



**AMERICAN EXPRESS
AND THE
SINGLE EURO PAYMENTS AREA**



Introduction

American Express welcomes the development of the Single Euro Payments Area (SEPA) as a significant step forward in creating a single market for payment services.

American Express has been operating in Europe for more than 100 years, and has issued cards and acquired merchants for its network across Europe for almost 50 years. American Express is committed to continuing its contribution to the advancement of European payment systems.

American Express's products and network structure are consistent with the SEPA vision announced in the joint statement on 4 May 2006 by the European Commission and the European Central Bank (ECB).

Our business across the SEPA region is operated pursuant to the following principles that are based on that joint statement:

- Our payment network is integrated across the SEPA region and provides competition to the inter-bank card schemes.
- We make no distinction between national and cross-border payments. Our payment products are accepted nationally, and across borders.
- There are no technical, legal, or commercial barriers to card acceptance and card usage among the national markets on the American Express network.

Our SEPA Declaration

Initiatives to create a single market for payments include the Payment Services Directive (PSD) and the SEPA Cards Framework (SCF). While the PSD establishes the legal framework supporting EU policy in relation to SEPA, the SCF is a set of voluntary rules created by the European Payments Council (EPC), an association of banks across the EU27 plus Iceland, Liechtenstein, Norway and Switzerland (the SEPA region).

The SCF has been designed for inter-bank ('four party') schemes and cannot be fully applied to proprietary ('three party') schemes such as American Express. The PSD, which forms the legislative basis for SEPA, explicitly recognises in Article 28 that requirements related only to inter-bank schemes should not apply to proprietary payment systems. Accordingly, American Express has developed its own Declaration to support SEPA and ensure SEPA compliance.

In addition to ensuring compliance with the PSD and interoperability with new technical standards and payment systems, American Express is supporting SEPA by close of the transition period (planned for end of 2010) through the commitments set out below. Many of these commitments reflect requirements established in the SCF for inter-bank schemes. American Express has committed to fulfil those SCF requirements that are relevant to its scheme structure and market position, taking into account single market aims and established principles of law pursuant to the EC Treaty and the Payment Services Directive, which forms the legislative basis for SEPA.

American Express is also supportive of SEPA for non-card methods of payment. The establishment of new, European credit transfer and direct debit payment systems will affect American Express's merchant and Cardmember arrangements throughout Europe. American Express welcomes the efficiencies these systems will bring and is taking steps to adapt its payment procedures with merchants and Cardmembers to support these new systems.





Our SEPA Commitments

In respect of euro transactions for Cards issued, and merchants acquired, by American Express in the SEPA region:

- American Express will not prohibit Cardmembers, merchants and ATM owners from holding or accepting cards from other card schemes.
- In line with the rest of the industry, American Express will issue EMV chip Cards, assuming that ATM and POS networks are made accessible to all American Express Cardmembers including for PIN management purposes on reasonable, non-discriminatory terms. American Express will enable its merchant acquiring function to process EMV chip Card transactions.
- American Express will not apply pricing models for Card transactions that differentiate on the basis of intra-country versus inter-country Card transactions within the SEPA region.

American Express complements its own Card issuing and acquiring business and enhances its market relevance and geographic coverage through selective licensing of independent partner institutions to issue Cards and/or acquire merchants. In respect of euro transactions made on the American Express network and cleared in euro under such arrangements:

- American Express will not introduce interchange fees or other inter-partner fees or collective agreements in respect of scheme participation for partner institutions. American Express will ensure its licensing and financial arrangements with each partner institution are independent of its arrangements with other licensees and are governed solely by bilateral terms agreed between American Express and the partner institution. In doing so, American Express will continue to operate in a manner consistent with the exemption provisions of Article 28(2)(c) of the PSD.

- The licensing agreements negotiated with each partner institution will be subject to a robust system of law in general use and familiar throughout the SEPA region. The same shall apply to distribution and processing agreements with third parties.
- American Express will allow partner institutions to meet customer demand by passively acquiring Cardmembers and merchants without regard to the customer's geographic location within the SEPA region. American Express will discuss with partner institutions opportunities to transition to SEPA-wide licenses after 2013 in response to the establishment of a true SEPA-wide market. The scope of licensing arrangements with partner institutions will comply with EU competition law.
- American Express will not prohibit partner institutions from participating in other card schemes.
- American Express will allow each partner institution to select the processor of its choice for servicing its Card business and routing transactions pursuant to that institution's independent, bilateral licensing arrangement with American Express. American Express will require certification of such processors on the basis of objective and relevant criteria and will not unreasonably withhold certification.
- American Express will process EMV chip Card transactions submitted by its partner institutions.
- All Card transactions will be authorised by the issuer (or by American Express, if authorised by the issuer in its agreement with American Express), where possible on-line. The issuer will be responsible for deciding whether or not Cardmembers are permitted to use their Cards in an off-line environment in accordance with American Express network standards or other terms agreed between American Express and the relevant partner institution.





- American Express will make available to partner institutions (and, upon request, to its designated oversight authority) a set of operational quality benchmarks and an explanation of how they are enforced.

In respect of American Express's Card business generally in the SEPA region:

- American Express will support technical interoperability and industry adoption of open, common technical standards for card transactions across the SEPA region. American Express anticipates that these standards, if appropriately designed, will facilitate competition by enabling a single common POS infrastructure for processing transactions for all cards whilst also allowing card schemes and their participants to leverage this infrastructure to introduce value-added functionality for the benefit of end users across the SEPA region. American Express will seek to leverage the work toward new SEPA technical standards to support the development of global standards, which will benefit not only global schemes but also European schemes seeking to expand within and outside the SEPA region.
- American Express will support the establishment of a common process for the certification of terminals, cards and terminal interfaces by a competent accredited body that is outside any scheme and that operates across schemes.
- American Express will apply fraud liability shift rules to encourage migration to EMV chip standards.
- American Express will provide aggregated statistics on fraud to an anti-fraud database – covering both 'national' and SEPA-wide transactions – to be operated by a neutral third party and authorised by SEPA privacy protection authorities, assuming that appropriate and reasonable safeguards are put in place to preserve competition among database participants and to protect the confidentiality of information about American Express and its customers.

- American Express will work with other card schemes to investigate and create areas of convergence as regards their respective operational and technical rules whenever appropriate and in a manner consistent with competition law.
- American Express will provide statistical information to the ECB that allows it to publish at regular intervals a comprehensive and accurate picture of the European card market in a manner compatible with both market transparency requirements and competition law.
- American Express will ensure that its processing of personal data complies with European data protection laws and will operate its Card business in accordance with global corporate rules for data privacy. In support of this commitment, American Express has adopted binding corporate rules and will engage with relevant data protection authorities to obtain their approval and ensure their awareness of personal data transfers within the American Express group of companies worldwide. American Express will ensure that the circumstances under which a customer's personal data is processed are made transparent to its customers and will require partner institutions to do the same.
- American Express's commitments to the development and implementation of EMV; anti-fraud databases; certification processes and bodies; and other common operational or technical standards and rules, are contingent on its ability to participate in the relevant industry bodies and standards organisations on reasonable, non-discriminatory terms. American Express will actively engage with these bodies and organisations to seek participation.

This Declaration does not give rise to any actionable rights or obligations. American Express's fulfilment of the commitments declared above is subject to review and certification only by American Express and, for the avoidance of doubt, not by any industry body, competitor or association of competitors of American Express.

