

PAYMENTS SYSTEM WITH BANK CREDIT CARDS AND FEDERAL LAW ON ECONOMIC COMPETITION (FLEC) ARTICLE 9°

I. BASIC RELATIONSHIPS.

1. THE PAYMENTS SYSTEM CONTAINS THESE RELATIONSHIPS:
 - i. the credit card issuing bank with the card-holder
 - ii. the acquiring (of iou's) with the store which accepts iou's from customers
 - iii. the issuing bank with the acquiring bank
 - iv. the card-holder (customer) who purchases goods with the supplying store.
2. IN RELATIONSHIP (i) THERE IS AN "X" FEE IN FAVOR OF THE ISSUING BANK.
3. IN RELATIONSHIP (ii) THERE IS A "Y" FEE IN FAVOR OF THE ACQUIRING BANK
4. IN RELATIONSHIP (iii) THERE IS A "Z" FEE IN FAVOR (generally) OF THE ISSUING BANK
5. IN RELATIONSHIP (iv) THERE MAY OR MAY NOT BE A FEE IN STORE'S FAVOR.

II. ALTERNATIVES FOR RELEVANT MARKET DEFINITION

6. **ALTERNATIVE ONE.** EACH RELATIONSHIP IS A SPECIFIC RELEVANT MARKET.
7. **ALTERNATIVE TWO.** RELATIONSHIPS (i, ii and iii) TOGETHER ARE A SPECIFIC RELEVANT MARKET. RELATIONSHIP (iv) IS A DIFFERENT SPECIFIC MARKET (a topic not dealt with in this Note).

III. UNDER ALTERNATIVE ONE, THE FEE IN RELEVANT MARKET (iii) IS AGREED UPON BY A COLLECTIVE BANK'S DECISION. SUCH PRACTICE IS UNLAWFUL. LFCE'S ARTICLE 9TH RULES OUT SUCH TYPE OF COLUSIVE AGREEMENTS.

IV. UNDER ALTERNATIVE TWO, FEE' LEVEL AND FEE' STRUCTURE REFLECT COMPETITION AMONG BANKS FOR PROVIDING SERVICES TO CARD-HOLDERS AND STORES.

V. FINAL REMARKS

8. ALTERNATIVE ONE HARDLY OBEYS TO RIGOROUS DEFINITION OF RELEVANT MARKET. IT WOULD IMPLY AN ARTIFICIAL SEGMENTATION. IT WOULD BE INCORRECT TO CONCLUDE THAT BANKS ARE ACTING ILLEGALLY PURSUANT TO FLEC.
9. ALTERNATIVE TWO REFLECTS A MORE RIGOROUS ANALYSIS OF MARKET DEFINITION FOR COMPETITION PURPOSES. THE CARD-HOLDER AND THE STORE ARE PARTICIPANTS OF THE SAME MARKET OF PAYMENT SERVICES.

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