

Competition - Pakistan

PRs790 million penalty for ATM transaction charges

Contributed by [Vellani & Vellani](#)

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The Competition Commission recently conducted a raid on the offices of the Pakistan Banks' Association on the grounds that the association had played a role in discussions between banks about the pricing policy for automatic teller machine (ATM) cash withdrawal charges. The move follows previous examination of this sector, including the part played by 1-Link (Guarantee) Limited, one of two suppliers of ATM cash withdrawal services in Pakistan (for further details please see "[Inquiry committee's conclusions on 26 banks over ATM charges](#)").

The commission issued show cause notices under Section 30 of the Competition Act 2010 to 1-Link and each of its 29 member banks on the *prima facie* matter of fixing charges for ATM cash withdrawal services, utility bill payment services and inter-bank fund transfer services.

In its order, the commission considered the submissions made by 1-Link and each of the banks and the exemption applications that 1-Link had filed under Section 5 of the act. It held that the relevant product market was correctly defined in the inquiry report, since the three types of service had distinct features and were not comparable to conventional banking services in terms of interchangeability and substitutability. Even if this were not the case, services provided by banks through a network or switch system had been consistently regarded and treated as a distinct relevant market in other jurisdictions.

However, the commission found that no anti-competitive effects resulted from the multilateral arrangement between 1-Link and its member banks. It granted an exemption in respect of three agreements relating to fixed 'off-us' (1) ATM cash withdrawal interchange fees, inter-bank fund transfer interchange fees and utility bill payment services fees for five years from the date of promulgation of the relevant competition legislation (ie, October 2 2007).

A question remained in respect of the uniform cash withdrawal fee of PRs15 that 1-Link member banks charged to their customers for inter-bank transactions: did this amount to collusive price fixing or was it merely parallel behaviour? On this point, the commission considered that 1-Link had exceeded its mandate. Its board had deliberated, discussed and resolved on commercial issues, such as customer and cardholder charges. In terms of its activities and the decisions taken, 1-Link's role had been closer to that of an association of member banks. It had provided a forum - particularly for those represented on its board - to discuss matters of common interest; the member banks that had acceded to the 1-Link agreement had then implemented the conclusions reached by the board. The commission considered that 1-Link's conduct and the collective behaviour of the banks in charging a uniform fee for off-us ATM cash withdrawal transactions fell within Section 4(1) of the act, read with Section 4 (2)(a).

Therefore, the commission imposed a fixed penalty totalling PRs790 million, divided as follows:

- PRs50 million for 1-Link;
- PRs50 million for each of its 11 founding members; and
- PRs10 million for each of its 19 non-founding members - excluding Citi Bank, which had not followed the collective practice of charging a uniform fee for off-us ATM transactions.

Furthermore, the commission directed 1-Link and the member banks to:

- refrain from collective decision making and from charging customers a uniform fee for off-us ATM cash withdrawal transactions;

Authors

[Samiya Fikree](#)



[Ferzeen E Bhadha](#)



- hold board meetings to reach independent decisions on the imposition of customer fees and charges;
- file a copy of the minutes of such meetings with the commission within 45 days of issuance of the commission's order; and
- ensure that the minuted deliberations address the reasons for choosing the amounts to be charged and identify the factors considered in reaching this decision.

For further information on this topic please contact [Samiya Fikree](#) or [Ferzeen Bhadha](#) at Vellani & Vellani by telephone (+92 21 3580 1000), fax (+92 21 3580 2120) or email (samiya.fikree@vellani.com or ferzeen.bhadha@vellani.com).

Endnotes

(1) The term 'off-us' refers to a bank customer's use of a different bank's ATM.

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