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Hungary: Fostering a cashless society – sectoral inquiry into the bank card acceptance market

The Hungarian Competition Authority (the "HCA") has recently decided to jump-start 2017 by initiating a sectoral inquiry into the market for acceptance of bank card payments. Market players have already seen and experienced that such developments have the potential to substantially affect the market. The findings of the authority may induce significant – and possibly unplanned – changes in market practice and the behaviour of competitors.

In the order launching the inquiry, the HCA outlines its concerns that competition in the market may be distorted. This is based on the finding that smaller companies are exposed to higher costs when accepting card payments than their larger counterparts. Such findings have been substantiated by extensive market research (ordered by the HCA), which clearly concluded that costs play the role of noteworthy constraints. Several companies accepting card payments from their customers are considering the high costs as one of the most significant downsides to accepting card payments, while those who accept cash only, list the costs associated with card payments as the main reason to refrain from accepting the cashless method.

The costs to companies when customers pay by card, are not negligible, they mainly consist of two elements:

- the company pays commission after the payment, usually stipulated as a percentage of the payment value;
- it also pays fixed fees. The recipients of these fees are the financial institutions (banks) providing the service.

However, it is also important to consider the costs of cash and cashless payment from the public's perspective. As the HCA has also outlined, cash payments are associated with high public costs in comparison with cashless (eg card) payments. Therefore it remains crucial for public policy to ensure that the market functions effectively. This would in turn foster the expansion and development of bank card payments, especially within the circle of smaller enterprises which are less motivated to pay for such services.

The sectoral inquiry will entail an overview of the card payment market and an assessment of potential substitutes. The HCA intends to focus on bank card acceptors as a downstream market. The plans include information requests from issuing and accepting banks, bank card providers, and other non-financial acceptors, before reaching out to the companies concerned in the final stages. The sectoral inquiry is planned to be completed by July 2018.

The HCA's aim to foster bank card payments – as a cashless option – is unsurprising and reasonable, particularly considering the current ongoing swift development marked by increasingly effective and convenient online payment services, safer payment apps and alike. Society has already stepped on the road to a cashless society and it seems that there is no turning back. Nevertheless, having experienced the effects of the [HCA's previous sectoral inquiry](#), it is important to closely follow the HCA's actions. Market players should be aware of the HCA's potential to affect market behaviour even without initiating a proceeding, merely by signalling its

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expectations through the findings of the sectoral inquiry. It is likely that the findings of this inquiry will not leave the market players unaffected either, however – as to our experience – there is great potential in the exchanges with the HCA within the framework of the inquiry to ensure a favourable outcome for all parties, including society.

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