

16 February 2018

Cross-border payments in the EU

KEY MESSAGES



- 1** We welcome the European Commission's commitment to the creation of a single market in the financial services area, including the aim of creating an integrated market for payments. The free flow of capital is a fundamental pillar of the EU Single Market. It must be maintained and enhanced where possible to ensure the efficient functioning of capital markets throughout Europe. A prerequisite for achieving a free flow of capital is to ensure that cross-border transactions within the EU can be completed efficiently and for a low-cost across all Member States to strengthen intra-EU trade.
- 2** We are concerned that some EU countries still face major costs and obstacles on cross-border transactions particularly in euros, which stand in the way of a deepening of the internal market. Equalized fees for EU cross-border transactions will provide savings and benefits to the European economy, all end-users including any company involved in cross-border economic activities. The equalization of prices would benefit SMEs in particular, since they often do not have bank accounts nor the bargaining power to negotiate specific favorable fees.
- 3** The Commission's efforts to explore how currency conversion rates and fees can be made more transparent, particularly in the context of Dynamic Currency Conversion, are steps in the right direction. Transparency is a critical concern in the development of the payments market across the EU. We welcome the Commission exploring more competition in currency conversion to ensure that currency conversion rates are transparent and that consumers, particularly growing businesses, can identify the most advantageous currency conversion offer.

KEY FACTS AND FIGURES

- The value of exports (most traded goods) between Member States was EUR 2.978 billion in 2016 (Source: Eurostat)
- 98 % of companies trading goods within the EU are SMEs.
- In detail, SMEs account for 51% of intra-EU imports and 45% of intra-EU exports. (Source: Eurostat)



Introduction

Regulation (EC) no.924/2009 on fees for cross-border transactions was flagged for review under the Regulatory Fitness program (REFIT) as included in the Commission Work Programme 2017. The Commission's Action Plan on Consumer Financial Services – based on the consultation on the Green Paper on retail financial services – confirmed the Commission's intention to carry out a review and to use it as a basis for further reducing charges for cross-border transactions.

BusinessEurope notes that there are big fluctuations amongst fees on cross-border transactions within the EU. For example, in Denmark the fees are above the level of other Member States such as Sweden and Eurozone countries. A Danish company pays on average a fee of 3-6 euros for a cross-border transaction in euros. In comparison, companies in e.g. Sweden only pay a fee of 30 eurocent or 40 eurocent in Germany.

In some Member States, a voluntary approach towards cross-border transactions has so far not generated lower prices and cross-border payments remain expensive. These large fluctuations create an un-level playing field and constitute a barrier to trade which hinders growth in European companies. Legislative action by the Commission in view of a greater harmonization and integration of payments payment services within the EU is justified given the continued existence of uneven fees on cross-border transactions.

The fees for cross-border transactions are usually not in conformity with the actual cost in non-euro countries. Furthermore, there is a lack of transparency and competition on the market for cross-border transactions. The equalization of prices would benefit SMEs in particular since they rarely have the capacity to look for better options in prices and a change of a financial service provider is often burdensome.

The market continues to mature and further action by the Commission with regards to competition will ultimately complement the private sector developments in the environment for comparison and transparency of financial products in retail financial services.

Financial institutions have benefitted from the emergence of a dynamic and innovative payments market across the EU and it is important that efforts to reduce fees charged for cross-border payments involving different currencies in the EU increase competition rather than hinder it.

Reducing the costs of cross-border payments

BusinessEurope welcomes and strongly supports the Commission's initiative and intention to reduce costs for cross-border payments in the EU. We urge the Commission to extend Regulation 924/2009 to all currencies in the EU and regulate all cross-border transactions in the same manner - particularly transactions in euro. This would ensure easier and more efficient financial transactions and contribute significantly to the free flow of capital within the EU. Any amendment to the Regulation must however strike the right balance between efficient transactions and consumer protection.



BusinessEurope also supports the Commission's initiative to investigate in currency conversion rates. In considering the most appropriate means to allow consumers to choose the best rate, we would advise a programme of stakeholder engagement to include payment service users and providers to identify the latest innovations in the sector.

We believe that greater transparency is required with regards to Dynamic Currency Conversion to enable growth and support trade across the EU. The expansion of disclosure requirements under PSD2, expanding the scope of PSD geographically and to include all currencies, coming into effect in January 2018 will further enhance the transparency and information requirements regarding charges payable, actual or reference exchange rates, value date and maximum execution time amongst other items. This can only apply to certain transactions but the Commission should assess the impact of its implementation in giving more transparency to the consumer to assess the potential impact of further action on service providers.
