

Rise in cost of credit card use

Monopoly subplot in FBME complaint against JCC before Cyprus Competition Commission

With the Paris based ICC Arbitration Court's decision eagerly awaited on the appropriateness of the Central Bank of Cyprus' 2014 decision to suspend and then attempt to sell the operations of FBME Bank, information is emerging about a crucial subplot that involves the lucrative - and now monopoly-dominated - card services sector in Cyprus.

Rise in card charges linked to closure of FBME Card Services

The suspension of FBME Bank's operations on the basis of as yet unproven allegations of money laundering resulted soon after in the winding down of FBME Card Services, the second of only two full-fledged card clearing houses on the island, along with JCC Payment Systems.

It is widely acknowledged that suspension of FBME Bank at a time when it was challenging the dominance of JCC has strengthened the latter's position in the market as the only other administrator for the processing and settlement of card transactions.

The launch of FBME Card Services in 2009 and the competition it created ube-



WHEN FBME Card Services carved up a 4% share of the market, JCC allegedly moved to slash its prices and proceed with what legal sources describe as counter-competitive behaviour

gan to push Cyprus' already high - by European standards - card-related charges down.

According to financial sources FBME Card Services supported mainly by better technology - developed by a Cypriot-owned start-up company - brought faster processing and lower fees and quickly carved up a 4% share of the market.

JCC allegedly moved to slash its prices and proceed with what legal sources describe as counter-competitive behaviour, which included restricting FBME Card Services from servicing a specific credit card which is linked with one of JCC's major shareholders.

FBME Card Services turned to the Republic's Commission for the Protection

of Competition which launched an investigation into the suspected offences.

Though the Commission took years to process the complaint in April 2014 it issued its preliminary decision in favour of FBME considering that JCC had abused its dominant position. The Commission found that JCC had "restricted competition" and its behaviour was "in breach of Articles 3 and 101 of the Treaty on the Functioning of the European Union".

However, in July that year, just three months after the Commission's preliminary decision, FBME Bank's operations were suspended but the Commission is still expected to deliver its final verdict soon.

Dozens of FBME Card Services employees were in the meantime made redundant.

With JCC resuming its monopoly service, fees were reported to have risen again - a survey of merchants showed by as much as 0.25% - squeezing margins and contributing to rising consumer prices.

According to recently released data, the value of credit card transactions in Cyprus in 2014 reached €2.88 billion.