



CARD
PAYMENT
SWEDEN

Card Payment Sweden (CPS) is an industry association that promotes cashless payments in Sweden.

■ CARD PAYMENT SWEDEN

Card Payment Sweden (CPS) is an industry association that promotes the use of cashless payments by card in Sweden. Card Payment Sweden wants the Swedish market to continue to enjoy secure, efficient and commercially viable cashless payment transactions, that will benefit society as a whole. We aim to instil a feeling of trust for everyone on the card market.

Card Payment Sweden was established in 2017 and is a new industry association formed of card acquirers and card issuers on the Swedish market.

TYPES OF CARD

There are many different kinds of cashless payment cards. Several of the most common cards are shown below.



Debit card:

This type of card is usually provided as part of a bank's basic package. When a payment is made, the cardholder's account is debited directly.



CHARGE CARDS AND CREDIT CARDS:

Payments are collated and billed later, usually monthly. Credit cards usually have a pre-set credit limit. They often include travel and other insurance with the card.



Company card:

A charge card issued to company employees to pay for business expenses, such as hotel and travel costs. Unlike personal cards, company cards incorporate functions that enable the company to be billed.



■ WHAT DOES THE SWEDISH CARD MARKET LOOK LIKE?

There are more than 15 million cards issued on the Swedish market and 97% of the population have a charge card. Consumers use cards to pay for goods and services while company cards offer many benefits to businesses. Most cards in Sweden are affiliated to the international card schemes Visa or Mastercard.

In Sweden, cards are used to make payments to a much greater extent than in the rest of Europe. Swedes make the most card transactions in the EU, with 319 card transactions per year (per capita, European Central Bank statistics for 2016). This compares with 49 card transactions in Germany and 43 transactions in Italy for example. (The EU average is 116 card transactions per person per year.)

Over 80% of all in-store and online purchases are paid by card in Sweden. This is because card transactions are quick and easy, while card payments are also accepted almost universally in Sweden. Another key reason is that 88% of consumers in Sweden say that card transactions are the method of payment they trust the most (Sverige Betalar, 2017).

Swedish card issuers have invested billions of kronor over many years in developing a secure and efficient infrastructure to build trust and make card transactions simpler. This infrastructure is a fundamental requirement to ensure card payments are secure and commercially viable and to develop technology that provides new solutions and new markets.



“Card payments make for a more efficient economy and is the payment method that consumers trust the most.”

■ PAYMENTS IN SOCIETY

The very high use of cards has given Sweden the reputation of having one of the world's most efficient payment markets. The transaction cost for card payments is just over two kronor less than for cash payments (Riksbank, Den svenska massbetalningsmarknaden 2013). The Riksbank has confirmed that payments by card are more efficient for the economy than cash payments.

The payment market is developing rapidly. The online community, new technologies and changes in consumer behaviour are leading

to the launch of new and more innovative ways of making payments. These are often mobile phone app-based or require an online connection. By 2020, all Swedish charge cards and card terminals will be contactless payment enabled. New companies are entering the payment market and increasing the choice of payment services on offer. The range of tailored digital services integrated at point of sale is increasing. The banks have a strong position on the payment market but new payment service providers are gaining a foothold, both in competition and in partnership with banks.

CARD PAYMENTS OFFER MANY BENEFITS COMPARED WITH OTHER PAYMENT METHODS. ADVANTAGES OF USING A CARD:



Secure:

Card payments are extremely secure, which limits the risk of fraud, identity theft and similar crimes. A card that is lost or stolen can be blocked quickly. A merchant who accepts cards is guaranteed payment and does not assume the credit risk. Companies that accept company cards reduce the risk of late payment as the money reaches their account faster than the 30 days that would be the normal payment due date for invoices.



Cost-efficient:

According to the Riksbank, card payments are more financially efficient than cash payments for example. A card eliminates the need for companies to handle invoices and cash and reduces administrative costs.



Easy:

Payment by card is very widely accepted worldwide and also saves time.



Adds value:

Cards are often linked to some kind of customer loyalty scheme and travel insurance is included with certain cards. Cards give consumers direct access to a globally accepted payment method. Cards can also provide credit options.



Benefits society:

Card transactions are traceable, which reduces the risk of tax evasion and money laundering and undermines the black market. There is also less need for manual cash handling, which reduces the risk of robbery and the need for security transport, reducing risks to retail personnel and climate impact.



Better consumer protection

Consumers who order a product online and pay by card can claim back the payment from the card issuer if delivery is not made or the card is subjected to fraud actions.



HOW DO CARD PAYMENTS WORK?

A card payment usually involves four parties. These are the customer/payer (cardholder), the card issuer, the card acquirer and the payee (the merchant). The parties can be located in different countries. Card issuers and card acquirers are usually banks or other financial institutions and are generally affiliated to the international card schemes Visa or Mastercard. There are currently 22 card issuers and six acquirers operating on the competitive Swedish

free market. Providing and developing the infrastructure for card payments involves costs for both card issuers and card acquirers. They therefore charge fees to each other and also on card transactions. The card acquirer pays an interchange fee to the card issuer for a transaction. The card acquirer charges a service fee to the merchant (payee) and the consumer/company (payer) using a card normally pays an annual fee to the card issuer for the card.

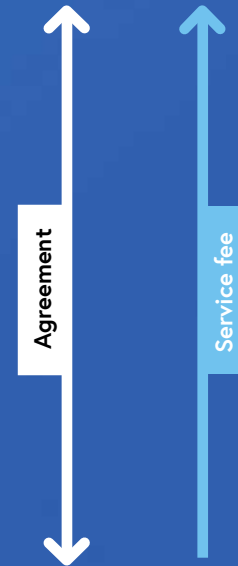
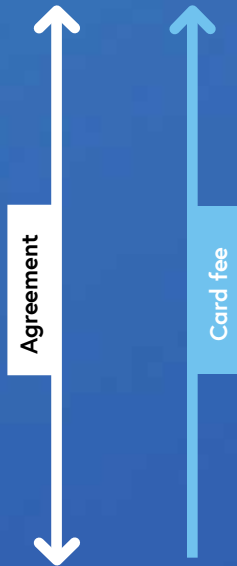
Interchange fee



Card issuer



Card acquirer



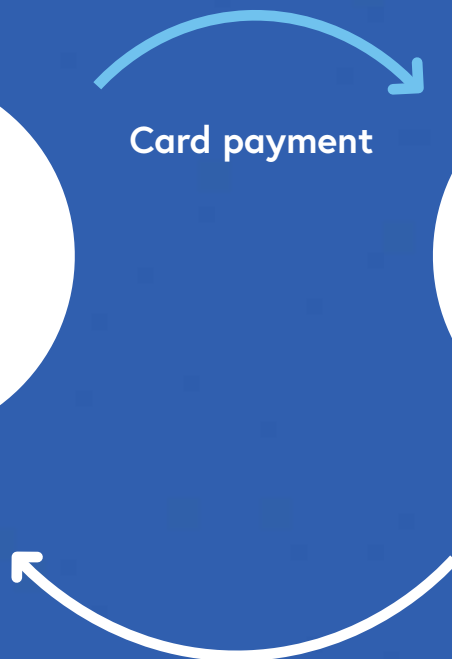
Card payment



Payer



Payee



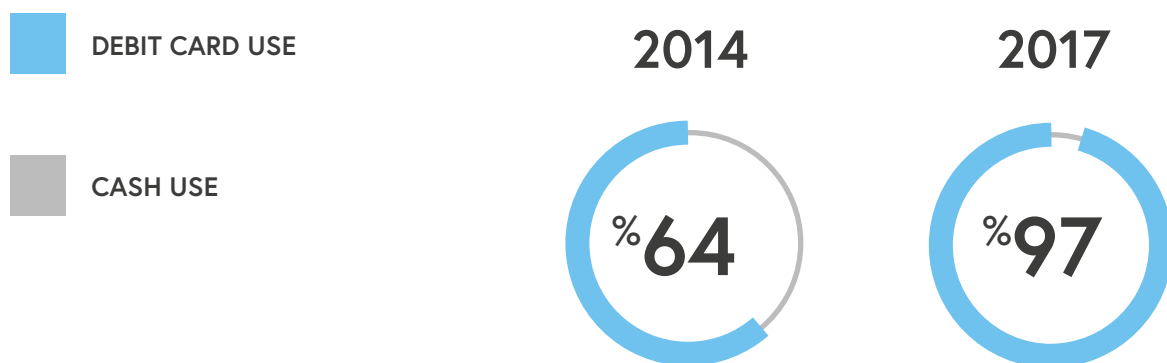
Product or service



SWEDISH PAYMENT BEHAVIOUR 2017

CARD USE IS GROWING

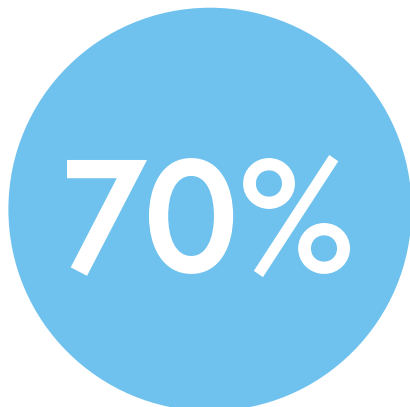
In 2017, the Riksbank published the results of a survey of the payment behaviour of people in Sweden. A comparison with 2014 showed, for example, that 25% of the population paid by cash once a week or more in 2017 and 25% used payment apps in a similar way. Three years earlier, these figures were 52% and 3% respectively. Debit card use had increased from around 64% to 97% in three years.



BIG INCREASE IN SWISH

Swish is the payment service that most people in Sweden say they use. Over eight in ten respondents say they use Swish, a 16% increase in just one year (from 2016).

CARDS USED MOST FOR PURCHASES OVER SEK 100



For purchases below SEK 100, cash is used by 27% of the population and debit cards by 70%. Three years earlier, the use of cash and cards for smaller purchases was approximately the same. For purchases between SEK 100 and SEK 500, the difference is even more pronounced. Only 6% use cash and 93% cards.

■ EU REGULATION

The European Commission wants to increase card payments in Europe, as these have many benefits for society. The European Commission has also indicated that the low level of card payments in many EU countries may be because card payments can be expensive for both consumers and merchants. The European Commission has therefore presented a proposal that aims to regulate so-called interchange fees and to increase competition, reduce card payment costs for merchants and consumers and in so doing, promote card and digital payments within the EU.

In Sweden, interchange fees have historically been determined by a free market and through negotiations between the various banks. The new EU regulation stipulates statutory interchange fees for consumer cards. For charge cards, the fee is a maximum of 0.2% of the value of the transaction and for credit cards, a maximum of 0.3% of the value of the transaction. There is no regulation of interchange fees for company cards and these continue to be set by the market.

As well as caps on interchange fees, the regulation contains rules that restrict merchant opportunities to steer consumers towards using cards with lower fees. Card issuers and merchants are also required to provide information about which cards are accepted as a means of payment.

The regulation aims to reduce costs for merchants and persuade them to accept card payments, while also being able to reduce the prices of products and services for all consumers. The regulation also looks to

increase competition and drive innovation in this sector. The European Commission will report on how this regulation is being applied by July 2019. The report will cover trends in fees for payers and the extent to which merchants are passing on the benefits reduced interchange fees to consumers etc.

The report will include an assessment of whether the levels of exchange fees and steering mechanisms are satisfactory, taking into account the use and costs of different payment methods and the degree to which new companies, new technology and innovative new business models have emerged on the market. The assessment will examine in particular the trend in fees for payers and the level of competition among card providers and charge card schemes.

The revised payments directive, PSD2, is other legislation that is relevant for the card payment industry. It came into force in February 2018 and aims to strengthen consumer protection, create conditions for new entrants on the payment market and promote modern, secure and cost-efficient payments within the EU. Work is in progress at both EU and national level to prepare and incorporate the directive's technical standards. Final application of the EU's security and authentication rules is expected in September 2019.

■ WHAT DOES CARD PAYMENT SWEDEN WANT?

Card Payment Sweden aims to ensure that payments by card can be made securely, efficiently and in a commercially viable way. Card payments benefit the whole of society – consumers, companies and merchants.

Card Payment Sweden represents card issuers and card acquirers in Sweden. Our aim is to create the conditions to make card payments more attractive both to households and companies. Card Payment Sweden strives to ensure that the regulatory framework in Sweden and the EU works as it should do and facilitates fair competition. A high level of security and good infrastructure for card-based payments are important to us.





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Card Payment Sweden
Stortorget 13 B
SE-211 22 Malmö
Sweden



+46 40 250 778



info@pan-nordic.org