

Public consultation on transparency and fees in cross-border transactions in the EU

Transaction fees

The first action of the Consumer Financial Services Action Plan proposes to amend the Regulation on cross-border payments to reduce charges for cross-border transactions in all Member States.

The Regulation on cross-border payments equalised fees for cross-border and national payments in euro within the EU. However, payments involving currencies of EU Member States other than the euro are not covered by the Regulation, unless Member States extended the Regulation to their national currency on a voluntary basis. The Regulation gives the option to Member States to equalise fees for cross-border transfers in the local currency and corresponding domestic transfers. So far, only Sweden chose to opt in and align these fees with euro transactions. In all other Member States, fees for cross-border transactions in non-euro currency remain very high, and well above the level of fees for purely national transactions in non-euro currencies. In particular, high minimum fees can make small transactions very expensive.

An extension of the Regulation to all currencies in the EU would therefore bring down the costs of cross-border transactions in all Member States.

Non-Euro transactions

This section refers to cross-border transactions in a currency of a Member State other than the euro. Most frequently, this would be a transaction initiated in a non-euro Member State, either with another non-euro country or a euro area Member State.

Question 1. Cross-border transactions in currencies other than the euro can be priced differently than transactions in euro.

Question 1.a. Do you know the cost of making transactions from your country to other EU Member states in currencies other than the euro?

- Yes
- No
- Don't know / no opinion / not relevant

Question 1.b. How expensive are fees for making transactions from your country to other EU Member states in currencies other than the euro?

Please rate it from 1 to 5

- 1 (not expensive at all)
- 2
- 3
- 4
- 5 (very expensive)
- Don't know / no opinion / not relevant

Please explain your reasoning when answering question 1.b.

The fees on transactions to other EU Member States in currencies other than the euro differ from one banking entity to another, and they depend on the business model and business strategy. Nevertheless, if this kind of transaction fees surpasses excessively the ones among EU Member States the fact of questioning the appropriateness of the fees (on the bank side) is perfectly valid.



Question 1.c. How transparent/clear are fees for making transactions from your country to other EU Member states in currencies other than the euro?

Please rate it from 1 to 5

- 1 (not transparent at all)
- 2
- 3
- 4
- 5 (very transparent)
- Don't know / no opinion / not relevant

Please explain your reasoning when answering question 1.c.

Although the price list of banking services are - in many occasions - transparent and public, they are difficult to find. Moreover, it is hard to know the reasons behind the enormous differences between the non-euro transaction and the euro ones, as well as to know why are there great differences in fees among banks for the same type of transaction.



Question 1.d. Could you provide examples of fees that you have paid for such transactions?
(Please provide the amount transferred, the countries involved (from X to Y) and the total fees paid for the transfer)

A transfer of a hundred Euros from a Spanish bank to a Danish bank (in DKK) had a charge of 1.5 Euros, and the exchange rate used for it by the bank was difficult to find (it was not indicated in the bank receipt), and so were the reasons behind it.



Question 1.e. Should the EU regulate the cost of these transactions or should this be left to individual Member States or the market?

- It should be regulated at the EU level
- It should be left to individual Member States
- it should not be regulated (be left to the market)
- Don't know / no opinion / not relevant

Please explain your reasoning when answering question 1.e.

The competition on transaction fees in the area of retail investment and the promotion of cross-border purchases has not provided the desired results for consumers. Moreover, it is hard to understand the perpetuation of high fees when considering that the technological improvements have reduced the internal costs for the banking industry.

The regulation on transaction fees should be done at a EU level due to the fact that the national payment markets around the EU are very diverse. Moreover, having the Single Market principles in mind, it is unrealistic to expect that EU Member States would be able to provide the desired outcomes in a reasonable time horizon.



Question 2. An option is that the Regulation on cross-border payments is fully extended to all currencies of Member States. This would mean that a money transfer to another Member State would cost the same as a similar domestic transaction.

Question 2.a. Should the scope of the Regulation be extended so that a money transfer to another EU Member State costs the same as a money transfer within the country?

- Yes
- No
- Don't know / no opinion / not relevant

Question 3. Cross-border transactions in currencies of Member States other than the euro are often priced ad valorem – i.e. as a percentage of the total amount transferred.

Question 3.a. Do you consider that this type of pricing practice make transactions too expensive?

- Yes
- No
- Don't know / no opinion / not relevant

Question 3.b. What is the rationale behind such a pricing model?

It is quite difficult to find the rationale behind such a pricing model. We believe that it is just a way used by payment service providers (PSPs) to make profits due to the fact that there are no alternative payment solutions for consumers.



Question 3.c. Does this practice reflect the internal costs of payment services providers?

- Yes
- No
- Don't know / no opinion / not relevant

Question 4. Often, a minimum fee has to be paid for cross-border transactions in currencies of Member States other than the euro.

Question 4.a. Is this practice preventing low-value transactions?

- Very much so
- To some extent
- No
- Don't know / no opinion / not relevant

Question 4.b. What is the rationale behind this practice?

Payments have fix costs which are not related to the amount that is transferred. However, it is unclear if the minimum fee is lower due to the fix costs or not.



Question 4.c. Should minimum fees be regulated to avoid disproportionate costs of low-value transactions?

- Yes
- No
- Don't know / no opinion / not relevant

Question 4.d. What rules on minimum fees would be reasonable and fair, taking into account internal costs?

BETTER FINANCE agrees that PSPs should cover their fix costs for low-value transactions. Also, we believe that the fees applied should be the same as for national transactions.



Question 4.e. What would be the economic or social impact of your proposed rules?

The impact that we expect from our proposed rules is positive for both consumers and PSPs. On one hand, consumers will benefit from lower - and fairer - fees for their payments. On the other hand, PSPs will also benefit because of the increase of the number of payments.



Question 5. Sometimes there is no maximum fee for cross-border transactions in currencies of Member States other than the euro.

Question 5.a. What is the rationale behind this practice?

It is quite difficult to find the rationale behind such a pricing model. We believe that it is just a way used by PSPs to make profits from transfers of big amounts.



Question 5.b. Is this practice reflecting internal costs of payment services providers?

- Very much so
- To some extent
- No
- Don't know / no opinion / not relevant

Question 5.c. Should there be a mandatory cap on fees?

- Yes
- No
- Don't know / no opinion / not relevant

Question 5.d. If there should be a mandatory cap on fees, at which amount should this cap be set?

First of all, the fees need to be aligned with the basic principles of fees which should be the same for national and cross-border transactions. Moreover, the cap on fees should be fixed as double of the internal costs of payments for the PSPs.



Question 5.e. What would be the economic or social impact of such cap?

The impact that we expect from our proposed rules is positive for both consumers and PSPs. On one hand, consumers will benefit from lower - and fairer - fees for their payments. On the other hand, PSPs will also benefit because of the increase of the number of payments.



Question 6. Markets may be developing solutions to the problem of high costs of cross-border transactions.

Question 6.a. What market practices or solutions do you know that reduce the costs of cross-border transactions in currencies of Member States other than the euro?

Depending on the banking players, there are different type of prices based on cross-border transaction costs. As we all know, the technological improvements have lowered the costs of certain ways of banking. As such, the use of internet banking and phone banking would be cheaper than counter banking.

Also, if the market players increase, the increment of competition would lead to a reduction of the prices, especially in FinTech players. This is already a reality: there are FinTech start-ups cutting dramatically the fees. For example, transferwise.



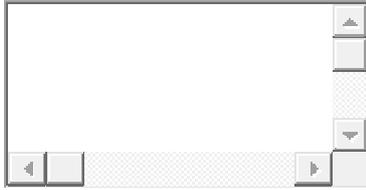
Question 6.b. Should these practices be encouraged?

- Yes
- No
- Don't know / no opinion / not relevant

If these practices should be encouraged, please explain how.

BETTER FINANCE believes that consumers should be informed and encourage so they can benefit from less expensive payment solutions.

Also, business should be encouraged to do so with incentives, such as for example a reduced profit tax or other fiscal incentives.



Question 7. The costs of cross-border transactions in currencies of Member States other than the euro are determined by various factors, including correspondent banking fees, Swift fees and currency conversion fees.

Question 7.a. What is the weight of each of these factors in the total cost of transactions?

The weight of each of the factors in the total cost of transactions depends on the different PSP policies and market strategies. However, we can state that a relevant part of these costs is represented by swift fees.



Question 7.b. Are there other factors that come into play?

- Yes
- No
- Don't know / no opinion / not relevant

Please explain your reasoning when answering question 7.b.



Question 7.c. What scope is there for reducing such costs and how can this be achieved?

As we have mentioned before, reducing such costs will improve consumer's welfare by paying a lower and fairer prices, but it will also help business by raising the number of payments. The scope could be achieved by using the same principles as those mentioned in EU Regulation 924/2009. Thus, no bank fees may be demanded from the payer or the payee, or deducted from transferred amount.

Question 8. Are there further comments that you would like to make in relation to cross-border transactions in a currency of a Member State other than the euro?

Euro transactions

This section refers to transactions in euro between two Member States of which at least one does not have the euro as national currency.

Question 9. Euro transactions are priced at a very low level in euro countries. However, this is not the case in non-euro countries even though payment services providers offering these services can benefit from the same infrastructures as payment services providers from euro area Member States for transactions in euro.

Question 9.a. Do you know the cost of making euro transactions in non-euro area Member States?

- Yes
- No
- Don't know / no opinion / not relevant

Question 9.b. How expensive are fees for euro transactions in non-euro area Member States?

Please rate it from 1 to 5

- 1 (not expensive at all)
- 2
- 3
- 4
- 5 (very expensive)
- Don't know / no opinion / not relevant

Please explain your reasoning when answering question 9.b.

Question 9.c. How transparent/clear to you are fees for euro transactions in non-euro area Member States transparent?

Please rate it from 1 to 5

- 1 (not transparent at all)
- 2
- 3
- 4
- 5 (very transparent)
- Don't know / no opinion / not relevant

Please explain your reasoning when answering question 9.c.

Question 9.d. Could you provide examples of fees that you have paid for such transactions? (Please provide the amount transferred, the countries involved (from X to Y) and the total fees paid for the transfer)

Question 9.e. Should the EU regulate the cost of these transactions or should this be left to individual Member States or the market?

- It should be regulated at the EU level
- It should be left to individual Member States
- it should not be regulated (be left to the market)
- Don't know / no opinion / not relevant

Please explain your reasoning when answering question 9.e.

The EU 924/2009 already regulates transactions, equalizing charges for corresponding national and cross-border payments in Euro offered by any PSP within the EU. But it does not equalize the differences in prices between Member States or PSPs. An adequate of improving would be by making a clear equalization on the charges which will decrease the prices for cross-border payments in Euros, and by not increasing the national prices for this type of payments.



Question 9.f. Which elements still justify such a difference in pricing for euro transactions between payment services providers of the euro area and payment services providers outside the euro area?

- Volume
- Correspondent banking fees
- Other

Please detail which elements still justify such a difference in pricing for euro transactions between payment services providers of the euro area and payment services providers outside the euro area?

The volume could be partially the explanation. However, the difference in pricing cannot be explained solely by this factor. In fact, probably the PSPs which are active out of the Euro area would be trying to make profits from these transactions to compensate the decrease of benefits from products and services which are higher regulated than payments.



Question 9.g. Should the Regulation on cross-border payments mandate that euro transactions in non-euro area Member States be priced as domestic transactions in local currency?

- Yes
- No
- Don't know / no opinion / not relevant

Question 10. Are there further comments that you would like to make in relation with cross-border transactions in euro between two Member States of which at least one does not have the euro as national currency?

United Nations Sustainable Development Goals

On 1 January 2016, the [United Nation's 17 Sustainable Development Goals](#) (SDGs) of the 2030 Agenda for Sustainable Development officially came into force. Among the SDGs, goal 10 calls for reduced inequality within and among countries and sets notably the following target: "By 2030, reduce to less than 3 per cent the transaction costs of migrant remittances and eliminate remittance corridors with costs higher than 5 per cent". Reducing the costs of cross-border transactions would help achieve this goal within the EU.

An amendment to the Regulation on cross-border payments to reduce charges for cross-border transactions in all Member States (action 1 of the Consumer Financial Services Action Plan) could make a significant contribution to achieving this target within the EU.

Question 11. The costs of remittances (the transfer of money by expatriates to their home country) can be significantly higher than the goal set by the United Nations.

Question 11.a. How far is the EU from attaining the goal set in the context of the Sustainable Development goals?

There are many EU citizens working abroad, the majority of them in other EU countries. It is important to establish the UN goals as the 3% is still a very generous percentage. Thus, if the EU has the opportunity to apply it due to the modifications of the legislation, it would be a good idea to do it as soon as possible.

Question 11.b. To what extent can the market be expected to drive down costs in the foreseeable future, notably through FinTech innovations including virtual currencies?

Even if the FinTech companies and star-ups are pushing dramatically down the prices, the traditional money remittance companies still dominate the market (although they have higher costs). FinTech companies and start-ups have lower costs but they do not have as much resources as the traditional companies to advertise themselves. Thus, they are not well known by the public. Also, for consumers it takes time to change their habits and gain trust in the new channels.

Question 12. Remittances occur both within the EU and between EU Member States and countries outside the EU. The most important flows of remittances involve countries outside the EU.

Question 12.a. Should an amendment to the Regulation on cross border payments aim at implementing the UN target and explicitly prohibit fees higher than 3% for all transactions within the EU?

- Yes
- No
- Don't know / no opinion / not relevant

Please explain your reasoning when answering question 12.a.

As mentioned in Q11a, a 3% of fees is quite high and they should be lowered as soon as possible. We believe that this will be in favor of consumers as they will pay less for their payments, but also for companies which will see the amount of payments increase.

Question 12.b. With regard to non-EU countries, should the target be achieved through action at EU level or should this be left to individual Member States or the market?

- It should be regulated at the EU level
- It should be left to individual Member States
- it should not be regulated (be left to the market)
- Don't know / no opinion / not relevant

Please explain your reasoning when answering question 12.b.

Question 12.c. In particular, should the Regulation be amended to apply also to remittances between Member States and third countries?

- Yes
- No
- Don't know / no opinion / not relevant

Question 12.d. Should another EU instrument be envisaged?

- Yes
- No
- Don't know / no opinion / not relevant

Please explain your reasoning when answering question 12.d.

Question 12.e. What actions could non-EU countries take in particular with regard to limiting the costs of cross-border transactions?

More competition in currency conversion

Currency conversion costs are inevitable when it comes to cross-border transactions involving non-euro currencies. Currency conversion rates are often not transparent for consumers when making credit transfers or when paying with a card or a mobile device in a shop, or when withdrawing money from an ATM, in a country with another currency than that of the consumer's home country. The rates fluctuate in line with foreign exchange markets, and internal bank margins applied to currency conversions differ from bank to bank.

The situation is becoming even less transparent as more and more consumers are offered, by merchants or ATM operators, the option to pay or withdraw cash using a service converting the amounts into their home local currency. This is called 'dynamic currency conversion' (DCC). By giving a choice to consumers, this could stimulate competition in currency conversion. However, in practice, it is very difficult for consumers to know which currency conversion offer is the most advantageous, and there are numerous examples of consumers being oriented towards a more costly currency conversion option at the point of sale or when using an ATM. The European Commission announced that it will review good and bad

practices in dynamic currency conversion before considering the most appropriate means (enforcement of existing legislation, voluntary approaches, reinforced legislation) to allow consumers to choose the best rate.

More transparency for both currency conversion options (the merchant's and that of the customers' payment service provider) would enable consumers to make informed choices and could drive down costs.

The Payment Services Directive in its Title III - already in force – imposes a certain degree of transparency of conditions and information requirements for payments services on payment services providers. In particular, article 37 requires that payment services users be informed of

- *"all charges payable by the payment service user to his payment service provider and, where applicable, the breakdown of the amounts of any charges"*.
- *and "where applicable, the actual or reference exchange rate to be applied to the payment transaction"*.

Regarding DCC services, article 49 indicates that

1. *Payments shall be made in the currency agreed between the parties.*
2. *Where a currency conversion service is offered prior to the initiation of the payment transaction and where that currency conversion service is offered at an ATM, at the point of sale or by the payee, the party offering the currency conversion service to the payer shall disclose to the payer all charges as well as the exchange rate to be used for converting the payment transaction.*

The payer shall agree to the currency conversion service on that basis.

Question 13. Currency conversion can be done for the consumer by the payment services provider (PSP) of the consumer/payer, the PSP of the payee or a dynamic currency conversion provider working with the merchant or ATM operator.

Question 13.a. How big are the differences in the costs between these various options? Which one is less costly for payment services users?

The currency conversion done by the PSP of the consumer/payer is the cheapest option. This is partially explained by the business model used by DCC providers that - in most of the cases - includes incentives to merchants so they push the consumer to use DCC.



Question 13.b. How are currency conversion costs priced by payment services provider and what is the usual pricing model applied?

Payer's PSP use a conversion rate indicated in the contract (with VISA, Mastercard, etc.), and - in some cases - it exists also a margin for the conversion. The conversion rates (from VISA & Mastercard) usually follow closely the "official" exchange rate, calculated by the Central Bank, and they are publicly available in their websites.

On the contrary, DCC providers use a conversion rate which includes a higher margin that it is not indicated separately. In this respect, it is very difficult for consumers to know if the conversion rate is fair or not, especially if the currency used is not their own one (for example, the cards in Euros for non-eurozone Member States).



Question 13.c. How aware are consumers of the different options for currency conversion that exist and their prices?

Please rate it from 1 to 5

- 1 (not aware)
- 2
- 3
- 4
- 5 (fully aware)
- Don't know / no opinion / not relevant

Question 13.d. How empowered are consumers to make the best choices for service provider for currency conversions?

Please rate it from 1 to 5

- 1 (not empowered at all)
- 2
- 3
- 4
- 5 (fully empowered)
- Don't know / no opinion / not relevant

Question 14. Better information would allow consumers to choose the most advantageous currency conversion option.

Question 14.a. Are the current transparency and information obligation regarding currency conversion in title III of the Payment Services Directive fully complied with when consumers are making cross-border transactions?

- Very much so
- To some extent
- No
- Don't know / no opinion / not relevant

Please explain your reasoning when answering question 14.a.

The current transparency and information obligation regarding currency conversion in title II of the Payment Services Directive (PSD) are complied when consumers are making cross-border transactions. However, it is difficult to determine if the PSPs are fully compliant with PSD.



Question 14.b. Are the transparency and information obligations regarding currency conversion in title III of the Payment Services Directive sufficient for consumers nowadays?

- Very much so
- To some extent
- No
- Don't know / no opinion / not relevant

Please explain your reasoning when answering question 14.b.

In PSD it is stated that consumers should be informed of all charges as well as the exchange rate used. Nevertheless, there is no mention on how this information must be provided. Therefore, even consumers with knowledge of the sector will not be able to take an informed choice since they will not have the information on the charges or the exchange rate used by the PSP.



Question 14.c. If changes are needed, what could be the changes required and in which time frame?

For consumers, information should be displayed in a very clear, not-misleading and comprehensible manner. The time frame for this should be as soon as possible since consumers are losing money every day due to the fact that they are misled to use DCC instead of cheaper conversions.



Question 14.d. Could real-time exchange rate quotation and estimates of real time final fee/price quotation be a reasonable target for all currency conversion service providers?

- Very much so
- To some extent
- No
- Don't know / no opinion / not relevant

Please explain your reasoning when answering question 14.d.

It could be a reasonable target. However, it is difficult to estimate if it is acceptable in terms of implementation costs and how fast could it be done.

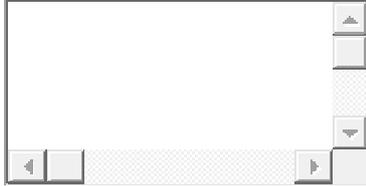


Question 14.e. Could, over the longer term, terminal upgrades be envisaged to provide this information to users?

- Very much so
- To some extent

- No
- Don't know / no opinion / not relevant

Please explain your reasoning when answering question 14.e.



Question 14.f. How much time would be required to implement these changes?

- Less than 3 years
- 3 to 5 years
- More than 5 years

Please explain your reasoning when answering question 14.f.



Question 14.g. Should ancillary transparency measures be taken on the technical side?
(e.g. imposing obligations on currency conversion service providers or users' banks to offer publicly available online calculators and applications on currency exchange)

- Yes
- No
- Don't know / no opinion / not relevant

Please explain your reasoning when answering question 14.g.

Although practically everything is possible on the technical side, it is unrealistic to think that consumers will make an informed choice because both information must be shown at the same time.



Question 15. Dynamic currency conversion (DCC / option to pay or withdraw cash using a service converting the amounts into their home local currency – see explanation in opening paragraph) could, in principle, provide more choice for consumers and bring more competition into the market for currency conversion.

Question 15.a. How justified are concerns about DCC services misleading consumers towards more costly currency conversion options?

The concerns about DCC services misleading consumers towards more costly currency conversion options is quite justified since the information displayed suggest - in most of the cases - to use DCC.



Question 15.b. Are there situations in which DCC services enhance competition and allow consumers to benefit from better currency conversion deals?

- Yes
- No
- Don't know / no opinion / not relevant

Question 15.c. Please provide examples of good practices.



Question 15.d. If this is not the case, should DCC services be banned or are there ways in which it could be ensured that they benefit consumers?

Our organization cannot find any way to ensure that consumers will benefit from DCC. Therefore, our recommendation is to ban the DCC for consumers.



Question 16. DCC users may not be aware that merchants proposing the service may receive as a reward part of the margin earned on the transaction through the DCC service provider.

Question 16.a. Should consumers be made aware of the interests of merchants/ATM operators to promote their own DCC services?

- Yes

- No
- Don't know / no opinion / not relevant

Question 17. It may be technically too difficult to provide full information on the different currency conversion options at the point of sale or cash dispenser.

Question 17.a. Could merchants or ATM operators be obliged to reimburse customers making a payment within the EU if the currency conversion they proposed was not economically beneficial to their customers?

- Yes
- No
- Don't know / no opinion / not relevant

Question 17.b. How could a consumer be made aware of the prejudice suffered as a result of having been oriented towards an unfavourable currency conversion option?

It is very complicated to make consumers aware of the prejudice that they suffer. Therefore, we support the banning of the DCC. If DCC is not banned, the obligation for merchants or ATM operators to reimburse customers will be the best option, even if it would be very complicated to supervise that this is applied in practice.



Question 18. EU consumers travelling to countries outside the EU and non-EU consumers travelling in the EU may also face high currency conversion costs.

Question 18.a. What measures could be envisaged to protect EU consumers against high currency conversion charges in third countries and should such measures be taken?

A measure that could be proposed will be that the banks which are issuing cards should have the obligation to impede the DCC option on their cards for EU consumers.



Question 18.b. What measures could be envisaged to protect non-EU consumers staying in the EU against high currency conversion charges and should such measures be taken?

The banning of the DCC will protect non-EU consumers since they are also suffering from its application. Moreover, they will not find EU devices which will propose them to use the DCC.



Question 19. Are there further comments that you would like to make in relation with currency conversion or DCC services?