



European Economic and Social Committee

INT/847
SEPA/Extension

OPINION

European Economic and Social Committee

Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EC) No 924/2009 as regards certain charges on cross-border payments in the Union and currency conversion charges

[COM(2018) 163 final – 2018/0076 (COD)]

Rapporteur: **Daniel Mareels**

Consultation	European Parliament, 19/04/2018 European Council, 03/05/2018
Legal basis	Article 114 of the Treaty on the Functioning of the European Union
Section responsible:	Single Market, Production and Consumption
Adopted in section	07/06/2018
Adopted at plenary	11/07/2018
Plenary session No	536
Outcome of vote (for/against/abstentions)	116/0/0

1. **Conclusions and recommendations**

- 1.1 The Committee welcomes this proposal, which aims to reduce the cost of cross-border payments in euro in the non-euro-area Member States and which will also introduce greater transparency on currency conversion charges. The EESC urges that the proposal be rapidly implemented.
- 1.2 The direct impact of the proposal will be felt in the first instance in the non-euro-area Member States. The heavy charges levied there for cross-border payments in euro within the EU will disappear, as they will have to be aligned with the lower charges for domestic transactions in the national currency. The Committee welcomes these lower costs, which will particularly benefit consumers and businesses, especially SMEs.
- 1.3 In turn, this reduction of costs will undoubtedly lead to an increase in cross-border free movement and free trade in the EU as a whole, thus benefiting all EU Member States. The Committee considers this deepening of the single market and its positive economic impact to be important.
- 1.4 The Committee also welcomes the fact that the initial objective of the SEPA - for all payments in euro in the EU to be regarded as domestic payments - will thus be achieved. At the same time, the single market for retail financial services will be completed, by removing the existing division in this market between users from within and outside the euro area. The lower charges that euro-area users pay will thus become available to users from outside the euro area.
- 1.5 In connection with its repeated advocacy of biodiversity in the banking landscape as a guarantee of the system's stability and efficiency, and in order to take account of various future developments and challenges, the Committee calls for a greater focus on the cost to the banks arising from this proposal.
- 1.6 Market participants will be required to provide full information to users on the cost of foreign currency conversion before they conduct their transactions. The Committee considers these new, additional transparency requirements to be appropriate, as they will enable consumers to make the appropriate choices regarding these transactions, at a fair price. But here too it is important to take into consideration the technically very complex nature of this matter and the related costs to providers.
- 1.7 Finally, the Committee would also point out that, despite this being a very technical issue, there is undoubtedly a great opportunity here for fruitful and clear communication with all citizens in the Union. The changes made here can be used to explain how the EU brings positive changes for all and solutions for day-to-day problems.

2. **Background**

- 2.1 Since the beginning of the 2000s work has been in progress on harmonising the system for cashless payments in Europe. Ever since the euro was introduced work has been ongoing on a

European single market for payments, the Single Euro Payments Area (SEPA)¹. In that context, there has been a gradual shift from national to European payment systems. That process was completed in 2014.

- 2.2 On this basis, governments, traders and companies can make payments easily throughout the euro area and the European Union² using identical means of payment: cards, credit transfers and direct debits. No distinction will be made any more according to the country you live in: all payments will be "internal payments" within Europe.
- 2.3 A number of other initiatives have also been launched aimed not only at making the cost of payments more transparent but also at reducing them. On this basis, charges for cross-border payments in euro within the EU have, inter alia, now been aligned with those for domestic payments in euro. This was achieved by Regulation (EC) No 2560/2001, later replaced by Regulation (EC) No 924/2009.
- 2.4 In effect, this only used to apply in the euro-area Member States³; also in Sweden, which made use of the option⁴ for other Member States to extend this scheme to the national currency.
- 2.5 In its March 2017 Consumer Financial Services Action Plan: Better Products, More Choice, the Commission undertook to propose measures to reduce charges for cross-border transactions in all Member States and to review practices in dynamic currency conversion⁵.
- 2.6 The current proposal⁶ amending Regulation (EC) No 924/2009 seeks to extend the benefits of this scheme for transactions in euro within the EU to individuals and businesses in non-euro-area Member States. In this way the costs of cross-border payments within the EU will be reduced by aligning them with charges for domestic transactions in the national currency of a Member State.
- 2.7 At the same time⁷, additional transparency requirements are imposed for currency conversion practices. As a result, the cost of cross-border transactions will in future be publicised.

¹ For more information on the SEPA, see the website of the European Payments Council at <https://www.europeanpaymentscouncil.eu/>.

² The SEPA scheme currently applies to 34 countries and territories: the 28 EU Member States plus Iceland, Norway, Liechtenstein, Switzerland, Monaco and San Marino. See website referred to in footnote 1.

³ and thus for payments in euro.

⁴ Option applicable to all Member States provided for in Regulation (EC) No 2560/2001 and its successor, Regulation (EC) No 924/2009 on cross-border payments.

⁵ See COM(2017) 139 final; <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52017DC0139>. See in particular proposed Actions 1 and 2.

⁶ Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EC) No 924/2009 as regards certain charges on cross-border payments in the Union and currency conversion charges <https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1524213305690&uri=CELEX:52018PC0163>

⁷ in the same proposal for a Regulation.

2.8 The Committee welcomes the fact that a number of additional transparency requirements are to be imposed on market participants for currency conversions. The full costs of a cross-border transaction will thus be known to users before they carry out their transaction.

3. **Comments**

3.1 The Committee welcomes the proposals extending the benefits of the SEPA to individuals and businesses in non-euro-area Member States. This will as a rule reduce the cost of cross-border payments in euro within the EU, particularly in these Member States. At the same time, transparency obligations relating to currency conversion charges are increased.

3.2 These proposals thus contribute to the completion of the single market for retail financial services by removing the existing division of the market for cross-border payments in euro within the EU. Users within the euro area will be able to fully enjoy the benefits of the SEPA for this type of payment, which is not currently the case for users in non-euro-area Member States.

3.3 Most users in the euro area can make payments of this kind at a low or even negligible cost, while this is not the case for users outside the euro area. As a general rule, they incur high costs. It is a welcome and very positive development that this situation will now end. Providers of payment services in these Member States will be required to align their charges for cross-border transactions in euro with the - generally lower - charges for domestic transactions in the national currency.

3.4 This cost reduction should have beneficial effects for cross-border free movement and free trade in the EU, in all Member States. Thus consumers from outside the euro area will benefit from easier access to euro-area markets. This easier access will also apply to businesses, particularly SMEs, which will thus benefit from being able to improve their market position and competitiveness.

3.5 The EESC approves the decision to restrict the proposed scheme to transactions in euro. In its opinion on the Consumer Financial Services Action Plan, the Committee "welcomes the fact that at this stage the European Commission is refraining from regulatory measures"⁸. At the same time it is a major step forward for those Member States which for some time have had this option but have not exercised it⁹.

3.6 Leaving aside other reasons for this choice¹⁰, this approach also strikes a balance between the more explicit requirements of both payment service providers¹¹ and users¹². Furthermore, the

⁸ See [OJ C 434, 15.12.2017, p. 51](#), point 1.1.

⁹ See the option referred to in point 2.4.

¹⁰ A number of these are summarised in the Cross-border payments FAQ published together with the press release on the current proposals. See http://europa.eu/rapid/press-release_MEMO-18-2424_en.htm.

¹¹ who tended to support the status quo.

¹² who tended to be in favour of regulating even more transactions.

proposed solution also comes closer to a "tailor-made solution". Thus, it allows account to be taken of the specific conditions and situation in the Member States concerned, including with regard to payment systems and service providers.

- 3.7 In order to give enable consumers to make the right choice with regard to foreign currency conversions, which at present is difficult as they do not always have reliable and up-to-date information, a series of additional transparency obligations are to be imposed on market participants. Thus, the full costs of a cross-border transaction will be known to users before they carry out their transaction.
- 3.8 The Committee considers this transparency requirement benefiting users and consumers to be very important, as is the safety of transactions. The same consideration applies to the placing of a cap on the cost of such services, pending the drafting of the final, concrete implementing measures¹³. For payment service providers, this is a very complex and difficult issue, and attention should therefore also be paid to the related cost aspect.
- 3.9 The costs and revenue shortfalls to be borne by payment service providers as a result of these proposals are not negligible¹⁴. Although the current situation is not entirely satisfactory and although these losses can be mitigated to some extent over time, sufficient attention needs to be paid to the cost aspect.
- 3.10 This focus on the cost aspect is needed, as the Committee recently pointed out¹⁵ in the context of its advocacy of the biodiversity of the banking landscape, as a guarantee of the stability and efficiency of the system¹⁶. Moreover, it should be borne in mind that banks are currently faced with a number of major challenges, such as regulatory and supervisory issues, a number of future trends¹⁷, a long period of low interest rates and a number of other situations¹⁸.

13 Because of the rapidly changing environment and the technical nature of this issue, a period of up to 36 months is provided for after the entry into force of the Regulation.

14 The explanatory memorandum of the proposal mentions an amount of EUR 900 million per year, with regard to cross-border transactions in euro.

15 See [OJ C 434, 15.12.2017, p. 51](#); opinion INT/822, point 3.6.

16 See [OJ C 251, 31.7.2015, p. 7](#), point 1.1 and [OJ C 451, 16.12.2014, p. 45](#), point 1.11.

17 For example, FinTech and blockchain and the financing of a sustainable economy. Action plan on financing sustainable growth, see (https://ec.europa.eu/info/publications/180308-action-plan-sustainable-growth_en) COM(2018) 97 final.

18 Inter alia, the EU approach to non-performing loans (https://ec.europa.eu/info/business-economy-euro/banking-and-finance/financial-supervision-and-risk-management/managing-risks-banks-and-financial-institutions/non-performing-loans-npls_en).

3.11 Finally, the Committee would also point out that, despite this being a very technical issue, there is undoubtedly a great opportunity here for fruitful and clear communication with all citizens in the Union. The changes made here can be used to explain how the EU brings positive changes in the lives of businesspeople, citizens and consumers, and solutions for day-to-day problems, for example when people are travelling.

Brussels, 11 July 2018

Luca Jahier

The president of the European Economic and Social Committee
