and advertising campaigns. The inquiry report also highlighted that cooperative banks frequently limit their business to

---

<sup>25</sup> As at Q2 2016, cf.

<https://www.oenb.at/isaweb/report.do;jsessionid=596139093431C6AEBBACBBFA9161ADE0?report=3.1.1>, retrieved on 11 January 2017.

<sup>26</sup> Source: Austrian Bankers' Association/Austrian Federal Economic Chamber.

regional activities, thereby not expanding into the business areas of other banks in the same sector (territorial principle).<sup>27</sup>

While there are several hundred banks in Austria that are formally independent and offer current accounts, the actual market concentration is much higher. The Herfindahl-Hirschmann Index (HHI) is used by competition authorities to determine the level of concentration in a given market.<sup>28</sup> The Modified Herfindahl-Hirschmann Index (MHHI) also allows ownership structure and control relationships to be taken into account.<sup>29</sup> Combining the market shares of cooperative banks in the same sector, the computed HHI equals the upper limit of the MHHI, assuming that retail banks from different sectors do not cooperate. Many competition authorities regard the values aggregated in Table 2 as an indication of a high level of market concentration.<sup>30</sup>

**Table 2. HHI concentration of Austrian banks**

Issuing (number of debit cards)	Current account business (by sales)	Retail banking (by sales)
2,118	2,505	1,972

Same-sector cooperative banks were aggregated.

Source: Bank survey, BWB calculations.

For its bank survey, BWB asked banks about their income and expenses that are directly allocable to their current account and retail banking business. These figures can be used to calculate gross profit margins in the respective areas of business.<sup>31</sup> The profit margins of the individual companies turned out to vary greatly, with some banks even posting negative profit margins. The results should therefore be interpreted with caution. As shown in Table 3, current accounts have become more profitable on average over the past few years; they are now more profitable than the retail banking segment as a whole.

**Table 3. Weighted average of gross profit margins of card-issuing banks (in %)**

Year	Current account business	Retail banking
2012	26%	26%
2013	24%	26%
2014	29%	23%
2015	30%	26%

<sup>27</sup> Cf. European Commission (2007a) and particularly European Commission (2007b).

<sup>28</sup> The HHI is calculated as the sum of the squares of all market shares in per cent. For example, a market of four companies with a 25% market share each has an HHI of  $25^2+25^2+25^2+25^2=2500$ . The HHI's value ranges from 0 (atomistic competition, i.e. the market represents perfect competition) to 10,000 (monopoly). Cf. Davis/Garcés (2009).

<sup>29</sup> Cf. O'Brien/Salop (2000).

<sup>30</sup> Cf. European Commission (2004), Horizontal Merger Guidelines, Federal Trade Commission/Department of Justice (2010).

<sup>31</sup> Cf. Office of Fair Trading (2003). Assessing profitability in competition policy analysis, paragraphs 4.53 and 6.7.

The European Commission's sector inquiry found that current account fees lack transparency and that switching from one account to another entails a high level of research and organisation for the account holder. The report also states that loans are often only granted if the customer holds a current account with the same bank. Competition in the current account segment can therefore be regarded as low overall.<sup>33</sup>

#### **4.4 Third-party providers**

Currently there are two payment service providers in Austria that operate ATMs as non-banks (third-party providers).

##### **FirstData**

FirstData is a listed financial services company with global operations and its head office in Atlanta, Georgia (USA).<sup>34</sup> In Austria, FirstData operates ATMs, and is engaged in POS acquiring and acquiring processing. FirstData has been active as a third-party provider of ATMs in Austria since 2008. Having grown organically, FirstData serviced more than 519 ATMs in Austria in 2012. [CONFIDENTIAL]. In 2015, FirstData operated 1,093 ATMs in Austria. This compares with a current figure of around 1,200. In addition to BAWAG PSK ATMs, the company mainly operates ATMs located in supermarkets.

##### **Euronet**

Euronet is a listed, globally active company with its head office in Leawood, Kansas (USA), and its core business is also payment transactions.<sup>35</sup> Euronet has been active as a third-party provider of ATMs in Austria since 2013. It operated 65 ATMs in 2015. The current number is around 80 according to Euronet. The company holds principal member ATM acquiring licences from the major international card networks. Euronet specialises in providing solutions at highly frequented locations such as tourism areas (particularly seasonal winter sports locations), airports and retail outlets. The proportion of transactions with foreign (non-domestic) debit and credit cards is therefore exceptionally high.

Third-party providers base their business model on the revenues they generate from service fees for ATM transactions. Additional sales are achieved by selling add-on products (such as screen ads). At less-frequented locations, ATMs are deployed if the location owners or local authorities guarantee minimum revenues.

---

<sup>32</sup> Gross profit margin was calculated as  $[(\text{direct income} - \text{direct expenses}) / \text{direct income}] \times 100$  and weighted with the credit institutions' sales volume.

<sup>33</sup> European Commission (2007b).

<sup>34</sup> [https://www.firstdata.com/de\\_at/home.html](https://www.firstdata.com/de_at/home.html), retrieved on 31 January 2017.

<sup>35</sup> [http://www.euronetworldwide.com/our\\_company/our\\_company\\_home.cfm](http://www.euronetworldwide.com/our_company/our_company_home.cfm), retrieved on 31 January 2017.

## **Market position**

Table 4 illustrates the market position of banks and third-party providers as ATM operators. It is obvious that the market share of third-party providers has increased with regard to the number of ATMs deployed and with regard to the number of ATM transactions. Table 5 shows that the number of third-party provider ATMs has more than doubled between 2012 and 2015, with the number of ATMs operated by banks slightly declining.

The number of transactions carried out at bank ATMs is also slightly down, while the number of transactions at third-party provider ATMs has gone up. Third-party providers are therefore driving growth in the ATM market.

**Table 4. Market position of banks and third-party providers as ATM operators**

Year	Number of ATMs	Number of bank ATMs in %	Number of third-party provider ATMs in %	Number of ATM transactions banks in %	Number of ATM trans. third-party providers in %
2012	7,946	93.47%	6.53%		
2013	8,922	93.19%	6.81%		
2014	8,428	89.00%	11.00%		[CONFIDENTIAL]
2015	8,474	86.33%	13.67%		

Source: Bank survey, BWB calculations.

**Table 5: Rates of change 2012-2015, banks and third-party providers**

Rate of change bank ATMs	Rate of change third-party provider ATMs	Rate of change ATM transactions banks	Rate of change ATM transactions third-party providers
-1.49%	123.12%		[CONFIDENTIAL]

Source: Bank survey, BWB calculations.

## **5 ATM transactions, costs and consumer behaviour**

### **5.1 Types of ATM transactions and advance transaction fees**

Figure 2 illustrates the various ATM transactions that can be made with Austrian debit cards, using the Maestro network as an example. It is assumed that the cardholder has a debit card that was issued via the PSA's debit issuing support.

In the event of an on-us transaction, cardholders take out money from a Type B machine of their own bank. Transactions are processed at the bank's computer centre and no PSA fee applies.

A "PSA domestic on us" transaction means a cardholder withdraws cash via Maestro at a Type A machine or a Type B machine of another bank as part of the "national shortcut". The issuing bank pays a transaction fee to PSA, which retains around 25% and transfers the remainder of the fee to the ATM operator.

With a “domestic scheme” transaction, a cardholder withdraws cash via Maestro at an ATM that is not part of the PSA network. The transaction runs via the PSA’s issuing interface to Maestro, from there to the ATM acquirer and then on to the ATM operator.<sup>36</sup> The issuer pays a fee to the PSA, which covers the PSA’s own transaction fee as well as Maestro’s transaction and service fees.<sup>37</sup> Maestro passes the service fee on to the ATM acquirer and lastly the ATM operator. As explained in greater detail below, due to a change in the Maestro regulations, ATM operators have been allowed to charge cardholders withdrawal fees directly at the ATM (surcharges) since July 2016. In this case, no service fee is paid to the ATM operator.

Figure 2. ATM transactions and fees in Austria based on the example of the Maestro network

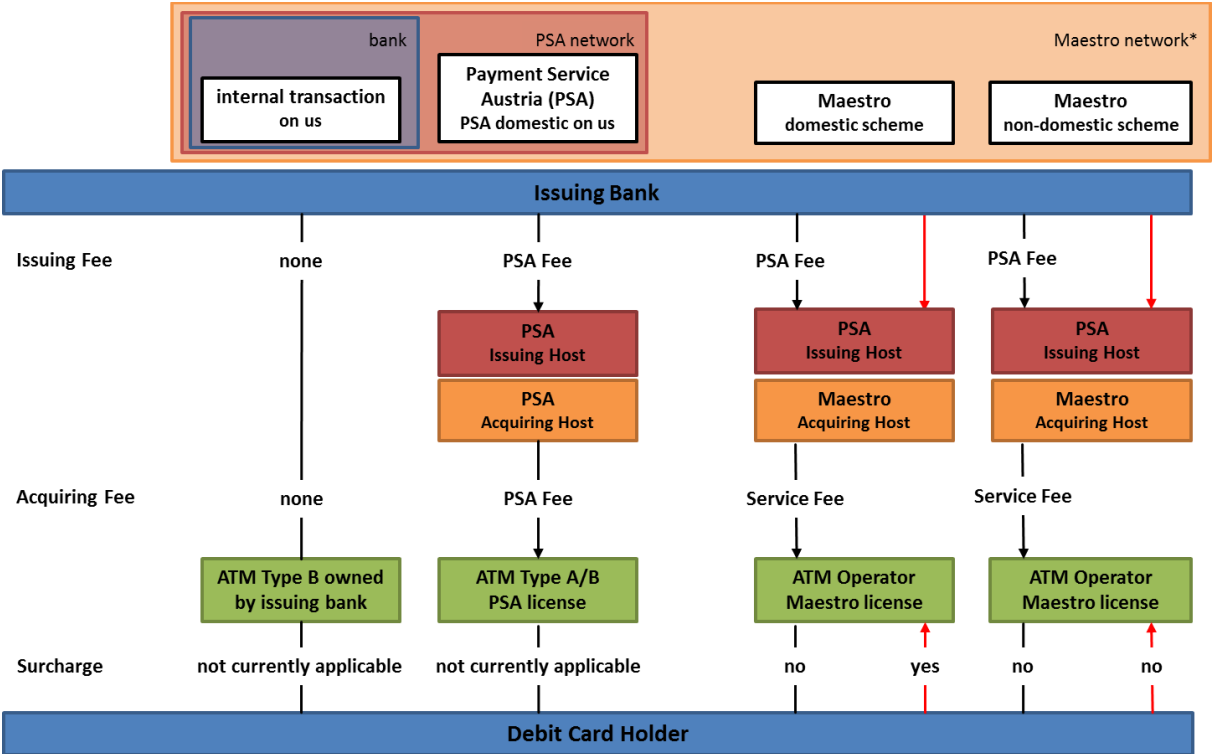


Chart: BWB.

With “non-domestic scheme” transactions, the cardholder withdraws cash from an ATM abroad that is linked to the Maestro network. The transaction fees charged are higher and also vary between EU Member States and non-EU countries.

**5.2 Withdrawal fees charged to cardholders (ATM fees)**

The market screening showed that there are various types of withdrawal fees used to charge end customers for making use of ATMs.

<sup>36</sup> The ATM acquirer is not shown in the chart. At the moment, third-party providers do their own ATM acquiring.  
<sup>37</sup> BWB is aware of the exact amount of the service and PSA fees, but treats this information as confidential.

Most of the Austrian branch banks and direct banks offer current account packages which include free ATM withdrawals within Austria, while fees are often charged for ATM transactions abroad, both within the EU and elsewhere. Some account packages charge fees per transaction, i.e. usage-based fees are applied irrespective of the type of transaction for every debit line. Some banks charge ATM fees for cash withdrawals made at other banks' or third-party providers' ATMs ("not-on-us transactions").

**Table 6. Types of withdrawal fees for ATM transactions in Austria**

Type 1	Type 2	Type 3	Type 4
Fees per transaction. (debit lines)	Fees for withdrawing cash from other banks' ATMs ("not on us")	Fees for withdrawing cash from own bank's ATMs ("on us")	Direct fee agreement at ATM (surcharge)
Have been charged by some banks in Austria for quite some time.	Have been charged by some banks in Austria for quite some time.	Lately charged by individual banks in Austria.	Possible with Maestro since July 2016.

Another type would be to also charge fees for withdrawals at the bank's own ATMs ("on-us transactions"). BAWAG PSK has recently introduced new current account packages which only include a limited number of withdrawals at the bank's own ATMs. The new "Kontobox" is available in a range of sizes from "Small" (EUR 4.90 per month) to "X-Large" (EUR 12.90 per month). The smallest package includes just one cash withdrawal, the next size up includes five transactions (EUR 6.90 per month). Any further transactions cost € 0.39 each, both at own and other banks' ATMs. Unlimited withdrawals are only included with the "Large" package, available for EUR 9.90 Euro per month.<sup>38</sup>

**Table 7. Number of banks charging withdrawal fees for ATM transactions with some of their account packages (2015)**

Withdrawal fees	ATM transactions			
	Own banks ("on us")	PSA system ("PSA on us")	Austria ("domestic scheme")	Euro area ("non-domestic scheme")
Yes	60.0%	63.0%	63.0%	63.3%
No	33.3%	30.0%	30.0%	23.4%
N/A	6.7%	6.7%	6.7%	13.3%

Source: Bank survey, BWB calculations.

Overall, fees for on-us transactions seem to be rare in Austria. However, 60% of the card-issuing banks stated that they had already been charging withdrawal fees for "on us" transactions through some of their current account packages in 2015. 63% of the

<sup>38</sup> Cf. for example <http://wien.orf.at/news/stories/2808017/> and [http://diepresse.com/home/wirtschaft/5115724/Bawag\\_Bankomatgebuehr-durch-die-Hintertur](http://diepresse.com/home/wirtschaft/5115724/Bawag_Bankomatgebuehr-durch-die-Hintertur), retrieved on 20 January 2017.

banks surveyed charged withdrawal fees for transactions with third-party banks and providers with some of their account packages. 63.3% of the banks stated that they charged withdrawal fees for transactions carried out within the euro area. Nearly all banks also imposed withdrawal fees for ATM transactions outside the euro area.

Due to a change in the Maestro regulations, ATM operators have been able to charge withdrawal fees directly at the ATM (surcharges) since July 2016. In this case, cardholders enter into a direct agreement with the ATM operator. According to some market participants, issuing banks are currently not able to determine the amount of the surcharges incurred. However, since ATMs and issuing banks exchange information within the card payment system, the transfer of the relevant data should generally be technically possible. As far as BWB is aware at present, only the third-party provider Euronet has so far taken advantage of surcharging. It currently charges a fee of EUR 1.95 per transaction.

**5.3 Income and costs entailed with ATM operations**

During the market screening some market participants stated that initial investment costs for ATMs were a significant cost factor. Between 2012 and 2015 banks invested EUR [CONFIDENTIAL] on average in the purchase and installation of a new ATM. Third-party providers spent an average of EUR [CONFIDENTIAL]. According to the market participants, the service life of an ATM is around seven years. Under fixed assets, the reported values of banks’ ATMs average EUR [CONFIDENTIAL]. Relative to sales, banks are therefore reporting a significantly higher capital intensity than third-party providers.<sup>39</sup>

**Table 8: Investment costs and fixed assets per ATM, banks and third-party providers (in EUR) Weighted average for 2012-2015**

Banks		Third-party providers	
Investment costs per ATM	Fixed assets per ATM	Investment costs per ATM	Fixed assets per ATM
[CONFIDENTIAL]			

Source: Bank survey, BWB calculations.

Table 9 compares the income and expenses arising in connection with ATM operations. Banks generate less income per ATM than third-party providers since they do not receive a service fee for on-us transactions and only receive the lower PSA service fee for transactions within the PSA network. On the other hand, banks also incur fewer expenses in relation to their ATMs. Overall, however, only third-party providers are usually able to cover their operating expenses.

<sup>39</sup> Capital intensity in this case refers to the relationship between fixed assets and sales.

**Table 9: Income and expenses per ATM and month (in EUR)**

Year	Banks		Third-party providers	
	Income per ATM and month	Expenses per ATM and month	Income per ATM and month	Expenses per ATM and month
2012				
2013				
2014		[CONFIDENTIAL]		
2015				

Weighted average. Source: Bank survey, BWB calculations.

A similar picture is presented in Table 10, which shows income and expenses per transaction. While third-party providers are able to cover their operating expenses, banks usually operate ATMs at a loss.

**Table 10: Income and expenses per transaction and ATM (in EUR)**

Year	Banks		Third-party providers	
	Income per transaction and ATM	Expenses per transaction and ATM	Income per transaction and ATM	Expenses per transaction and ATM
2012				
2013				
2014		[CONFIDENTIAL]		
2015				

Weighted average. Source: Bank survey, BWB calculations.

As part of the survey, BWB also asked the banks to break down their income and expenses relating to ATM operations in more detail. The striking outcome was that companies' information varied greatly. This data is therefore to be interpreted with caution. With regard to income from the operation of ATMs, most income relates to service fees for ATM transactions. Some market participants stated that they generated income through value-added services (e.g. advertising on ATM screens). From a quantitative viewpoint, this income is of little significance however. The banks also record a noticeably high level of other earnings.

**Table 11: Breakdown of income from ATM operations (2015)**

	Commissions and fees	Income from value-added services	Other income
Banks			
Third-party providers		[CONFIDENTIAL]	

Source: Bank survey, BWB calculations.

There are also considerable differences between banks and third-party providers in terms of the cost factors. The costs of refilling the ATMs with cash are the highest cost factor for both banks and third-party providers. Maintenance costs are also high, while the interest payable on the cash needed to refill the machines is a considerably higher cost factor for third-party providers than for banks. With regard to acquiring processing, banks levy higher costs than third-party providers that do not use PSA for their



processing. Another striking aspect is the high portion of other expenses borne by third-party providers.

**Table 12: Breakdown of expenses for ATM operations (2015)**

	Filling ATMs	Interest payments	Maintenance	Commissions and fees	Acquiring processing	Other expenses
Banks						
Third-party providers			[CONFIDENTIAL]			

Source: Bank survey, BWB calculations.

[CONFIDENTIAL]. Table 13 shows that the average number of transactions per ATM has gone up slightly during the past few years.

**Table 13: Transactions per ATM and month**

Year	Transactions per ATM and month
2012	2,680
2013	2,462
2014	2,646
2015	2,713

Source: Bank survey, BWB calculations.

According to some market participants, the margins grow as the number of transactions per ATM increases. Since income rises linearly with the number of transactions, it can be concluded that average ATM operation costs decrease. It can therefore be assumed that ATMs at highly frequented locations, such as tourist areas, yield high profit margins. At less frequented locations, however, the costs of ATM operations are only covered if a minimum number of transactions is reached, or if location owners or local authorities compensate operators for any shortfall. Reducing service fees might therefore lead to a reduction in the number of ATMs in structurally weak regions, or mean that municipalities have to pay to maintain the infrastructure.

As only aggregated data were queried in the bank survey, it was not possible to determine how many transactions need to be carried out at one ATM to cover its operating costs based on current service fees. It is worth mentioning that there are marked differences between companies.

## 5.4 Consumer behaviour of cardholders

In the present study, particular attention was given to consumer behaviour, as briefly explained below.

### Current account

Debit cards are issued with current accounts. The customer survey therefore also looked at user behaviour in relation to current accounts. In this context, 75% of respondents stated that a long-term relationship with their house bank was very important or quite important to them. Also classed as very important or quite important were the bank's online banking facilities (65%) and having a branch close by (77%). An interesting aspect is that more than 90% of customers said that the amount of costs and fees was very important or quite important to them. This contrasts with the fact that only 20% of those surveyed could specify the exact costs charged for their current account, 35% had a rough idea, and 43% did not know how much they paid.

**Table 14: Costs for a current account**

<b>Around how much do you pay for your account per month?</b>	
It's free	20%
Up to 5 euro	16%
Up to 10 euro	32%
Up to 15 euro	15%
Up to 20 euro	6%
More than 20 euro	7%
No answer	3%

Source: Customer survey. Only those respondents who knew the exact or rough costs of their current account were questioned.

Of the 55% respondents who said that they knew the exact or rough costs of their current accounts, 20% declared that they had a free account. Another 48% of this group stated that they paid between EUR 5 and 10 a month, with the remainder stating that they paid more. Since more than half of customers did not know their costs, these results should be interpreted with caution, however. [CONFIDENTIAL].

### Use of payment instruments

Table 15 lists the total number of ATM withdrawals and POS payments made with Austrian debit cards. The absolute figures and change rates show that ATM withdrawals have gone up slightly, while POS transactions jumped sharply. During the observation period from 2012 to 2015, POS transactions increased by 23%.

**Table 15: ATM and POS transactions by Austrian debit card holders**

Year	Total ATM withdrawals	Total POS transactions	Rate of change ATM withdrawals	Rate of change POS transactions
2012	245,667,194	354,437,885		
2013	251,026,681	378,538,719	2.18%	6.80%
2014	256,001,982	403,134,230	1.98%	6.50%
2015	258,356,869	434,920,017	0.92%	7.88%

Source: Bank survey, BWB calculations.

Viewing the transactions per card in Table 16, there is no particular dynamic in evidence in relation to ATM withdrawals has not changed much in recent years. The average cardholder makes 2.5 cash withdrawals per month. This suggests that the increase in ATM transactions is primarily due to the rise in the number of debit cards issued. Meanwhile, POS transactions have become more frequent. While a debit card was used on average 3.7 times a month to pay at a point of sale in 2012, the equivalent figure was 4.2 times a month by 2015. The average amount per transaction (transaction volume) has risen slightly for ATM withdrawals but marginally decreased in the case of POS payments. Consumers are increasingly using their card to pay for smaller amounts too.

**Table 16: Transactions per debit card and month, transaction volume per withdrawal/payment (in EUR), ATMs and POS**

Year	ATM transaction per debit card and month	POS transaction per debit card and month	Transaction volume per ATM withdrawal	Transaction volume per POS payment
2012	2.5	3.7	157.9	50.3
2013	2.5	3.8	159.6	50.0
2014	2.5	3.9	161.4	49.2
2015	2.5	4.2	164.1	47.6

Source: Bank survey, BWB calculations.

During the customer survey 95% of bank customers stated that they used their debit card for cash withdrawals. No fewer than 76% also use their debit card to make cashless payments at POS terminals. Almost half of survey participants said that they used their card to check their account balance, with 39% using it to transfer money. In contrast, the electronic wallet “Quick” does not play a significant role.<sup>40</sup>

<sup>40</sup> The Quick function is due to be taken off the market on 31 July 2017, cf. <https://www.paylife.at/de/home/private/quick.html>, retrieved on 31 January 2017. Alternatively, many debit cards now feature an NFC function (Near Field Communication), which allows contactless POS payments of up to EUR 25 to be made without having to enter a PIN, cf. <https://www.psa.at/karteninhaber/bankomatkarte-verwenden/zum-bezahlen/kontaktlos/>, retrieved on 31 January 2017.

**Table 17: Withdrawal fees for ATM transactions**

<b>When you think about the fees for your main current account, which statement is the most accurate?</b>	
The account is free	16%
All transactions are included in the basic charge for the account	32%
I have to pay extra for each individual transaction	8%
A certain number of transactions is included in the basic charge	23%
Other	2%
Don't know	18%
No answer	1%

Source: Customer survey.

When asked about the fees for their current account, 16% said their account was free and 36% stated that they paid a flat-rate fee. 8% of those surveyed have an account that charges for every transaction, while 23% stated that they only had to pay after exceeding a certain number of transactions. A relatively high percentage, namely 18%, were unfamiliar with their account model.

In summary, Austrian consumers appear to be making increasing use of cashless payments. As many cardholders did not pay any withdrawal fees for ATM transactions during the period observed (or were not aware of paying any), it can be assumed that many consumers now consider paying cashless at POS terminals to be more convenient.

### **Reactions to a possible introduction of withdrawal fees**

As discussed above, the current account business is characterised by a lack of transparency and by account holders generally not being prepared to switch. Our customer survey confirms this: more than half of customers do not know the monthly costs for their current accounts. If withdrawal fees were introduced, it is therefore unlikely that many customers would switch to another bank.

The customer survey also looked into cardholders' likely reactions to the introduction of withdrawal fees (for third-party withdrawals). Only 6% of respondents said they would not change their behaviour regarding withdrawals, and 4% did not respond to the question. In contrast, 74% of respondents stated they would try to only take out money from their own bank's ATMs, and 21% declared they would withdraw larger amounts per transaction than to date. In addition, 27% of those surveyed said that they would pay cashless more often.

Since some 20% of respondents do not know whether they are already paying withdrawal fees, and more than 50% of respondents do not know how much their current account costs them, these reactions should again be interpreted with caution. What is clear, however, is that most cardholders are not indifferent to withdrawal fees. However, if withdrawal fees were introduced, this would more likely induce consumers to change their payment behaviour than to change their current account.

**6 Competitive assessment of the Austrian card payment system**

Payment cards provide consumers with a convenient means of payment, and frequently enable banks and retailers to cut their costs, not least due to the fact that they avoid some of the expenses associated with transporting cash. Large-scale card payment networks can often operate more cost effectively, while consumers, ATM operators and POS operators benefit from broad levels of card acceptance.<sup>41</sup> Given that the end users of card payment networks do not always pay the costs that they have caused, it can make sense for card networks and intermediaries to offer incentives and to aim to achieve true-cost pricing. On the other hand, by setting fees, card networks and intermediaries can also increase their own profits and in this way cream off the welfare gains enjoyed by the end users. Often, this can also mean that fees are no longer set in a way that maximises the welfare gains for the card payment network.<sup>42</sup>

BWB, as part of its bank survey, has looked into the income and expenses that can be allocated directly to an ATM and POS transaction and, on this basis, calculated the weighted gross profit margins for these transactions.<sup>43</sup> Individual companies’ margins vary greatly, and there are extreme outliers, both positive and negative. Consequently, the quantitative results should be interpreted with caution. In terms of the qualitative results, Table 18 clearly shows that ATM transactions and ATM operations run at a loss for banks, while POS transactions offer scope for considerable profit margins.

**Table 18. Weighted average of gross profit margins (%)**

Year	Debit issuing		ATM operations	
	ATM transactions	POS transactions	Banks	Third-party providers
2012				
2013				
2014				
2015				

[CONFIDENTIAL]

Source: Bank survey, BWB calculations <sup>44</sup>

Given that banks themselves do not charge any fee for on-us transactions and given that the lower PSA fee applies to transactions in the PSA network, the banks are on average operating their ATMs at a loss. For the banks, higher service fees would mean higher profits from their ATM operations and bigger losses from debit issuing. Consequently, for the cooperative banks and major private banks, the service fee is a transitory item. In the case of small private banks and direct banks, customers primarily use ATMs provided by other banks and third-party providers to withdraw their money. These banks therefore tend to benefit from a low service fee. All banks that issue cards can

<sup>41</sup> Cf. Bolt/Humphrey (2007).  
<sup>42</sup> Cf. Vickers (2005), Rochet & Tirole (2002, 2011), Farrell (2006), Zenger (2011).  
<sup>43</sup> Cf. Office of Fair Trading (2003), paragraphs 4.53 and 6.7.  
<sup>44</sup> The gross profit margin was calculated as [(direct income-direct expenses)/direct income ×100 and weighted using the sales volume of the banks and payment service providers.

achieve higher profits from an increase in the number of POS transactions and a reduction in the number of ATM transactions. As shown by the customer survey, it can be assumed that introducing withdrawal fees would cause the share of POS transactions to rise.

Card networks generally set a service fee that is applied unless the issuer and ATM acquirer bilaterally agree to a different fee (fall-back rate). Bilateral agreements are rare, as they usually mean that one party is better off and one party is worse off than with the fall-back rate.<sup>45</sup> Consequently, the card networks' fall-back rate is regularly applied. The owners of PSA can set different service fees for ATM transactions on the PSA network. However, PSA's service fees are not attractive to third-party providers that are not involved in issuing. Therefore, they have not joined the PSA network. Instead, these third-party providers are directly linked to the card networks and take advantage of the higher fall-back rate.

Third-party providers are not members of the PSA network and therefore receive the card networks' service fees in the amount of the respective domestic fall-back rate. Talks with the market participants revealed that Maestro cut the service fee for ATM transactions in Austria (domestic) at the end of 2015 by [CONFIDENTIAL]. According to the third-party providers, this change to the fee was a reaction to more intense competition from V-pay/Visa and an attempt by Maestro to make itself more attractive to issuing customers, i.e. the banks. During the 2012-2015 period, the service fee was third-party providers' main source of income. According to information from the providers, an individual break-even point is calculated for each ATM location, based mainly on the number of transactions per ATM. The halving of the domestic fall-back rate in autumn 2015 also meant, according to the providers, that some ATM locations with a relatively small number of transactions had to be given up. Third-party providers have played a key role in the growth of the ATM market over recent years. ATMs have frequently been installed at former bank branch locations or locations where banks previously had their own ATM. The providers also claimed that they were repeatedly being asked by local authorities whether new ATMs could be installed. However, in cases where the number of transactions was too small, this only made economic sense if the local authority or owner of the location made up any shortfall in income.

In contrast, according to PSA, Austria has a high density of ATMs across the country and, provided locations were optimally selected, the population could also be sufficiently supplied with cash with fewer ATMs.

With regard to the Austrian card payment system, ATM operators and POS operators generally accept all standard payment cards (multi-homing), while issued debit cards generally just have one brand, and card users generally only have one payment card (single homing). As has been shown in the economic literature, this situation regularly

---

<sup>45</sup> Information from market participants.

means that card networks are in competition for the single-homing side, and thus act in the interests of the single-homing side.<sup>46</sup> Setting the domestic fall-back rate in the interests of card-issuing banks therefore appears to be plausible. If the number of ATM locations were to be reduced, cardholders could find it taking them longer to make cash withdrawals. In such a case it can be assumed that the number of POS transactions would increase.

Since July 2016 it has been possible to demand surcharges from the cardholders for ATM transactions using Maestro (domestic scheme). As detailed above, Euronet has been the only third-party provider to use this option to date. The current charge per ATM transaction is EUR 1.95. As far as the card-issuing banks are concerned, surcharging considerably reduces the costs of an ATM transaction as it means that a service fee no longer needs to be paid to the ATM acquirer. According to an empirical study, introducing surcharges results in more ATMs being installed.<sup>47</sup> Having a higher density of ATMs makes it more convenient for customers to withdraw cash. On the other hand, the costs of ATM withdrawals also increase for the cardholders, who are paying for the better ATM infrastructure (in)directly through, for example, higher account maintenance fees. Depending on how high these fees are, and based on cardholders' preferences, the number of ATM transactions may increase or decrease as a result.

The amount of the transaction fees at wholesale level is a key factor in the profits made by card-issuing banks, the ATM operators and the POS operators. Insofar as card payments made at the POS create cost benefits for the merchants and intermediaries in the card payment process, the optimal solution from the perspective of welfare economics may be to offer consumers incentives to make greater use of the cheaper means of payment. However, consumers will only benefit from this system of incentives if they are included in the higher income from the POS transactions and not just in the higher costs of the ATM transactions.<sup>48</sup> The optimum solution in terms of welfare economics is also only achieved if the end user in the card payment transaction, the cardholder, the ATM operator and the POS operator, fully internalise the benefits generated and if the intermediaries involved in the card transactions do not charge any profit margins.<sup>49</sup>

---

<sup>46</sup> Cf. Belleflamme/Peitz (2015).

<sup>47</sup> Cf. Knittel/Stango (2008) Incompatibility, Product Attributes, and Consumer Welfare.

<sup>48</sup> Cf. Farrell (2006) and Vickers (2005).

<sup>49</sup> Cf. Rochet & Tirole (2004, 2011).

## **7 Enforcement of competition in and regulation of the card payment system and current account business**

Market intervention is justified if there is market failure and if the benefits of state intervention outweigh the costs of that intervention. According to Vickers (2005), regulatory intervention in relation to card payment transactions may take the form of conditions imposed for the purposes of enforcing competition or the form of statutory rules or action by a regulatory authority<sup>50</sup>. The advantage of enforcing competition mainly lies in the fact that no new laws or regulatory structures are required. On the other hand, when applying competition law, anticompetitive conduct must generally be proven.<sup>51</sup>

### **7.1 Competition enforcement**

The European Commission has looked at a series of anti-trust cases regarding the level of the multilateral interchange fee (MIF) charged for POS transactions. With regard to the MasterCard I case, a limit was placed on the amount of the MIF applied to cross-border POS transactions. Meanwhile, in the Visa MIF case, a limit was also placed on the amount of the MIF applied to domestic POS transactions. In April 2013, the European Commission began further proceedings (MasterCard II) regarding the fees and rules within the MasterCard card payment network.<sup>52</sup> The national competition authorities of the European Member States have also carried out a series of anti-trust investigations into card payment transactions.<sup>53</sup>

In the Europay Austria GmbH case, the Austrian Cartel Court found that Europay, through the provisions of its “ATM Agreement” for POS acquiring during the period from 1998 to 2004, was in breach of anti-trust law and had also breached the ban on abuse of a dominant market position. The Supreme Cartel Court imposed a fine of EUR 7 million covering the period from 2002 until 2004.<sup>54</sup>

As part of its sector inquiry into retail banking, the European Commission held talks from 2006 onwards with Paylife Bank GmbH (formerly Europay Austria) in order to strengthen competition in relation to Austrian card payment transactions. PayLife Bank GmbH was at the time involved in debit/credit/prepaid issuing and in ATM/POS acquiring, and was owned by the Austrian banks.<sup>55</sup> In 2012, the Commission

---

<sup>50</sup> In Australia, the interchange fee is regulated by the Reserve Bank of Australia, cf. <http://www.rba.gov.au/payments-and-infrastructure/review-of-card-payments-regulation/q-and-a/card-payments-regulation-qa-conclusions-paper.html>, retrieved on 19 January 2017; in the UK, a separate Payment Systems Regulator was established in 2015, cf. <https://www.psr.org.uk/about-psr/background-psr>, retrieved on 19 January 2017.

<sup>51</sup> Cf. Vickers (2005).

<sup>52</sup> Cf. COMP/34.579 MasterCard I, COMP/39.398 Visa MIF and COMP/40.049 MasterCard II.

<sup>53</sup> Cf. [http://ec.europa.eu/competition/sectors/financial\\_services/information\\_paper\\_payments\\_en.pdf](http://ec.europa.eu/competition/sectors/financial_services/information_paper_payments_en.pdf), retrieved on 20 January 2017.

<sup>54</sup> Austrian Supreme Court of Justice (OGH) as Supreme Cartel Court, 12 September 2007, 16 Ok 4/07, ATM Agreement II.

<sup>55</sup> Cf. European Commission (2007b).



recommended that PayLife Bank be divested.<sup>56</sup> As already mentioned, the newly created Payment Service Austria (PSA) took over the debit issuing support and ATM acquiring business areas. PayLife Bank in its new guise retained the areas credit issuing, prepaid issuing and POS acquiring. In 2013, PayLife was sold to SIX.<sup>57</sup> What this means is that POS acquiring is now no longer mainly carried out by a company owned by the Austrian banks.

## 7.2 Regulation

Alongside a series of competition measures, legislation regulating payment networks and current accounts was also driven forward at European level, aiming in particular at promoting a European single market in (card) payment transactions and increasing transparency and competition in the current account business. A short overview of the relevant provisions governing debit cards and ATMs is provided below.

### Directive on payment services in the internal market and ZaDiG

The drawing up of the Payment Services Directive (Directive 2007/64/EC, PSD I) created a uniform legal framework for euro payments within the EU. PSD I forms the statutory basis for SEPA and was transposed into Austrian national law in November 2009 in the form of the Payment Services Act (ZaDiG). In response to changing market conditions, the EU's Payment Services Directive was revised, creating PSD II, and is currently in the process of being implemented at national level. The aims of the amended legal provisions are to improve consumer protection, promote innovation and further increase the security of payment services.

Payment services that are offered by financial service providers (non-banks) were taken out of the scope of PSD I. This created a rise in the number of independent ATM services in many Member States, particularly in areas with small populations. For this reason, this rapidly growing part of the ATM market was no longer fully excluded from the scope of PSD II in order to avoid confusion over the fees for cash withdrawals. Until then, there had been doubt in cross-border situations as to whether fees could be charged twice for the same withdrawal, once by the account-managing payment service provider and once by the ATM operator. In order to maintain the provision of ATM services and also guarantee clarity around the fees for cash withdrawals, this exception continues to apply to third-party providers, which are however covered by the terms of PSD II in relation to compliance with certain transparency rules. The fees charged by ATM operators continue to apply without prejudice to the terms of Regulation (EC) No 924/2009. Pursuant to Article 3(o) of PSD II, "cash withdrawal services offered by means of ATM by providers, acting on behalf of one or more card issuers, which are not a party to the framework contract with the customer withdrawing money from a payment account, on condition that those providers do not conduct other payment

---

<sup>56</sup> Cf.

<https://web.archive.org/web/20140111230919/http://wirtschaftsblatt.at/home/nachrichten/oesterreich/771298/index>, retrieved on 19 January 2017.

<sup>57</sup> Cartel Court SIX/Paylife (27 Kt 48, 49/13-53 of 29 October 2013).

services as referred to in Annex I” are excluded from the Directive. Furthermore, the Directive is applicable in relation to information obligations: “Nevertheless the customer shall be provided with the information on any withdrawal charges referred to in Articles 45, 48, 49 and 59 before carrying out the withdrawal as well as on receipt of the cash at the end of the transaction after withdrawal.” In this way, PSD II clarifies that classic third-party providers, such as Euronet, while still not being covered by the terms of the Payment Services Directive in future, will be subject to the same information obligations as those applied to banks, particularly in relation to notifying customers about surcharges that are applied to ATM transactions at the ATM. PSD II is due to be transposed into national law by the beginning of 2018.

### **Regulation on cross-border payments in the EU and ZaDiG**

To date, there have been no statutory provisions in Austria governing the fees that may be charged for ATM transactions. At European level, Article 3(1) of Regulation (EC) No 924/2009 on cross-border payments in the Community (amended by Article 17(2) of Regulation (EU) No 260/2012), implemented in Austria by the Payment Services Act (ZaDiG),<sup>58</sup> contains rules on uniform pricing. According to this provision, charges levied by a payment service provider on a payment service user in respect of cross-border payments shall be the same as the charges levied by that payment service provider on payment service users for corresponding national payments of the same value and in the same currency. Wherever withdrawals being made at foreign ATMs are cross-border payments as defined in the Regulation, the provision is directly applicable. The Regulation does not provide a conclusive definition of what constitutes a cross-border payment or with regard to the adjective “corresponding” (“the corresponding national payment”). This is particularly relevant in the case of surcharging in domestic ATM transactions and withdrawal fees in foreign ATM transactions, where the issuing bank has to pay service fees to the foreign ATM operator. From the perspective of the Financial Market Authority (FMA), the authority responsible for enforcement in Austria in this area pursuant to Article 59 para. 2 ZaDiG, the key factor in terms of applying uniform pricing is, however, that banks and ATM operators apply fees and surcharges on a non-discriminatory basis to both domestic and non-domestic transactions.

### **Payment Accounts Directive and Consumer Payment Accounts Act**

With regard to the regulation of account package fees and ATM transactions, the Payment Accounts Directive (Directive 2014/92/EU), implemented in Austria by the Consumer Payment Accounts Act (VZKG), addresses the currently low level of domestic and cross-border consumer mobility in relation to payment accounts and improved access to such accounts. For this purpose, rules have been established on transparent information on the fees associated with consumer payment accounts and the simplified options for switching account. Additionally, every consumer now has the right to a payment account with basic functions (“basic payment account”) subject to a maximum

---

<sup>58</sup> Federal Act on the Provision of Payment Services, original version: Federal Law Gazette I No. 66/2009 (National Council: 24th legislative period, government bill 207, report 213, p. 27. Federal Council: report 8117, p. 772.)

price. In this way, credit institutions have been forced to enter into account agreements under certain conditions.<sup>59</sup> The credit institution is required to provide consumers who hold a basic payment account with all essential payment services for an unlimited number of payment transactions. The fee charged per year for such an account may not exceed EUR 80, with a maximum annual fee of EUR 40 for consumers in need of particular social or economic protection for as long as this special protection is required.<sup>60</sup> No withdrawal fees for using ATMs or separate costs for transactions may be charged to consumers in relation to a basic payment account.

The Payment Accounts Directive also provides for comprehensive measures to increase transparency, and these were transposed into national law in the form of the Consumer Payment Accounts Act (VZKG). In particular, pursuant to Article 8 of VZKG, customers must be provided with a detailed and standardised statement of fees. Article 10 of VZKG provides for the creation of an independent comparison website designed to make price comparisons easier.

In accordance with Article 14 of VZKG, banks are required to offer a switching service to make changing bank accounts easier from an organisational perspective. At the account holder's request, the transferring payment institution must provide the receiving institution with information about standing orders, direct debit mandates, recurring payments and debits from the past 13 months, doing so within two business days (Article 16 of VZKG).

According to Article 36 para. 1 of VZKG, Articles 6 and 8 to 13 regarding the statement of fees and comparison website shall "enter into effect nine months after entry into force of the delegated acts, which the European Commission shall issue pursuant to Article 3(4) of Directive 2014/92/EU." The remaining provisions of the VZVG, particularly those regarding the basic account (Article 23) and the switching service (Article 14), entered into force on 18 September 2016.<sup>61</sup> The FMA is responsible for enforcing the relevant rules (Article 29 of VZKG).

### **Regulation on interchange fees**

The European Regulation on interchange fees for card-based payment transactions (Regulation (EU) 2015/751) entered into force on 9 December 2015. It caps the interchange fees for debit card transactions at 0.2% and for credit cards at 0.3% of the transaction amount.

---

<sup>59</sup> Government bill 1059, 25th legislative period, on VZKG, point 2, essential content.

<sup>60</sup> 255th Regulation of the Federal Ministry for Labour, Social Affairs and Consumer Protection on determining groups of consumers in need of particular social or economic protection (VZKG-V), 14 September 2016.

<sup>61</sup> According to Article 36 para. 1 of VZKG, Articles 6 and 8 to 13 regarding the statement of fees and comparison website shall "enter into effect nine months after entry into force of the delegated acts, which the European Commission shall issue pursuant to Article 3(4) of Directive 2014/92/EU". In contrast, the switching service as defined under Article 16 should already have been implemented.

## **8 Options regarding the regulation of ATM fees**

As referred to at the start, there was a public debate in Austria in 2016 on whether fees for using ATMs should be prohibited. Various different alternatives are discussed below, along with their potential impact.

### **8.1 Regulation of withdrawal fees in the context of current account agreements**

The bank survey revealed that Austrian cardholders carry out significantly more POS transactions than ATM transactions. This shows that consumers prefer POS transactions, even in the absence of any withdrawal fees for ATM transactions. Introducing a withdrawal fee would mean that the number of ATM transactions would fall and the number of POS transactions rise further. If fees were only charged for withdrawals made at an ATM not operated by the cardholder's own bank, the expected trend would be for cardholders to make greater use of their own bank's cash machines.

The number of ATM and POS transactions varies among consumers. This implies that consumers have heterogeneous preferences for payment instruments. Heterogeneous usage patterns can also be observed on the mobile phone market. This market features both contract-based charges, where customers pay a flat rate covering all usage, and pay-as-you-go plans, where customers are billed according to the number of minutes and texts and amount of data used. Consumers can select the product that best matches their level of use.<sup>62</sup>

This type of option could also lie in consumers' interest if applied to current accounts. If withdrawal fees were to be banned, banks would also have other ways of increasing the costs of a current account. For example, they could put up account maintenance fees or the additional fees charged for such services as the issuing of a new debit card. One alternative to only considering withdrawal fees lies in analysing the costs of the current account as a whole.

As explained above, through the VZKG, the legislator has already provided a framework within which the annual fees charged for certain types of current account (basic accounts) are capped.

Additionally, promoting effective competition in the current account segment would also cut the total costs faced by cardholders and would be an alternative to regulating ATM fees. The European Commission's sector inquiry on European retail banking in 2007 concluded that current account business was characterised by low levels of transparency and high barriers to account switching, thereby hampering effective competition. With regard to the barriers to account switching, particular reference was made to the high costs of finding an alternative account, the organisational effort

---

<sup>62</sup> Cf. BWB (2016).

required to switch accounts, and the widespread practice of banks linking the award of loans to the conclusion of a current account agreement.<sup>63</sup>

The BWB customer survey also confirms this picture. The survey revealed that 43% of account holders do not know how much their current account costs them per month, while 35% only have a rough idea of the monthly fee. Moreover, 18% of current account holders do not know if they are already paying withdrawal fees for ATM transactions. Consequently, the level of transparency on the current account market can still be described as low, while the information obligations and switching service set out in the VZVK could help to make competition in this segment more effective. Given that the provisions of the VZKG have either not yet entered into force or have only applied for a short time, it is still too early to assess the law's effectiveness.<sup>64</sup> The extent to which the offers created by the VZKG will be taken up by consumers also remains to be seen.<sup>65</sup> In the interests of transparency, thought could also be given to an information requirement in relation to the service fees and interchange fees paid or received by the banks, with cardholders being informed accordingly.

## **8.2 Regulation of direct agreements at ATMs (surcharges)**

The rise in the number of ATMs in Austria during the period from 2012 to 2015, and the fact that the number has been maintained since then, can be attributed to the expansion of third-party providers. These providers' business model is based on the service fees charged for card payment transactions, which, as explained above, were halved in the case of Maestro during 2015. A ban on surcharges coupled with a further reduction in service fees by the card network providers could result in third-party providers being pushed out of the Austrian market and cause ATM numbers to fall. Prohibiting surcharges would therefore in itself not appear to lie in consumers' interests.

As an alternative, banks could be obligated to assume the costs of surcharges agreed between their customers and domestic ATMs. Some banks argue that they have no way of knowing whether their customers have entered into a direct agreement or not. However, given that a credit check is made with the card-issuing bank during an ATM transaction, it would appear that the relevant data could in principle be provided. If the surcharge were to be passed on, the third-party providers would be free to levy any surcharge they liked without having to cope with a decrease in transactions. It would also make sense for third-party providers to continue to expand in such a situation, by installing more ATMs. Consequently, such a regulation would massively increase the

---

<sup>63</sup> Cf. European Commission (2007b). The rules governing payment transactions and current account business described in Chapter 7.2 above are aimed, not least, at the "market deficits" detected in the European Commission's sector inquiry, cf. European Commission (2007a), para. 4.

<sup>64</sup> Cf. for example reports on problems relating to automated data exchange in the context of the account switching service as defined in Article 14 of VZKG, <http://derstandard.at/2000051255705/Bawag-strauchelt-bei-Kontokuendigungen>, retrieved on 24 January 2017.

<sup>65</sup> Other competition authorities recommend implementing behavioural economic studies in order to make information requirements as consumer-friendly as possible, cf. for example CMA (2015), Retail banking market investigation.

banks' costs and, ultimately, these costs would be passed on to consumers in the form of higher account maintenance fees. In other words, those causing these costs would push up the costs for all bank customers. The alternative also appears, therefore, not to lie in consumers' interests.

Another aspect that is often discussed is forcing ATMs that charge a surcharge to display information to this effect. Some market participants counter this with the argument that the card network providers already specify the exact text to be displayed on the ATM screen to draw customers' attention to the surcharge. As detailed in Chapter 7.2, PSD II provides for even more detailed information obligations. Some market participants raised the issue that information provided on screen was easy to overlook and voiced their support for additional labelling on ATMs, by adding information signs for example.

### **8.3 Transaction fees at wholesale level (service fees)**

An empirical test has been developed in economic literature that enables the interchange fee for POS transactions to be regulated such that the overall welfare of the card payment system is optimised or at least increased.<sup>66</sup> This "merchant indifference test" or "tourist test" was applied by the European Commission's Directorate General for Competition in the MasterCard and Visa cases in order to stipulate an upper limit for the multilateral interchange fee.<sup>67</sup>

It would also be possible to develop an economic test to carry out a (time-limited) regulation of the service fee for ATM transactions and thereby to ensure that ATMs can be operated on a break-even basis once a particular volume of transactions is recorded. Another feasible option would be the introduction of staggered or location-based fees so as to avoid excessive profits being made at the locations subject to most frequent use. Based on the economic literature, express reference must be made, however, to the need for a high volume of data when implementing such a test.<sup>68</sup> Regular empirical evaluation of such a measure would also be desirable in order to avoid expensive mistakes.

With regard to the structures and workflows in a potential regulation process, reference is made by way of example to the processes of the Austrian Telekom-Control-Kommission (TKK), which is based at RTR GmbH and responsible for regulating (wholesale) markets in the telecoms sector.<sup>69</sup>

---

<sup>66</sup> Cf. Zenger, H. (2011).

<sup>67</sup> Cf. [http://ec.europa.eu/competition/sectors/financial\\_services/enforcement\\_en.html](http://ec.europa.eu/competition/sectors/financial_services/enforcement_en.html), retrieved on 20 January 2017.

<sup>68</sup> Cf. Rochet & Wright (2010) and Farrell (2006).

<sup>69</sup> For information on the legal status of the TKK, see Article 116 of the Telecommunications Act (TKG). Article 42 TKG describes how charges can be controlled on the wholesale markets.

#### **8.4 Constitutional aspects of a ban on withdrawal fees**

BWB was made aware of a draft amendment of the VZKG focusing on the prohibition of withdrawal fees. The ban being considered appears problematic to BWB, including from a constitutional perspective. Such a ban would represent interference in private affairs and thus interference in the constitutionally protected right to respect for property (Article 5 of the Austrian Basic Law [StGG] and Article 1 of Additional Protocol No. 1 of the ECHR [ZPMRK]). Such intervention is as a general rule only permitted if the aim lies in the public interest and the regulation is proportionate. Consumer protection may be referred to as a public interest justifying the statutory prohibition of withdrawal fees, but what is questionable is the proportionality of introducing such a regulation.<sup>70</sup> The public interest behind the regulation on the one hand needs to be weighed up against the interference in a fundamental right on the other. It is doubtful whether consumer protection actually outweighs the results of the interference in a fundamental right associated with such a regulation. If the regulation aimed to ensure, particularly with regard to consumer protection, that consumers are able to change their book money into cash without being required to pay a specific fee for the withdrawal transaction over and above any account maintenance fee and the fee charged for an ATM card, this does not correspond to the principle of transparency if such a fee can then be incorporated into the calculation of the account maintenance fee.<sup>71</sup> The interference in a fundamental right associated with a statutory regulation would also require a more precise definition of the withdrawal fee (particularly the distinction compared with a surcharge) and of the extent of the ban, not just in terms of the relationship between the consumer and the credit institution but also that between the consumer and a third party. In this way, and from BWB's perspective, any statutory regulation imposing a ban on cash withdrawal fees and introduced by the lawmaker would have more, further-reaching constitutional implications in addition to the implications for competition.

---

<sup>70</sup> Cf. e.g. Judgement of the Constitutional Court 16.222/2001. Consumer protection was also accepted as a legitimate public interest in the expert report prepared by the Constitutional Service of the Austrian Federal Chancellery on 17 May 2016 on prohibiting or limiting ATM withdrawals fees (p. 1).

<sup>71</sup> Cf. in this regard the report prepared by the Constitutional Service of the Austrian Federal Chancellery on 17 May 2016 on prohibiting or limiting ATM withdrawals fees (p. 2).

## References

- Belleflamme, P., & Peitz, M. (2015). *Industrial organization: markets and strategies*. Second Edition, Cambridge University Press.
- BWB (2016). *The Austrian Market for Mobile Telecommunication Services to Private Customers. An Ex-post Evaluation of the Mergers H3G/Orange and TA/Yesss!, Sectoral Inquiry BWB/AW-393, Final Report, Vienna.*
- Davis, P., und Garcés, E. (2009). *Quantitative techniques for competition and antitrust analysis*. Princeton University Press.
- European Commission (2004). *Guidelines on the assessment of horizontal mergers, 2004/C 31/03.*
- European Commission (2007a). *Report on the retail banking sector inquiry. Commission Staff Working Document Accompanying the Final Report, SEC(2007) 106.*
- European Commission (2007b). *Inquiry into retail banking pursuant to Article 17 of Regulation (EC) No 1/2003 (Final Report), SEC(2007) 106.*
- Farrell, J. (2006). *Efficiency and competition between payment instruments. Review of Network Economics, 5(1).*
- Federal Trade Commission and U.S. Department of Justice (2010), *Horizontal Merger Guidelines.*
- Filistrucchi, L., Geradin, D., Van Damme, E., & Affeldt, P. (2014). *Market definition in two-sided markets: Theory and practice. Journal of Competition Law and Economics, 10(2), 293-339.*
- Knittel, C., & Stango, V. (2008). *Incompatibility, Product Attributes, and Consumer Welfare: Evidence from ATMs, The B. E. Journal of Economic Analysis & Policy, 8(1).*
- Maier-Rigaud, F. P., & Schwalbe, U. (2012). *Market Definition. Background Note by the Secretariat, OECD, DAF/COMP(2012)13/REV1.*
- OeNB (2009). *Zahlungsverkehrsbericht 2009 (Payment Systems Report), Vienna.*
- Office of Fair Trading (2003). *Assessing profitability in competition policy analysis. OFT Working Paper 657 (prepared by Oxera).*
- PSA (2014). *Wir machen zahlen einfach. Der Card-Service-Partner für Österreichs Banken (We make paying easy. The card service partner for Austria's banks). Company presentation, Vienna.*
- Rochet, J. C., & Tirole, J. (2002). *Cooperation among competitors: Some economics of payment card associations. Rand Journal of Economics, 549-570.*
- Rochet, J. C., & Tirole, J. (2004). *Two-sided markets: an overview. Institut d'économie industrielle working paper.*
- Rochet, J. C., & Tirole, J. (2006). *Two-sided markets: a progress report. The RAND Journal of Economics, 37(3), 645-667.*
- Rochet, J. C., & Tirole, J. (2011). *Must-Take Cards: Merchant Discounts and Avoided Costs. Journal of the European Economic Association, 9(3), 462-495.*
- Rochet, J. C., & Wright, J. (2010). *Credit card interchange fees. Journal of Banking & Finance, 34(8), 1788-1797.*
- Rysman, M. (2009). *The economics of two-sided markets. The Journal of Economic Perspectives, 23(3), 125-143.*



Vickers, J. (2005). Public policy and the invisible price: competition law, regulation and the interchange fee. *Competition Law Journal*, 4(1), 5.

Zenger, H. (2011). Perfect surcharging and the tourist test interchange fee. *Journal of Banking & Finance*, 35(10), 2544-2546.

## Appendix

### A. Banksurvey

For the purposes of a quantitative assessment of the market, questionnaires were sent to the banks/sectors and third-party providers listed in Table 19 (“Bank survey”). The companies contacted took part in the survey voluntarily and the response rate was high. The surveyed companies accounted for approximately 97% of card-issuing institutions, 97% of ATMs in operation, and around 91% of Austrian ATM transactions.

As part of the questionnaire, annual aggregated data for the following areas was requested for the 2012-2015 period at company/sector level:

- Debit issuing – number of debit cards, income and expenses with regard to debit issuing, fees for withdrawals
- ATM transactions from the perspective of debit issuing – number and volume of withdrawals
- POS transactions from the perspective of debit issuing – number and volume of transactions, income and expenses attributable to POS transactions
- ATM operations from the perspective of the ATM operator – number of ATMs broken down by type, investment, number and volume of withdrawals, operating income and expenses
- Current accounts and retail customers – income and expenses from current account and retail banking business

Together with the banks, BWB carried out a comprehensive data adjustment and also performed plausibility checks with the public data available from OeNB and PSA data.

**Table 19: Surveyed banks/banking groups and third-party providers**

1	RLB Burgenland	21	Bankhaus Carl Spängler & Co. AG
2	RLB Carinthia	22	BAWAG PSK AG
3	RLB Lower Austria/Vienna	23	BKS Bank AG
4	RLB Upper Austria	24	Oberbank AG
5	RLB Salzburg	25	UniCredit Bank Austria AG
6	RLB Styria	26	Volkskreditbank AG
7	RLB Tyrol	27	Bank Winter & Co. AG
8	RLB Vorarlberg	28	Bankhaus Krentschker & Co. AG
9	Austrian Savings Banks Association	29	Bankhaus Schelhammer & Schattera AG
10	Volksbank Wien AG	30	Commerzbank Mattersburg
11	Austrian Association of Cooperative Banks	31	DenizBank AG
12	Hypo-Bank Burgenland AG	32	Hellobank AG
13	Austrian Anadi Bank AG	33	ING DiBa Direktbank Austria
14	HYPO NOE Gruppe Bank AG	34	VakifBank International AG
15	Oberösterreichische Landesbank AG	35	Euronet (third-party provider)
16	Salzburger Landes-Hypothekenbank AG	36	FirstData (third-party provider)
17	Landes-Hypothekenbank Steiermark AG		
18	Hypo Tirol Bank AG		
19	Vorarlberger Landes- und Hypothekenbank AG		
20	Bank für Tirol und Vorarlberg AG		

## B. Customer survey

As part of the study, BWB proposed a customer survey. This customer survey was implemented by the Institute for Empirical Social Studies (IFES) on behalf of the Austrian Federal Economic Chamber and was financed by the major Austrian banks. BWB had sole responsibility for the content of the customer survey. A representative sample of 1,030 people was interviewed. The sample was drawn from the population of Austrian residents aged 16 or older, who hold and use a current account.

The survey was conducted by telephone and online during October 2016, with the participants being asked questions on several subject areas. The first group of questions related to the respondents' relationship with their current account and house bank. The second set of questions related to the use of debit cards. A further set of questions then focused on cardholders' reaction to the introduction of withdrawal fees. The final set of questions concerned respondents' awareness of the existence of different ATM operators.

### **Current account and house bank**

During the first round of questions, it was established that 98% of respondents had one or more current accounts, while 2% used a current account but did not have one of their own. It was also revealed that 79% of those surveyed had one current account, 17% had two accounts, and 4% had three or more current accounts. Of all those surveyed, 100% had an ATM card.

**Table 20: Market share by current account**

<b>What is your house bank, at which bank do you hold your current account?</b>	
Raiffeisen cooperatives	34%
Sparkassen/Erste Bank	21%
UniCredit/Bank Austria	11%
BAWAG/PSK	11%
Volksbank	7%
easybank	5%
Other	5%
HYPO	3%
Don't know/no answer	3%

The responses received in relation to the house bank question, i.e. the bank with which respondents had a current account, are summarised in Table 20. The Raiffeisen cooperatives were the most popular answer, accounting for 34% of all responses, followed by the Sparkassen/Erste Bank group at 21%. The next most common answers were UniCredit/Bank Austria and BAWAG/PSK, some way down. Volksbank accounted for 7% of responses, followed by easybank, which is the direct banking subsidiary of BAWAG/PSK. Towards the bottom of the list were other institutions, primarily joint stock banks. The Austrian regional mortgage banks were in last place. Of the respondents, 3% were either unable or unwilling to name their house bank.

The following question aimed to delve into the customer's relationship with the bank in more detail. The survey participants were asked about the respective importance of various aspects in relation to their own house bank. As shown in Table 21, a long-term relationship with the house bank was deemed to be either very important or quite important by 75% of those surveyed. This is likely to be one of the reasons why customers in Austria tend to be reluctant to switch banks. As expected, costs and fees are a key factor in selecting a house bank, with more than 90% of customers regarding this aspect as very important or quite important.

**Table 21: Important aspects in relation to a house bank**

<b>How important are the following aspects when choosing your house bank?</b>	Very important	Quite important	Slightly important	Not important	Don't know/no answer
Long-term relationship	45%	30%	15%	9%	1%
Low costs/fees	67%	25%	5%	2%	1%
Online banking available	48%	17%	10%	24%	1%
Branch near my home	53%	24%	14%	9%	0%

Online banking is very important to around one half of those surveyed, and slightly important/not important to around one third. This is in line with statistics on the use of online banking in Austria, according to which 53% of Austrians used online banking in 2016, a level that is slightly higher than the EU average of 49%.<sup>72</sup> Having a branch close by is very important to around half of respondents, with this figure likely to include the majority of those customers for whom online banking is of less importance.

When questioned about how satisfied they were with their current account, 50% of respondents said they were very satisfied, while 43% claimed to be quite satisfied.

**Table 22: Satisfaction with current account**

<b>How satisfied are you with your current account?</b>	Very satisfied	Quite satisfied	Slightly satisfied	No answer
	50%	43%	6%	1%

On the other hand, only 20% of those questioned knew exactly how much their current account cost, with 35% having a rough idea and 43% claiming not to know the costs. These results contradict the exceptionally high value attached to costs and fees, as shown in Table 21.

<sup>72</sup> Figures from Statista GmbH: <https://de.statista.com/statistik/daten/studie/431727/umfrage/nutzung-des-internets-fuer-online-banking-in-oesterreich/>, retrieved on 10 January 2017.

**Table 23: Cost awareness**

<b>Do you know roughly how much your current account costs per month?</b>	Yes, I know exactly	Yes, I have a rough idea	No, don't know	No answer
	20%	35%	43%	2%

Those who answered to the effect that they knew exactly or roughly how much they were paying were questioned on these costs in more detail. As shown in Table 14 (Chapter 5.4), 20% of this group stated that they have a free account. 48% of respondents said that their account cost between EUR 5 and EUR 10, with the remainder quoting a higher amount.

Table 17 (Chapter 5.4) shows that 16% of bank customers have a free account, with 36% stating that they pay a flat-rate fee. 8% of those surveyed have an account that charges for every transaction, while 23% stated that they only had to pay after exceeding a certain number of transactions. A relatively high percentage, namely 18%, were unfamiliar with their account model.

### **Debit card**

The next set of questions tackled Austrian bank customers' relationship with their ATM card. First and foremost, it is interesting to note how often these cards are used. When asked how frequently they used their card, 17% responded daily and 35% said that they used their card two to three times a week. The proportion of customers only using their card on rare occasions or as good as never is relatively low, at 9%.

**Table 24: Frequency with which the ATM card is used**

<b>How often do you generally use your ATM card?</b>	
(Almost) daily	17%
2-3 times a week	35%
Once a week	17%
A few times a month	22%
Less often	6%
Almost never	3%

With regard to the type of use, cash withdrawals, at 95%, clearly dominate. This also reflects the fact that cash continues to dominate as the preferred form of payment in Austria.<sup>73</sup> At the same time, however, ATM cards (with a debit card function) are also frequently used to make cashless payments. 76% of respondents said that they used their ATM card to make cashless purchases when shopping. Almost half of respondents said that they used their card to check their account balance, with 39% using it to transfer money. In other words, the ATM card has become a fixed feature of how Austrian bank customers conduct their banking business.

<sup>73</sup> See also, for example, "Der Zahlungsverkehr in Österreich" (The Payment System in Austria), OeNB 2016, p. 16, <https://www.oenb.at/Publikationen/Zahlungsverkehr/der-zahlungsverkehr-in-oesterreich.html>

**Table 25: Purposes for which the ATM card is used**

<b>What services do you use your ATM card for?</b>	
To withdraw cash	95%
To make cashless payments when shopping	76%
To check my account balance	47%
To transfer money	39%
To load my electronic wallet	10%
Other	5%

When asked about their preferences in relation to using their ATM card, half of the bank customers surveyed said that what they liked most was not being tied to particular opening times. 34% stated that the most important feature for them was the ability to make cashless payments with their card, while 12% most appreciated not needing to stand in a queue in the bank.

**Table 26: Preferences with regard to the ATM card**

<b>What for you is the most important feature of the ATM card?</b>	
Transactions can be carried out any time, not just during opening hours	50%
I generally use my ATM card to make cashless payments	34%
I can avoid having to queue in the bank	12%
Don't know	2%
No answer	2%

In contrast, when the survey participants were asked about using bank counters, it became clear that only a few customers regularly go into their bank. 42% of those surveyed had not used a bank counter at any time during the past 12 months. Only 3% of respondents use a bank counter once a week or more often, with 18% using this service a few times a month. 29% of those questioned use a bank counter a few times a year, with 7% stating that they would use a counter once a year.

**Table 27: Use of bank counters**

<b>Have you used a bank counter in the past 12 months in order to pay in cash or to make a withdrawal? If yes: How often have you used a bank counter over the past 12 months?</b>	
No, never	42%
Yes,	57%
once a week or more frequently	3%
a few times a month	18%
a few times a year	29%
once a year	7%
Don't know/no answer	2%

With regard to the availability of ATMs, 90% of respondents said that it was very or quite easy for them to find an ATM. Only 8% stated that they found it quite difficult or

very difficult to find one, while 2% of the survey participants were unable or unwilling to express a view.

In terms of people’s habits in relation to withdrawing money from ATMs, Table 28 shows that more than 40% of people use a large number of different ATMs. This could indicate that a relatively high proportion of bank customers in Austria do not give any thought to which ATMs they use to take out money. This in turn reflects a banking landscape in which fees for withdrawing cash from another bank’s ATM are relatively rare.

**Table 28: Habits with regard to use of ATMs**

<b>Which of the following statements best applies to you with regard to making cash withdrawals from ATMs?</b>	
I generally always use the same cash machine	28%
There are a few cash machines that I normally use	27%
I take money out from many different cash machines	43%
Don’t know	1%
No answer	1%

### **Withdrawal fees**

A further set of questions concerned the fees charged for using other banks’ ATMs and hypothetical behaviour in the event of such fees being generally introduced. In response to the question of whether such fees were already been charged to use another bank’s machine, 47% replied no and 26% said they did not know. Meanwhile, 4% of those surveyed replied that they had to pay to use another bank’s ATM. However, only 4% mentioned having to pay to withdraw cash from third-party providers (Euronet and FirstData). This figure should actually have been higher, as Euronet generally charges for use of its ATMs. It may well be that not all consumers have yet realised that this is the case.

**Table 29: Fees charged for using another bank’s ATM**

<b>As part of your current account package with your house bank, do you pay to take out money from other banks’ cash machines?</b>	
No	47%
Don’t know	26%
Yes, as part of the basic charge for my current account	10%
I pay a fee for each withdrawal	4%
Only if I use a third-party provider’s ATM to withdraw cash	4%
A certain number of withdrawals are included in what I pay	6%
Other type of billing	1%
No answer	1%

**Table 30: Behaviour in the event of a fee being introduced to use other ATMs**

<b>How would you react if your house bank introduced a fee for withdrawals made from other ATMs?</b>	
It wouldn't change how I pay for things/withdraw cash	6%
I would look for my own bank's ATMs where possible	74%
I would take out more money when using an ATM	21%
I would make more cashless payments	27%
Don't know	3%
No answer	1%

Multiple answers possible.

When asked about their potential reaction to the introduction of a fee for withdrawing cash from an ATM not operated by their bank, it becomes clear that the majority of consumers would modify their behaviour. 74% of respondents stated that they would then try to use their own bank's machines, and 27% said that they would make more card payments. Only 9% said that they would not change their behaviour or did not know how they would react. 21% of the survey participants mentioned that they would withdraw higher amounts of cash.

### **ATM operators**

The final set of questions deals with the ATM itself. Firstly, the survey participants were asked if they noticed the differences between different types of cash machine. 73% of those surveyed said that they were aware of ATMs provided by other banks or by third-party providers. When asked if it mattered to them which ATM they used to withdraw cash, 73% of the participants who stated that they were aware of different ATMs said no, while 23% of those who were aware of a variety of cash machines answered yes. It can be assumed that this distribution of responses is mainly driven by the fact that the vast majority of banks in Austria do not levy any charges when customers of other banks use their ATMs.

**Table 31. Use of ATMs: Perception of differences**

<b>Does it make any difference to you which ATM you use to take out cash?</b>	
Yes	23%
No	73%
Don't know	3%
No answer	1%

Of those participants who said that it did make a difference to them if they used a different ATM, 87% gave the reason as the fees charged by other banks or ATM operators. Only 11% mentioned high security standards, with 10% giving other reasons.



**Table 32. Use of ATMs: Preferences**

<b>Why does it make a difference to you which ATM you use to take out cash?</b>	
I don't use any ATM for which I will be charged	49%
For me, cash withdrawals are only free if made at my house bank	28%
A high level of security is important to me when using ATMs	11%
Other reasons	10%
Don't know/no answer	2%

Finally, 61% of those surveyed believe that banks make money from their ATMs, while 26% do not think that that is the case.

**Table 33. Profitability of ATM business**

<b>Do you think that banks make money from their ATMs (i.e. that their income from ATM operations is greater than their costs)?</b>	
Probably yes	61%
Probably no	26%
Don't know	13%

## Glossary

ATM acquiring. The connection of ATMs to card networks and related services.

ATM fee. The term “ATM fee” is not clearly defined. It can refer to withdrawal fees for ATM transactions as part of a current account agreement or it can also refer to fees agreed in the form of a direct agreement (surcharge) for using the ATM.

Debit issuing. The issuing of debit cards and related services.

Debit card (“ATM card”). A payment card used (mainly) for cash withdrawals at automatic teller machines (ATMs) or for cashless payments at POS terminals. Immediately after each transaction, the amount spent is charged (debited) to the cardholder’s current account. The cardholder is identified by entering the PIN.

Third-party providers. Payment service providers that operate ATMs but do not issue debit cards as they are non-banks.

ATM. Automatic teller machines (ATM) are machines used for cash withdrawals (cash machines).

ATM transaction. A cash withdrawal from an ATM.

Issuer. A payment institution that issues cards.

Credit card. A payment card used (mainly) for cashless payments at POS terminals but also for cash withdrawals at ATMs. The cardholder must be identified by means of a signature or PIN (for ATM withdrawals). The cardholder is not required to settle the invoice amount immediately but is sent a statement showing the balance due. Cardholders need not have a current account with the institution that issued the credit card.

(Multilateral) interchange fee. Transaction-based fee paid by the POS acquirer to the issuer for POS transactions.

National shortcut. A card network operated by PSA that enables ATM transactions with Austrian debit cards to be carried out without using the interfaces of the international card networks. Both the card-issuing bank and the ATM operator must be PSA clients.

POS terminal. Point of sale (POS) terminals are devices used for cashless payments by card.

POS transaction. A cashless payment at a POS terminal.

Prepaid card (“electronic wallet”). A payment card that is preloaded with a cash balance. The balance can be purchased, or cash can be loaded on to the card. The cardholder can then use the card to make payments up to the loaded amount. Generally, no identification is needed. Using the “Quick” function, Austrian debit cards can be used as prepaid cards.

PSA. Payment Service Austria (PSA) is a company owned by major Austrian banks that offers a bundle of services relating to the issuing of debit cards (debit issuing support) and the connection of ATMs to card networks (ATM acquiring).

Service fee. Transaction-based fee paid by the issuer to the ATM operator for ATM transactions.

Surcharge (ATM). Withdrawal fees agreed by means of a direct agreement at the ATM.

Surcharge (POS). The charging of various prices for the use of different payment instruments such as credit cards, debit cards and cash payments by operators of POS terminals such as retailers or restaurants.