

## Q&A on Press Release 07/2024

### **1. What services does the SIBS Group provide?**

The SIBS Group operates across various levels of the payment ecosystem value chain in Portugal, offering the following services:

**MB scheme:** A payment scheme enabling both in-store payments through physical POS terminals and the issuance of cards that allow these payments to be made.

**MULTIBANCO network:** This network facilitates a range of payments including payment of services, payments to the state, as well as various other transactions such as cash withdrawals, balance inquiries and transfers between accounts.

**MB WAY:** A mobile application enabling users to make payments through the MB scheme at physical POS terminals, as well as transfers and other financial transactions via mobile phones, without the presence of a physical card.

**Processing Services:** These services are necessary for transactions under payment schemes to be concluded.

Additionally, the SIBS Group has been designated by the Bank of Portugal as the entity responsible for receiving and processing operations necessary for the financial clearing and settlement of one of the subsystems of the Interbank Clearing System (SICOI).

### **2. Which payment schemes of the SIBS Group are covered by the practice?**

The practice covers, on the issuing side, in-store payments under the MB scheme, carried out with MB cards or the MB WAY app, as well as remote payment transactions available on the MULTIBANCO network, including payment of services (i.e., MULTIBANCO references) and payments to the state. On the acquiring side, the practice covers in-store payments under the domestic scheme (MB and MB WAY).

According to the investigation conducted by the Portuguese Competition Authority (AdC), the SIBS Group abused its dominant position in the markets for payment schemes by conditioning access to these schemes upon the obligation to also contract its processing services. Thus, distinct markets are defined within the scope of this case for access to payment schemes and for the processing of payments, both on the issuing and acquiring sides.

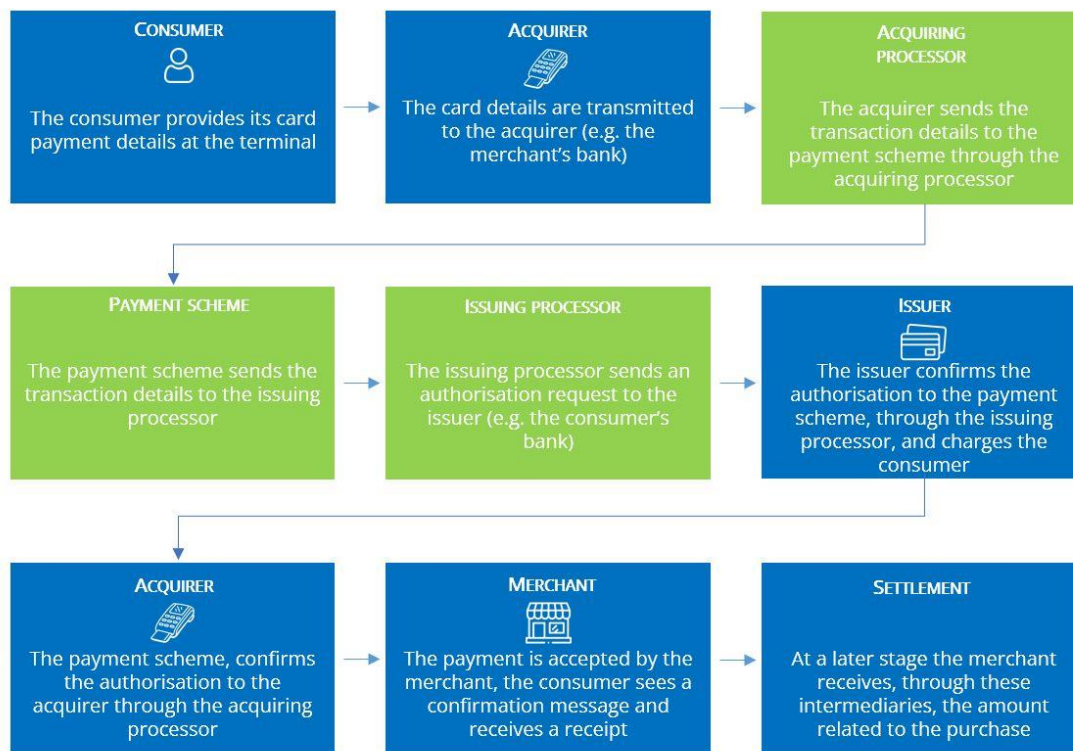
### **3. What are payment card schemes and processing services? How are they related?**

A payment card scheme consists of a single set of rules, practices, standards and/or implementation guidelines for the execution of payment transactions on this scheme (Article 2(16) of Regulation (EU) 2015/751 or IFR). On the other hand, processing of a payment transaction is the mechanism that enables its execution.

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For a transaction or purchase with a payment card from a specific payment scheme to be successful, the card details must be verified and authorised. Processing services enable this execution.

Consider a scenario where a consumer wants to make a purchase at a merchant in a store using a payment card at a physical POS terminal. The following steps describe the process needed for a purchase to be successful, the services covered by the practice being highlighted in green:



If the transaction is not authorised, the issuer informs the payment scheme and the acquirer through the processing services and the transaction is cancelled.

Thus, processing services include acquiring processing services and issuing processing services. The former enable the routing of payments in the network to the issuing processor and authorisation of the transaction at the POS terminal and the latter include the financial and technical request for payment authorisation from the issuing entity, maintenance of local and international blocking lists, verification of card limits, management of card accounts, generation of cardholder statements and invoicing.

Payment card schemes and processing services are distinct services that should be provided by independent entities in accordance with Article 7 of the IFR.

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### **4. What was the duration of the practice?**

The practice lasted approximately 3 years and, according to the evidence in the case, was maintained until at least the end of 2021.

Notwithstanding, the AdC decided to order the parties involved to refrain from adopting conduct whose effect would be equivalent to that described and sanctioned in the decision adopted in this case.

### **5. What was the impact of the practice on competitors and customers of the SIBS Group?**

The practice had an impact on two levels:

Firstly, it limited the entry and expansion of alternative processors to SIBS FPS given that, to access the SIBS Group's payment schemes, acquirers and issuers would have to process their transactions with this group. This restricted the possibility for these entities to opt for alternative processors capable of offering a service more suited to their needs in terms of price or features. Some acquirers even have the capability to process their own transactions, which they are not allowed to use if they accept payments under the SIBS Group's schemes.

Secondly, the conduct limited the differentiation and innovation capabilities of acquirers and issuers, having a negative impact on the services they offer to merchants and consumers.

### **6. How was this practice detected?**

In the context of a [supervisory and monitoring procedure of the financial sector](#), in particular an inquiry directed at a group of financial sector companies based on digital technologies (fintech), the AdC became aware of a set of facts provided by clients/potential clients of the SIBS Group that could potentially qualify as an abuse of a dominant position.

### **7. What interactions did the AdC have with the sectoral regulator, the Bank of Portugal?**

Within a framework of close cooperation, the AdC and the Bank of Portugal (BdP) worked together on a regular basis in a coherent and complementary manner.

In this context, the AdC informed the BdP of the decision to open an inquiry that led to the current investigation, requesting its opinion on the facts at hand. The BdP submitted its opinion and provided relevant clarifications regarding its intervention in the sector.

Similarly, the AdC notified the draft infringement decision to the BdP, which provided relevant information, allowing for the conclusion of the case.

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### **8. What kind of actions can the AdC take upon detecting anticompetitive practices?**

The AdC has sanctioning powers for infringements of the Portuguese Competition Act and the Treaty on the Functioning of the European Union (TFEU) essentially regarding two types of practices corresponding to Articles 101 and 102: agreements between undertakings and abuses of dominant position, as in the present case.

The detection of anticompetitive practices may occur through complaints or via the AdC's own initiative based on indicia in a particular market. Essential contributions to this end are economic studies that may result in recommendations addressed to the government or other public authorities to restore competition conditions in a particular market.

Competition is also ensured by limitations on the acquisition of undertakings, to prevent the creation of monopolies or the establishment of undertakings with excessive market power, which is done through the analysis of merger operations notifiable to the AdC under the Portuguese Competition Law.