



Quantification of the economic impacts of EU action to improve fee transparency, comparability and mobility in the Internal Market for personal payment accounts

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European Commission, Directorate-General Health and Consumers

A report submitted by [ICF GHK](#)

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List of Acronyms

ATM	Automated Teller Machine
UK CC	UK Competition Commission
CP	Common Principles
DG SANCO	Directorate General for Health and Consumers
EBIC	European Banking Industry Committee
EBF	European Banking Federation
ECB	European Central Bank
EU	European Union
HHI	Herfindahl–Hirschman Index
ICB	Independent Commission on Banking (UK)
ICT	Information Communication Technology
LOP	Law of One Price
MS	Member States
NCBs	National Central Banks
OECD	Organisation for Economic Co-operation and Development
OFT	Office of Fair Trading (UK)
POS	Point Of Sale
PPP	Purchasing Power Parity

Member State Acronyms

AT	Austria
BE	Belgium
BG	Bulgaria
DE	Germany
DK	Denmark
ES	Spain
FI	Finland
FR	France
IT	Italy
LT	Lithuania
LU	Luxembourg
LV	Latvia
NL	the Netherlands
PL	Poland
PT	Portugal
UK	the United Kingdom

Executive Summary

This is the Final Report for the following study: *Quantification of the economic impacts of EU action to improve fee transparency, comparability and mobility in the Internal Market for personal payment accounts*. The study was launched by the Directorate General for Health and Consumers (DG SANCO) on 18 April 2012. The work was undertaken by GHK Consulting in association with Van Dijk Management Consultants (VDMC) and with additional inputs from four external experts: Dr John Ashton; Dr Rym Ayadi; Professor Kent Eriksson; and, Mr Peter Freeman.

The purpose of the study was to quantify the costs and benefits of the following policy options, aimed at improving the functioning of the payments account market:

Table 1 Overview of policy options under consideration

Area of Intervention	Policy Option	Variants of the Policy Option
Options aimed at improving fee transparency and comparability : <i>options relating to ex-ante fee disclosure</i>	1: Requiring payment account providers to make available to consumers a standard price list containing 20 most common fees	Not applicable
	2: Requiring payment account providers to make available to consumers a common glossary of fee terms (developed at a national level by a competent authority)	A: Based on non-harmonised terminology
		B: Based on fully harmonised terminology
	3: Requiring Member States to ensure the availability of a price comparison website providing consumers with impartial, accurate, reliable, up to date information on payment account fees	A: Requiring Member States to create a single official website operated by a competent authority
		B: Requiring Member States to launch an accreditation scheme for fee comparison websites to ensure that these sites are meeting established quality standards
	4: Introducing the requirement for payment account providers to provide representative examples of the cost of holding a payment account	A: Representative examples based on self-tailored usage profiles
B: Representative examples based on standard usage profiles		
5: Introducing the requirement for payment account providers to provide cost simulations to prospective payment account holders	A: Cost simulations based on self-tailored usage profiles	
	B: Cost simulations based on standard usage profiles	
6: Introducing an EU standardised form for the provision of ex-ante information on fees	Not applicable	
Options aimed at improving transparency and comparability: <i>options relating to ex-post fee disclosure</i>	1: Making it mandatory for payment account providers to provide ex-post information on fees incurred	Not applicable
	2: Introducing an EU standardised form for the provision of ex-post information on fees	Not applicable
Options aimed at improving consumer mobility by facilitating switching	1: Ensuring that switching services follow the industry's Common Principles ¹	Not applicable
	2: Improving the effectiveness of the Common Principles	A: At domestic level
		B: With cross-border provisions
	3: Establishing an automatic redirection service	A: Domestic redirection service
B: EU-wide redirection service		
4: Introducing payment account portability	A: Domestic portability	
	B: EU-wide portability	

These options were examined individually and as policy packages (consisting of complementary and mutually reinforcing policy options). The following policy packages were defined:

Table 2 Overview of the proposed policy packages

Area of Intervention	Package 1: Building on current good practice	Package 2 Maximum EU harmonisation
Ex-ante fee disclosure:	<ul style="list-style-type: none"> ▪ A standard price list of core fees ▪ Comparison sites licenced under an accreditation scheme 	<ul style="list-style-type: none"> ▪ Provision of ex-ante fee information using a standardised EU form ▪ A single official fee comparison website ▪ Provision of ex-post fee information using a standardised EU form
Ex-post fee disclosure:	<ul style="list-style-type: none"> ▪ An obligation for payment account providers to provide ex-post information on fees incurred 	<ul style="list-style-type: none"> ▪ Introduction of EU standardised form for the provision of ex-ante information on fees
Switching:	<ul style="list-style-type: none"> ▪ Broadening of the scope of the Common Principles to EU-wide cross-border switching 	<ul style="list-style-type: none"> ▪ Broadening of the scope of the Common Principles to EU-wide cross-border switching

It should be noted that the following two switching options were excluded from the scope of the policy packages: an automatic redirection service and payments account portability. There were two reasons for this:

- A comprehensive and accurate assessment of the potential costs of the two options could not be carried out within the scope of this study due to lack of data. In the absence of this evidence, it was not possible to establish whether the potential benefits of these options would be proportionate in relation to the costs involved. It is recommended that further research be undertaken to understand the costs of these two options.
- There already exists a switching service (as of November 2009) established through industry self-regulation (Common Principles). Although there are some concerns regarding compliance with the Common Principles, there is general consensus among stakeholders that a pragmatic way forward would be to first consider how the current framework could be improved and more effectively enforced, before considering more costly options requiring significant investment.

The Method of Approach

The study analysed the costs and benefits of the above policy options on the following groups of stakeholders:

- Consumers;
- Industry i.e. banks and non-bank providers of payment accounts (e.g. credit unions, building societies etc.);
- Public authorities.

To achieve this, quantitative and qualitative evidence was drawn from a variety of sources such as desk research, survey-based fieldwork, consultation with key stakeholder groups and expert opinion. These methods are briefly described as follows:

- An exhaustive review, analysis and synthesis of existing literature and reports on relevant topics such as the impact of greater price transparency on competition, price convergence, barriers to switching, functioning of the retail financial markets, behavioural economics etc. Findings from the literature review were used to develop a conceptual framework for the study and to scope out the likely costs and benefits of the various policy options;

- A comprehensive, desk-based review, of all online sources of data such as the websites of the European Central Bank (ECB), National Central Banks (NCBs), Eurostat, financial regulators, industry associations and consumer organisations, to collect available data on the state of the market including industry structure, current account prices, levels of switching etc.;
- A structured survey addressed to banking associations, consumer associations, policy makers and competent authorities to collect data and feedback on the costs and benefits of the proposed policy options. The survey questionnaire was either emailed to relevant contacts or used as a basis for conducting an in-depth face-to-face or phone interviews;
- A comprehensive review of a number of payment account providers' websites covering the information available on prices and switching process;
- Case study research covering sixteen Member States to understand the state of their markets, regulatory frameworks, industry practices, and consumer behaviour and preferences;
- A panel of experts provided technical advice, and an independent and critical review of the assumptions underpinning the analysis and the results of the study.

The following potential direct impacts of the proposed policy options were quantified and monetised:

- Cost of implementing the policy options including compliance and administrative costs;
- Benefits accruing to consumers:
 - *Savings from better account management*: increased awareness and understanding of the costs of running a payments account should prompt a certain section of the consumers to manage their accounts better. For example, a clear breakdown of the charges incurred, should help consumers identify areas where savings could be made by taking action to avoid unnecessary charges in the future. Likewise better information on average credit balances might prompt consumers to transfer excess balances into a savings account.
 - *Savings from switching*: similarly better fee information and the existence of switching tools should enable consumers to switch to products offering better value for money.
 - *Longer term reduction in the price of payment accounts*: finally, price reductions may be expected over the longer term due to (a) increased competition in the market; (b) price convergence between payment account providers across the EU; and, (c) scale economies and induced structural changes to payment account provisions yielding cost savings, which could potentially be passed on to consumers in the form of lower prices.

The broader² and more indirect impacts of the proposed policy options³ could not be monetised within the scope of this study and were qualitatively assessed. Also, as previously stated, the costs of switching options relating to redirection service and payments account portability could not be quantified as part of this study.

Headline Results

Table 3 summarises the estimated (incremental) costs and benefits of the individual policy options. The least costly/ most beneficial options under each policy area have been indicated in green-shaded cells, while the most costly/ least beneficial options have been indicated in red shaded cells.

The overall results of the study are as follows:

- For a number of options, the estimated benefits significantly outweigh the estimated costs. These options are a standard price list of core fees, EU standardised form for ex-ante fee information, a price comparison website or accreditation scheme, provision of ex-post fee information and options aimed at facilitating switching.
- All policy options – when considered individually- would make consumers better off. Most policy options are expected to generate tangible benefits for consumers in the form of savings; the only exception being a glossary of fee terms, which on its own, is unlikely to generate any

measurable benefits for consumers. None of the proposed policy options would make consumers worse-off or cause any detriment.

- If the industry decides to fully pass through the compliance costs of the policy action to consumers, this would result in a marginal increase in the average cost of personal payment accounts. The additional costs for consumers would be less than a euro in the case of a majority of the policy options being considered. The following policy options might however, result in a slightly higher increase in the average costs of personal payment account services (between one and three euros per consumer per year): the requirement for industry to provide representative examples of the cost of holding a payment account; the obligation to provide cost simulations to prospective personal payment account holders; and, EU standardised forms for the provision of ex-post information on fees.

Table 3 Costs and benefits calculated over a ten year period (2013 to 2022) and expressed in Present Value terms, (€ million)

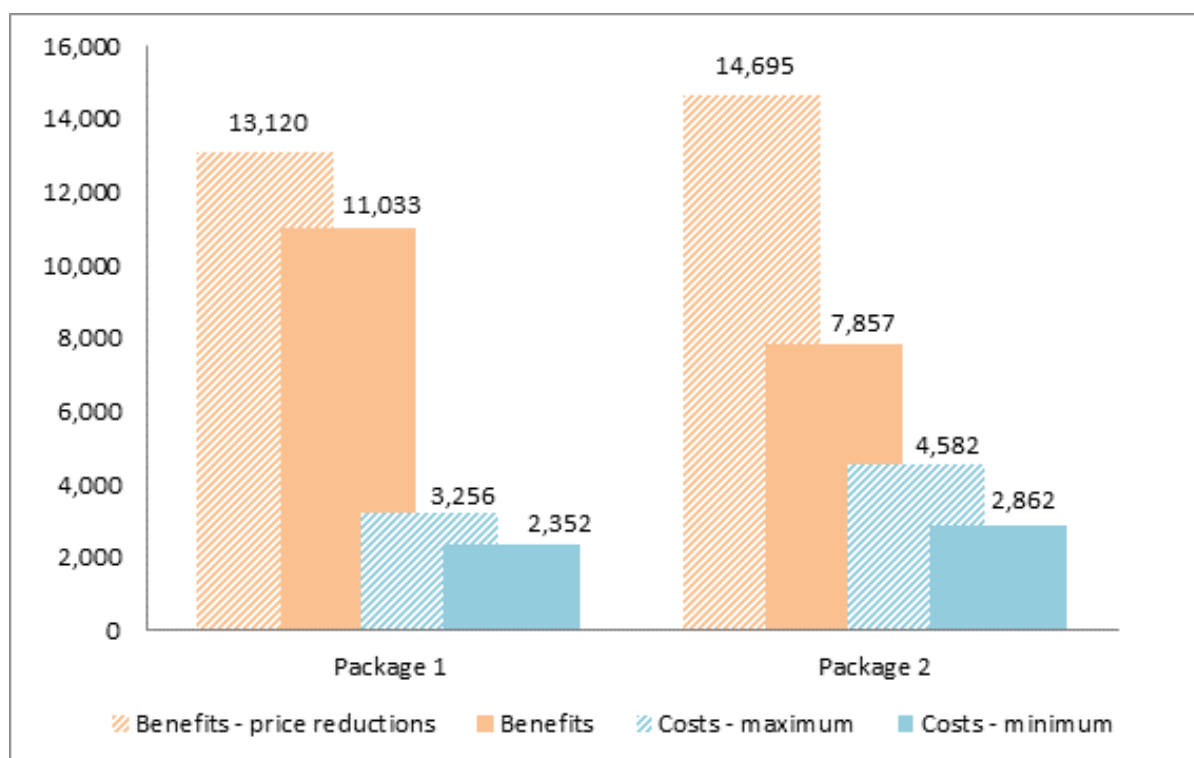
Policy Option	Variant	Compliance Costs: Industry				Compliance Costs: Member States				Benefits: Consumers	
		One-off Costs		Recurring Costs		One-off Costs		Recurring Costs		Savings from switching	Savings: better account management
		Min	Max	Min	Max	Min	Max	Min	Max		
Ex-ante Fee Disclosure											
1: Standard price list of core fees		95.95	163.03	183.17	255.79	0.05	0.08	0.81	1.59	585	-
2: Glossaries of bank fee terms	A: Non-harmonised terminology	11.66	23.58	149.67	192.32	0.02	0.05	0.82	1.56	-	-
	B: Harmonised terminology	40.35	72.76	334.11	422.78	0.08	0.11	0.99	1.95	-	-
3: Independent fee comparison websites	A: A single official website	13.75	21.81	49.36	98.72	0.76	2.86	14.04	20.95	731	-
	B: Accredited websites*	0.32	0.65	4.77	9.53	0.36	0.66	3.48	6.74	731	-
4: Representative examples	A: Self-tailored usage profiles	265.44	463.30	323.68	347.76	0.02	0.03	0.71	1.40	146	-
	B: Standard usage profiles	299.11	521.14	362.97	390.94	0.08	0.12	0.94	1.85	146	-
5: Cost simulations	A: Self-tailored usage profiles	420.77	691.71	2,572.48	3,682.59	0.02	0.03	0.71	1.40	219	-
	B: Standard usage profiles	461.12	757.51	2,821.51	4,036.32	0.08	0.12	0.99	1.95	219	-
6: EU standardised forms: ex-ante fee information		150.17	254.25	224.89	297.51	0.03	0.05	0.71	1.40	439	-
Comparable fee disclosure ex-post											
1: Provision of ex-post fee information		193.91	328.81	260.37	492.45	0.08	0.11	0.81	1.59	1,462	2,703
2: EU standardised forms: ex-post fee information		346.34	682.66	587.74	1,110.48	0.03	0.05	0.71	1.40	292	955
Facilitating the process of bank account switching											
1: Ensure compliance with Common Principles		16.79	32.86	228.84	395.74	0.02	0.03	12.63	25.23	1,462	-
2: Improve Common Principles	A: At domestic level	37.34	73.10	852.63	1,214.06	0.02	0.03	12.63	25.23	1,679	-
	B: With cross-border provisions	67.22	129.44	2,041.33	2,649.17	0.02	0.03	12.63	25.23	3,655	-
3: Automatic redirection service	A: Domestic redirection service**									5,849	-
	B: EU-wide redirection service**									6,580	-
4: Payment account portability	A: Domestic portability**									8,773	-
	B: EU-wide portability**									9,504	-

* The costs to industry reflect the costs that would fall on the operator of the website **Costs not quantified due to lack of data

The most beneficial and mutually reinforcing policy options were bundled together as packages. Two alternative policy packages were defined and assessed (as indicated in Table 2). The results of the analysis are as follows:

- The costs of the proposed packages are similar in terms of orders of magnitude: €2 billion to just over €3 billion over a ten year period in present value terms. However, Package 2 has a wider range of cost estimates (€2.9 billion to €4.6 billion) and therefore, the costs of implementing this package could potentially be higher than Package 1.
- The cost of implementing both packages is largely a reflection of the compliance costs that are expected to accrue to the providers of payment accounts. Specifically, the biggest cost elements are expected to be as follows: cost of updating IT systems with new standard price lists; cost of adapting IT systems/ business processes to generate ex-post fee information and to enable domestic and cross border switching according to the improved Common Principles; additional staff time involved in dealing with a higher volume of switching requests and processing these requests in accordance with the improved Common Principles; cost of adapting any marketing and promotional material.
- Both packages would provide substantial returns to consumers, even assuming that compliance costs are subsequently (fully) passed on to consumers in forms of higher fees/ charges.
- Finally, Package 1 offers a higher benefits-cost ratio as compared to Package 2.

Figure 1 Present value of benefits and costs of the proposed policy packages including price savings (2013 to 2022), € million



1 Introduction

This is the Final Report for the following study: *Quantification of the economic impacts of EU action to improve fee transparency, comparability and mobility in the Internal Market for personal payment accounts*. The Final Report provides a detailed account of the research undertaken and the results of the study as well as the underlying evidence base and working assumptions.

The study was launched by the Directorate General for Health and Consumers (DG SANCO) on 18 April 2012. The work was undertaken by GHK Consulting in association with Van Dijk Management Consultants (VDMC) and with additional inputs from four external experts: Dr John Ashton; Dr Rym Ayadi; Professor Kent Eriksson; and, Mr Peter Freeman. Additionally, Innopay - an independent consultancy firm specialising in payments infrastructure and services – carried out a high level technical feasibility assessment of the following two options aimed at facilitating switching: an EU wide automatic redirection service and payment account portability.

1.1 Objectives and scope of this study

The overall objective of this study was to quantify the costs and benefits of a series of policy options aimed at improving the functioning of the EU's payments account market. The policy options under consideration, focused on the following two areas:

- Improving fee transparency and comparability;
- Making it easier for consumers to switch providers.

In support of the above objective, the Terms of Reference for the study set out the following requirements:

To elaborate the baseline scenario against which the potential (incremental) impacts of the proposed policy options could be assessed

The baseline scenario portrays the current and expected future state of the market and regulatory environment in Member States in the absence of EU intervention. This involved data capture and analysis to describe:

- Existing national measures (legislative measures as well as industry self-regulation) relating to payment account fee transparency and account switching;
- Initiatives in pipeline and planned for implementation in the short-term (by 2013) as well as likely future regulatory developments in the absence of the proposed EU action (over the next ten years or so);
- The current state of the personal payments account market in terms of pricing structures, fee transparency, switching, mobility, degree of competition etc.;
- Future trends and likely evolution of the market (over a ten year timeframe) in the absence of the proposed EU action.

To quantify the potential economic impacts of the different policy options

This study focussed on quantifying the following economic impacts:

- Likely cost implications of implementing the proposed policy options for the industry as well as for the national public authorities;
- The scale of benefits accruing to consumers in the form of lower prices and savings resulting from better account management⁴ and/or switching to a better value payments account (offering a higher interest rate on credit balances and/or charging a lower interest rate on debit balances, for example).

Each of the policy options (and packages of policy options), were also qualitatively assessed to supplement the quantification of costs and benefits.

To carry out a high level feasibility assessment of an EU-wide redirection service and payment account portability.

The feasibility assessment of an EU-wide re-direction service and payment account portability focussed on its technical and practical feasibility in terms of availability of technology, operability and obstacles and incentives to compliance. This part of the study was carried out by Innopay, an independent consulting firm specialising in payments and related transaction infrastructure and services.

1.2 Key definitions

1.2.1 Payments account

There is no official or universally accepted definition of a payments or a personal payments account.

The ECB⁵ defines a payments account as *'the bank account which individuals use for most of their household transactions such as receiving wages or paying bills'*.

The European Commission, in its 2006 Sector Inquiry⁶, defined a payments account as *'any account available to all consumers and for which access is not restricted because of the level of income, age, profession or social status'*.

The OFT⁷, in its work, has been more specific in articulating what constitutes a personal payments account (referred to as a personal current account in the United Kingdom) and what distinguishes it from a savings account: *'The object of a current account is to enable the customer to pay by cheque, debit card or other transfer mechanisms amounts due from him and to arrange for the collection of cheques and other receivables payable to him. The account represents the customer's 'liquid funds' available for everyday expenditure.*

Personal current accounts can be distinguished from savings accounts in the following ways:

- i) All savings accounts earn interest – whereas some banks do not offer interest on credit balances of personal payment accounts.*
- ii) Cheque books, debit cards and cash cards are not issued in respect of many savings accounts whereas they are a key feature of personal payment accounts.*
- iii) A personal current account may either be in credit or overdrawn. The law does not recognise that a savings account can go into overdraft.'*

The Northern Ireland Competition Commission⁸ used the following definition of a personal payments account in its market investigation (conducted in 2005): *'an account, marketed to individuals not businesses, which provides the facility to hold deposits, receive and make payments (cheques and debit cards) and use automated teller machine (ATM) facilities and to make regular payments (direct debit and standing orders)'*.

A payments or a personal payments account is commonly understood as an account available to all consumers and one which offers the following services: 1) cash utilisation (i.e. on-us withdrawal/deposit at counter and ATM, off-us withdrawal at ATM using a debit or credit card), 2) payment transactions (i.e. regular or electronic payment of funds such as wages, transfer operations including online transfers, and checking), 3) exceptional operations (i.e. overdrafts, blocking of credit/debit cards, stop payments, insurance on lost/damaged payment tools, etc.).

The access to the account is provided through channels including 1) traditional networks of branches, 2) internet including opening and/or account managing and consultation, 3) phone and increasingly, mobile banking.

1.2.2 Payments account prices

Prices of a payments account include all tariffs which represent a cost for the consumer and correspond to services actually used. For example, the costs of account statements, cash withdrawals, renewal of a debit card, issuing a credit transfer, etc. All tariffs represent a

charge with the exception of interest paid by banks on credit balances which reduce the total cost of running a personal payment account.

The overall price paid by a consumer for a personal payments account can be broken down as follows:

Table 1.1 Typical fees and charges applicable to payments accounts

Fee category	Specific charges/ fees applied by banks
Charges and fees paid by consumers:	
General account charges – fixed fees associated with the normal running of an account	<ul style="list-style-type: none"> ▪ Account opening fee ▪ Account closing fee ▪ Monthly/ annual account fees ▪ Charge for access to telephone, online , mobile banking ▪ Charge for issue/ renewal of debit card ▪ Charge for issue/ renewal of credit card ▪ Charge for issue of a cheque book ▪ Charge for monthly paper based/ electronic account statements
Fees and charges related to cash services – variable fees that are a function of usage patterns	<ul style="list-style-type: none"> ▪ Withdrawal at the counter ▪ Deposit at the counter ▪ ATM cash withdrawals: <ul style="list-style-type: none"> – Domestic withdrawals with the same bank ATM network (including banks of the same group) – Domestic withdrawals with other banks – Cross-border ATM withdrawals in the Eurozone – Cross-border ATM withdrawals in non-Eurozone countries ▪ Deposit at ATM
Fees and charges related to payment services - variable fees that are a function of usage patterns	<ul style="list-style-type: none"> ▪ Payment of standing orders and direct debits <ul style="list-style-type: none"> – Domestic – Cross-border (within the Eurozone) – Cross-border (non-Eurozone countries) ▪ Money transfers <ul style="list-style-type: none"> – Domestic – Cross-border (within the Eurozone) – Cross-border (non-Eurozone countries) ▪ Payments received in the account <ul style="list-style-type: none"> – Domestic - in the same currency as the account – Domestic - in a different currency – Cross-border - in the same currency as the account – Cross-border - in a different currency ▪ Making a payment using a debit card <ul style="list-style-type: none"> – Domestic POS transaction – Cross-border POS transaction (within the Eurozone) – Cross-border POS transaction (non-Eurozone countries) – Online payment ▪ Making a payment using a credit card <ul style="list-style-type: none"> – Domestic POS transaction – Cross-border POS transaction (within the Eurozone) – Cross-border POS transaction (non-Eurozone countries) – Online payment ▪ Making a payment using a cheque ▪ Bankers' drafts and other special money transfers
Conditional fees (overdraft charges) - variable fees that are a function of usage patterns	<ul style="list-style-type: none"> ▪ Fees / interest rate (including administrative fees) charged on authorised overdrafts ▪ Fees / interest rate charged (including administrative fees) on unauthorised (unarranged) overdrafts

Other conditional fees and exceptional charges - variable fees that are a function of usage patterns	<ul style="list-style-type: none"> ▪ Replacement of lost or stolen debit / credit card ▪ Blocking a debit/ credit card ▪ Copy statement ▪ Stop payment instruction ▪ Insufficient fund charges (cancellation of payment due to insufficient funds in the account) ▪ Penalties for not paying in the minimum amount into the account each month ▪ Minimum balance fee – fees payable if the average daily balance/ daily balance falls below a minimum threshold ▪ Other fees or charges not included above
Other elements to be taken into account in determining the price of payment accounts:	
Interest foregone	The difference between what a consumer could earn in credit interest from their payment account and what they could earn using an account that pays a higher interest rate or a savings account. It is in effect the opportunity cost of holding credit in a payment account with a low credit interest rate
Interest rate on credit balances	<ul style="list-style-type: none"> ▪ Interest rate ▪ Minimum amount to be paid-in to the payment account on a monthly basis ▪ Minimum operating balance to be maintained
Rewards and incentives	<ul style="list-style-type: none"> ▪ Cash back on debit card ▪ 'Spend and save' points ▪ Travel insurance ▪ Other forms of insurance ▪ Other benefits such as music downloads

1.3 Report structure

The remainder of this report is structured as follows:

- Section 2 provides a description of the policy options under consideration;
- Section 3 describes the overall approach and main research activities;
- Section 4 presents the estimates of the costs and benefits of individual policy options;
- Section 5 presents the estimates of costs and benefits of policy packages;
- Section 6 sets out the results of sensitivity analysis.

The main report is supported by the following annexes:

- Annex 1 – Main data sources;
- Annex 2 – Overview of stakeholders consulted;
- Annex 3 – Approach and assumptions for calculating the costs and benefits of policy options;
- Annex 4 - Qualitative assessment of the benefits of policy options.

Additionally, three separate documents have been prepared containing the following information:

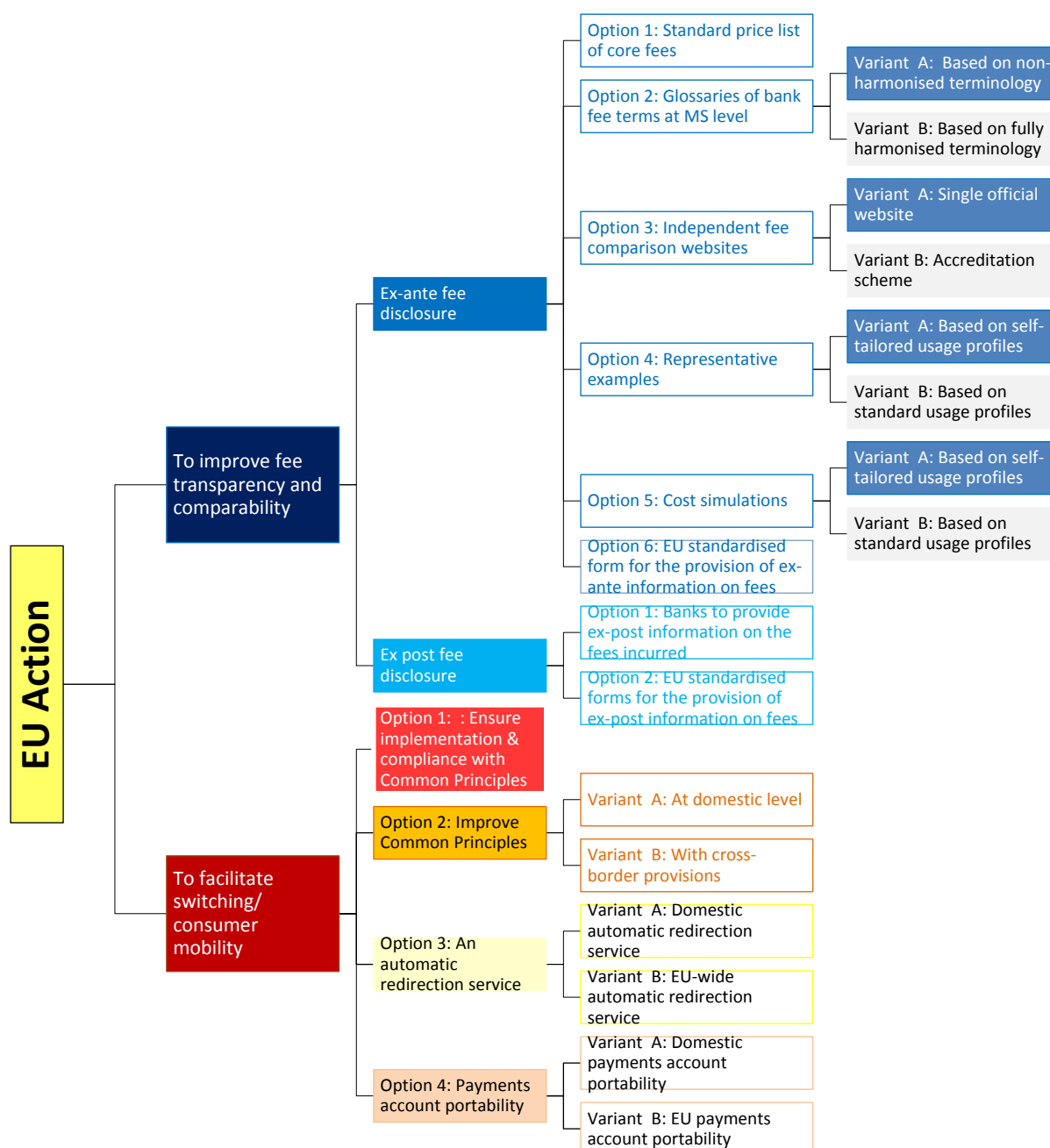
- Country reports detailing the results of desks research and fieldwork covering a sample of sixteen countries;
- Synthesis report summarising the information collected through stakeholder interviews;
- Feasibility report on redirection service / bank account portability.

2 Description of the proposed policy options

2.1 General introduction to the policy options and packages of options

The policy options assessed within the framework of this study fall into two broad categories: (a) a set of policy options aimed at improving transparency of fee information available to consumers (both, before and after choosing an account) to help them better understand the costs of their payments account and those of competing products; and, (b) a set of options designed to make switching easier and hassle-free for consumers. A range of options were identified by DG SANCO and provided to the study team for assessment⁹ - Figure 2.1. These options were examined individually (the results of which are provided in Section 4) and as policy packages consisting of complementary and mutually reinforcing policy options (the results are provided in Section 5).

Figure 2.1 Overview of policy options under consideration



2.2 Description of individual policy options

2.2.1 Policy options relating to ex-ante disclosure of fees

A set of options aimed at improving the quality and clarity of information available to consumers so that they are able to (a) understand the fees and charges applicable to different payment account products and the likely costs of running a payments account; and, (b) compare and evaluate different payment account offers.

2.2.1.1 *Option 1: Standard Price List to be provided as part of account opening procedures*

Under this option, Member States would be required to make it mandatory for payment account providers (banks, building societies, credit unions etc.) operating on their territory to introduce standard price lists. The standard price list would contain a list of twenty most common fees. Those fees that are commonly used across Member States, would receive EU level definitions (where relevant), while Member States would be able to add to the list to reflect domestic market characteristics. This would be a dedicated price list focussing exclusively on payment account fees and charges i.e. it would not include fees and charges applicable to other banking products or services.

EU level action would define a set of broad principles and common criteria with respect to:

- Common presentation requirements;
- Accessibility requirements;
- Approach to determining the most common fees;
- Implementation and monitoring requirements.

The binding options at EU level would set out some common requirements in terms of format and layout e.g. the price list should be clear and concise etc. The EU could also specify the categories/types of fees that should be included in the price list and their sequence in the price list. The price list would contain the unit price of payment account services or charges. The unit may be a unit of time (annual/monthly/one-off) or volume (per item/service etc.). The price list would harmonise the unit references at Member State level.

The purpose of this set of requirements is to ensure that easy to understand and comparable fee information is readily available to potential or existing customers.

Ideally, the standard price list would distinguish between fixed fees or standard charges (i.e. general account charges) and variable or usage related fees (i.e. per item).

2.2.1.2 *Option 2: Introduce the requirement to develop glossaries for bank fee terms*

EU level action would require all payment account providers to make available to consumers a common glossary developed at a national level by a competent authority. Two variants of this option have been considered:

- *Variant A: glossaries containing non-harmonised terminology:* Member States' competent authorities would compile a glossary containing payment account fee terminology in use by all payment account providers operating on their territory.
- *Variant B: glossaries based on fully harmonised terminology:* Member States' competent authorities would compile a glossary of fee terminology standardised/harmonised at a national level.

EU action would seek to define a set of broad principles and common criteria with respect to:

- Presentation requirements;
- Accessibility;
- Selection criteria for fee terminology.

To be effective, a glossary has to be simple to read and to understand. The glossaries should therefore, provide consumers with clear, concise and easily understandable

definitions of key terms and concepts relating to personal payment accounts fees and charges. They should also be updated according to market developments.

The glossary should generally be readily available in a physical or an electronic format to customers.

EU level action would define the scope of fees to be included in the glossary. It is envisaged that all terms used in a contractual text would be included in the glossary.

Two variants of this option have been considered:

- *Variant A: Glossaries containing non-harmonised terminology.* Member States' competent authorities would be responsible for compiling a glossary of payment account fee terminology on the basis of information provided by payment account providers operating on their territory. The fee terminology contained in the glossary would therefore, not be standardised at a Member State level. Payment account providers would be responsible for supplying a glossary of fee terminology used by them to the competent authority. They would also be responsible for providing updates to the competent authority when any new fee terminology is introduced.
- *Variant B: Glossaries based on fully harmonised terminology.* Binding measures at EU level would require Member States to develop a glossary of harmonised (standardised) payment account fee terminology. All Member States would make it legally binding for payment account providers operating on their territory to include references to the standard terminology contained in the glossary when using their own terminology (and when it differs from standard terminology).

2.2.1.3 Option 3: Introduce the requirement to set up independent fee comparison websites at Member State level

This option foresees the existence of independent fee comparison websites accessible to all consumers. EU level action would specify the minimum common characteristics of the fee comparison website, most notably:

- **Independence:** this would be an essential feature of price comparison tools in order to ensure that the pricing information available on the website is credible and impartial;
- **Timeliness and accuracy of the information published:** websites would be required to provide up to date information on all payment account offers available on the market;
- **User-friendly and transparent:** pricing information would be provided in a format that is easy to understand and facilitates comparability between different offers through the use of interactive tools, for example.
- **Website operators/public bodies would promote the use of comparison tool(s) among consumers through information campaigns, for example.**

There are two potential variants of this option:

- *Variant A: Single official website managed by a competent authority.* Under this variant, Member States would be required to create a price comparison website that fulfils the above criteria. Payment account providers would be obliged to regularly provide the operator of the independent comparison tool(s) with updated pricing data. The pricing data received from banks would be added to the comparison website following a validation system.
- *Variant B: Comparison sites licenced under an accreditation scheme designed to help consumers compare payment account offers.* Price comparison websites would be accredited through a rigorous independent audit. The audit would check whether the information provided to consumers is accessible, accurate, transparent, comprehensive and up to date. Accreditation would be voluntary for website operators. Similarly, payment account providers would not be required to provide data to a comparison website.

2.2.1.4 Option 4: Introduce the requirement to provide prospective customers with representative examples of the cost of holding a payment account

EU level action would require Member States to make it mandatory for payment account providers to provide representative examples of the cost of holding a payment account. These representative examples would illustrate the overall costs of a payment account (over a given period) associated with different account usage patterns. The usage patterns would be designed to be reasonably representative of the common ways that consumers might use payment accounts.

There are two variants of this option:

- *Variant A: Payment account providers develop representative examples based on self-tailored usage profiles.* Minimum requirements on the variables to be included in representative examples would be harmonised at an EU level. However, payment account providers would be free to develop representative examples on the basis of usage profiles that best reflect the consumption patterns of their typical customers.
- *Variant B: Member States develop representative examples based on standard usage profiles.* Minimum requirements on the variables to be included in representative examples would be harmonised at an EU level. Moreover, representative examples would be based on standard usage profiles developed at a Member State level. It is envisaged that usage profiles would be tailored to national contexts and would be reasonably representative of the usage patterns of an average payment account user.

As with the previous option covering fee disclosures, EU action would define a set of broad principles and common criteria with respect to:

- Presentation requirements;
- Visibility;
- Fees or categories of fees to be included in a representative example.

2.2.1.5 Option 5: Set up customer usage profiles and provide cost simulations to prospective customers

All payment account providers would be required to provide potential customers with an indicative estimate of the cost of holding a payment account based on a usage profile that best matches the prospective customer's usage patterns. There are two potential ways of implementing this option:

- *Variant A: Payment account providers develop cost simulations based on self-tailored usage profiles.* Payment account providers would be required to provide a cost simulation expressed in terms of cost of running a personal payment account per month/year for the consumer on the basis of a usage profile that best matches the prospective customer's usage patterns. Payment account providers would be free to develop their own usage profiles provided they meet the minimum requirements set at an EU level as regards the inclusion of price-sensitive usage variables (such as charges associated with ATM withdrawals, transfer of funds etc.).
- *Variant B: Member States develop cost simulations based on standard usage profiles.* Payment account providers would make use of standard usage profiles set up at Member State level. The standard usage profiles developed nationally would need to follow the minimum requirements set at an EU level, as regards inclusion of price-sensitive usage variables (such as charges associated with ATM withdrawals, transfer of funds etc.). Member States would be free to add specificities that better reflect domestic consumption patterns (for example, the use of a cheque book).

2.2.1.6 Option 6: Introduce EU standardised forms for the provision of ex-ante information on fees

This would involve the mandatory introduction of a single form for ex-ante disclosure of personal payment account fees. The price list – covering all fees - would be developed at an

EU level (similar to the European Standardised Information Sheet for mortgages and Standard European Consumer Credit Information).

The standard form would fully harmonise ex-ante fee disclosure across the EU, providing EU definitions for all fees in use. EU action would specify the content, format and layout of the form.

2.2.2 Policy options relating to ex-post disclosure of fees

Options aimed at ensuring that consumers have access to clear, comprehensible and timely information on the costs incurred on their personal payment accounts. This would (a) help consumers to better understand the costs of running their account; (b) help them assess whether they are getting value for money from their personal payments account and whether there are potential gains to be made from switching and, (b) enable consumers to manage their accounts more effectively by helping them identify areas where savings could be made.

2.2.2.1 Option 1: Introduce an obligation to provide ex-post information on fees incurred

Under this option, it would be mandatory for payment account providers to provide consumers with ex-post information on a set of core fees incurred. The ex-post information would cover the same fee items as the ex-ante information (as in ex-ante option 1). If this option was to be combined with standard price lists, it would allow consumers to be able to verify and analyse the actual charges that have been applied to their payments account and identify areas where savings could be made.

Ex-post fee information would be provided on a quarterly or six monthly or an annual basis. As with standard price lists, common presentation requirements would be established at an EU level, and would ensure that fees are sufficiently detailed to identify cost patterns.

2.2.2.2 Option 2: Introduce EU standardised forms for the provision of ex-post information on fees

Payment account providers would be required to provide their customers with a monthly, six monthly or annual summary of the fees and charges that have been applied to their accounts over a given period, using an EU standardised form. The form would contain all payment account fee items defined at an EU level, similarly to ex-ante option 6.

The charges incurred would be broken down into categories to ensure that fees are sufficiently detailed to identify cost patterns.

2.2.3 Policy options to facilitate the process of Bank Account Switching

Options aimed at making it easier for consumers to change payment account providers.

2.2.3.1 Option 1: Ensuring that switching services follow the Common Principles

This option would ensure that the Common Principles (CP) are applied consistently by all payment account providers across the EU, either through legally binding measures or by monitoring the implementation of the Common Principles in their current form.

Member States would also designate a competent authority that would be responsible for the monitoring the implementation of the Common Principles (e.g. by conducting mystery shopping exercises) and reporting on the results. Member State authorities would report results to the Commission on a periodic basis e.g. annually.

2.2.3.2 Option 2: Improving the effectiveness of the Common Principles

This option would entail the mandatory application of improved Common Principles. Two potential variants of this option have been considered:

- *Variant A: Improving the existing Common Principles at domestic level.* The Common Principles would be improved by introducing provisions to improve information on the existence of switching services (e.g. obligatory display on payment account providers' websites and provisions to ensure that their staff are adequately trained).

- *Variant B: Broadening the scope of the Common Principles to EU-wide cross-border switching.* The process would be based on either the existing Common Principles or the 'improved' Common Principles as defined in Variant A of this Option. The Common Principles would additionally apply to cross-border switching, including the standardisation of the time-periods set for the 'new' and the 'old' provider to perform their respective tasks and inclusion of provisions to facilitate cross-border switching (for example, by applying the rules established in the home Member State of the 'new' provider to the whole switching process).

2.2.3.3 Option 3: Setting up an automatic redirection service for all recipients and payments from old to a new account

Under this option, all receipts and payments routed to the old account would be automatically redirected to the new account. This would be an option for the customer and particularly relevant in the event that the old account is closed following the switch. The redirection service would be temporary, following the switch, but would need to operate for a sufficient period of time to capture annual payments. For the purposes of the assessment, the redirection service would be taken to last for thirteen months following the date a switch is undertaken.

The redirection service would provide the parties whose payments have been redirected with the new bank information of the customer (where possible).

There are two potential variants of this option:

- *Variant A: A domestic automatic redirection service.* A redirection service would operate for switching between any two payment account providers within each Member State.
- *Variant B: EU-wide automatic redirection service.* In addition to domestic switching, the redirection service would be capable of handling switching across borders.

2.2.3.4 Option 4: Introduce payment account portability

Under this option, payment account providers would be required to provide their customers with fully portable account numbers. This would allow consumers to change their service provider without changing their account numbers.

Two variants of this option have been considered:

- *Variant A: Domestic payment account portability.* Consumers wishing to change their payments account provider would be able to do so by transferring their account to the new provider within their Member State and retain the same account number.
- *Variant B: EU payment account portability.* Consumers wishing to change their payments account provider would be able to do so by transferring their account to the new provider (which may be located in another Member State), and retain the same account number.

2.3 Description of policy option packages

As previously noted, two policy packages were defined to include a combination of complementary options— reflecting a range in the strength of intervention from a flexible approach that takes account of national market specificities (Package 1), to a full harmonisation approach taken at EU-level (Package 2). Table 2.1 shows the bundling of policy options under each package.

Table 2.1 Overview of the proposed policy packages

Policy Options		Package 1 <i>(building on current good practice/ industry self-regulation)</i>	Package 2 <i>(Maximum EU harmonisation)</i>	
Ex-ante Fee disclosure	1: Standard price list of core fees	x		
	2: Glossaries of bank fee terms	A: Non-harmonised terminology		
		B: Harmonised terminology		
	3: Independent fee comparison websites	A: A single official website		x
		B: Accredited websites	x	
	4: Representative examples	A: Self-tailored usage profiles		
B: Standard usage profiles				
5: Cost simulations	A: Self-tailored usage profiles			
	B: Standard usage profiles			
6: EU standardised forms: ex-ante fee information			x	
Ex-post fee disclosure	1: Provision of ex-post fee information	x		
	2: EU standardised forms: ex-post fee information		x	
Switching	1: Ensure compliance with Common Principles			
	2: Improve Common Principles	A: At domestic level		
		B: With cross-border provisions	x	x
	3: Automatic redirection service	A: Domestic redirection service		
B: EU-wide redirection service				
4: payment account portability	A: Domestic portability			
	B: EU-wide portability			

3 The Method of Approach

This section details the methodological and conceptual framework for quantifying the economic impact – in terms of costs and benefits – of the proposed policy options, including the data sources utilised to build the evidence base for the study.

3.1 Overall approach

The overall method of approach adopted for the study is summarised in Figure 3.1. This follows a standard approach to supporting impact assessment based on problem definition and baseline assessment, followed by options development and assessment. In the case of this study, a number of complementary options were identified, allowing different packages of options to be defined and assessed.

The key analytical steps of the study were as follows:

- Definition of a regulatory and economic baseline;
- Identification of costs and benefits;
- Measurement of costs and benefits; and
- Sensitivity analysis.

The above analysis was informed by quantitative and qualitative evidence collected from a variety of sources including desk research, survey-based fieldwork, interviews with stakeholders at Member State and EU level and expert opinion.

The four key analytical steps are elaborated in detail in section 3.3. Before that, the evidence base developed for the study is described in sections 3.2.

Figure 3.1 Overall methodological framework

Key analytical step	Overview	Data sources
1. Definition of Baseline	<p>A reference point against which to measure the likely economic consequences of the proposed measure(s). Depicts the expected state of the world if no further EU action is taken to address the issue at stake.</p> <p>Portrays both, the current state of the relevant market and the existing regulatory framework, as well as likely future developments in both these areas</p>	<p>Interviews with central banks, banking associations, consumer organisations</p> <p>Review of national and EU level industry reports and other relevant literature, including review of national legislation</p> <p>Comparative review of fees in retail bank websites across the EU</p>
2. Identification of Costs and Benefits	<p>Identify and describe the full range of benefits and costs that could potentially accrue to each stakeholder group (i.e. consumers, financial institutions, Member State authorities):</p> <ul style="list-style-type: none"> ✓ Benefits and costs that could be monetised; ✓ Benefits and costs that could be quantified, but not monetised; ✓ Benefits and costs that could not be quantified 	<p>Interviews with central banks, banking associations, consumer organisations</p> <p>Review of national and EU level industry reports and other relevant literature</p> <p>Expert panel meeting</p>
3. Measurement of Costs and benefits	<p>Estimate the benefits and costs of proposed EU action over a 10 year timeframe (2013 – 2022), were measured as changes from the baseline, i.e. as incremental to the baseline</p> <p>Benefits and costs that could be monetised, were expressed in present value terms. A conservative approach was adopted to the estimation of benefits: given uncertainty in the analysis, a range of values were constructed to reflect the costs. Non-quantifiable elements were subject to a ratings based assessment</p>	<p>Interviews with central banks, banking associations, consumer organisations</p> <p>Review of national and EU level industry reports concerning costs of current account</p> <p>Collection of cost data retail banks across the EU</p> <p>Expert panel meeting</p>
4. Sensitivity Analysis	<p>Estimates of benefits and costs are typically uncertain because of imprecision in both the underlying data and the working assumptions. Because such uncertainty is basic to many analyses, its effects were analysed and reported. Major assumptions were varied and net present value and other outcomes recomputed to determine how sensitive outcomes are to changes in the assumptions. The assumptions that were subject to a sensitivity analysis reflected areas of greatest uncertainty.</p>	<p>Review of national and EU level industry reports and other relevant literature</p> <p>Consultation with experts</p>

3.2 Overview of the evidence base developed for the study

The general approach to the study, summarised in Figure 3.1 above, was based on a number of research elements designed to establish baseline evidence and to inform the definition and assessment of options. These different elements are briefly described in the sections below.

3.2.1 Desk research

The study undertook a detailed review and analysis of all relevant documentation, data and literature which *inter alia* included:

- Template-based research into the (a) current and expected future regulatory provisions in select Member States (see section 3.2.4) with respect to fee transparency, comparability and account switching; and, (b) current and expected future state of the payments account market. The results of this work are summarised in the Country Reports.
- Compilation and analysis of key quantitative data and indicators – key quantitative data and statistics were assembled from a variety of sources such as the EU retail banking sector, ECB, Eurostat, Efma, EBF, national statistical bodies and the OECD. Annex 1 provides a summary of data sources used for the research.
- An exhaustive literature review – Box 3.1 provides a list of the key pieces of literature reviewed by the study team.

Box 3.1 List of key pieces of literature

European Commission Reports

- European Commission (2012), Market study of the current state of play in Member States regarding initiatives in bank fee transparency and comparability in personal payment bank accounts, report by Van Dijk Management Consultants
- European Commission (2007), Report on the retail banking sector inquiry, Commission Staff Working Document accompanying the Communication from the Commission – Sector Inquiry under Art 17 of Regulation 1/2003 on retail banking (Final Report), SEC (2007) 106
- European Commission (2007), Expert Group on Customer Mobility In Relation to Bank Accounts: Report, DG Internal Market and Services
- European Commission (2011), European Consumer Agenda: Roadmap
- European Commission (2009), Data collection for prices of payment accounts provided to consumers, report by Van Dijk Management Consultants
- European Commission (2007), Sector Inquiry under Article 17 of Regulation (EC) No 1/2003 on retail banking (Final Report), COM (2007) 33
- European Commission (2010), The Final Report: For the provision of a “Consumer Market Study on the consumers’ experiences with bank account switching with reference to the Common Principles on Bank Account Switching”, GfK

Other literature and data

- EBF (2011), EU Banking Sector: Facts & Figures 2011
- EBF (2010), Towards a European Retail Financial Services Market: Creating a Post-crisis Competitive EU Retail Single Market
- EBF (2009), Implementation of the EBIC Common Principles on Bank Account Switching
- EBF (2007), Report on Integration of European Financial Services Markets
- European Parliament resolution of 6 April 2011 on a Single Market for Europeans (2010/2278(INI))
- CEPS (2007), Integrating Europe’s Retail Banking Market: Where do we Stand?

- Monti, M.(2010), A New Strategy for the Single Market – at the service of Europe’s economy and society, report for the European Parliament
- ICB (2011), Independent Commission on Banking – Final Report: Recommendation
- OFT (2010), Review of Barriers to Entry, Expansion and Exist in Retail Banking
- OFT (2008), Personal payment accounts in the UK: An OFT market study
- OFT and DTI (2003), Switching Costs: Economic models and policy implications
- Efma (2012), Retail financial services: Strategic insights and best practices 2012
- Efma (2011), Innovation in Retail Banking 2011
- Wilson, C. and Waddams Price, C. (2005) ‘Irrationality in consumers’ switching decisions: when more firms may mean less benefit’, CCP Working Paper CCR 05-4
- Centre for Strategy & Evaluation Services (2010), Study on the Costs and Benefits of Policy Actions in the Field of ensuring access to a Basic Bank Account - Final Report

3.2.2 Stakeholder interviews

In order to obtain representative results (in terms of market share as well as institutional diversity), five to ten payment account providers were interviewed per Member State. In addition, banking associations, competent authorities and a range of consumer organisations were also consulted. Annex 2 provides a list of stakeholders who were consulted in the context of this study.

3.2.3 Expert panel

To support the study team, a panel of experts was established to provide technical advice and to provide an independent review of the assumptions used in the assessment and of the resultant findings. The Panel comprised:

- Dr John Ashton, a reader in banking at Bangor University and a past member of the International Institute for Banking and Financial Services at the University of Leeds and the Centre for Competition Policy at the University of East Anglia.
- Dr Rym Ayadi, a senior research fellow and head of research of the Financial Institutions, Prudential Policy and Tax Unit at the Centre for European Policy Studies.
- Professor Kent Eriksson, the head of the Centre for Banking and Finance based at the Royal Institute of Technology in Stockholm, and conducts research in retail banking and insurance.
- Mr Peter Freeman, an expert on competition issues in the banking sector. Mr Freeman was the chairman of the UK Competition Commission (CC) from 2006 until May 2011. Prior to joining the CC he was head of the EC and Competition Law Group of the international law firm Simmons and Simmons.

The expert panel was consulted at key stages of the study and was asked to independently review the study deliverables. In particular, the expert panel provided critical review and challenge of the underlying assumptions used in the calculations as well as the results of the analysis.

3.2.4 Member State level analysis

To provide a detailed analysis reflective of different industry and market practices across the Member States, a number of detailed country level studies were undertaken.

The selected country sample was grouped into two categories:

- EU8a: Member States to be covered as part of the initial fieldwork (for the interim reporting stage);
- EU8b: Member States to be covered as part of follow-up fieldwork (for the final reporting stage).

Following discussions at the kick-off meeting and subsequent analysis undertaken by the study team, the following country coverage was agreed with the Steering Group:

Table 3.1 Final list of countries covered by the study

Sample	Selected Countries	Selection Criteria
EU8a	BE, DE, ES, FR, IT, NL, PL, UK	Top 8 countries with the largest number of payment account users in the EU; collectively these countries represent 67% of the users
<i>(For further detail on specific statistics see Table 3.2)</i>		
EU8b	AT, BG, DK, FI, LT, LU, LV, PT	Taking into account additional criteria such as: <ul style="list-style-type: none"> ▪ The number and scope of initiatives currently in place to promote fee transparency, comparability and payment account switching ▪ Current levels of payment account pricing, fee transparency and switching ▪ Levels of industry concentration ▪ Number of banks
<i>(For further detail on specific statistics see Table 3.2)</i>		

The sixteen countries listed in Table 3.1 provide a representative sample in terms of their coverage of EU personal payment account users (86 per cent), regulatory environment and market characteristics – thus, providing the basis for determining the costs and benefits of each option in different contexts and extrapolating the results to EU-27. Table 3.2 overleaf, further describes the characteristics of the sample. The results of individual country research are provided in a separate document titled ‘Country Reports’.

Table 3.2 Overview of the characteristics of countries covered by the Study

Country/ Region	Estimated Number of current account users millions [1]	Fees and charges - ranking [2]	Average price euros [3]	Comparability - 'very' or 'fairly' difficult % [4]	Levels of switching - % users switching % [5]	HHI (2009) number [6]	C5 Concentration Ratio (2009) % [7]	Number of Banks number [8]	Number of Initiatives [9]	Sample?
Germany	62.67	Group 3	89.13	34.3%	6.9%	206	25.0%	2,093	27	8a
France	46.24	Group 2	154.11	47.5%	11.4%	605	47.2%	305	24	8a
United Kingdom	44.61	Group 3	103.20	24.0%	9.2%	467	40.8%	327	22	8a
Italy	35.73	Group 1	253.14	42.1%	9.5%	353	34.0%	760	28	8a
Spain	32.17	Group 1	178.21	27.2%	15.0%	507	43.3%	337	22	8a
Poland	22.39	Group 3	73.21	21.7%	8.3%	574	43.9%	646	12	8a
Netherlands	11.74	Group 4	45.95	27.8%	5.2%	2,032	85.0%	86	11	8a
Romania	8.75	Group 3	82.59	32.6%	10.2%	857	52.4%	42	21	
Greece	8.55	Group 3	53.98	41.1%	12.3%	1,184	69.2%	62	22	
Belgium	8.07	Group 4	58.15	34.7%	7.2%	1,622	77.1%	105	22	8a
Portugal	7.38	Group 4	44.89	32.2%	8.4%	1,150	70.1%	37	29	8b
Czech Republic	7.07	Group 3	95.37	35.3%	9.3%	1,032	62.4%	41	22	
Sweden	6.91	Group 3	61.84	40.1%	7.7%	899	60.7%	114	21	
Austria	6.13	Group 2	140.47	40.6%	6.1%	414	37.2%	843	16	8b
Hungary	5.93	Group 3	76.20	35.6%	8.0%	861	55.2%	45	28	
Denmark	4.05	Group 3	74.27	41.5%	9.7%	1,042	64.0%	123	14	8b
Finland	4.02	Group 3	104.42	37.1%	8.2%	3,120	82.6%	313	17	8b
Slovakia	3.50	Group 3	73.68	31.3%	9.0%	1,273	72.1%	29	21	
Ireland	3.02	Group 3	81.85	29.7%	7.0%	881	58.8%	78	17	
Bulgaria	2.39	Group 4	26.94	19.5%	9.9%	846	58.3%	30	20	8b
Lithuania	2.04	Group 3	34.76	9.4%	9.6%	1,693	80.5%	22	8	8b

Country/ Region	Estimated Number of current account users millions [1]	Fees and charges - ranking [2]	Average price euros [3]	Comparability - 'very' or 'fairly' difficult % [4]	Levels of switching - % users switching % [5]	HHI (2009) number [6]	C5 Concentration Ratio (2009) % [7]	Number of Banks number [8]	Number of Initiatives [9]	Sample?
Slovenia	1.44	Group 3	100.40	24.1%	7.3%	1,256	59.7%	19	16	
Latvia	1.32	Group 1	115.24	17.5%	6.9%	1,181	69.3%	31	9	8b
Estonia	0.99	Group 3	50.51	21.7%	9.4%	3,090	93.4%	15	15	
Cyprus	0.51	Group 3	84.59	24.7%	9.9%	1,086	65.0%	152	3	
Luxembourg	0.35	Group 3	56.64	27.6%	5.8%	288	27.8%	147	3	8b
Malta	0.29	Group 3	71.85	31.2%	6.5%	1,246	72.7%	23	4	

Sources and notes:

[1] Calculated as population aged 21 + (source: Eurostat) multiplied by proportion of (21+) population using current accounts (source: Flash Eurobarometer No 243, Annex Tables, Table 1a, page 10)

[2] Grouping based on van Dijk Study - see Table 1 on page 23. Available at: http://ec.europa.eu/consumers/rights/docs/study_bank_fees_en.pdf

Group 1	Most costly current accounts due to high charges
Group 2	Above average basic annual charges and account charges
Group 3	Other countries
Group 4	Relatively cheap current accounts

[3] Weighted average price for an average user - see Annex 5 on page 113. Available at: http://ec.europa.eu/consumers/rights/docs/study_bank_fees_en.pdf

EU Average price **111.62** (for an average user)

[4] Percentage of respondents who find it 'very difficult' or 'fairly difficult' to compare offers from different current account providers
Source: Flash Eurobarometer No 243, Annex Tables, Table 2a, page 12

EU Average for comparability **33.7%**

- [5] Percentage of consumers who have switched current account providers in the last two years (% Yes, switching was easy + % Yes, switching was difficult)

Source: Flash Eurobarometer No 243, Annex Tables, Table 3a, page 14

EU Average for switching 9.2%

- [6] ECB (2010) EU Banking Structures, Table 3 on page 36

Interpretation of HHI:

Value	Level of concentration
1000 to 1800	Moderately concentrated
>1800	Concentrated
>2000	Highly concentrated

EU Average = 632

- [7] ECB (2010) EU Banking Structures, Table 3 on page 36

0%	No concentration - perfect competition
upto 50%	Low concentration
50% to 80%	Medium concentration
80% to 100%	High concentration
100%	Extremely concentrated

EU Average = 44.3%

- [8] EBF Industry Statistics

<http://www.ebf-fbe.eu/uploads/Facts%20&%20Figures%202011.pdf>

- [9] Number of initiatives to promote transparency and comparability of current account fees,

van Dijk Report, table 3, page 19. Available at: http://ec.europa.eu/consumers/rights/docs/1912012_market_study_en.pdf

3.3 Key analytical steps of the study

3.3.1 Step 1: Definition of baseline

The baseline definition comprised two core elements:

- An assessment of the current state of the market and likely developments over the foreseeable future;
- An assessment of the existing, forthcoming and planned regulatory measures (including industry self-regulation) at a Member State level aimed at improving fee transparency, comparability and customer mobility.

Table 3.3 summarises the scope of the analysis undertaken as part of this step and the key outputs that were used for subsequent quantification of economic impacts.

Table 3.3 Baseline definition: scope of the analysis and key outputs

Baseline definition	Scope of the analysis	Key outputs used for quantification of impacts
Current state of the market	Payment account prices including price dispersion within and across Member States	Quantification of: Baseline price forecasts – see section 3.3.1.1
	Possible market developments over a 5-10 year timeframe, for example due to: 1) possible further shift from interest to fee income 2) bank pricing evolving due to possible pressures on investment income or regulatory constraints arising from restrictions to business areas available to retail banks; 3) Effect of possible rises in interest rates, 4) The evolution of the financial and European Sovereign debt crisis; 5) Evolution in distribution channels and market changes led by technological development.	Potential gains as price levels converge in the long run to a common price level
	Current levels of fee transparency and comparability	Qualitative assessment and as reflected in switching and price levels
	Current levels of switching/ mobility	Understanding of current switching levels and barriers
	Current levels of competition, product choice and innovation and obstacles to offer retail financial services across frontiers	Incorporated in the baseline scenario for prices
Current regulatory environment	Key regulatory actions (including self-regulation) already in place At an EU level e.g. EBIC Common Principles EU Member States Key regulatory actions (including self-regulation) in pipeline (planned for implementation by 2013)	Regulatory baseline – clustering of Member States on the basis of their distance from the policy frontier. See section 3.3.1.2
	Possible development of regulatory actions in Member States without a common approach at EU level	

3.3.1.2 Baseline price forecasts

Baseline price forecasts were developed to allow the measurement of the incremental impact of proposed policy options on payment account prices. The baseline prices were constructed as follows:

Establishing the current (2012) price levels

The main source of pricing data for this study was the 2009 VDMC study¹⁰. However, considering that this study was based on data collected during February to April 2009, it was necessary to update and adjust this data to establish the current pricing levels and then, use these as the basis for developing ten-year projections. The initial working hypothesis was that a number of payment account providers had changed their pricing models since the financial crisis. The study team collected specific evidence from the following sources, to test this hypothesis and to determine the direction and order of magnitude of changes in payment account prices (if any):

- *Desk research based on a pilot sample:* payment account pricing information was collected from the websites of up to five payment account providers and compared with the pricing data (for the same providers) collected as part of the VDMC study.
- *Literature review:* as part of the desk research, the study team actively looked for industry reports and research studies on payment account prices e.g. the study commissioned by the Spanish Banking Association on prices of financial services.
- *Stakeholder interviews:* interviews with payment account providers, banking associations, consumer organisations and Member State authorities contained specific questions relating to recent changes to payment account pricing models and price levels.

This additional data collection activity covered sixteen Member States, as described in section 3.2.4.

Developing baseline price forecasts for the period 2013 to 2022

Ten year price projections covering the period 2013 to 2022 were then developed on the following basis:

- Identification of key determinants of payment account prices such as macroeconomic conditions, technology, regulation etc.;
- Analysis of trends and drivers affecting payment account prices;
- Identification of potential differences in trends across Member States/ groups of Member States.

The above exercise was based on data analysis and expert judgement. Annex 3 provides more detail on the approach. Tables included in the Annex also provide further context to the above factors and explain payment account pricing.

In summary, the 2009 pricing data from the VDMC study was adjusted to 2012 level using the *annual average rate of change in prices of financial services* (sourced from Eurostat) - except where there was specific evidence of change in payment account prices (for example, from national studies). The specific working assumptions underpinning the pricing forecasts are outlined in Annex 3.1 along with the payment account price forecasts (2013-2020).

3.3.1.3 Regulatory baseline

The regulatory baseline was developed on the following basis:

- Existing national measures to promote fee transparency/ comparability and personal payment accounts switching;
- Initiatives in pipeline or planned for implementation in the short-term (by 2013);
- Likely evolution of regulatory situation at a national level (in absence of EU action) over the next ten years or so.

Information on existing, forthcoming and planned regulatory measures was collected through stakeholder interviews and country desk research (see Technical Annexes for the results of the stakeholder interviews and Country Reports).

This information was used to assess the distance of each Member State from the ‘policy frontier’ – i.e. the ‘distance’ that each Member State would need to ‘travel’ to fulfil the requirements of the EU legislation/ policy option under consideration. The study sought to establish a means to measure the differing impact of different policy options with respect to the current regulatory/market situation. Country Reports provide further detail and results of this exercise.

Each Member State was thus, assigned a distance value. Table 3.4 below provides a summary of the rating scale used to classify the status of each Member State with respect to each policy option under consideration.

Table 3.4 Measuring the distance from the policy frontier

Value	Description
0 =	Member State is at the policy frontier i.e. measures currently in place or in pipeline are the same as those envisaged by EU legislation
1 =	Very close to the policy frontier i.e. minor approximation required to existing measures
2 =	Close to the policy frontier i.e. some change required
3 =	Medium distance from the policy frontier i.e. moderate change required
4 =	Far from the policy frontier i.e. major change required
5 =	No measures in place; significant change as compared to the current situation

3.3.2 Step 2: Identification of costs and benefits

3.3.2.1 Identification of costs

A scoping and screening exercise was undertaken to identify the cost implications of the policy options under consideration. This exercise was based on desk research, stakeholder consultations and expert opinion. Table 3.5 summarises the results of this exercise – it sets out the generic list of cost items applicable to the proposed set of policy options, and considerations as to whether the cost item was quantifiable and could be monetised.

Table 3.5 Scoping and screening of costs

Cost category	Cost item	Is it quantifiable?	Can it be monetised?
Compliance costs			
Staff (time) costs	Industry input to support the development of common standards	√	√
	Familiarisation with new legislative requirements	√	√
	Reviewing and adapting product/ pricing strategy	√	√
	Adapting contractual documentation	√	√
	Adapting forms	√	√
	Internal communication and training	√	√
	Internal compliance	√	√
	Customer interaction	√	√
IT costs	Updating or adapting IT systems	√	√
	Updating website	√	√
Printing and postage costs	Printing and postage costs – price lists	√	√
	Printing and postage costs – ex post statements	√	√

Cost category	Cost item	Is it quantifiable?	Can it be monetised?
Record-keeping	Maintaining records to demonstrate compliance	√	√
Compliance costs – public sector			
Transposition costs	Transposing EU legislation into national law	√	√
Staff costs	Responding to EU consultations ¹¹	√	√
	Developing common standards	√	√
	Updating common standards	√	√
	Setting up accreditation system for websites	√	√
	Running accreditation system	√	√
	Running costs of website	√	√
	Monitoring compliance	√	√
	Reporting to the EU	√	√
	Enforcement costs	√	√
IT costs	Creation of website	√	√
Indirect/ market costs			
	Increase in prices of payment accounts – compliance cost pass through	√	√
	Increase in payment account prices as a result of price collusion*	X	X
	Increase in prices of other banking products*	X	X

**Technically, these can be quantified and monetised. However, it was not possible to quantify these costs within the scope of this assignment.*

3.3.2.2 Identification of benefits

A detailed benefits-mapping exercise was undertaken to identify the benefits that could potentially result from the implementation of the proposed policy options. This exercise was underpinned by an in-depth literature review, stakeholder consultations and expert opinion.

Table 3.6 provides an overview of the benefits identified ex-ante. Box 3.2 summarises the main findings from the literature on how the proposed policy options could be expected to lead to a reduction in payment account prices.

Table 3.6 Overview of expected benefits of policy options designed to (a) improve fee transparency and comparability; and (b) facilitate switching

Stakeholder Group	Potential benefits	Explanation	Assessment method
Payment Account Users	Reduction in search costs for consumers	Information of payment account pricing is easy to access, understand and compare. As a result consumers spend less time looking for this information (particularly alternative offers)	Rating scale
	Cost savings	1. Financial savings arising from: (a) switching to better value/ more suitable payment account products; or (b) making informed decisions and selecting the most appropriate payment account product	Rating scale + Monetisation
		2. Financial savings from better management of payment accounts for example: (a) by avoiding running high overdrafts; (b) incurring unnecessary charges; (c) holding credit balances in interest-bearing, or higher interest rate, accounts rather than leaving them in a payments account	Rating scale + Monetisation
	Reduction in switching costs	The extent to which a particular option reduces: (a) the actual costs of switching; (b) the perceived barriers to switching i.e. makes switching easier	Rating scale
	Distributional effects to the benefit of low income account holders	The extent to which an option benefits payment account users belonging to the low income group	Rating scale
Wider Society	Impact on competition	Customer mobility exerts competitive pressure on existing and potential suppliers to continually improve their performance and thus contributes to more competitive markets. Furthermore, obstacles to mobility can function as entry barriers - the ability to attract new customers and achieve scale can act as a significant barrier to entry and to achieving critical scale. Therefore, customer mobility also contributes to more competitive markets by reducing entry barriers.	Rating scale
	Impact on the Single Market	The extent to which an option: <ul style="list-style-type: none"> ▪ Promotes greater cross border mobility of customers ▪ Reduces cross-border barriers to entry for banks ▪ Contributes to the development of a level playing field in the internal market by reducing fragmentation/ promoting standardisation 	Rating scale

Stakeholder Group	Potential benefits	Explanation	Assessment method
	Impact on innovation	<p>Evidence of any impact a particular option might have on innovation in the banking sector:</p> <ul style="list-style-type: none"> Changes to banks' pricing models – assuming they are in the interest of consumers Marketing or organisational innovation – greater price transparency might put pressure on banks to reduce costs by innovating Technological innovation (might specifically result from switching options) <p>Impact on product choice (<i>although greater choice is not always in the interest of consumers</i>)</p>	Rating scale
	Impact on payment account prices	<p>The extent to which a particular option:</p> <ul style="list-style-type: none"> Has an impact on payment account prices and pricing models Reduces price dispersion 	Rating scale + Monetisation
	Impact on wider economy	The extent to which a particular option has resulted in a reduction in bank profitability and an increase in consumer savings. It is assumed that this money will be put to more productive purposes in the economy thus leading to higher economic growth	Not assessed
	Greater trust and confidence in the banking sector	The extent to which a particular option helps restore trust and confidence in the banking sector	Rating scale
	Cost savings	Efficiency gains due to greater standardisation and reduced legal uncertainty	Rating scale
Banks	Increase in customer / funding base as a result of greater confidence in the banking sector	<ul style="list-style-type: none"> Increased customer base for selling of additional services Economic benefit to banks from increased availability of funding via larger deposits/ new customers - the difference in the cost to banks of raising €x billion daily directly from consumers rather than going to wholesale money markets, bond or shareholders – <i>these could not be monetised due to lack of data on average daily credit balances in payment accounts across the EU</i> 	Rating scale

Box 3.2 Results of the literature review

The impacts of the proposed options on payment account prices are best assessed by considering each anticipated cause and effect relationship. In short, the proposed policy options can be expected to lead to a reduction in prices through the following channels:

- Increased competition pressure on payment account providers;
- Longer term price convergence between payment account providers across all Member States, and
- Scale economies and induced structural changes to payment account provisions yielding cost savings, which are assumed to pass-through to consumers in the form of lower prices.

Each factor and potential impact is now discussed in turn.

Competitive pressure reducing prices

Country Reports show that the EU market for personal payment accounts is fragmented along national lines in terms of the choice of products available and the prices charged for personal accounts. Although largely competitive, it is recognised that national markets are not necessarily well-functioning, evidenced by the significant price differentials which exist between Member States for similar products, the low turnover of providers exiting/entering national markets, the low level of cross-border trade within the internal market and the relatively high market concentration present in some Member States.

On the supply side of each market, fragmentation can constrain the expansion of incumbent payment account providers into neighbouring geographical areas (by offering products in Member States other than their own) or product markets (offering payment accounts alongside consumer loans and credit products, for example). Equally, fragmentation can act as a barrier to potential new entrants to the market in addition to other structural factors (i.e. sunk costs necessary for market entry). In both instances, competition is limited to domestic providers in each national market, and is less intense as a result. As a consequence, prices are deemed higher than they would otherwise be in a well functioning and competitive market. Providers are also likely to be less responsive to changing consumer needs, while innovation can be stifled by a lack of incentives and opportunities which exist when greater levels of entry/exit and competitive pressures are present. While the proposed options do not directly tackle some of these structural problems (high market concentration, barriers to entry/exit, etc.), options to standardise and harmonise forms and information provided to consumers, in addition to contributing to greater price transparency across Europe, may in the longer term facilitate a greater number of providers offering cross-border payment accounts and give consumers the confidence to purchase cross-border. Facilitating cross-border trade and competition, may therefore contribute to price convergence in the longer term, reducing prices for many consumers.

On the demand side, options to increase price transparency, encourage switching, and facilitate consumer price comparison are focussed on national payment account markets. When consumers are better informed of where similar products are priced lower or where alternative products better suited to their individual needs can be located, consumers can exert greater (downward) competitive pressure on prices and incentivise providers to improve quality and choice. To realise these benefits and exert pressure, consumers must be able to switch providers. The package of options proposed clearly help inform consumers, improve their understanding of relevant terminology and features, in addition to making switching easier and less costly to undertake. Over the short to medium term, the proposed options are therefore, anticipated to have an immediate and significant positive impact on the behaviour of consumers and induce increased downward pressure on prices at national level.

Price convergence

Where similar products (and distribution approaches) can be compared, significant price differentials were found to exist between Member States (adjusting for purchasing power parities and exchange rates) – please see Country Reports.

The Law of One Price (LOP) predicts that in an efficient and competitive market, the absence of barriers to trade, arbitrage will force prices of similar products to converge (i.e. the domestic price is equal to the foreign price, both expressed in the same currency). Accounting for deviations which

can exist due to transportation, transaction and search costs, arbitrage will only occur if price differences are sufficient to cover the related costs. Although the empirical relevance of the LOP is quite limited even in integrated markets such as the EU or the US, recent studies on the activities of Spanish banks since joining European Monetary Union (EMU)¹² have empirically shown convergence of the interest rates charged on loans and paid in interest on deposits following integration. It is further acknowledged in other studies that while European money markets and government bond markets have converged since integration¹³, this has not been replicated in retail banking, suggesting that substantial scope for convergence exists if the functioning of the market were to improve. Lower prices should then result in savings for some (but not all) European consumers. Not all consumers would benefit from European wide convergence as in transition some prices would increase (i.e. in catching up with other Member States), while those consumers already enjoying competitive prices would receive little if any additional benefit. Experience of price convergence in the internal market suggests that this is likely a longer term endeavour, resulting from many driving factors, both structural and consumer led. Consequently, the attribution of impacts to any proposed option is likely to be prohibitively difficult. An estimate on the total potential impact has therefore been estimated, should all payment account prices converge towards the price level observed in the Netherlands (which, when adjusted for purchasing power parity, has the lowest payment account prices in the EU). The total potential gains to be made from price convergence are in the order of EUR 25 billion¹⁴ according to this approach, Table 3.7 (overleaf) provides a breakdown of potential gains in each EU Member State.

Economies of scale

While the above discussion has focussed on lower prices driven in the most part by increased consumer driven downward pressure on the mark-ups of account providers, this sub-section discusses the potential for the proposed options to reduce actual costs, which in a competitive market should lead to savings for consumers.

By standardising forms, information and harmonising some of the activities of account providers to some extent should help facilitate market entry and expansion of incumbent account providers in the longer term. In so doing, they should generate greater economies of scale to front office activities and back-office set-ups. Equally, where a single supplier of a product or service (i.e. price comparison) emerges, economies of scale should help drive down the costs to consumers and account providers. Consequently, the indirect impact of the proposed package of options would be a reduction in costs from scale economies and small structural changes to business activities.

A final caveat to the above analysis is that although savings might result for consumers in the personal payment account market, many providers are multi-market actors. Therefore price reductions in one market may result in price increases in another market in order for providers to protect margins. The impact on other retail financial products sold to consumers or small businesses should therefore be taken in to account in any assessment. This study does not quantify these impacts due to a lack of reliable evidence and the difficulties in attribution of potential impacts.

Table 3.7 Total potential gains from price convergence

Country/ Region	2012 Prices* euros	Price level indices (EU27=100)**	PPP adjusted Prices euros	Max Potential Gain*** euros	Est. No of payment account users**** millions	Potential Savings to Consumer million euros
Austria	143.01	112.30	127.35	-66%	6.13	582.49
Belgium	56.17	114.10	49.23	-13%	8.07	60.03
Bulgaria	33.16	44.50	74.51	-43%	2.39	33.82
Cyprus	83.58	89.80	93.07	-54%	0.51	23.27
Czech Republic	100.68	69.80	144.25	-70%	7.07	501.33
Denmark	78.63	140.50	55.96	-24%	4.05	75.46
Estonia	52.08	69.20	75.25	-43%	0.99	22.39
Finland	109.70	120.10	91.34	-53%	4.02	234.68
France	158.30	115.20	137.41	-69%	46.24	5,044.49
Germany	89.03	106.70	83.44	-49%	62.67	2,723.90
Greece	54.14	92.70	58.41	-27%	8.55	124.45
Hungary	85.94	60.00	143.23	-70%	5.93	357.89
Ireland	82.42	120.00	68.69	-38%	3.02	94.09
Italy	256.95	103.90	247.30	-83%	35.73	7,595.10
Latvia	128.22	68.20	188.00	-77%	1.32	131.19
Lithuania	36.31	62.30	58.27	-27%	2.04	19.81
Luxembourg	58.35	120.20	48.54	-12%	0.35	2.45
Malta	71.48	72.90	98.05	-56%	0.29	11.83
Netherlands	47.66	111.60	42.71	0%	11.74	0.00

Country/ Region	2012 Prices* euros	Price level indices (EU27=100)**	PPP adjusted Prices euros	Max Potential Gain*** euros	Est. No of payment account users**** millions	Potential Savings to Consumer million euros
Poland	69.55	57.10	121.80	-65%	22.39	1,011.08
Portugal	46.65	84.30	55.34	-23%	7.38	78.52
Romania	93.16	49.80	187.07	-77%	8.75	629.22
Slovakia	86.33	68.10	126.77	-66%	3.50	200.56
Slovenia	103.91	84.50	122.98	-65%	1.44	97.60
Spain	218.31	94.20	231.75	-82%	32.17	5,729.15
Sweden	61.46	111.80	54.97	-22%	6.91	94.76
United Kingdom	96.40	97.40	98.97	-57%	44.61	2,444.80
EU						27,924.38

*2009 pricing data from VDMC study adjusted to 2012 levels as per methodology described in section 3.3.2.1

** Eurostat

***Based on Price convergence to NL Level

****Calculated as population aged 21 + (source: Eurostat) multiplied by proportion of (21+) population using current accounts (source: Flash Eurobarometer No 243, Annex Tables, Table 1a, page 10)

3.3.3 Step 3: Measurement of costs and benefits

3.3.3.1 Quantification of costs

For each policy option, a tailored list of cost items was developed (using the generic model set out in Table 3.5). Cost data was then collected on the basis of desk research, survey of personal payment account providers, expert judgement and own estimates. The client was provided with a methodological document setting out the formulae and working assumptions used for each calculation. The tables indicating these assumptions are provided in Annex 3.2.

It should be noted that the following two policy options relating to switching could not be quantified due to lack of data: an automatic redirection service and payments account portability. An EU wide redirection service was ascertained to be technically unviable and therefore, an estimation of the costs associated with these was not possible (see separate document providing the results of the High Level Feasibility Assessment).

Attempts to quantify costs associated with payment account portability were beyond the scope of the study. A detailed analysis of the costs of implementing portability required more information than was available, on the technical and procedural changes involved in the central payments infrastructure and at the level of individual banks.

Table 3.8 summarises the available evidence on the feasibility and likely costs of these options.

Table 3.8 Overview of available evidence and issues with estimating the costs of a redirection service and payment account portability

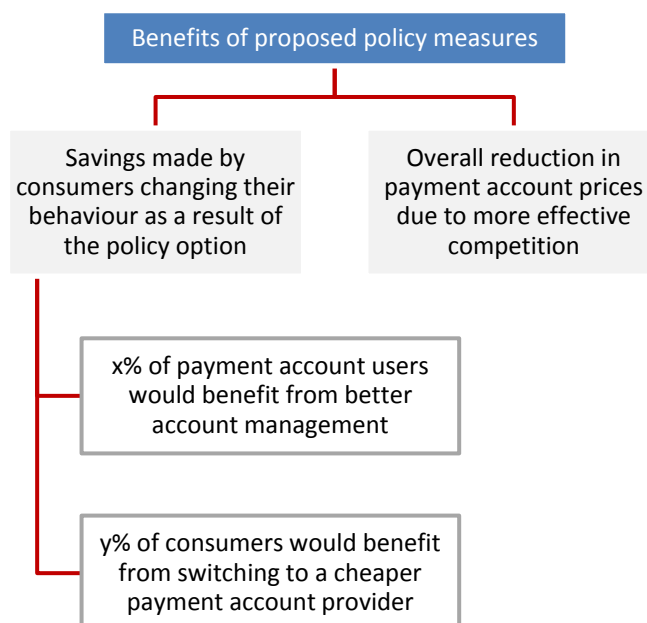
Option	Feasibility	Available cost estimates
An automatic redirection service	<p>A national redirection service: Non-Euro zone countries, could potentially introduce a national redirection service if they have a single major clearing house (such as BACS in the UK).</p> <p>In a SEPA context, automatic routing of SEPA direct debits is technically not viable. For example, in the case of the Netherlands, with the introduction of SEPA, Equens is no longer the only processor for payments between the Dutch banks complicates the ISSS. The new procedure adopted in the Netherlands has two issues: (a) it does not appear to be fully compliant with the SEPA Rulebook; (b) the functionality that all direct debits will be relayed to the new bank account cannot be guaranteed.</p> <p>Thus the automatic redirection service envisaged by the Commission is not considered technically feasible in Eurozone countries.</p> <p>An EU-wide redirection service: An account switching service on a European scale might be possible for SCTs (credit transfers). It is however, questionable whether this is worthwhile given its limited functionality .</p>	<p>Cost of Dutch Interbank Switching Support Service (ISSS): € 10 - 20 million initially and € 2-3 million annually <i>Source: 'The Dutch Interbank Switching Support Service' a presentation by Simon Lelieveldt dated October 24, 2006</i></p> <p>Initial set-up costs: € 17 million (<i>source: NVB, Dutch Banking Association</i>)</p> <p>Cost of UK redirection service: £750 million (c. €942 million at €1= £0.7958) broken down as follows: Changes to central payments infrastructure = £60 million or €75 million Internal development costs for banks = £492 million or €618 million Service user costs = £177 million or €228 million Programme costs = £20 million or €25 million <i>Source: UK Payments Council, Account switching service programme costs – Note for HMT</i></p>

Option	Feasibility	Available cost estimates
Payment account portability	<p>At domestic level: Evidence on technical and cost implications of domestic portability is not available (except for some rough estimates for the Netherlands). Experts, industry participants and competent authorities interviewed in the context of this study could not provide this information – although all claim that this option would have huge cost implications</p> <p>It was beyond the scope of this study to carry out a detailed analysis of the technical and procedural changes required to implement portability.</p> <p>At an EU level: Number portability might be possible for new ranges of IBANs; but, not for the installed base of IBANs.</p> <p>In line with the vision of a single EU market and a SEPA, one can imagine the creation of an ‘EU’ IBAN code. IBANs issued under this scheme would allow IBANs to be ported between providers (in EU). Systems and networks would be suitable by definition to work with such an IBAN as it would adhere to the standard. Additional routing tables would have to be added in the infrastructure to designate the current location of an IBAN. Even if this solution seems complex it is achievable. A pan-EU issuing process will not be easy to implement, but this can also be overcome with modern technologies. All in all it may be feasible, for newly issued IBANs under this scheme.</p> <p>This solution is technically feasible, but in order to estimate costs, more detail is needed on the technical and procedural changes involved in the central payments infrastructure and at the level of individual banks. Experts, industry participants and competent authorities interviewed in the context of this study could not provide this information. It is beyond the scope of this study to carry out a detailed analysis of the technical and procedural changes required to implement portability.</p>	<p>The costs of introducing number portability were estimated between € 260 and €510 million euro (<i>source: NVB, Dutch Banking Association</i>)</p> <p>The issue of PCA number portability was considered by the ICB in the UK, in the context of measures that could be introduced to promote account switching, but was not progressed due to concerns about the high implementation cost. However, these costs were not quantified.</p>

3.3.3.2 Quantification of benefits

Figure 3.2 illustrates the benefits that were quantified and monetised as part of this study.

Figure 3.2 Overview of benefits that have been quantified and monetised



Savings made by consumers

Figures 3.3 and 3.4 respectively, illustrate how the proposed policy options could be expected to generate cost savings through switching and better account management.

Table 3.9 shows the overall approach used to estimate the savings made by consumers. A reasonably conservative approach was adopted in order to avoid an over-estimation of benefits. Annex 3.3 describes the working assumptions concerning savings accruing to consumers from better account management and working assumptions for calculating the savings accruing to consumers from switching.

Table 3.9 Approach to the calculation of savings made by consumers

Source of saving	Calculation	Data sources
Better account management	<p>(No. of current users changing their behaviour as a result of a particular option) X (Average savings from better account management)</p> <p>The resultant figure was adjusted by the discount factor reflecting distance from policy frontier</p> <p>No. of payment account users changing behaviour = (No. of payment account users) X (% users changing behaviour)</p>	<p>No. of payment account users derived from Eurostat data on population and Special Eurobarometer No 373 data on proportion of population using payment accounts</p> <p>Use of evidence from behavioural economic studies and other literature to inform assumptions regarding number of users changing their behaviour as a result of a particular option</p>
Switching to a cheaper provider	<p>(No. of current users changing their behaviour as a result of a particular option) X (Average savings from switching)</p> <p>The resultant figure was adjusted by the discount factor reflecting distance from policy frontier</p>	<p>Use of evidence from behavioural economic studies and other literature</p> <p>Average savings from switching – literature review</p>

Source of saving	Calculation	Data sources
	No. of payment account users changing behaviour = (No. of payment account users) X (% users changing behaviour)	

Figure 3.3 Hypothesisation of the impact of proposed policy options on consumer behaviour leading to cost savings through switching

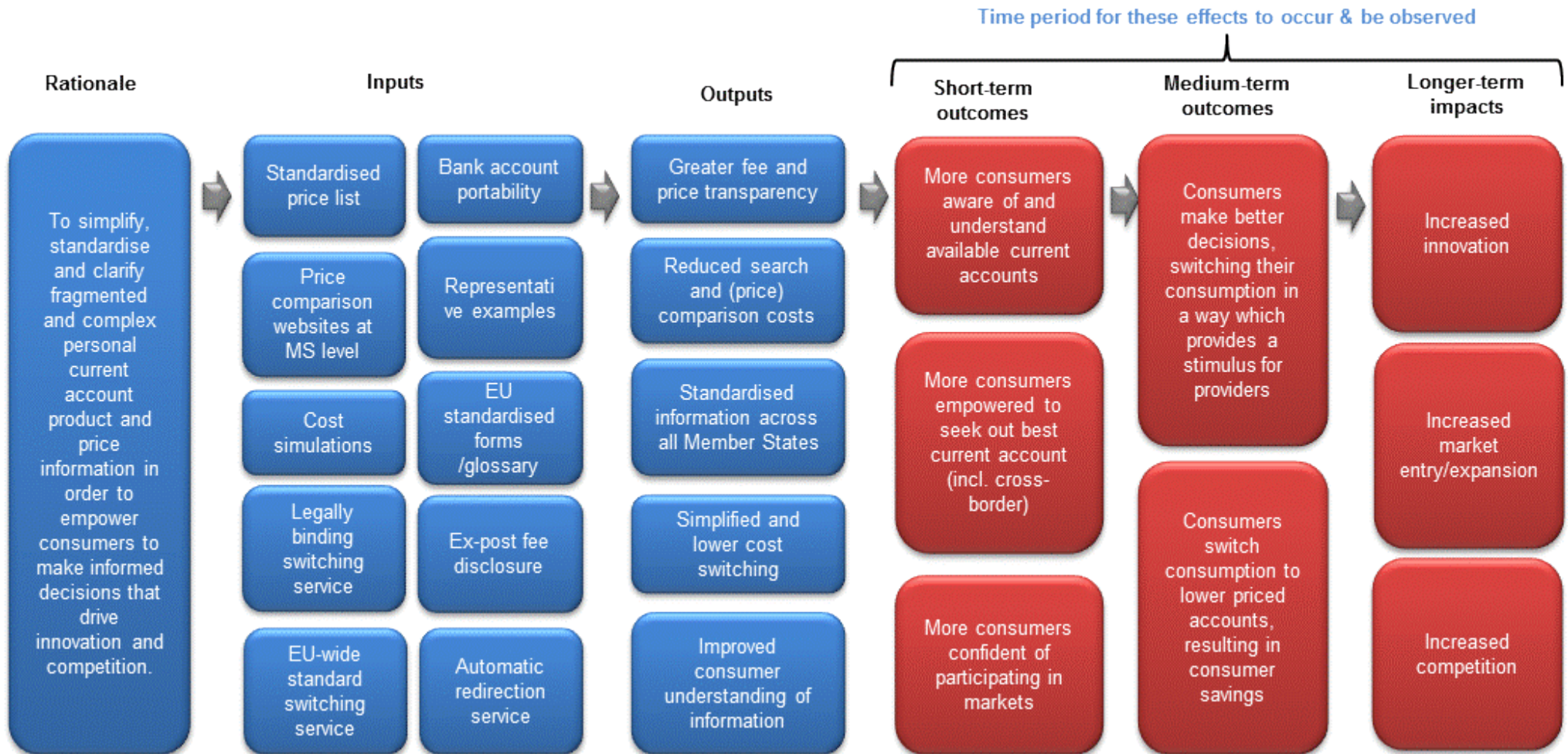


Figure 3.4 Hypothesisation of the impact of proposed policy options on consumer behaviour leading to cost savings through better account management

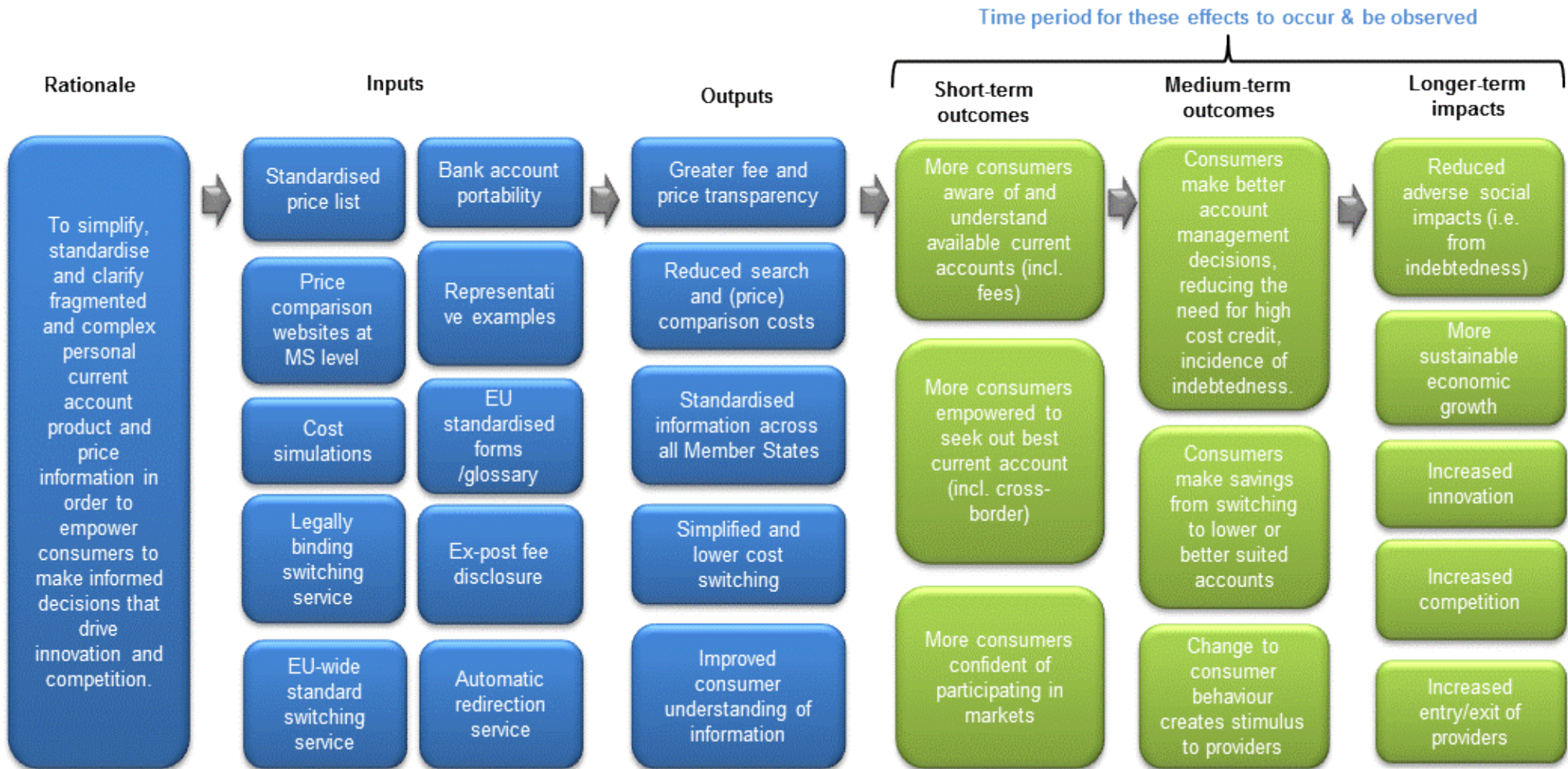


Table 3.10 summarises the methodology used to estimate the potential price reductions that could be realised by implementing the various policy options under consideration.

Table 3.10 Methodology for estimating the incremental impact of EU action on payment account prices

Step	Description	Method
Step 1	Estimation of the maximum potential reduction in prices that could be realised in each Member State if prices were to converge to the lowest level i.e. if the law of one price were to prevail	$\frac{[(\text{PPP adjusted prices for NL}) - (\text{PPP adjusted prices for country})]}{[\text{PPP adjusted prices for NL}]}$
Step 2	Application of adjustment factor 1 to reflect the actual scope for price reductions in a given Member State: High = Prices can reduce up to 75% of the maximum level Medium = Prices can reduce up to 50% of the maximum level Low = Prices can reduce up to 25% of the maximum level	A number of structural factors were examined to determine whether a particular market exhibited excess profits – see Table 3.26 and 3.27
Step 3	Making assumptions regarding potential reduction in prices that could be achieved specifically as a result of proposed policy options	Based on educated guesses – see Table 3.28
Step 4	Application of adjustment factor 2 – discounting of impact to reflect options already in place or in pipeline in each Member State.	Based on regulatory baseline

Maximum potential reduction in prices

There are significant differences in the price of payment accounts across EU Member States. In a competitive market, significant price differentials between similar products distributed in similar ways are not sustainable (The law of one price: in an efficient market, all identical goods must have only one price – as explained in Box 3.2). If price differentials did exist, consumers would switch to the cheaper product, and the more expensive product would lose sales. As prices take time to adjust even in a competitive market, a high priced product could exist for some time but eventually, any significant price variations would disappear.

Adjustments made

The study estimated the potential gains to be made in each EU Member State and for the EU as a whole if payment account prices were to converge towards the price levels observed in the Netherlands (which, when adjusted for purchasing power parity, has the lowest payment account prices in the EU). The total potential gains to be made from price convergence were estimated to be in the order of EUR 25 billion (as previously indicated in Table 3.7).

However, price differentials can arise from differences in the underlying cost base across markets. A number of industry /market characteristics were analysed in order to determine whether (a) the price differences between EU Member States were a result of underlying cost differences; (b) individual payment account markets exhibited excessive prices (the scope for price reductions being greater in markets exhibiting excessive prices) – see Box 3.3.

Box 3.3 The relationship between profits, prices and costs

One characteristic of an efficient market is that competition between providers drives prices down to costs (calculated to include both operational costs and the cost of capital employed). In most markets this process is dynamic, as technical and other developments continually change the real cost base and the products consumers wish to buy. The dynamic of effective competition ensures that over

time, prices follow these changes. Individual producers may, through innovation or tighter cost controls, price above costs until their competitors catch up.

Taken as a whole, effectively competitive markets can be expected to approximate the average prices of all producers to their average costs. In other words, taken together, producers recover their costs and cannot therefore sustain levels of profitability above their cost of capital.

Excess profits arise when prices are consistently above costs across the output of an economic market. These excess profits translate directly into excessive profitability, measure as the rate of return on capital employed in the production of those products. Thus an indicator of persistently high prices relative to costs is persistently earning a rate of profit which is higher than the costs of the capital employed.

Persistently high rates of profitability across an economic market signal the market is less than fully competitive. To establish if rates are too high, it is first necessary to establish a comparator: the level of expected profitability if competition in market worked effectively.

Source: Cruickshank, D. (2000) Competition in UK Banking, A Report to the Chancellor of the Exchequer.

3.3.3.3 Calculating the incremental costs and benefits

When calculating incremental costs and benefits of the policy options, the distance from the current policy framework (regulatory baseline) in each Member State was taken into account.

3.3.3.4 Treatment of Non-quantifiable benefits

A ratings based approach (using an ordinal scale) was used to assess the benefits that could not be quantified. A seven point likert scale (Table 3.11) was applied to indicate the potential benefits associated with the policy options under consideration, relative to the baseline and to each other. The results of the qualitative assessment of the benefits are set out in Annex 4.

Table 3.11 Likert scale used for the rating of benefits

Scale	Explanation
5	Maximum possible effect e.g. perfect price transparency, zero search costs
4	Very large positive effect/ benefit compared to the baseline situation
3	Large positive effect/ benefit compared to the baseline situation
2	Moderately positive effect/ benefit compared to the baseline situation
1	Small positive effect/ benefit compared to the baseline situation
0	No substantial benefit in relation to the baseline situation
-1	Small negative effect compared to the baseline situation
?	Uncertain

3.3.4 Step 4: Sensitivity analysis

Generally speaking, the costs of the proposed policy options and packages are relatively straightforward and certain. However, the benefits are more tenuous in nature and methodologically, more challenging to calculate. The estimation of benefits was based on a number of assumptions regarding potential changes to consumer behaviour induced by the policy options. These assumptions were informed by expert judgement and hypothesisation based on theory and existing empirical evidence. The assumptions that reflected the areas of greatest uncertainty were therefore, subject to a sensitivity analysis. Section 5.4 summarises the results of the sensitivity analysis applied to key assumptions underlying the two packages of options as a final step to test how sensitive the outcomes are to changes in these assumptions.

4 Costs and benefits of individual policy options

This section presents the estimated costs and benefits of the proposed policy options. Detailed calculation bases and working assumptions are provided in Annex 3.

4.1 Likely costs of the proposed policy options

This sub-section contains the following results:

- The cost estimates for each policy option expressed in current prices (Table 4.1).
- The cost estimates for each policy option measured over a ten year period (2013 to 2020) and expressed in present value terms (Table 4.2).

It must be noted 'costs' broadly encompass substantive and administrative costs. For the purposes of this analysis, no distinction will be drawn between these two different types of costs and they will instead be referred to as overall compliance costs.

As explained in section 3, the cost estimates are broken down as follows:

- *Costs to industry (i.e. personal payment account providers)*: which comprise all costs of complying with a particular policy option for the industry. It should be noted that in practice, the compliance costs for industry are likely to be lower than estimated in this study. In some cases it is difficult to isolate the impact of policy options from business as usual costs for a commercial entity for cost items such as updating of website, staff training, updating of pricing strategy and marketing material etc. This study applies a discount factor to better estimate incremental costs linked to the implementation of policy options as opposed to business as usual costs. Nonetheless, it has deliberately used a conservative basis for calculations to ensure that costs are not under-estimated.
- *Costs to national authorities*: which indicate the costs involved in implementing, monitoring and enforcing a particular policy option where relevant.

Table 4.1 and Table 4.2 overleaf show the one-off costs (i.e. initial outlay) and the recurring costs (i.e. costs accruing on an annual basis) separately. The least costly options are indicated in green-shaded cells, while the most costly options are red-shaded cells. A brief summary of the least and most costly options for industry and the Member States follows.

For the banking industry and payment account providers, the least costly alternatives for each of the policy options are:

- **Ex-ante fee disclosure**: A *fee comparison website licensed under an accreditation scheme* would entail no extra cost for the banking industry, with the cost of compliance falling on the operators of fee comparison websites. These costs would be modest and would essentially comprise a small initial outlay to meet the requirements of the national accreditation systems and some recurring expenses such as the cost of conducting annual audits and updates of data coverage.
- **Ex-post fee disclosure**: Requiring *payment account providers to provide ex-post fee information* is less costly than the alternative (introduction of a standard EU form). In a third of the Member States covered by the research, the industry already provides some form of ex-post information to consumers. Therefore, additional costs would only be incurred in Member States when the industry is not already providing ex-post fee information to consumers.
- **Payment account switching**: *Ensuring compliance with the Common Principles* would generate some recurring compliance costs for the purpose of scrutiny by regulators. Initial outlay costs would however, be limited considering that this option would retain existing requirements in the Common Principles.

The most costly options under each of the three areas of proposed EU action are as follows:

- **Ex-ante fee disclosure:** *Cost simulations* based on standard usage profiles would impose significant compliance costs on industry. Staff would require training to identify standard usage profiles best matching prospective customers' usage patterns. It is envisaged the implementation of this option would result in longer customer interaction and consequently, payment account providers may require more front office resources.
- **Ex-post fee disclosure:** The *standard EU form* would result in higher compliance costs for the industry. This option imposes extra costs on industry, even in Member States where ex-post information is already being provided to consumers. All payment account providers in the EU would need to adapt their IT systems and online business platforms to generate fee information in a prescribed, standardised format.
- **Payment account switching:** of the two switching options that could be quantitatively assessed, *Implementation of improved Common Principles with cross-border provisions* would be more costly for the industry, as payment account providers would have to adapt their IT systems and business processes as well as train customer service staff on the new switching procedures. The implementation of this will result in longer customer interactions, and the cost of this have been factored into the analysis

For the national authorities of the Member States, the least costly options have been identified as:

- **Ex-ante fee disclosure:** The introduction of a *standardised EU form for the provision of ex-post fee information* is the least costly as costs will be contained to those Member States who have no legislation in place relating to the provisions of ex-ante fee information. The costs are associated with the development of legislation for the provision of ex-ante fee information by personal payment account providers (on a one-off basis) and for monitoring, enforcement and reporting to the EU.
- **Ex-post fee disclosure:** *EU standardised forms providing ex-post fee information* will be marginally less costly for competent authorities to develop, monitor and enforce as unlike option 1, competent authorities would not be required to identify (and regularly revise) the most common fee items.
- **Payment account switching:** *Ensuring compliance with Common Principles* is the least costly for competent authorities. Some costs related to information campaigns for raising consumers' awareness have been factored in.

The most costly options for national authorities of Member States are:

- **Ex-ante fee disclosure:** The requirement for national competent authorities to set up a *single official fee comparison website* would be most costly. This option requires an initial investment in website development as well as on-going costs related to website maintenance/updates, consumer awareness campaigns, monitoring and enforcement measures.
- **Ex-post fee disclosure:** The *provision of ex-post fee information* would be most costly for national authorities as they would need to identify, and regularly revise, the most common fee items.
- **Payment account switching:** *Implementation of improved common Principles with cross-border provisions* would be the more costly option of the two quantified. Under this option, Member States are expected to encounter (some) additional costs as closer cooperation of supervisory bodies would be necessary for cross-border switching. Further costs might exist in the form of one-off costs relating to potential introduction of legal measures (if a Directive was chosen) and the organisation of awareness raising campaigns on the enhanced cross-border switching procedures (and recurrent costs related to monitoring and enforcement measures and potentially reporting to the EU).

Table 4.1 Estimated costs of the proposed policy options (current prices)

Policy Option	Variant	Cost to Industry (€ million)				Member States (€ million)			
		One-off Costs		Recurring Costs (annual)		One-off Costs		Recurring Costs (annual)	
		Min	Max	Min	Max	Min	Max	Min	Max
Ex-ante Fee Disclosure									
1: Standard price list of core fees		95.95	163.03	20.76	28.99	0.05	0.08	0.09	0.18
2: Glossaries of bank fee terms	A: Non-harmonised terminology	11.66	23.58	16.96	21.79	0.02	0.05	0.09	0.18
	B: Harmonised terminology	40.35	72.76	37.86	47.91	0.08	0.11	0.11	0.22
3: Independent fee comparison websites	A: A single official website	13.75	21.81	5.59	11.19	0.76	2.86	1.59	2.37
	B: Accredited websites*	0.32	0.65	0.54	1.08	0.36	0.66	0.39	0.76
4: Representative examples	A: Self-tailored usage profiles	265.44	463.30	36.68	39.41	0.02	0.03	0.08	0.16
	B: Standard usage profiles	299.11	521.14	41.13	44.30	0.08	0.12	0.11	0.21
5: Cost simulations	A: Self-tailored usage profiles	420.77	691.71	291.51	417.31	0.02	0.03	0.08	0.16
	B: Standard usage profiles	461.12	757.51	319.73	457.40	0.08	0.12	0.11	0.22
6: EU standardised forms: ex-ante fee information		150.17	254.25	25.48	33.71	0.03	0.05	0.08	0.16
Comparable fee disclosure ex-post									
1: Provision of ex-post fee information		193.91	328.81	29.51	55.80	0.08	0.11	0.09	0.18
2: EU standardised forms: ex-post fee information		346.34	682.66	66.60	125.84	0.03	0.05	0.08	0.16
Facilitating the process of bank account switching									
1: Ensure implementation & compliance with Common Principles		16.79	32.86	25.93	44.84	0.02	0.03	1.43	2.86
2: Improve Common Principles	A: At domestic level	37.34	73.10	96.62	137.58	0.02	0.03	1.43	2.86
	B: With cross-border provisions	67.22	129.44	231.32	300.20	0.02	0.03	1.43	2.86
3: Automatic redirection service	A: Domestic redirection service**								
	B: EU-wide redirection service**								
4: Payment account portability	A: Domestic portability**								
	B: EU-wide portability**								
* The costs to industry reflect the costs that would fall on the operator of the website									least costly option
**Not quantified due to lack of data									most costly option

Table 4.2 Estimated costs of the proposed policy options (calculated over a ten year period from 2013 to 2022 and expressed present value terms)

Policy Option	Variant	Compliance Costs: Industry				Compliance Costs: Member States			
		One-off Costs		Recurring Costs		One-off Costs		Recurring Costs	
		Min	Max	Min	Max	Min	Max	Min	Max
Ex-ante Fee Disclosure									
1: Standard price list of core fees		95.95	163.03	183.17	255.79	0.05	0.08	0.81	1.59
2: Glossaries of bank fee terms	A: Non-harmonised terminology	11.66	23.58	149.67	192.32	0.02	0.05	0.82	1.56
	B: Harmonised terminology	40.35	72.76	334.11	422.78	0.08	0.11	0.99	1.95
3: Independent fee comparison websites	A: A single official website	13.75	21.81	49.36	98.72	0.76	2.86	14.04	20.95
	B: Accredited websites*	0.32	0.65	4.77	9.53	0.36	0.66	3.48	6.74
4: Representative examples	A: Self-tailored usage profiles	265.44	463.30	323.68	347.76	0.02	0.03	0.71	1.40
	B: Standard usage profiles	299.11	521.14	362.97	390.94	0.08	0.12	0.94	1.85
5: Cost simulations	A: Self-tailored usage profiles	420.77	691.71	2,572.48	3,682.59	0.02	0.03	0.71	1.40
	B: Standard usage profiles	461.12	757.51	2,821.51	4,036.32	0.08	0.12	0.99	1.95
6: EU standardised forms: ex-ante fee information		150.17	254.25	224.89	297.51	0.03	0.05	0.71	1.40
Comparable fee disclosure ex-post									
1: Provision of ex-post fee information		193.91	328.81	260.37	492.45	0.08	0.11	0.81	1.59
2: EU standardised forms: ex-post fee information		346.34	682.66	587.74	1,110.48	0.03	0.05	0.71	1.40
Facilitating the process of bank account switching									
1: Ensure implementation & compliance with Common Principles		16.79	32.86	228.84	395.74	0.02	0.03	12.63	25.23
2: Improve Common Principles	A: At domestic level	37.34	73.10	852.63	1,214.06	0.02	0.03	12.63	25.23
	B: With cross-border provisions	67.22	129.44	2,041.33	2,649.17	0.02	0.03	12.63	25.23
3: Automatic redirection service	A: Domestic redirection service**								
	B: EU-wide redirection service**								
4: Payment account portability	A: Domestic portability**								
	B: EU-wide portability**								
* The costs to industry reflect the costs that would fall on the operator of the website						least costly option			
**Not quantified due to lack of data						most costly option			



In case the industry decides to fully pass through compliance costs to consumers, this would result in a marginal increase in the average cost of personal payment accounts. The additional costs for consumers would be less than a euro in the case of a majority of the policy options being considered – Table 4.3. The following policy options might however, result in a slightly higher increase in the average costs of personal payment account services: the requirement for industry to provide representative examples of the cost of holding a payment account; the obligation to provide a cost simulation to prospective personal payment account holders; and, EU standardised forms for the provision of ex-post information on fees

Table 4.3 Estimated increase in the cost of personal payment accounts per consumer in case the industry fully passes through the compliance costs, (€, current prices)

Policy Option	Variant	One-off		Recurring	
		Min	Max	Min	Max
Ex-ante Fee Disclosure					
1: Standard price list of core fees		0.26	0.45	0.06	0.08
2: Glossaries	A: non-harmonised terminology	0.03	0.06	0.05	0.06
	B: harmonised terminology	0.11	0.20	0.10	0.13
3: Independent fee comparison websites	A: A single official website	0.04	0.06	0.02	0.03
	B: Accredited websites*	0.00	0.00	0.00	0.00
4: Representative examples	A: self-tailored usage profiles	0.73	1.27	0.10	0.11
	B: standard usage profiles	0.82	1.42	0.11	0.12
5: Cost simulations	A: self-tailored usage profiles	1.15	1.89	0.80	1.14
	B: standard usage profiles	1.26	2.07	0.87	1.25
6: EU standardised forms for the provision of information on fees		0.41	0.69	0.07	0.09
Comparable fee disclosure ex-post					
1: Provision of ex-post fee information		0.53	0.90	0.08	0.15
2: EU standardised forms: ex-post fee information		0.95	1.87	0.18	0.34
Facilitating the process of bank account switching					
1: Ensure implementation & compliance with Common Principles		0.05	0.09	0.07	0.12
2: Improve Common Principles	A: At domestic level	0.10	0.20	0.26	0.38
	B: With cross-border provisions	0.18	0.35	0.63	0.82
3: Automatic redirection service	A: Domestic redirection service**				
	B: EU-wide redirection service**				
4: Payment account portability	A: Domestic portability**				
	B: EU-wide portability**				

* These costs reflect the costs that would fall on the operator of the website

**Not quantified due to lack of data

 least costly option
 most costly option

4.2 Likely benefits of the proposed policy options

4.2.1 Quantifiable benefits

4.2.1.1 Cost savings to consumers

The benefits of the individual options have been assessed in terms of the potential savings accruing to consumers as a result of implementing the proposed policy options (Table 4.4). The most beneficial option from a consumer's perspective under each area of EU action is indicated in green-shaded cells, while the least beneficial options are indicated in red-shaded cells. It should be noted that all options - except for glossaries – would yield quantifiable positive benefits for consumers. Even though the introduction of glossaries might not yield any quantifiable positive benefits, it would not make consumers worse-off.

Table 4.4 Present value of potential savings accruing to consumers over the period 2013 to 2022, € million

Policy options	Variant	Savings accruing from:	
		Switching to a more suitable PCA	Better account management
Ex-ante Fee Disclosure			
1: Standard price list of core fees		585	-
2: Glossaries	A: non-harmonised terminology	-	-
	B: harmonised terminology	-	-
3: Independent fee comparison websites	A: A single official website	731	-
	B: Accredited websites*	731	-
4: Representative examples	A: self-tailored usage profiles	146	-
	B: standard usage profiles	146	-
5: Cost simulations	A: self-tailored usage profiles	219	-
	B: standard usage profiles	219	-
6: EU standardised forms for the provision of information on fees		439	-
Average scale of benefits expected from policy options relating to ex-ante fee disclosure		322	-
Ex-post Fee Disclosure			
1: Provision of ex-post fee information		1,462	2,703
2: EU standardised forms: ex-post fee information		292	955
Average scale of benefits expected from policy options relating to ex-post fee disclosure		877	1,829
Bank account switching			
1: Ensure compliance with Common Principles		1,462	-
2: Improve Common Principles	A: At domestic level	1,679	-
	B: With cross-border provisions	3,655	-
3: Automatic redirection service	A: Domestic redirection service	5,849	-
	B: EU-wide redirection service	6,580	-
4: payment account portability	A: Domestic portability	8,773	-
	B: EU-wide portability	9,504	-
Average scale of benefits expected from policy options aimed at facilitating switching		5,357	-

NB: NPV calculations based on (a) discount rate of 4% and (b) estimated costs and benefits over a 10 year period (2013 to 2022)

The most and the least beneficial options in terms of potential cost savings for consumers are as follows:

Area of EU action	Most beneficial option for consumers	Least beneficial option for consumers
Ex-ante disclosure	<p>fee <i>Fee comparison websites</i> – a price comparison website greatly enhances price transparency and comparability by (a) bringing all pricing information in one place, thereby reducing search costs for consumers; (b) organising, simplifying and displaying pricing information in a manner that is easy for consumers to understand and compare. Evidence demonstrates that price comparison websites can play a role in helping consumers reduce the risk of buying overpriced products and get better deals – they can help consumers identify and switch to payment account products that are most suitable for their needs and offer them the best value for money. If sufficiently independent and reliable, price comparison websites can be a significant driver of consumer mobility – transparency and comparability are crucial elements of a switching process. Improving the technicalities of switching alone would not lead to greater mobility if customers are unable to identify the best provider to switch to.</p>	<p><i>Glossaries containing payment account fee terminology</i> – a glossary would help consumers better understand the terminology used by banks with respect to payment account services and fees. A glossary would therefore, make it slightly easier for consumers to understand pricing information. However, on its own, a glossary is unlikely to trigger any changes in behaviour.</p>
Ex-post disclosure	<p>fee <i>Provision of ex-post fee information</i>– under this option, the ex-post information would cover the same fee items as the ex-ante information. If this were combined with ex-ante Option 1, it would allow consumers to verify and analyse the actual charges applied to their payment account and identify areas where savings could be made.</p> <p>Awareness of the cost elements associated with payment accounts should encourage consumers to switch. Itemised costs would help consumers identify areas where they could save money by switching to a more competitively priced payment account provider. Additionally, a proportion of consumers would benefit from better account management.</p> <p>It is expected that an increasing proportion of consumers would gradually change their behaviour as a result of having ex post fee information (in a format consistent with ex ante fee information) as they would be able to clearly identify the areas where savings could be made by changing their usage patterns. A significant proportion of consumers (10% in the short to medium term and up to 30% in the longer term) are estimated to change their behaviour as a result</p>	<p><i>Provision of ex-post fee information using standardised EU forms</i> – Standardisation of pricing information might not benefit consumers in countries with unique or specific payment account pricing models that do not fit well with an EU wide standard price list (e.g. UK)..</p> <p>A much smaller proportion of consumers would change their behaviour as result of having access to ex-post fee information in standardised EU format – as a comprehensive price list covering all fee terms used in the EU would be complex and cumbersome for consumers to process, and may reduce benefits to consumers.</p>

Area of EU action	Most beneficial option for consumers	Least beneficial option for consumers
	<p>of having ex post fee information (in a format consistent with ex ante fee information)¹⁵. However, the scale of benefit is reduced to reflect the 'distance from policy frontier' i.e. banks in a number of Member States are already providing this information albeit following EU action, this information will be presented in a more user friendly format.</p>	
Switching	<p><i>EU wide payment account portability</i> – payment account portability would make switching hassle-free, cost-free and risk-free for consumers. EU wide portability would allow consumers to take advantage of deals and offers in the internal market.</p>	<p><i>Ensure compliance with the common principles</i> – ensuring that the EBIC Common Principles would be enforceable would make switching easier for consumers. However, it does not fully address all the perceived barriers to switching e.g. the risk that mistakes or delay in changing over direct debits, standing orders, salary mandates, and other payments would result in bills going unpaid or funds not being available</p>

4.2.2 Non-quantifiable benefits

4.2.2.1 Reduction in prices

It is reasonable to assume that a majority of the policy options under consideration would make domestic markets more competitive by improving price transparency and/or making it easier for consumers to shop around more easily for a payment account domestically as well as across borders within the EU. Most of the policy options would also – to a lesser or greater extent – reduce barriers to market entry / expansion by standardising operating procedures and business processes (by standardising ex-ante and ex-post provision of information to consumers, standardising, industry terminology, switching procedures etc.), which can bring savings to back-office set ups and yield economies of scale. The low levels of switching in payment accounts market is considered a potential barrier to entry and expansion. Measures aimed at facilitating switching would attract new entrants to a market. Greater contestability and competitive pressure should result in price reductions and convergence over time.

However, from an overall social cost/benefit perspective, the following potential effects also need to be taken into account to get a more balanced perspective:

- Standardisation of price comparisons might make it easier for firms to observe each other's pricing strategies. In some situations this might lead to anti-competitive strategies such as tacit collusion;
- Increase in prices or 'hidden costs' of other retail financial products - payment account providers might try to maintain their revenues by offsetting any reduction in payment account with increases in prices of other retail financial products.

These potential indirect effects could not be quantified within the scope of the present study. This study however, quantifies the impact on prices at the level of packages of options. It was not possible to systematically quantify this impact at the level of the individual options.

4.2.2.2 Other non-quantifiable benefits

Given the scope of the assignment and its focus on quantification, the non-quantifiable benefits were not subject to a detailed assessment. A ratings based assessment - using a five point likert scale - was carried out to indicate the relative. Table 4.5 lists the benefits that could not be quantified within the scope of this assignment. The results of the ratings based assessment are provided in Annex 4.

Table 4.5 Overview of non-quantifiable benefits

Stakeholder Group	Potential benefits	Explanation
Payment account Users	Reduction in search costs for consumers	Information of payment account pricing is easy to access, understand and compare. As a result consumers spend less time looking for this information (particularly alternative offers)
	Reduction in direct switching costs	The extent to which a particular option reduces the costs of switching in terms of time and effort placed in the process;
	Reduction in inertia linked to concerns about the process	The extent to which a particular option reduces the perceived barriers to switching, thus inhibiting payment account users from switching
	Distributional effects to the benefit of low income account holders	The extent to which an option benefits payment account users belonging to the low income group

Stakeholder Group	Potential benefits	Explanation
Wider Society	Impact on competition	Customer mobility exerts competitive pressure on existing and potential suppliers to continually improve their performance and thus contributes to more competitive markets. Furthermore, obstacles to mobility can function as entry barriers. Therefore, customer mobility also contributes to more competitive markets by reducing entry barriers.
	Impact on the Single Market	The extent to which an option: Promotes greater cross border mobility of customers Reduces cross-border barriers to entry for banks Contribute to the development of a level playing field in the internal market by reducing fragmentation/ promoting standardisation
		Evidence of any impact a particular option might have on innovation in the banking sector:
	Impact on innovation	Changes to banks' pricing models – assuming they are in the interest of consumers Marketing or organisational innovation – greater price transparency might put pressure on banks to reduce costs by innovating Technological innovation (might specifically result from switching options)
		Impact on product choice – although greater choice is not always in the interest of consumers
	Greater trust and confidence in the banking sector	The extent to which a particular option helps restore trust and confidence in the banking sector
Banks	Cost savings	Efficiency gains due to greater standardisation and reduced legal uncertainty
	Increase in customer / funding base as a result of greater confidence in the banking sector	Increased customer base for selling of additional services Economic benefit to banks from increased availability of funding via larger deposits/ new customers - the difference in the cost to banks of raising €x billion daily directly from consumers rather than going to wholesale money markets, bond or shareholders – <i>these could not be monetised due to lack of data on average daily credit balances in payment accounts in banks across the EU</i>

4.3 Comparison of costs and benefits

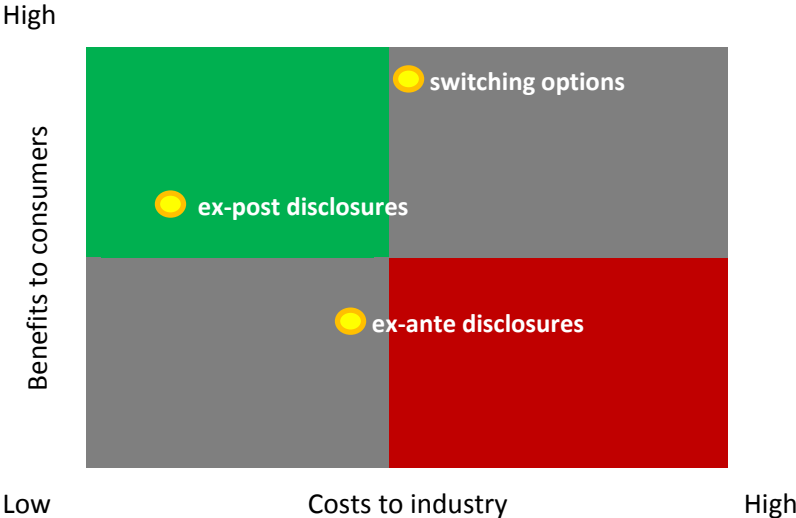
Table 4.6 overleaf provides a comparative overview of the costs and benefits of individual policy options.

Table 4.6 Comparative overview of the likely costs and benefits of the proposed policy options (in Present Value Terms)

Policy Option	Variant	Compliance Costs: Industry				Compliance Costs: Member States				Benefits: Consumers	
		One-off Costs		Recurring Costs		One-off Costs		Recurring Costs		Savings from switching	Savings: better account management
		Min	Max	Min	Max	Min	Max	Min	Max		
Ex-ante Fee Disclosure											
1: Standard price list of core fees		95.95	163.03	183.17	255.79	0.05	0.08	0.81	1.59	585	-
2: Glossaries of bank fee terms	A: Non-harmonised terminology	11.66	23.58	149.67	192.32	0.02	0.05	0.82	1.56	-	-
	B: Harmonised terminology	40.35	72.76	334.11	422.78	0.08	0.11	0.99	1.95	-	-
3: Independent fee comparison websites	A: A single official website	13.75	21.81	49.36	98.72	0.76	2.86	14.04	20.95	731	-
	B: Accredited websites*	0.32	0.65	4.77	9.53	0.36	0.66	3.48	6.74	731	-
4: Representative examples	A: Self-tailored usage profiles	265.44	463.30	323.68	347.76	0.02	0.03	0.71	1.40	146	-
	B: Standard usage profiles	299.11	521.14	362.97	390.94	0.08	0.12	0.94	1.85	146	-
5: Cost simulations	A: Self-tailored usage profiles	420.77	691.71	2,572.48	3,682.59	0.02	0.03	0.71	1.40	219	-
	B: Standard usage profiles	461.12	757.51	2,821.51	4,036.32	0.08	0.12	0.99	1.95	219	-
6: EU standardised forms: ex-ante fee information		150.17	254.25	224.89	297.51	0.03	0.05	0.71	1.40	439	-
Comparable fee disclosure ex-post											
1: Provision of ex-post fee information		193.91	328.81	260.37	492.45	0.08	0.11	0.81	1.59	1,462	2,703
2: EU standardised forms: ex-post fee information		346.34	682.66	587.74	1,110.48	0.03	0.05	0.71	1.40	292	955
Facilitating the process of bank account switching											
1: Ensure compliance with Common Principles		16.79	32.86	228.84	395.74	0.02	0.03	12.63	25.23	1,462	-
2: Improve Common Principles	A: At domestic level	37.34	73.10	852.63	1,214.06	0.02	0.03	12.63	25.23	1,679	-
	B: With cross-border provisions	67.22	129.44	2,041.33	2,649.17	0.02	0.03	12.63	25.23	3,655	-
3: Automatic redirection service	A: Domestic redirection service**									5,849	-
	B: EU-wide redirection service**									6,580	-
4: Payment account portability	A: Domestic portability**									8,773	-
	B: EU-wide portability**									9,504	-

* The costs to industry reflect the costs that would fall on the operator of the website **Costs not quantified due to lack of data

Figure 4.1 Relative positioning of sets of policy options on costs-benefits continuum



5 Costs and benefits of packages

This section presents the estimated costs and benefits of the proposed policy packages. To recap, the packages comprise the following policy options:

Table 5.1 Overview of packages

Package 1: Building on current good practice	Package 2 Maximum EU harmonisation
<ul style="list-style-type: none"> ■ A standard price list of core fees ■ Comparison sites licenced under accreditation scheme ■ Provision of ex-post fee information ■ Broadening of the scope of the Common Principles to EU-wide cross-border switching 	<ul style="list-style-type: none"> ■ Provision of ex-ante fee information using a standardised EU form ■ A single official fee comparison website ■ Provision of ex-post fee information using a standardised EU form ■ Broadening of the scope of the Common Principles to EU-wide cross-border switching

Neither package incorporates switching options relating to redirection service or payments account portability, despite the fact that these options are likely to be more effective in facilitating switching than the implementation of the Common Principles either in their existing or enhanced format. There are two main reasons why these options have not been incorporated into the packages:

1. A comprehensive and accurate assessment of the likely costs of the two options could not be undertaken within the scope of this study for reasons previously explained in section 3. In absence of this data, it could not be established whether the potential benefits of these options would be proportionate in relation to the costs involved.
2. There already exists - as of November 2009 - a switching service established through industry self-regulation (Common Principles). Although there are some concerns regarding compliance with the Common Principles, there is general consensus among stakeholders that a pragmatic way forward would be to first consider how the current framework could be improved and more effectively enforced, before considering more costly options requiring significant investment.

The quantification of economic impacts of the packages is based on the costs and benefits of individual options, but with adjustments made on the basis of a consideration of the following factors:

- Certain elements of costs associated with individual options are overlapping: for example, the time spent on familiarising with legislation, adaptation of business processes and systems, training of staff etc.;
- The benefits tend to be mutually reinforcing: for example, ex-ante pricing information coupled with ex-post information is likely to have a greater impact, than these options implemented in isolation.

The analysis of costs and benefits of the packages is presented in present value terms, calculated over a ten year period (2013 to 2022) and discounted at 4 per cent. This allows the aggregation of one-off start-up costs and annual recurring costs; and comparison with benefits as they accumulate over this period.

5.2 Estimated costs of the packages

Table 5.2 indicates that the costs of the proposed packages are similar in terms of orders of magnitude: €2 billion to just over €3 billion over a 10 year period in present value terms. However, Package 2 has a wider range of cost estimates (€2.9 billion to €4.6 billion) and therefore, the costs of implementing this package could potentially be higher than Package 1.

The cost of implementing both of these packages is largely a reflection of the compliance costs accruing to the providers of payment accounts. Specifically, the biggest cost elements are expected to be as follows:

- Cost of updating IT systems with new standard price lists;
- Cost of adapting IT systems/ business processes to generate ex-post fee information and to enable domestic and cross border switching according to improved Common Principles;
- Staff time involved in dealing with a higher volume of switching requests and processing these requests in accordance with the improved Common Principles;
- Cost of adapting any marketing and promotional material.

Table 5.2 Estimated cost of the proposed packages (current prices), € million

Stakeholder	Cost type	Package 1		Package 2	
		min	max	min	max
Industry	One-off	284.58	490.75	428.06	804.56
	Recurring	231.40	307.60	273.01	422.41
	Total	515.98	798.35	701.08	1,226.97
Member States	One-off	0.53	0.92	0.64	1.07
	Recurring	2.84	5.66	2.83	5.63
	Total	3.37	6.57	3.47	6.70
Grant total - costs		519.36	804.93	704.55	1,233.67

Table 5.3 Estimated costs of the proposed packages (present value terms, 2013 to 2022), € million unless otherwise stated

Stakeholder	Cost type	Package 1		Package 2	
		min	max	min	max
Industry	One-off	284.58	490.75	428.06	804.56
	Recurring	2,042.03	2,714.46	2,409.23	3,727.57
	Total	2,326.61	3,205.21	2,837.29	4,532.12
Member States	One-off	0.53	0.92	0.64	1.07
	Recurring	25.08	49.90	24.98	49.71
	Total	25.61	50.82	25.62	50.78
Grand total - costs		2,352.21	3,256.03	2,862.91	4,582.90
Cost implications for consumers (€ per consumer)	One-off	0.78	1.34	1.17	2.20
	Recurring	0.65	0.86	0.76	1.18

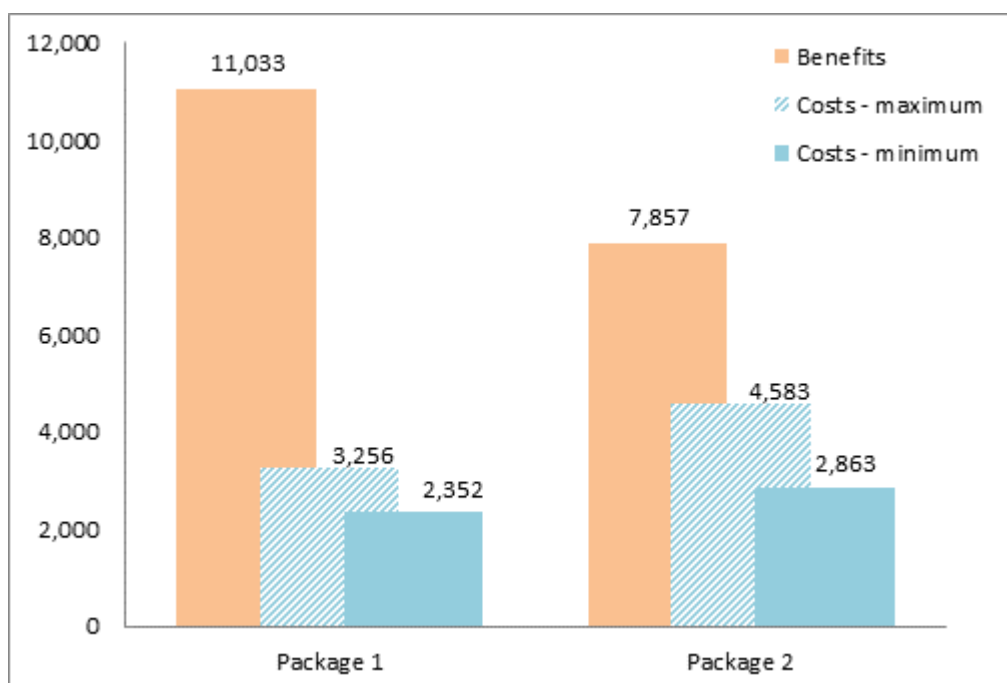
5.3 Estimated benefits of the packages

The estimated benefits for the two packages consist of:

- Cost savings accruing to a proportion of consumers switching payment accounts as a result of the proposed policy packages;
- Cost savings accruing to a proportion of consumers changing their behaviour i.e. avoiding the occurrence of unnecessary charges (such as overdraft charges or cash withdrawal charges) or forgoing interest income (by moving credit balances to higher interest bearing accounts);
- Price savings resulting from a gradual price reduction / convergence across the EU.

Estimated costs can be compared with the estimated present value of the benefits of the packages (Figure 5.1). The estimated benefits for the two packages are: €11 billion for Package 1 and €7.8 billion for Package 2.

Figure 5.2 Present value of the benefits and costs of the proposed policy packages (2013 to 2022), billion Euros

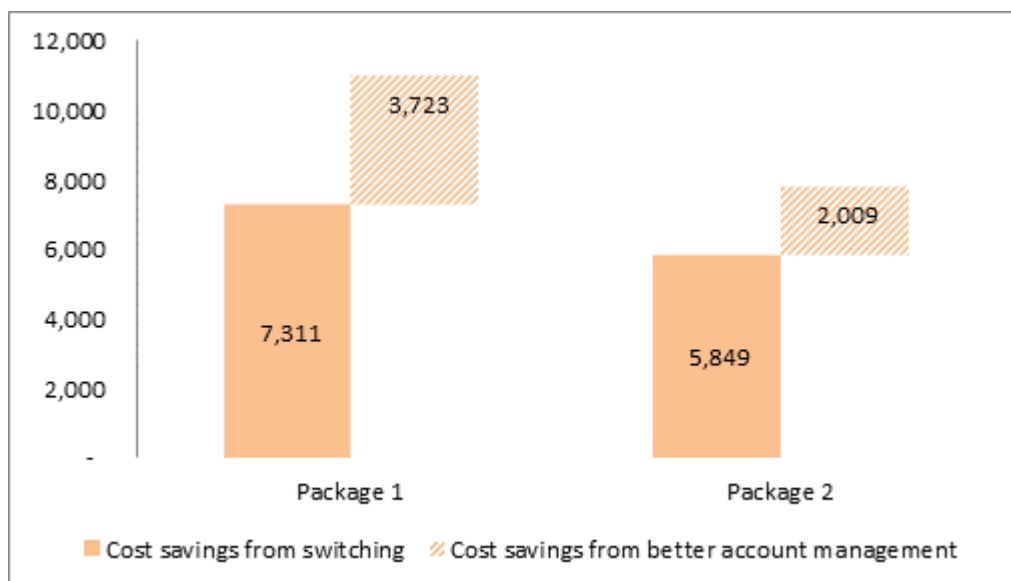


In the above figure, benefits consist of:

- Cost savings resulting from better account management;
- Cost savings resulting from switching to a product offering better value for money.

Savings accruing to consumers as a result of price reductions over the longer term, have been separately assessed in section 5.5.

Figure 5.3 Breakdown of estimated benefits (calculated over 2013 to 2022 and expressed in present value terms), billion Euros



Since Packages 1 and 2 have similar costs, the higher scale of benefits from Package 1 indicates that this would be the most cost-effective Package. However, both packages would provide substantial returns to consumers, even assuming that compliance costs are subsequently passed on to consumers in forms of higher fees/ charges.

Table 5.4 Present value of benefits and costs of the proposed policy packages (2013 to 2022), million Euros

	Package 1	Package 2
Benefits		
Cost savings from switching	7,311	5,849
Cost savings from better account management	3,723	2,009
	11,033	7,857
Costs		
Costs - minimum	2,352	2,863
Costs - maximum	3,256	4,583
Benefits-cost ratio		
based on minimum costs	4.7	2.7
based on maximum costs	3.4	1.7

5.4 Sensitivity analysis

The working assumptions underpinning the quantification of savings accruing to consumers are summarised in Table 5.5 (for detailed explanations, please refer to Table A3.14 in Annex 3.3).

Table 5.5 Overview of working assumptions underpinning the quantification of benefits of packages

Benefit	Key parameters	Package 1	Package 2
Cost savings from switching	Proportion of additional payment account users switching specifically because of EU action	2.5%	2%
	Cost savings accruing from switching to a cheaper provider	20%	20%*
Cost savings from better account management	Proportion of additional payment account users better managing their accounts due to availability of ex-post fee information	5% (2013-2015) 15% (2016 onwards)	3% (2013-2015) 8% (2016 onwards)
	Cost savings accruing from better account management	10%	10%

Due to lack of available evidence or better information, a number of these assumptions could not be tested thoroughly and are therefore, uncertain. A sensitivity analysis was carried out to explore how the order of magnitude of the impacts would change in response to variations in key assumptions. The following sub-sections provide the results of the sensitivity analysis.

5.4.2 Sensitivity of results to variation in assumptions regarding potential scale of cost savings from switching

If the key parameters underpinning the calculation of cost savings from switching are reduced as follows:

Table 5.6 Alternative assumptions for quantifying cost savings resulting from switching

Key parameters	Package 1	Package 2
Proportion of additional payment account users switching specifically because of EU action	1.25%	1%
Cost savings accruing from switching to a cheaper provider	10%	10%

Then, the overall scale of benefits reduces by 50 to 56 per cent.

Table 5.7 Sensitivity of results to variation in assumptions regarding potential scale of cost savings from switching

	Package 1	Package 2
Value of benefits (base case) € million	11,033	7,857
Value of benefits (worst case) € million	5,550	3,471
% reduction in benefits	49.7%	55.8%
Benefits-cost ratio (average)	2.0	1.0

5.4.3 Sensitivity of results to variation in assumptions regarding potential scale of cost savings from better account management

If the key parameters underpinning the calculation of cost savings from better account management are reduced as follows:

Table 5.8 Alternative assumptions for quantifying cost savings resulting from better account management

Key parameters	Package 1	Package 2
Proportion of additional payment account users better managing their accounts due to availability of ex-post fee information	3% (2013-2015) 5% (2016 onwards)	1% (2013-2015) 3% (2016 onwards)
Cost savings accruing from better account management	5%	5%

Then, the overall scale of benefits reduces by 20 to 27 per cent.

Table 5.9 Sensitivity of results to variation in assumptions regarding potential scale of cost savings from better account management

	Package 1	Package 2
Value of benefits (base case) € million	11,033	7,857
Value of benefits (worst case) € million	7,959	6,239
% reduction in benefits	27.9%	20.6%
Benefits-cost ratio (average)	2.9	1.8

The above analysis shows that major changes in the assumptions underpinning the calculation of benefits can result in a reduction in the scale of benefits from 21 to 56 per cent. Even so, the expected benefits outweigh the expected costs of the proposed policy packages.

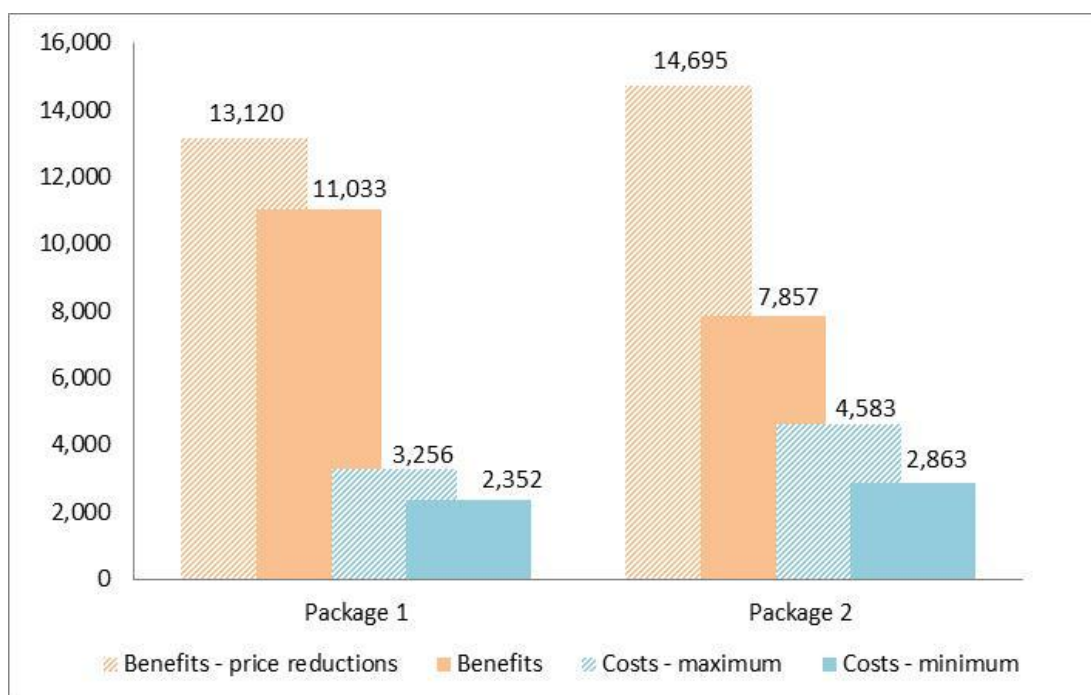
5.5 Savings resulting from price reductions over the longer term

Table 5.10 below provides an overview of the estimated benefits and costs of the two packages, with the inclusion of savings resulting from a reduction in payment account prices over the longer term. The inclusion of these longer-term benefits results in benefits amounting to €24 billion for Package 1 and €22.5 billion for Package 2. Overall, Package 1 offers a higher benefits-cost ratio.

Table 5.10 Present value of benefits and costs of the proposed policy packages including price savings (2013 to 2022), million Euros

	Package 1	Package 2
Benefits		
Price savings	13,120	14,695
Cost savings from switching	7,311	5,849
Cost savings from better account management	3,723	2,009
Total benefits	24,154	22,552
Costs		
minimum	2,352	2,863
maximum	3,256	4,583
Benefits-cost ratio		
based on minimum costs	10.3	7.9
based on maximum costs	7.4	4.9

Figure 5.4 1 Present value of benefits and costs of the proposed policy packages including price savings (2013 to 2022), million Euros



5.5.2 Sensitivity of results to variation in assumptions regarding potential scale of price reductions

As a worst case, if the expected price reductions do not materialise, then the overall scale of benefits reduces to the predicted benefits in Table 5.4. The results of Package 2 are more sensitive to assumption regarding price reductions as compared to package 1.

As a caveat, it must be noted, this study has not analysed the impact of negative price impacts or the substitution effect of prices, therefore these benefits may be overstated.

ANNEXES

Annex 1 Main data sources

A1.1 Data sources

Table A1.1 Data Sources used for analysis of Prices, Costs and Industry Structure

Variable	Indicators	Year for which data available	Source of Data
Current account prices	Average prices	2009	Van Dijk Management Consultants, 2009. <i>Data collection for prices of payment accounts provided to consumers.</i> Brussels
	PPP adjusted prices	2009	Average prices adjusted for PPP. PPP data sourced from Eurostat
	Price dispersion	2009	Van Dijk Management Consultants, 2009. <i>Data collection for prices of payment accounts provided to consumers.</i> Brussels
Industry Structure	HHI	2010	European Central Bank, 2010. <i>EU Banking Structures.</i> Frankfurt am Main
	CR-5	2010	European Central Bank, September 2010. <i>EU Banking Structures.</i> Frankfurt am Main
	Number of Credit Institutions	2012	ECB Statistical Data Warehouse
	Branches	2010	European Central Bank, September 2010. <i>EU Banking Structures.</i> Frankfurt am Main
	Employees	2010	European Central Bank, September 2010. <i>EU Banking Structures.</i> Frankfurt am Main
	Branches per Bank	2010	European Central Bank, September 2010. <i>EU Banking Structures.</i> Frankfurt am Main
	Employees per Bank	2010	European Central Bank, September 2010. <i>EU Banking Structures.</i> Frankfurt am Main
	Branches per 1000 Customers	2010	ICF GHK calculations – Total number of branches in a given Member State divided by 1000 customers (payment account users at the age 15+). Data on number of customers and branches sourced from Eurostat and ECB
Employees per 1000 customers	2010	ICF GHK calculation – Total number of employees hired in Credit Institutions in a given Member State divided by 1000 customers (payment account users at the age 15+). Data on number of customers and employment sourced from Eurostat and ECB	
Profitability	Cost to income ratio	2010	European Central Bank, September 2010. <i>EU Banking Structures.</i> Frankfurt am Main
	RoE (average)	2011	ICF GHK calculation – average RoE from the period 2006-2009. Data on annual RoE sourced from International Monetary Fund

Annex 2 Stakeholder Consultation

Table A2.1 Scope of consultations in selected Member States – number of completed interviews by Member State and stakeholder group

Member State	Banking Association	Central Bank	Competent Authority	Consumer Association	Consumer Protection Authority	Payment account providers	Total
Austria					1		1
Belgium	1			1		1	3
Bulgaria			1				1
Denmark	1		1		1	1	4
Finland	1	1	1			1	4
France	1		2	3		3	9
Germany	1			1			2
Italy	1						1
Latvia	1	1		1		6	9
Lithuania	1	1		1		1	4
Luxembourg	1		1				2
Netherlands	1	1	1			3	6
Poland	1	1			1	4	7
Portugal		1				1	2
Spain	2					3	5
United Kingdom	2		3	2			7
Grand Total	15	6	10	9	3	24	67

For details please refer to the separate document titled: Technical Annex: Stakeholder Consultations

Annex 3 Working assumptions

A3.1 Working assumptions underpinning the pricing forecasts

Pricing determinant	Key assumptions	Basis for this assumption	Sources
1 Technological change - banks are expected to continue to invest in automation and IT in order to reduce costs. Investment in automation/IT and the impact of these investment is likely to vary across countries due to institutional factors (e.g. current industry practice) or cultural preferences (the extent to which consumers prefer 'human' contact). Distinguishing such countries is problematic and therefore, a single value is applied at an EU level.	Other things being equal, technological developments lead to a reduction in prices by 0.5% on an annual basis	Technological change contributes to increases in efficiency in manufacturing and services. Technology is allowing banks to cut the costs of back office processing and introduce new lower cost access and distribution channels (e.g. mobile/ internet banking) and payment methods (e.g. e-payments). ICT, lower costs of computing capacity and the development of the internet, are contributing to increases in the efficiency in retail banking that, other things being equal, should lead to a gradual reduction in prices.	Capgemini and EFMA (2012) <i>World Retail Banking Report</i> Economist (2012) <i>Retail renaissance: A special report on international banking</i> , the Economist, 19 May 2012
2 Innovation in delivery/ distribution channels - increasing use of ATMs, internet, telephone and mobile banking	Other things being equal, innovation in distribution channels lead to a reduction in prices by 0.5% on an annual basis	The manner in which payment account services can be delivered has been influenced by innovations. These include the automation and outsourcing of routine functions (e.g. account monitoring etc.). The rationalisation of branch network (as a result of increased use of technology based distribution channels) would also contribute to cost reductions. Some of these innovations and changes in organisational arrangements generate cost efficiencies for banks and are likely to contribute to a gradual decreases in prices.	Capgemini and EFMA (2012) <i>World Retail Banking Report</i>
3 Regulatory pressures e.g. Basel III; PSD; ring fencing and/or other structural requirements on banks; domestic measures to improve fee transparency etc.	Other things being equal, prices increase by 1% on an annual basis over the period 2014 to 2018 which represents the time period over which these regulatory changes are likely to be implemented	In the short and medium term there is anticipated to be a period of low economic growth and continued low interest rates. There will also be pressures on the banks to improve their balance sheets. It is reasonable to assume in these circumstances that banks will ensure that payment accounts are inherently profitable (i.e. they profitable as a standalone product) as the opportunities to generate profits and shareholder value from other banking activities will be limited.	Ayadi, R., Arbak, E., De Groen, W.P. (2011) <i>Business Models in European Banking: A pre-and post-crisis screening</i> , Brussels: CEPS, 20 September 2011 Capgemini and EFMA (2012) <i>World Retail Banking Report</i>

Pricing determinant	Key assumptions	Basis for this assumption	Sources
4 Competition	Other things being equal, prices fall by 1% on an annual basis 2017 onwards	In due course it is reasonable to assume that competition in the retail banking sector will create a downward pressure on prices. The short term trend is however, one of consolidation. The existence of marked price differentials within the EU is evidence of the potential for this trend.	DeYoung, R., Evanoff, D. D. and Molyneux, P. (2009) <i>Mergers and Acquisitions of Financial Institutions: A Review of the Post-2000 Literature</i> , Journal of Financial Services Research, 36 (2-3), pp.87-110. Park, K. and Pennacchi, G. (2009) <i>Harming Depositors and Helping Borrowers: The Disparate Impact of Bank Consolidation</i> , The Review of Financial Studies, 22 (1), pp.1-40. Prager, R. A. and Hannan, T. H. (1998) <i>Do Significant Horizontal Mergers Generate Significant Price Effects?</i> Evidence from the Banking Industry, Journal of Industrial Economics, 46 (4), pp.433-452
5 Macroeconomic factors such as Eurozone crisis and economic instability	Prices rise by 2% in 2013 and by 1% (annually) during 2014 to 2016	It is reasonable to assume that the current financial/ economic crisis will have an upward effect on the prices of payment accounts as revenue from other banking services is constrained and banks seek to realise the costs to them of traditionally 'unprofitable' customers i.e. those who do not bring benefits to them through the cross-selling of other products or through holding large credit balances (that receive little or no interest). However this effect is unlikely to prevail in the short and medium term.	-
6 Consumer empowerment - more demanding and cost conscious customers.	Other things being equal, prices will fall by 1% on an annual basis	Given the current public sentiment against banks and strong consumer awareness of fees, any bank moves to raise fees are likely to cause customers to consider low-cost, low-fee competitors, such as retailers, and non-profit credit unions. There is also widespread public discontent with banks' high levels of profitability and 'excessive greed'. Given higher awareness levels, consumers are expected to maintain pressure on banks for more transparent pricing and banks' profitability will come under more scrutiny.	World Retail Banking Report, various years Economist (2012) <i>Retail renaissance: A special report on international banking</i> , the Economist, 19 May 2012

A3.2 Working assumptions underpinning the cost calculations

Options for ex-ante fee disclosure

Table A3.1 Approach and assumptions underpinning the cost calculations for standard price lists (20 most common fees)

Cost type	Cost elements	Approach to Calculation	Calculation basis
Industry - Initial outlay	Industry inputs/ support to the development of a standard price list containing the most common fees	<p>Unit cost = No. of man days spent on activity X average daily wages for the financial sector X No. of persons involved</p> <p>Total cost = Unit cost X No. of credit institutions engaged in this activity</p> <p>Discounting of total costs to reflect distance from policy frontier - the level of industry input will depend on current practice in Member State w.r.t price lists</p>	<p>On average, 2 staff members per bank would be involved in this exercise i.e. reviewing proposals, providing inputs such as common fees applied etc.</p> <p>On average, each person will devote 3 to 5 days to this activity</p> <p>It is assumed that 20% of the credit institutions in the EU will contribute to this process</p>
	Time spent by legal department to familiarise with new legislative requirements	<p>Unit cost = No. of man days X Average daily wages for the financial sector X No. of persons involved</p> <p>Total cost = Unit cost X No. of credit institutions undertaking activity</p> <p>Discounting of total costs to reflect distance from policy frontier</p>	1 staff member per bank would be involved in this exercise S/he will devote 1 to 2 days
	Cost of updating/adapting IT systems with new standard price lists	<p>Unit cost X No. of credit institutions</p> <p>Discounting of total costs to reflect distance from policy frontier</p>	Unit cost = € 1,000 to €2,000 per bank
	Management time spent on reviewing product/ pricing strategy	<p>Unit cost = No. of man days X Average daily wages for the financial sector X No. of persons involved</p> <p>Total cost = Unit cost X No. of credit institutions undertaking activity</p> <p>Discounting of total costs to reflect distance from policy frontier</p>	<p>3 members of management team per bank would be involved in reviewing product/ pricing strategy</p> <p>0.5 days per person – one half day meeting to determine new pricing/ product strategy</p> <p>It is assumed that management wages are higher than average industry wages by 20%</p>
	Cost of adapting marketing/ advertising/ promotional material	<p>Unit cost X No. of credit institutions</p> <p>Discounting of total costs to reflect distance from policy frontier</p>	Unit cost = € 30,000 to €50,000 per bank

Cost type	Cost elements	Approach to Calculation	Calculation basis
	Internal communication/ initial staff training	Unit cost = No. of man days X Average daily wages for the financial sector X No. of persons involved Total cost = Unit cost X No. of credit institutions undertaking activity Discounting of total costs to reflect distance from policy frontier	1 to 2 hours per person All front office/ marketing employees will have to spend some time on familiarising themselves with new requirements – assumed to be 20% of workforce
	Updating website with new pricing information	Unit cost X No. of credit institutions Discounting of total costs to reflect distance from policy frontier	Unit cost = € 200 to €500 per bank – a reasonably junior IT expert could do so in a day
	Time spent by legal department to adapt contractual documentation	Unit cost = No. of man days X Average daily wages for the financial sector X No. of persons involved Total cost = Unit cost X No. of credit institutions undertaking activity	1 member of the legal team per bank 0.5 to 1 day per person Discounting factor not applied as all banks would have to update contracts to include references to the standard price list which would now have a specific name under national law
Industry recurring costs	– Cost of internal compliance - internal compliance activities include verification of new marketing/ contractual material	Unit cost = No. of man days X Average daily wages for the financial sector X No. of persons involved Total cost = Unit cost X No. of credit institutions undertaking activity Discounting of total costs to reflect distance from policy frontier	Credit institutions will incur additional costs to monitor internal compliance with the options. Based on discussions with banks, it is assumed that 0.1 FTE will be required to undertake this internal compliance monitoring
	Dissemination costs – price lists	Unit cost X No. of customers	Unit cost = €0.10 to €0.30 per customer Lists are made available in hard copy format to 10% of the customers Discounting factor not applied as new price lists would need to be printed in accordance with standard format and a given name
	Submitting compliance statements	Unit cost = No. of man days X Average daily wages for the financial sector X No. of persons involved. Total cost = Unit cost X No. of credit institutions undertaking activity	1 member of staff per bank 0.5 – 1 day per person
Public Administration initial outlay	– Identifying and agreeing 20 most common fees	Unit cost = No. of man days X Average daily wages for the public sector X No. of persons involved Total cost = Unit cost X 27 Member States Discounting of total costs to reflect distance from policy frontier	2 officials per MS are involved Each official spends 20 to 30 days of his/her time on this activity Costs for IT systems/ data collection systems at central banks for example not included. Current systems should be enough

Cost type	Cost elements	Approach to Calculation	Calculation basis
	Transposing EU legislation into national law	<p>Unit cost = No. of man days X Average daily wages for the public sector X No. of persons involved</p> <p>Total cost = Unit cost X 27 Member States</p> <p>Discounting of total costs to reflect distance from policy frontier</p>	<p>1 official per MS</p> <p>10 to 15 days of his/her time on this activity</p>
Public Administration – recurring costs	Revising list of common fees	<p>Unit cost = No. of man days X Average daily wages for the public sector X No. of persons involved</p> <p>Total cost = Unit cost X 27 Member States</p> <p>Discounting of total costs to reflect distance from policy frontier</p>	<p>2 officials per MS</p> <p>5 to 10 days per official per year</p>
	Monitoring compliance	<p>Unit cost = No. of man days X Average daily wages for the public sector X No. of persons involved</p> <p>Total cost = Unit cost X 27 Member States</p> <p>Discounting of total costs to reflect distance from policy frontier</p>	<p>1 official per MS</p> <p>1 to 2 days per official per <u>month</u> to monitor compliance (e.g. scanning websites of banks)</p>
	Reporting to EU	<p>Unit cost = No. of man days X Average daily wages for the public sector X No. of persons involved</p> <p>Total cost = Unit cost X 27 Member States</p>	<p>1 official per MS</p> <p>2 to 3 days per official per year</p> <p>Discounting factor not applied – as not a requirement under current situation</p>
	Enforcement costs e.g. sweeps, investigations	<p>Unit cost = No. of man days X Average daily wages for the public sector X No. of persons involved</p> <p>Total cost = Unit cost X 27 Member States</p>	<p>1 official per MS</p> <p>1 to 2 days per official per <u>month</u></p>

Table A3.2 Approach and assumptions underpinning the cost calculations for a glossary

Cost type	Cost elements	Approach to Calculation	Calculation basis
Variant A – non harmonised			
Industry - Initial outlay	Time spent by legal department to familiarise with new legislative requirements	Unit cost = No. of man days X Average daily wages for the financial sector X No. of persons involved Total cost = Unit cost X No. of credit institutions undertaking activity Discounting of total costs to reflect distance from policy frontier	1 staff member per bank would be involved in this exercise S/he will devote 1 to 2 days preparing a glossary of terms used by the bank
	Time spent defining the terms associated with payment account fees and services	Unit cost = No. of man days X Average daily wages for the financial sector X No. of persons involved Total cost = Unit cost X No. of credit institutions undertaking activity Discounting of total costs to reflect distance from policy frontier	1 staff member per bank would be involved in this exercise S/he will devote 3 to 5 days each
	Cost of updating/adapting IT systems with glossary	Unit cost X No. of credit institutions Discounting of total costs to reflect distance from policy frontier	Unit cost = € 1,000 to €2,000 per bank
	Internal communication/ initial staff training	Unit cost = No. of man days X Average daily wages for the financial sector X No. of persons involved Total cost = Unit cost X No. of credit institutions undertaking activity Discounting of total costs to reflect distance from policy frontier	0.1 to 0.3 days per person Front office/ marketing staff will have to spend some time on familiarising themselves with the glossary
	Adding glossary to website	Unit cost X No. of credit institutions	Unit cost = € 200 to €500 per bank Discounting factor not applied as all banks would have to add new, glossary to websites.
	Time spent by legal department to adapt contractual documentation	Unit cost = No. of man days X Average daily wages for the financial sector X No. of persons involved Total cost = Unit cost X No. of credit institutions undertaking activity	1 member of the legal team per bank 0.5 to 1 day per person Discounting factor not applied as all banks would have to update contracts to include references to glossary
Industry – recurring costs	Cost of internal compliance - internal compliance activities include verification of new marketing/ contractual material	Unit cost = No. of man days X Average daily wages for the financial sector X No. of persons involved Total cost = Unit cost X No. of credit institutions undertaking activity	0.1 FTE per bank – according to banks Discounting factor not applied as in all Member States, glossaries are voluntary and not standardised

Cost type	Cost elements	Approach to Calculation	Calculation basis
	Updating glossary with new services/ fees	Unit cost = No. of man days X Average daily wages for the financial sector X No. of persons involved Total cost = Unit cost X No. of credit institutions undertaking activity	1 person per bank 1 to 2 days per year Discounting factor not applied as all banks would have to update glossary by law as and when new terms are introduced
	Printing costs – glossary	Unit cost X No. of credit institutions Discounting of total costs to reflect distance from policy frontier	Unit cost = €0.10 to €0.30 per print out Glossary will be made available in hard copy format to 10% of customers
	Submitting compliance statements	Unit cost = No. of man days X Average daily wages for the financial sector X No. of persons involved. Total cost = Unit cost X No. of credit institutions undertaking activity	1 member of staff per bank 0.5 – 1 day per person
Public Administration – initial outlay	Initial compilation of glossary	Unit cost = No. of man days X Average daily wages for the public sector X No. of persons involved Total cost = Unit cost X 27 Member States Discounting of total costs to reflect distance from policy frontier	2 officials per MS are involved Each official spends 5 to 10 days of his/her time on this activity Discounting factor applied as time taken to develop glossary will depend on distance from policy frontier
	Transposing EU legislation into national law	Unit cost = No. of man days X Average daily wages for the public sector X No. of persons involved Total cost = Unit cost X 27 Member States	1 official per MS Each official spends 5 to 10 days of his/her time on this activity Discounting factor not applied – no legislative base for glossaries in MS
Public Administration – recurring costs	Updating glossary	Unit cost = No. of man days X Average daily wages for the public sector X No. of persons involved Total cost = Unit cost X 27 Member States Discounting of total costs to reflect distance from policy frontier	2 officials per MS 2 to 3 days per official per year Discounting factor applied
	Monitoring compliance	Unit cost = No. of man days X Average daily wages for the public sector X No. of persons involved Total cost = Unit cost X 27 Member States	1 official per MS 1 to 2 days per official per <u>month</u> Discounting factor not applied – no legislative base for glossaries in MS
	Reporting to EU	Unit cost = No. of man days X Average daily wages for the public sector X No. of persons involved	1 official per MS 2 to 3 days per official per year Discounting factor not applied – no current reporting to EU

Cost type	Cost elements	Approach to Calculation	Calculation basis
		Total cost = Unit cost X 27 Member States	
	Enforcement costs e.g. sweeps, investigations	Unit cost = No. of man days X Average daily wages for the public sector X No. of persons involved Total cost = Unit cost X 27 Member States	1 official per MS 1 to 2 days per official per <u>month</u> Discounting factor not applied – no legislative base for glossaries in MS
Variant B – harmonised glossary. NB: Same as Variant A, except for the following:			
Industry - Initial outlay	Industry inputs/ support to the development of a harmonised glossary	Unit cost = No. of man days X Average daily wages for the financial sector X No. of persons involved Total cost = Unit cost X No. of credit institutions undertaking activity Discounting of total costs to reflect distance from policy frontier	2 staff members per bank would be involved in this exercise They will devote 3 to 5 days each It is assumed that 20% banks will contribute to this exercise
	Management time spent on reviewing product/ pricing strategy	Unit cost = No. of man days X Average daily wages for the financial sector X No. of persons involved Total cost = Unit cost X No. of credit institutions undertaking activity Discounting of total costs to reflect distance from policy frontier	2 members of management team per bank 3 to 5 days per person It is assumed that management wages are higher than average industry wages by 20%
	Cost of adapting marketing/ advertising/ promotional material	Unit cost X No. of credit institutions Discounting of total costs to reflect distance from policy frontier	Unit cost = € 30,000 to €50,000 per bank
	Internal communication/ initial staff training	Unit cost = No. of man days X Average daily wages for the financial sector X No. of persons involved Total cost = Unit cost X No. of credit institutions undertaking activity Discounting of total costs to reflect distance from policy frontier	0.3 to 0.5 days per person
Industry – recurring costs	Updating glossary with new services/ fees	Unit cost = No. of man days X Average daily wages for the financial sector X No. of persons involved Total cost = Unit cost X No. of credit institutions undertaking activity Discounting of total costs to reflect distance from policy frontier	1 person per bank 2 to 3 days per year
Public Administrations – initial outlay	Initial compilation of glossary	Unit cost = No. of man days X Average daily wages for the public sector X No. of persons involved	2 officials per MS are involved Each official spends 15 to 20 days of his/her time on this activity

Cost type	Cost elements	Approach to Calculation	Calculation basis
		Total cost = Unit cost X 27 Member States Discounting of total costs to reflect distance from policy frontier	
Public – recurring costs	Updating glossary	Unit cost = No. of man days X Average daily wages for the public sector X No. of persons involved Total cost = Unit cost X 27 Member States Discounting of total costs	2 officials per MS 5 to 10 days per official per year

Table A3.3 Approach and assumptions underpinning the cost calculations for an independent price comparison website

Cost type	Cost elements	Approach to Calculation	Calculation basis
Variant A – single official website			
Industry - Initial outlay	Management time spent on reviewing product/ pricing strategy	Unit cost = No. of man days X Average daily wages for the financial sector X No. of persons involved Total cost = Unit cost X No. of credit institutions undertaking activity Discounting of total costs to reflect distance from policy frontier	3 members of management team per bank 0.5 days per person – one half day meeting to determine new pricing strategy It is assumed that management wages are higher than average industry wages by 20%
	Setting up an internal process – to provide pricing information to website operator	Unit costs X No. of credit institutions	Unit cost = €3,000 to €5,000 per bank Discount factor not applied as the industry is typically not responsible for providing data to website operator (except for DK) MS website operator collects this information
Industry – Recurring costs	Submitting pricing data to website operator	Unit cost = No. of man days X Average daily wages for the financial sector X No. of persons involved Total cost = Unit cost X No. of credit institutions undertaking activity	1 person per bank 0.5 to 1 day per month Discount factor not applied as the industry is typically not responsible for providing data to website operator (except for DK)
	Submitting compliance statements	Unit cost = No. of man days X Average daily wages for the financial sector X No. of persons involved. Total cost = Unit cost X No. of credit institutions undertaking activity	1 member of staff per bank 0.5 – 1 day per person
Public Administrations – initial outlay	Website development	Unit cost = No. of man days X Average daily wages for the public sector X No. of persons involved Total cost = Unit cost X 27 Member States Discounting of total costs to reflect distance from policy frontier	2 officials per MS are involved Each official spends 15 to 20 days of his/her time developing specification, contract management of website development etc. Unit cost of creating a website: €50,000 to €200,000 depending on functionality
	Transposing EU legislation into national law	Unit cost = No. of man days X Average daily wages for the public sector X No. of persons involved Total cost = Unit cost X 27 Member States	1 official per MS are involved Each official spends 5 to 10 days of his/her time on this activity Discounting factor not applied – no legislative base for price comparison website in MS
Public	Website running costs	Based on time costs + unit costs for equipment and supplies	2 FTE per MS to collect, verify and process pricing

Cost type	Cost elements	Approach to Calculation	Calculation basis
Administrations – recurring costs		Discounting of total costs to reflect distance from policy frontier	information €1,000 to €2,000 for server hosting, software upgrades and IT consumables
	Website feedback and evaluation	Unit cost = No. of man days X Average daily wages for the public sector X No. of persons involved Total cost = Unit cost X 27 Member States	1 official per MS to analyse feedback spontaneously provided by users, conduct user surveys, review feedback and develop recommendations for improvement 1 to 2 days per month Discount factor applied
	Promoting websites through information campaigns	Unit costs X 27 Member States	Each MS spends €50,000 to €100,000 on promotional activities/ information campaigns per year
	Monitoring compliance	Unit cost = No. of man days X Average daily wages for the public sector X No. of persons involved Total cost = Unit cost X 27 Member States	1 official per MS 0.5 to 1 day per official per <u>month</u> Discounting factor not applied – no legislative base for price comparison site in MS
	Reporting to EU	Unit cost = No. of man days X Average daily wages for the public sector X No. of persons involved Total cost = Unit cost X 27 Member States	1 official per MS 2 to 3 days per official per year Discounting factor not applied
	Enforcement costs e.g. sweeps, investigations	Unit cost = No. of man days X Average daily wages for the public sector X No. of persons involved Total cost = Unit cost X 27 Member States	1 official per MS 1 to 2 days per official per <u>month</u> Discounting factor not applied – no legislative base for price comparison site in MS
Variant B – accreditation scheme			
Website operator – initial outlay	Obtaining accreditation	Unit costs X No. of websites	Unit cost = €1,000 to €2,000 per website No. of websites = 2 per Member States (27 X 2 = 54)
	Initial investment to meet the requirements of the accreditation system e.g. setting up a complaints handling mechanism	Unit costs X No. of websites	Unit cost = €5,000 to €10,000 per website No. of websites = 2 per Member States (27 X 2 = 54)
Website operator	Meeting requirements	Unit costs X No. of websites	Unit cost = €10,000 to €20,000 per website

Cost type	Cost elements	Approach to Calculation	Calculation basis
– recurring	e.g. annual audits, regular updates of data covering all products etc.		No. of websites = 2 per Member States (27 X 2 = 54)
Public Administration – initial outlay	Setting up accreditation system	Unit cost = No. of man days X Average daily wages for the public sector X No. of persons involved Total cost = Unit cost X 27 Member States	2 officials per MS are involved Each official spends 15 to 20 days of his/her time developing accreditation system in consultation with stakeholders
Public Administration – recurring costs	Quarterly audits	Unit cost = No. of man days X Average daily wages for the public sector X No. of persons involved Total cost = Unit cost X 27 Member States	1 person per MS 4 to 5 days per quarter to carry out audit
	Regular monitoring of websites	Unit cost = No. of man days X Average daily wages for the public sector X No. of persons involved Total cost = Unit cost X 27 Member States	1 person per MS 2 to 4 days per month devoted to this activity
	Awareness raising campaigns	Unit costs X 27	Each MS spends €10,000 to €20,000 on promotional activities/ information campaigns per year

Table A3.4 Approach and assumptions underpinning the cost calculations for representative examples

Cost type	Cost elements	Approach to Calculation	Calculation basis
Variant A – based on self-tailored profiles			
Industry - Initial outlay	Time spent by legal department to familiarise with new legislative requirements	Unit cost = No. of man days X Average daily wages for the financial sector X No. of persons involved Total cost = Unit cost X No. of credit institutions undertaking activity Discounting of total costs to reflect distance from policy frontier	1 staff member per bank would be involved in this exercise S/he will devote 0.5 to 1 day
	Developing compliant representative examples	Unit cost = No. of man days X Average daily wages for the financial sector X No. of persons involved Total cost = Unit cost X No. of credit institutions undertaking activity Discounting of total costs to reflect distance from policy frontier	1 staff member per bank would be involved in this exercise S/he will devote 2 to 3 days
	Cost of updating/adapting IT to generate representative usage profiles	Unit cost X No. of credit institutions Discounting of total costs to reflect distance from policy frontier	Unit cost = € 10,000 to €20,000 per bank
	Management time spent on reviewing product/ pricing strategy	Unit cost = No. of man days X Average daily wages for the financial sector X No. of persons involved Total cost = Unit cost X No. of credit institutions undertaking activity Discounting of total costs to reflect distance from policy frontier	3 members of management team per bank 0.5 days per person It is assumed that management wages are higher than average industry wages by 20%
	Cost of adapting marketing/ advertising/ promotional material to include representative examples in prescribed format	Unit cost X No. of credit institutions Discounting of total costs to reflect distance from policy frontier	Unit cost = € 30,000 to €50,000 per bank
	Internal communication/ initial staff training	Unit cost = No. of man days X Average daily wages for the financial sector X No. of persons involved Total cost = Unit cost X No. of credit institutions undertaking activity	0.3 to 0.5 days per person Front office/ marketing staff will have to spend some time on familiarising themselves with examples

Cost type	Cost elements	Approach to Calculation	Calculation basis
		Discounting of total costs to reflect distance from policy frontier	
	Adding representative examples to websites and making necessary changes to content	Unit cost X No. of credit institutions Discounting of total costs to reflect distance from policy frontier	Unit cost = € 200 to €500 per bank
	Time spent by legal department to adapt contractual documentation	Unit cost = No. of man days X Average daily wages for the financial sector X No. of persons involved Total cost = Unit cost X No. of credit institutions undertaking activity	1 member of the legal team per bank 0.5 to 1 day per person Discounting factor not applied as all banks would have to update contracts
Industry – recurring costs	Cost of internal compliance - internal compliance activities include verification of new marketing/ contractual material	Unit cost = No. of man days X Average daily wages for the financial sector X No. of persons involved Total cost = Unit cost X No. of credit institutions undertaking activity	0.1 FTE per bank – according to banks Discounting factor not applied as representative examples are not a legal requirement in any MS
	Updating representative examples	Unit cost = No. of man days X Average daily wages for the financial sector X No. of persons involved Total cost = Unit cost X No. of credit institutions undertaking activity	1 person per banks 1 to 2 days per person per year Discounting factor not applied as representative examples not typically provided by banks
	Submitting compliance statements	Unit cost = No. of man days X Average daily wages for the financial sector X No. of persons involved. Total cost = Unit cost X No. of credit institutions undertaking activity	1 member of staff per bank 0.5 – 1 day per person
Public Administration – initial outlay	Transposing EU legislation into national law	Unit cost = No. of man days X Average daily wages for the public sector X No. of persons involved Total cost = Unit cost X 27 Member States	1 official per MS are involved 5 to 10 man days Discounting factor not applied
Public Administration – recurring costs	Monitoring compliance	Unit cost = No. of man days X Average daily wages for the public sector X No. of persons involved Total cost = Unit cost X 27 Member States	1 official per MS 1 to 2 days per official per <u>month</u> Discounting factor not applied
	Reporting to EU	Unit cost = No. of man days X Average daily wages for the public sector X No. of persons involved	1 official per MS 2 to 3 days per official per year

Cost type	Cost elements	Approach to Calculation	Calculation basis
		Total cost = Unit cost X 27 Member States	Discounting factor not applied
	Enforcement costs e.g. sweeps, investigations	Unit cost = No. of man days X Average daily wages for the public sector X No. of persons involved Total cost = Unit cost X 27 Member States	1 official per MS 1 to 2 days per official per <u>month</u> Discounting factor not applied
Variant B – based on standard profiles NB: Same as Variant A, except for the following:			
Industry - Initial outlay	Industry inputs to develop a standard usage profile	Unit cost = No. of man days X Average daily wages for the financial sector X No. of persons involved Total cost = Unit cost X No. of credit institutions undertaking activity Discounting of total costs to reflect distance from policy frontier	1 staff member per bank would be involved in this exercise 20% banks involved S/he will devote 2 to 3 days to this exercise
Industry – recurring	Industry inputs to annual revision of standard usage profile	Unit cost = No. of man days X Average daily wages for the financial sector X No. of persons involved Total cost = Unit cost X No. of credit institutions undertaking activity Discounting of total costs to reflect distance from policy frontier	1 staff member per bank would be involved in this exercise S/he will devote 0.5 to 1 day per year to this exercise
	Updating representative examples (in line with new usage profiles)	Unit cost = No. of man days X Average daily wages for the financial sector X No. of persons involved Total cost = Unit cost X No. of credit institutions undertaking activity Discounting of total costs to reflect distance from policy frontier	1 staff member per bank would be involved in this exercise S/he will devote 1 to 2 days per year to this exercise
	Submitting compliance statements	Unit cost = No. of man days X Average daily wages for the financial sector X No. of persons involved. Total cost = Unit cost X No. of credit institutions undertaking activity	1 member of staff per bank 0.5 – 1 day per person
Public Administrations – initial outlay	Developing standard usage profiles	Unit cost = No. of man days X Average daily wages for the public sector X No. of persons involved Total cost = Unit cost X 27 Member States Discounting of total costs to reflect distance from policy frontier	2 officials per MS are involved Each official spends 10 to 15 days of his/her time on this activity
Public – recurring	Revising standard usage profiles	Unit cost = No. of man days X Average daily wages for the public sector X No. of persons involved	2 officials per MS are involved Each official spends 5 to 10 days of his/her time on this activity

Cost type	Cost elements	Approach to Calculation	Calculation basis
		Total cost = Unit cost X 27 Member States	
		Discounting of total costs to reflect distance from policy frontier	

Table A3.5 Approach and assumptions underpinning the cost calculations for cost simulations

Cost type	Cost elements	Approach to Calculations	Calculation basis
Variant A – based on self-tailored profiles			
Industry - Initial outlay	Time spent by legal department to familiarise with new legislative requirements	Unit cost = No. of man days X Average daily wages for the financial sector X No. of persons involved Total cost = Unit cost X No. of credit institutions undertaking activity Discounting of total costs to reflect distance from policy frontier	1 staff member per bank would be involved in this exercise S/he will devote 0.5 to 1 day
	Reconfiguring IT systems to generate cost simulations	Unit cost X No. of credit institutions Discounting of total costs to reflect distance from policy frontier	Unit cost = € 20,000 to €30,000 per bank
	Management time spent on reviewing product/ pricing strategy	Unit cost = No. of man days X Average daily wages for the financial sector X No. of persons involved Total cost = Unit cost X No. of credit institutions undertaking activity Discounting of total costs to reflect distance from policy frontier	3 members of management team per bank 0.5 days per person It is assumed that management wages are higher than average industry wages by 20%
	Cost of adapting marketing/ advertising/ promotional material to include representative examples in prescribed format	Unit cost X No. of credit institutions	Unit cost = € 30,000 to €50,000 per bank
	Internal communication/ initial staff training	Unit cost = No. of man days X Average daily wages for the financial sector X No. of persons involved Total cost = Unit cost X No. of credit institutions undertaking activity Discounting of total costs to reflect distance from policy frontier	0.5 to 1 days per person
	Adding cost simulations to websites and making necessary changes to content	Total cost = Unit cost X No. of credit institutions Discounting of total costs to reflect distance from policy frontier	Unit cost = € 2,000 to €3,000 per bank
	Time spent by legal	Unit cost = No. of man days X Average daily wages for the financial	1 member of the legal team per bank

Cost type	Cost elements	Approach to Calculations	Calculation basis
	department to adapt contractual documentation	sector X No. of persons involved Total cost = Unit cost X No. of credit institutions undertaking activity	0.5 to 1 day per person Discounting factor not applied as all banks would have to update contracts
Industry – recurring costs	Cost of internal compliance - internal compliance activities include verification of new marketing/ contractual material	Unit cost = No. of man days X Average daily wages for the financial sector X No. of persons involved Total cost = Unit cost X No. of credit institutions undertaking activity	0.1 FTE per bank – according to banks Discounting factor not applied as representative examples are not a legal requirement in any MS
	Cost of longer customer interactions	Unit cost = No. of man days X Average daily wages for the financial sector X No. of persons involved Total cost = Unit cost X No. of credit institutions	2 to 4 days extra per customer service staff
	Submitting compliance statements	Unit cost = No. of man days X Average daily wages for the financial sector X No. of persons involved. Total cost = Unit cost X No. of credit institutions undertaking activity	1 member of staff per bank 0.5 – 1 day per person
Public Administration – initial outlay	Transposing EU legislation into national law	Unit cost = No. of man days X Average daily wages for the public sector X No. of persons involved Total cost = Unit cost X 27 Member States	1 official per MS are involved 5 to 10 man days Discounting factor not applied
Public Administration – recurring costs	Monitoring compliance	Unit cost = No. of man days X Average daily wages for the public sector X No. of persons involved Total cost = Unit cost X 27 Member States	1 official per MS 1 to 2 days per official per <u>month</u> Discounting factor not applied
	Reporting to EU	Unit cost = No. of man days X Average daily wages for the public sector X No. of persons involved Total cost = Unit cost X 27 Member States	1 official per MS 2 to 3 days per official per year Discounting factor not applied
	Enforcement costs e.g. sweeps, investigations	Unit cost = No. of man days X Average daily wages for the public sector X No. of persons involved Total cost = Unit cost X 27 Member States	1 official per MS 1 to 2 days per official per <u>month</u> Discounting factor not applied

Cost type	Cost elements	Approach to Calculations	Calculation basis
Variant B – based on standard profiles NB: Same as Variant A, except for the following:			
Industry - Initial outlay	Industry inputs to develop a standard usage profile	Unit cost = No. of man days X Average daily wages for the financial sector X No. of persons involved Total cost = Unit cost X No. of credit institutions undertaking activity	1 staff member per bank would be involved in this exercise 20% banks involved S/he will devote 2 to 3 days to this exercise
Industry – recurring	Industry inputs to annual revision of standard usage profile	Unit cost = No. of man days X Average daily wages for the financial sector X No. of persons involved Total cost = Unit cost X No. of credit institutions undertaking activity	1 staff member per bank would be involved in this exercise S/he will devote 0.5 to 1 day per year to this exercise
	Submitting compliance statements	Unit cost = No. of man days X Average daily wages for the financial sector X No. of persons involved. Total cost = Unit cost X No. of credit institutions undertaking activity	1 member of staff per bank 2-3 days per person
Public Administration – initial outlay	Developing standard usage profiles	Unit cost = No. of man days X Average daily wages for the public sector X No. of persons involved Total cost = Unit cost X 27 Member States	2 officials per MS are involved Each official spends 10 to 15 days of his/her time on this activity
Public Administration – recurring	Revising standard usage profiles	Unit cost = No. of man days X Average daily wages for the public sector X No. of persons involved Total cost = Unit cost X 27 Member States	2 officials per MS are involved Each official spends 5 to 10 days of his/her time on this activity

Table A3.6 Approach and assumptions underpinning the cost calculations for EU standard form

Cost type	Cost elements	Approach to Calculation	Calculation basis
Industry - Initial outlay	Industry inputs/ support to the development of an EU standard price list	Unit cost = No. of man days X Average daily wages for the financial sector X No. of persons involved	2 staff members per bank would be involved in this exercise They will devote 2 to 3 days each 20% banks would contribute to this exercise
		Total cost = Unit cost X No. of credit institutions undertaking activity Discounting of total costs to reflect distance from policy frontier	
	Time spent by legal department to familiarise with new legislative requirements	Unit cost = No. of man days X Average daily wages for the financial sector X No. of persons involved	1 staff member per bank would be involved in this exercise S/he will devote 0.5 to 1 day
		Total cost = Unit cost X No. of credit institutions undertaking activity Discounting of total costs to reflect distance from policy frontier	
	Cost of updating/adapting IT systems with new standard price lists	Unit cost X No. of credit institutions	Unit costs = €1,000 to €2,000
		Discounting of total costs to reflect distance from policy frontier	
	Management time spent on reviewing product/ pricing strategy	Unit cost = No. of man days X Average daily wages for the financial sector X No. of persons involved	3 members of management team per bank 0.5 days per person It is assumed that management wages are higher than average industry wages by 20%
		Total cost = Unit cost X No. of credit institutions undertaking activity Discounting of total costs to reflect distance from policy frontier	
	Cost of adapting marketing/ advertising/ promotional material	Unit cost X No. of credit institutions	Unit costs = €30,000 to €50,000
		Discounting of total costs to reflect distance from policy frontier	
	Internal communication/ initial staff training	Unit cost = No. of man days X Average daily wages for the financial sector X No. of persons involved	0.3 to 0.5 day per person All front office/ marketing employees will have to spend some time on familiarising themselves with new requirements – assumed to be 20% of workforce
		Total cost = Unit cost X No. of credit institutions undertaking activity Discounting of total costs to reflect distance from policy frontier	

Cost type	Cost elements	Approach to Calculation	Calculation basis
	Updating website with new pricing information	Unit cost X No. of credit institutions Discounting of total costs to reflect distance from policy frontier	Unit costs = €200 to €500
	Time spent by legal department to adapt contractual documentation	Unit cost = No. of man days X Average daily wages for the financial sector X No. of persons involved Total cost = Unit cost X No. of credit institutions undertaking activity	1 member of the legal team per bank 0.5 to 1 day per person Discounting factor not applied as all banks would have to update contracts
Industry – recurring costs	Cost of internal compliance - internal compliance activities include verification of new marketing/ contractual material	Unit cost = No. of man days X Average daily wages for the financial sector X No. of persons involved Total cost = Unit cost X No. of credit institutions undertaking activity	0.1 FTE per bank – according to banks Discounting factor not applied as representative examples are not a legal requirement in any MS
	Printing costs – price lists	Based on per unit costs	Unit cost = €0.10 to €0.30 per print out Lists are made available in hard copy format to 10% of the customers
	Submitting compliance statements	Unit cost = No. of man days X Average daily wages for the financial sector X No. of persons involved. Total cost = Unit cost X No. of credit institutions undertaking activity	1 member of staff per bank 0.5 – 1 day per person
Public Administration – initial outlay	Transposing EU legislation into national law	Unit cost = No. of man days X Average daily wages for the public sector X No. of persons involved Total cost = Unit cost X 27 Member States Discounting of total costs to reflect distance from policy frontier	1 official per MS 10 to 15 days of his/her time on this activity
Public Administration – recurring costs	Monitoring compliance	Unit cost = No. of man days X Average daily wages for the public sector X No. of persons involved Total cost = Unit cost X 27 Member States	1 official per MS 1 to 2 days per official per <u>month</u> Discounting factor not applied
	Reporting to EU	Unit cost = No. of man days X Average daily wages for the public sector X	1 official per MS

Cost type	Cost elements	Approach to Calculation	Calculation basis
		No. of persons involved	2 to 3 days per official per year Discounting factor not applied
		Total cost = Unit cost X 27 Member States	
	Enforcement costs e.g. sweeps, investigations	Unit cost = No. of man days X Average daily wages for the public sector X No. of persons involved	1 official per MS 1 to 2 days per official per <u>month</u> Discounting factor not applied
		Total cost = Unit cost X 27 Member States	

Options for Ex-post fee disclosures

Table A3.7 Approach and assumptions underpinning the cost calculations for ex-post fee information

Cost type	Cost elements	Approach to Calculation	Calculation basis
Industry - Initial outlay	Time spent by legal department to familiarise with new legislative requirements	Unit cost = No. of man days X Average daily wages for the financial sector X No. of persons involved	1 staff member per bank would be involved in this exercise S/he will devote 1 to 2 days
		Total cost = Unit cost X No. of credit institutions undertaking activity	
		Discounting of total costs to reflect distance from policy frontier	
	Cost of updating/adapting IT systems to enable filtering of transactions, generate summary charges etc.	Unit cost X No. of credit institutions	Unit costs = €30,000 to €50,000
		Discounting of total costs to reflect distance from policy frontier	
	Cost of adapting format/ layout/ content of account statements to include summary box of payment account fees or add a separate annex	Unit cost X No. of credit institutions	Unit cost = € 5,000 to €10,000 per bank
Discounting of total costs to reflect distance from policy frontier			
Cost of adapting marketing/ advertising/ promotional material	Unit cost X No. of credit institutions	Unit cost = € 30,000 to €50,000 per bank	
	Discounting of total costs to reflect distance from policy frontier		
Updating website with common fee terms	Unit cost X No. of credit institutions	Unit cost = € 200 to €500 per bank – a reasonably junior IT expert could do so in a day	
	Discounting of total costs to reflect distance from policy frontier		
Management time spent on reviewing product/ pricing strategy	Unit cost = No. of man days X Average daily wages for the financial sector X No. of persons involved	3 members of management team per bank would be involved in reviewing product/ pricing strategy 0.5 days per person – one half day meeting to determine new pricing/ product strategy It is assumed that management wages are higher than average industry wages by 20%	
	Total cost = Unit cost X No. of credit institutions undertaking activity		
	Discounting of total costs to reflect distance from policy frontier		

Cost type	Cost elements	Approach to Calculation	Calculation basis
	Internal communication/ initial staff training	<p>Unit cost = No. of man days X Average daily wages for the financial sector X No. of persons involved</p> <p>Total cost = Unit cost X No. of credit institutions undertaking activity</p> <p>Discounting of total costs to reflect distance from policy frontier</p>	<p>1 to 2 hours per person</p> <p>All front office/ marketing employees will have to spend some time on familiarising themselves with new requirements – assumed to be 20% of workforce</p>
	Time spent by legal department to adapt contractual documentation	<p>Unit cost = No. of man days X Average daily wages for the financial sector X No. of persons involved</p> <p>Total cost = Unit cost X No. of credit institutions undertaking activity</p>	<p>1 member of the legal team per bank</p> <p>0.5 to 1 day per person</p> <p>Discounting factor not applied as all banks would have to update contracts to include references to the standard price list which would now have a specific name under national law</p>
Industry – recurring costs	Cost of internal compliance - internal compliance activities include verification of new marketing/ contractual material	<p>Unit cost = No. of man days X Average daily wages for the financial sector X No. of persons involved</p> <p>Total cost = Unit cost X No. of credit institutions undertaking activity</p> <p>Discounting of total costs to reflect distance from policy frontier</p>	Credit institutions will incur additional costs to monitor internal compliance with the measures. Based on discussions with banks, it is assumed that 0.1 FTE will be required to undertake this internal compliance monitoring
	Disseminating fee information to consumers in standard EU form - assumed annually	<p>Unit cost X No. of customers</p> <p>Discounting of total costs to reflect distance from policy frontier</p>	Unit cost = €0.1 – 0.3 per customer
	Submitting compliance statements	<p>Unit cost = No. of man days X Average daily wages for the financial sector X No. of persons involved.</p> <p>Total cost = Unit cost X No. of credit institutions undertaking activity</p>	<p>1 member of staff per bank</p> <p>0.5 – 1 day per person</p>
Public Administrations – initial outlay	Transposing EU legislation into national law	<p>Unit cost = No. of man days X Average daily wages for the public sector X No. of persons involved</p> <p>Total cost = Unit cost X 27 Member States</p>	<p>1 official per MS</p> <p>10 to 15 days of his/her time on this activity</p> <p>Discounting factor not applied</p>
Public	Monitoring compliance	Unit cost = No. of man days X Average daily wages for the	1 official per MS

Cost type	Cost elements	Approach to Calculation	Calculation basis
Administrations – recurring costs		public sector X No. of persons involved	1 to 2 days per official per <u>month</u> to monitor compliance (e.g. scanning websites of banks)
		Total cost = Unit cost X 27 Member States	
		Discounting of total costs to reflect distance from policy frontier	
Reporting to EU		Unit cost = No. of man days X Average daily wages for the public sector X No. of persons involved	1 official per MS 2 to 3 days per official per year Discounting factor not applied – as not a requirement under current situation
		Total cost = Unit cost X 27 Member States	
		Discounting of total costs to reflect distance from policy frontier	
Enforcement costs e.g. sweeps, investigations		Unit cost = No. of man days X Average daily wages for the public sector X No. of persons involved	1 official per MS 1 to 2 days per official per <u>month</u>
		Total cost = Unit cost X 27 Member States	
		Discounting of total costs to reflect distance from policy frontier	

Table A3.8 Approach and assumptions underpinning the cost calculations for ex-post fee information using standard EU form

Cost type	Cost elements	Approach to Calculation	Calculation basis
Industry - Initial outlay	Industry inputs/ support to the development of an EU standard price list	Same as ex-post option 1	2 persons 3 to 5 days per person
	Time spent by legal department to familiarise with new legislative requirements	Same as ex-post option 1	1 person 0.5 to 1 day per person
	Cost of updating/adapting IT systems to enable filtering of transactions, generate summary charges etc.	Same as ex-post option 1	€50,000 to €100,000 per bank
	Management time spent on reviewing product/ pricing strategy	Same as ex-post option 1	Same as ex-post option 1
	Internal communication/ initial staff training	Same as ex-post option 1	Same as ex-post option 1
	Time spent by legal department to adapt contractual documentation	Same as ex-post option 1	Same as ex-post option 1
Industry – recurring costs	Cost of internal compliance	Same as ex-post option 1	Same as ex-post option 1
	Disseminating fee information to consumers in standard EU form - assumed annually	Same as ex-post option 1	Same as ex-post option 1
	Submitting compliance statements	Unit cost = No. of man days X Average daily wages for the financial sector X No. of persons involved. Total cost = Unit cost X No. of credit institutions undertaking activity	1 member of staff per bank 0.5 – 1 day per person
Public Administrations – initial outlay	Transposing EU legislation into national law	Same as ex-post option 1	Same as ex-post option 1
Public Administrations –	Reporting to EU	Same as ex-post option 1	Same as ex-post option 1
	Enforcement costs e.g. sweeps,	Same as ex-post option 1	Same as ex-post option 1

Cost type	Cost elements	Approach to Calculation	Calculation basis
recurring costs	investigations		
	Reporting to EU	Same as ex-post option 1	Same as ex-post option 1

Options aimed at facilitating switching

Table A3.9 Approach and assumptions underpinning the cost calculations for switching options based on Common Principles

Cost type	Cost elements	Approach to Calculation	Calculation basis
Option 1 – ensuring compliance with Common Principles			
Industry - Initial outlay	Time spent by legal department to familiarise with new legislative requirements	Unit cost = No. of man days X Average daily wages for the financial sector X No. of persons involved	1 staff member per bank would be involved in this exercise S/he will devote 0.5 to 1 day to this task
		Total cost = Unit cost X No. of credit institutions undertaking activity	
		Discounting of total costs to reflect distance from policy frontier	
	Cost of adapting IT systems to facilitate switching in compliance with CP	Unit cost X No. of credit institutions	Unit cost = € 5,000 to €10,000 per bank
		Discounting of total costs to reflect distance from policy frontier	
Cost of adapting business processes to facilitate switching in compliance with CP	Unit cost = No. of man days X Average daily wages for the financial sector X No. of persons involved	1 person per bank 5 to 7 man days	
	Total cost = Unit cost X No. of credit institutions undertaking activity		
	Discounting of total costs to reflect distance from policy frontier		
Initial staff training on switching process and dealing with customer enquiries	Unit cost = No. of man days X Average daily wages for the financial sector X No. of persons involved	0.5 to 1 day per person Assume training given to customer facing staff only = 20% of banking workforce	
	Total cost = Unit cost X No. of credit institutions undertaking activity		
	Discounting of total costs to reflect distance from policy frontier		
Updating website to include information on switching	Unit cost X No. of credit institutions	Unit cost = € 200 to €500 per bank	
	Discounting of total costs to reflect distance from policy frontier		
Industry – recurring costs	Cost of internal compliance	Unit cost = No. of man days X Average daily wage for the financial sector X No. of persons involved	0.1 persons involved 252 man days
		Total cost = Unit cost X No. of credit institutions	
		Discounted of total costs to reflect distance from policy frontier	

Cost type	Cost elements	Approach to Calculation	Calculation basis
	Staff time involved in implementing switching	Unit cost = No. of man days X Average daily wages for the financial sector X No. of persons involved Total cost = Unit cost X No. of credit institutions undertaking activity Discounting of total costs to reflect distance from policy	1 to 2 days extra per customer service staff
	Submitting compliance statements	Unit cost = No. of man days X Average daily wages for the financial sector X No. of persons involved. Total cost = Unit cost X No. of credit institutions undertaking activity	1 member of staff per bank 0.5 – 1 day per person
Public Administration – initial outlay	Transposing EU legislation into national law	Unit cost = No. of man days X Average daily wages for the public sector X No. of persons involved Total cost = Unit cost X 27 Member States	1 officials per MS are involved S/he spends 5 to 10 days on this activity Discounting factor not applied – as currently Common Principles are not legally binding
Public Administration – recurring costs	Monitoring compliance	Unit cost = No. of man days X Average daily wages for the public sector X No. of persons involved Total cost = Unit cost X 27 Member States Discounting of total costs to reflect distance from policy frontier	1 official per MS 1 to 2 days per official per <u>month</u> to monitor compliance (e.g. scanning websites of banks)
	Reporting to EU	Unit cost = No. of man days X Average daily wages for the public sector X No. of persons involved Total cost = Unit cost X 27 Member States	1 official per MS 2 to 3 days per official per year Discounting factor not applied – as not a requirement under current situation
	Enforcement costs e.g. sweeps, investigations	Unit cost = No. of man days X Average daily wages for the public sector X No. of persons involved Total cost = Unit cost X 27 Member States Discounting of total costs to reflect distance from policy frontier	1 official per MS 1 to 2 days per official per <u>month</u>
	Awareness raising/ information campaigns	Unit costs X 27 Member States	Each MS spends €50,000 to €100,000 on promotional activities/ information campaigns per year
Option 2a – Improving Common Principles at a domestic level NB: all costs are same as above except for the following:			
Industry - Initial	Staff time involved in	Unit cost = No. of man days X Average daily wages for the financial	2 to 3 days extra per customer service staff

Cost type	Cost elements	Approach to Calculation	Calculation basis
outlay	implementing switching	sector X No. of persons involved Total cost = Unit cost X No. of credit institutions undertaking activity Discounting of total costs to reflect distance from policy	
Option 2b – Improving Common Principles to include provisions for cross border switching NB: all costs are same as above except for the following			
Industry - recurring	Staff time involved in implementing switching	Unit cost = No. of man days X Average daily wages for the financial sector X No. of persons involved Total cost = Unit cost X No. of credit institutions undertaking activity Discounting of total costs to reflect distance from policy	3 to 4 days extra per customer service staff
	Submitting compliance statements	Unit cost = No. of man days X Average daily wages for the financial sector X No. of persons involved. Total cost = Unit cost X No. of credit institutions undertaking activity	1 member of staff per bank 0.5 – 1 day per person

A3.3 Working assumptions underpinning the calculation of benefits

Table A3.10 Working assumptions for calculating the savings accruing to consumers from switching

Policy Option	Variant	% consumers changing their behaviour each year*	Explanation
Ex-ante Fee Disclosure			
1: Standard price list of core fees		0.2%	<p>The pricing information will help consumers identify an alternative provider/ product offering a better price/quality ratio. Information is limited to a core set of fees to facilitate understanding. Harmonised presentation and terminology will facilitate comparison . This option strikes a balance between EU harmonisation (allowing cross-border comparisons) and national specificities (allowing Member States to complement the list).</p> <p>However, on its own, this option is likely to have a limited impact for three reasons: (1) Limited changes in consumer behaviour can be expected – this option does not address barriers to switching (for existing consumers) or issues relating to access to banking (for consumers without a payment account); (2) Banking relationships are often driven by non-price factors such as trust, quality, proximity, ethical considerations etc. In Europe, in particular, customers are not very price sensitive; (3) Consumer inertia – the annual cost of running a payment account for an average EU consumer is €116. For a number of consumers, the financial incentive to switch payment accounts is not as strong as the incentive to switch mortgage providers, for example.</p>
2: Glossaries of bank fee terms	A: Non-harmonised terminology	0%	A glossary would help consumers better understand the terminology used by banks with respect to payment account services and fees. A glossary would therefore, make it slightly easier for consumers to understand pricing information. However, on its own, a glossary is unlikely to trigger any changes in behaviour.
	B: Harmonised terminology	0%	
3: Independent fee comparison websites	A: A single official website	0.25%	A price comparison website greatly enhances price transparency and comparability by (a) bringing all pricing information in one place and thereby reducing search costs for consumers; (b) organising/ processing and displaying it in a manner that is easy for consumers to understand. This option would help consumers identify and switch to payment account products that offer them the best value for money. If sufficiently independent and reliable, can be a significant driver to consumer mobility.
	B: Accredited websites	0.25%	
4: Representative examples	A: Self-tailored usage profiles	0.05%	While representative examples will not enable consumers to identify the payment account provider/product that offers them the best value for money, given the sensitivity of charges to specific patterns of usage, they will facilitate the decision making process through the provision of easily digestible and comparable information on the cost of running a payment account
	B: Standard usage profiles	0.05%	

Policy Option	Variant	% consumers changing their behaviour each year*	Explanation
5: Cost simulations	A: Self-tailored usage profiles	0.075%	Greater comparability would facilitate better product selection Variant A: would help consumers select product that offers best value for money within the same bank
	B: Standard usage profiles	0.075%	Variant B: would help consumers select product that offers best value for money where the comparison between different banks is ensured ; although the overall effectiveness of this variant is reduced considering the fact that standard profiles might not be relevant to non-standard consumers
6: EU standardised forms : ex-ante fee information		0.15%	Consumers across the EU would have access to same ex-ante pricing information and it would enable consumers to compare offers across borders. However, a comprehensive price list covering all fee terms used in the EU would be overly complex and cumbersome for consumers to process and would therefore, reduce the benefit to consumers. Too much information and lengthy forms could overwhelm consumers.
Comparable fee disclosure ex-post			
1: Provision of ex-post fee information (most common fees)		0.5%	This option would require payment account providers to provide ex-post fee information to consumers. The ex-post information would cover the same fee items as the ex-ante information. If this were combined with ex-ante Option 1, it would allow consumers to verify and analyse the actual charges applied to their payment account and see where savings can be made. Awareness of the cost elements associated with payment accounts should encourage consumers to switch. Itemised costs would help consumers identify areas where they could save money by switching to a more competitively priced payment account provider
2: EU standardised forms: ex-post fee information (covering all fees)		0.1%	Access to ex-post fee information in standardised EU format would be less useful for consumers as they would be put off by a long list of fee terms/ charges that are not applicable to them and that they are not familiar with. This option suffers from the same weaknesses as ex-ante policy option 6
Facilitating the process of payment account switching			
1. Ensure compliance with Common Principles		0.50%	Full and effective implementation of the EBIC Common Principles would make switching easier for consumers. However, it does not fully address all the perceived barriers to switching e.g. the risk that mistakes or delay in changing over direct debits, standing orders, salary mandates, and other payments would result in bills going unpaid or funds not being available. Encourages better compliance and enforcement.

Policy Option	Variant	% consumers changing their behaviour each year*	Explanation
2: Improve Common Principles	A: At domestic level	0.75%	This option would be more effective than options 1 and 2 due to emphasis on staff training and communication. However, this option does not fully address all the perceived barriers to switching e.g. the risk that mistakes or delay in changing over direct debits, standing orders, salary mandates, and other payments would result in bills going unpaid or funds not being available.
	B: With cross-border provisions	1.25%	This option would additionally facilitate switching across borders, but does not fully address the barriers to switching
3: Automatic redirection service	A: Domestic redirection service	2%	This option would lower the perceived risk of switching. It would also reduce switching costs for consumers and thus, encourage more consumers to switch
	B: EU-wide redirection service	2.25%	This option would additionally facilitate switching across borders and make switching process automatic
4: Payment account portability	A: Domestic portability	3%	This option reduces switching costs to zero for consumers. No action required on part of switchers and this would encourage more consumers to switch
	B: EU-wide portability	3.25%	Would facilitate switching across borders and cross-border mobility generally, not only for mobile citizens but also for consumers seeking better deals

**Same percentage assumed each year 2014 to 2020. It is assumed that as the options would be implemented in year 2013, there would be some time lag between implementation of policy options and the accrual of benefits to consumers*

Table A3.11 Working assumptions for calculating the savings accruing to consumers from better account management

Option	Variant	% consumers changing their behaviour	Explanation
Comparable fee disclosure ex-post			
1: Provision of ex-post fee information (most common fees)		10% (2013 – 2015) 30% (2016 onwards)	Gradually an increasing proportion of consumers would change their behaviour as a result of having ex post fee information (in a format consistent with ex ante fee information) as they would be able to clearly identify the areas where savings could be made by changing their usage patterns.
2: EU standardised forms: ex-post fee information (covering all fees)		2% (2013 – 2015) 5% (2016 onwards)	A much smaller proportion of consumers (change their behaviour as result of having access to ex-post fee information in standardised EU format as they would be put off by a long list of fee terms/ charges that are not applicable to them and that they are not familiar with.

Table A3.12 Working Assumptions – Impact of EU action on payment account prices

Option	Variant	% reduction	Explanation
Ex-ante Fee Disclosure			
1: A standard price list comprising core fees		5%	<p>There could be two potential impacts:</p> <p>Reduction in prices as a result of greater price based competition Shift towards simplified and more equitable payment account pricing models that better reflect a consumer's usage patterns and reduces cross-subsidisation between consumers and product categories. However, this latter tendency could potentially lead to an increase in prices of payment accounts where payment accounts are used as a means of subsidising broader customer relationships or 'loss leaders' – although under variant A, banks might try and shift some charges to services not covered by the 20 most common fees</p> <p>Overall, greater price transparency due to this option is expected to result in a reduction in prices – as banks would understand that consumers would walk away to a competitor that offers at lower prices</p>
2: Glossaries for bank fee terms at MS level	Variant A: Based on non-harmonised terminology	0%	A glossary would help consumers better understand the terminology used by banks with respect to payment account services and fees. A glossary would therefore, make it slightly easier for consumers to understand the pricing information. A glossary on its own however, would not contribute to greater price transparency as compared to the current situation and would have no impact on prices.
	Variant B: Based on fully harmonised terminology	0%	
3: An independent fee comparison websites at MS level	Variant A: A single official website	10%	There is empirical evidence to demonstrate that price comparison websites can reduce prices ¹⁶
	Variant B: Accredited websites system	10%	
4: Representative examples of the cost of holding a payment account	Variant A: Based on self-tailored usage profiles	1%	By making pricing information slightly more transparent, representative examples could reasonably be expected to have a small positive impact on prices
	Variant B: Based on standard usage profiles	3%	

Option	Variant	% reduction	Explanation
5: Set up customer usage profiles and provide a cost simulation to prospective personal payment account holders	Variant A: Based on self-tailored usage profiles	5%	A small reduction in prices might occur – to the extent this option stimulates price based competition. Because comparisons would be potentially more rigorous under this variant consumers may be more inclined to act on the results and hence engender greater price competition and a reduction in prices
	Variant B: Based on standard usage profiles	7.5%	
6: Introduce EU standardised forms for the provision of information on fees		10%	This option would improve price transparency and enable consumers to make comparisons both domestically and across borders. Greater price transparency and comparability would stimulate relatively highly priced payment account providers to adjust their prices
Ex-post Fee Disclosure			
1: Introduce an obligation for banks to provide ex-post information on the fees incurred		20%	This option is likely to encourage more consumers to search for cheaper alternatives/ switch thus increasing competition and reducing prices
2: Introduce EU standardised forms for the provision of information on fees		5%	This is likely to encourage more consumers to search for cheaper alternatives/ switch both domestically and across borders thus increasing competition and reducing prices. However, a standard EU form containing all fees applied across the EU would not be very user friendly
Switching			
1: Ensure compliance with Common Principles		5%	A legally binding measure would reduce barriers to switching and give consumers more confidence in the process; the option would give a more credible 'threat' that enough consumers are able and willing to switch in response to a better offer
2: Improve Common Principles	Variant A: At Member State level	8%	It is reasonable to assume that the price reduction effects would be marginally greater than option 1 although the extent of the improvement would depend on the precise content of the option
	Variant B: Including cross-border provisions	9%	
3: Automatic redirection service	Variant A: Domestic redirection service	9%	By making switching much easier, this option would lead to a reduction in prices – as banks would know that consumers could “shop around” and go to a bank that provides them better value for money
	Variant B: Set up an EU-wide redirection service	17%	

Option	Variant	% reduction	Explanation
			performing 4 countries
4: Introduce bank account portability	Variant A: Bank account portability at MS level	20%	This option would reduce the barriers to switching at the domestic level to the greatest extent possible and hence lead to marked reductions in prices
	Variant B: Bank account portability at EU level	22%	Because this option would, in addition to having the effects anticipated for 5A also facilitate cross border switching it would allow consumers to seek out lower cost PCA that should mean that consumers would pay lower prices. This should drive down prices especially in countries where there remains scope for major price reductions.

Table A3.13 Underlying logic and approach to estimating price reduction as a result of implementing packages

1	There is a huge price differential in payment account prices across the EU suggesting that there is a significant scope for reduction in prices (and convergence toward NL)
2	The scope for potential reduction in prices in each MS if price were to converge towards NL level is denoted as ' <i>Maximum Potential Gain</i> '
3	However, full convergence (law of one prices) while possible in theory, will not happen in reality due to various factors such as differences in tax structure, industry structure etc.
4	Therefore, for each MS, the study has explored the extent to which prices could fall given the industry structure and other constraints (e.g. in some MS scope for cost reductions will be relatively limited to the extent customers prefer branches to internet banking)
5	This is referred to as ' <i>Adjustment Factor 1</i> '
6	The adjustment factor has been applied to maximum potential gain to derive the reduction in prices that is possible
7	e.g. In Austria, in theory, PCA prices could fall by 66% , but in practice due to various factors price differential will not completely disappear. However, there is high scope for reduction in prices due to the industry's high cost base. But
8	So, all in all, it would be more realistic to assume that in Austria prices could potentially fall by 50% if the market was functioning well
9	For each package, as assumption has been made as regards the price reduction that is possible due to greater transparency and lower switching costs
10	This has been adjusted to reflect the 'distance from policy frontier'
	i.e. the closer the country is to policy frontier, the smaller the scope for incremental benefits from EU policy package

Table A3.14 Working Assumptions underlying the calculations of benefits of packages

Package	Impact on Prices	Reasoning
1	17.5%	<p>The options included in this package are highly complementary:</p> <hr/> <p>(a) ex-post fee information showing consumers the breakdown of the fees and charges incurred on their personal payment accounts would help them assess whether they are getting value for money and if there are any potential gains to be made from switching their payment account</p> <hr/> <p>(b) consumers can then use price comparison websites and ex-ante fee information to compare charges across payment account products/ providers and to determine the scope for cost savings from switching accounts. An independent price comparison website and accessible, easy-to-understand, transparent pricing information would reduce search costs for consumers and thus, encourage them to look for alternatives</p> <hr/> <p>(c) switching options will make it easier for consumers to switch when they identify cheaper/ better alternative offers</p> <hr/> <p>(d) As it will be easier for consumers to compare different offers and switch to a cheaper/ better offer, banks will be stimulated to offer lower prices (and better services) to retain existing customers and attract new customers</p> <hr/> <p>It is assumed that this package, if fully implemented, has the potential to reduce prices significantly</p>
2	20%	<p>EU wide standardisation would enable consumers to compare offers across borders, banks could benefit from cost-efficiencies through standardisation/ one legislation across borders and there would be greater competitive pressure - domestically and cross border</p>

Annex 4 Qualitative assessment of the benefits of policy options

A4.1 Introduction

This Annex provides an explanation for the assessment of the benefits that have been rated rather than monetised. Table 1.1 indicates the main benefits that are expected to accrue to different groups of stakeholders as a result of implementing the policy options under consideration and the approach to assessment of benefits.

Table A4.1 Overview of expected benefits of policy options designed to (a) improve fee transparency and comparability; and (b) facilitate switching

Stakeholder Group	Potential benefits	Explanation	Assessment method
Payment Account Users	Reduction in search costs for consumers	Information of payment account pricing is easy to access, understand and compare. As a result consumers spend less time looking for this information (particularly alternative offers)	Rating scale
	Cost savings	1. Cost savings arising from: (a) switching to cheaper/ more appropriate payment account providers; or (b) making informed decisions and choosing the most appropriate payment account product in the first place	Rating scale + Monetisation
		2. Monetary benefits accruing to consumers from better management of their payment accounts for example: (a) by avoiding running high overdrafts; (b) incurring unnecessary charges; (c) holding their credit balances in interest-bearing, or higher interest rate, accounts rather than leaving them in a payment account	Rating scale + Monetisation
	Reduction in direct switching costs	The extent to which a particular option reduces the costs of switching in terms of time and effort placed in the process;	Rating scale
	Reduction in inertia linked to concerns about the process	The extent to which a particular option reduces the perceived barriers to switching, thus inhibiting payment account users from switching	Rating scale
Wider Society	Distributional effects to the benefit of low income account holders	The extent to which an option benefits payment account users belonging to the low income groups	Rating scale
	Impact on competition	Customer mobility exerts competitive pressure on existing and potential suppliers to continually improve their performance and thus contributes to more competitive markets. Furthermore, obstacles to mobility can function as entry barriers. Therefore, customer mobility also contributes to more competitive markets by reducing entry barriers.	Rating scale
	Impact on the Single Market	The extent to which a option: Promotes greater cross border mobility of customers Reduces cross-border barriers to entry for banks Contribute to the development of a level playing field in the internal market by reducing fragmentation/ promoting standardisation	Rating scale
	Impact on innovation	Evidence of any impact a particular option might have on innovation in the banking sector:	Rating scale

Stakeholder Group	Potential benefits	Explanation	Assessment method
		Changes to banks' pricing models – assuming they are in the interest of consumers Marketing or organisational innovation – greater price transparency might put pressure on banks to reduce costs by innovating Technological innovation (might specifically result from switching options)	
		Impact on product choice – although greater choice is not always in the interest of consumers	
	Impact on payment account prices	The extent to which a particular option has an impact on payment account prices and pricing Reduces price dispersion	Rating scale + Monetisation
	Impact on wider economy	The extent to which a particular option has resulted in a reduction in bank profitability/ consumer savings. It is assumed that this money will be put to more productive purposes in the economy thus leading to higher economic growth	Not assessed
	Greater trust and confidence in the banking sector	The extent to which a particular option helps restore trust and confidence in the banking sector	Rating scale
	Cost savings	Efficiency gains due to greater standardisation and reduced legal uncertainty	Rating scale
Banks	Increase in customer / funding base as a result of greater confidence in the banking sector	Increased customer base for selling of additional services Economic benefit to banks from increased availability of funding via larger deposits/ new customers - the difference in the cost to banks of raising €x billion daily directly from consumers rather than going to wholesale money markets, bond or shareholders	Rating scale + Monetisation

A4.2 Approach to Rating

A seven point likert scale was used to indicate the incremental benefits (over and above the developments that would take place under the baseline scenario) that are likely to accrue following implementation of each policy option:

Table A4.2 Likert scale used for the rating of benefits

Scale	Explanation
5	Maximum possible effect e.g. perfect price transparency, zero search costs
4	Very large positive effect/ benefit compared to the baseline situation
3	Large positive effect/ benefit compared to the baseline situation
2	Moderately positive effect/ benefit compared to the baseline situation
1	Small positive effect/ benefit compared to the baseline situation
0	No substantial benefit in relation to the baseline situation
-1	Small negative effect compared to the baseline situation
?	Uncertain

All the ratings have been made relative to the baseline situation and their absolute value is not really important. The ratings assigned to individual options should be viewed relative to the baseline and to each other.

The following tables provide a preliminary assessment of the expected benefits of each policy option. Additionally, a rating has also been assigned to each option to indicate how effective it might be (relative to other options) in:

1. Promoting greater price transparency
2. Facilitating price comparability
3. Making it easier for consumers to switch payment accounts.

The ratings have been informed by:

- Literature review
- Expert opinion
- Stakeholder interviews including inputs provided by the industry.

Finally, the tables also include a qualitative assessment of the risks and uncertainties associated with each option.

A4.3 Assessment of Benefits

Each expected benefit has been given a rating between 0 (no impact) and 5 (significant impact). These ratings have been informed by literature review and subject to critical review and challenge by an expert panel.

It should be noted that the absolute value of the ratings is inconsequential. All that matters is that within the analysis, the impacts of each option are given appropriate ratings relative to the status quo and each other.

A4.3.1 Ex-ante Fee Disclosure

Description of the current situation:

Ex-ante fee information is hard to find and difficult to understand: it is generally not accessible in a user friendly manner, it is difficult to decipher, and often available in highly technical and legalistic language. Information is often not available in one place. Overall, it is difficult for consumers to identify, locate and understand the information they need to compare and choose payment accounts.

Rationale for ex-ante fee disclosure:

Ex-ante fee disclosure, presented in an understandable format, would help create a better-functioning marketplace by allowing consumers to compare prices and features/ services. This would enable potential consumers to make purchasing decisions that best meet their needs and existing consumers to identify payment account providers products that might be better suited to their needs (as compared to their existing account).

‘Effective, well-targeted information can assist consumer decision making by making it easier for them to compare products, increasing transparency and accountability, reducing search costs, helping to prevent disputes and protecting consumers from deceptive practices’

Source: OECD(2010) Consumer Policy Toolkit, p.82

This option

A price list for the 20 most common fees (or most relevant fees) identified at national level. The fees that are commonly used across Member States, would receive EU level definitions where relevant.

EU legislation would define a set of broad principles and common criteria as regards:

- *Presentation requirements* –minimum requirements regarding the format, content and layout of the price list for example:
- *Accessibility requirements* – for example, EU legislation could make it mandatory for price lists to be placed prominently at banks’ branches, on banks’ websites etc.
- *Criteria for determining the 20 most common fees* – the criteria to be applied by Member States in determining the 20 most common fees

Table A4.3 Assessment matrix: standard price list

	Expected Benefits	Rating	Explanation
Effectiveness	Greater price transparency	2	Consumers would have access to pricing information on the 20 most common fees. The extent of benefits this option would generate is directly related to how complete the information available to consumers would be about their major items of expense.
	Greater price comparability	3	Ex-ante price information would enable consumers to compare the prices and features of different payment account products and consequently, make informed choices i.e. select payment accounts that are consistent with their needs and preferences. As consumers get to know the market better, they would be better able to find a provider/ payment account product which gives them the best price/quality ratio
	Easier switching	0	No impact
Consumers	Reduction in search costs	2	Greater price transparency can directly benefit consumers by reducing their search costs i.e. the time spent by consumers in looking for this information and collecting it from different sources. Harmonising the way fee information is presented and making use of commonly defined terms makes different bank offers more comparable, thus reducing search costs.
	Cost savings by enabling consumers to Make purchasing decisions that best meet their needs and preferences Switch to a cheaper or more appropriate payment account provider/ product	1	<p>This option would particularly benefit new customers (i.e. those who do not presently have a payment account) by providing them with the information they need to make informed purchasing decisions.</p> <p>Additionally, existing payment account customers who are considering switching, would also benefit from this option. The pricing information will help them identify an alternative provider/ product offering a better price/quality ratio.</p> <p>However, on its own, this option is likely to have a limited impact for two reasons: Limited changes in consumer behaviour¹⁷ can be expected – this option does not address barriers to switching (for existing consumers) or issues relating to access to banking (for consumers without a payment account) Banking relationships are often driven by non-price factors such as trust, quality, proximity, ethical considerations etc. In Europe, in particular, customers are not very price sensitive¹⁸ Consumer inertia – the annual cost of running a payment account for an average EU consumer is €116¹⁹. For a number of consumers, the financial incentive to switch payment accounts is not as strong as the incentive to switch mortgage providers, for example</p>

Expected Benefits	Rating	Explanation
Cost savings through better/ more responsible account management i.e. by avoiding unnecessary fees and charges	0	No impact
Reduction in actual/ perceived costs of switching	0	No impact
Distributional effects to the benefit of low income account holders	1	<p>Consumers differ in their ability and willingness to process information. For the information provision to be effective policymakers need to consider who the information is aimed at, as different consumers may require different bits of information to make choices</p> <p>This option on its own will not be particularly useful for consumers who are not financially literate.</p> <p>This option could reduce cross-subsidisation in certain market segments. For example, in certain markets (particularly markets with free-if-in-credit pricing model) a small proportion of profitable consumers subsidise the costs (to banks) of a significant proportion of unprofitable customers either through credit balances or through exceptional charges. Exceptional charges are often incurred by low income consumers who use overdraft as 'payday borrowing'. Greater price transparency and potential shift in pricing models could potentially benefit low income consumers.</p>
More competition in payment account markets	2	<p>Greater price transparency is generally good for competition – as firms understand that consumers will walk away to a competitor that offers a better deal, they offer better products at lower prices or better quality/ service for same price</p> <p>Greater price transparency could also potentially make it easier for new entrants to attract customers and achieve scale</p>
Wider Society	0	No impact
	?	<p>Could potentially drive innovation as banks seek to:</p> <p>Differentiate on basis of product offer to compete with each other (instead of prices)</p> <p>Pursue cost efficiencies to maintain profitability (if the option leads to fall in prices and payment accounts revenues of banks)</p>

Expected Benefits	Rating	Explanation
Impact on prices	1	<p>There could be two potential impacts:</p> <p>Reduction in prices through greater price based competition Shift towards simplified and more equitable payment account pricing models that better reflect a consumer's usage patterns and reduces cross-subsidisation across consumers and product categories. This could potentially lead to an increase in prices of payment accounts in countries where payment accounts are used as a means of subsidising broader customer relationships or 'loss leaders'</p> <p>Overall, it is assumed that this option would ultimately have a small positive effect on payment accounts pricing</p> <p>Theoretically, greater price transparency should lead to reduced price dispersion - as consumers shift to lower priced payment account providers, higher priced payment account providers would be forced to react by reducing their prices. However, greater price transparency could also potentially lead to price collusion (higher prices but lower dispersion).</p>
Greater trust and confidence in the banking sector	1	Greater price transparency would help rebuild trust and restore confidence in the banking system. There is increasing dissatisfaction among consumers regarding the lack of fee transparency.
Efficiency gains	0	No impact
Access to larger customer base/ customer deposits	1	Great trust and confidence in the banking system would help attract new customers and more customer deposits to the banking sector
Industry Risks and uncertainties:		<p>The success of this option relies on consumers' ability to use this information. Better informed consumers don't necessarily make more informed decisions. Increased price transparency can potentially lead to increased price based competition although it could also lead to anti-competitive behaviour (price coordination) Increases in prices or 'hidden costs' of other banking products could also manifest (as banks try to maintain their revenues by offsetting any reduction in payment account prices due to greater competition)</p>

A4.3.2 Glossary

Description of the current situation:

There is no industry-wide harmonisation on terminology: different names are used for what appear to be the same fees/ services. For example, “overdraft fee,” “overdraft item fee,” “insufficient funds fee,” “unavailable funds fee,” “overdraft item paid fee,” “unavailable funds penalty,” or a “returned/paid items fee.” Moreover, information on what these terms actually mean is not readily available.

Rationale for introducing a glossary:

A glossary would help consumers understand, in non-technical terms, some of the jargon associated with payment account services and fees. Glossaries containing explanations of the terms used can help improve consumers understanding of the services/ fees and thus enhance their general financial education.

There are two variants of this option:

Variant A: Glossaries containing non-harmonised terminology. Member States’ competent authorities would be responsible for compiling a glossary of payment account fee terminology on the basis of information provided by retail banks operating on their territory. The fee terminology contained in the glossary would therefore, not be standardised at a Member State level. Retail banks would be responsible for supplying a glossary of fee terminology used by them to the competent authority. They would also provide any updates to the competent authority when any new fee terminology is introduced.

Variant B: Glossaries based on fully harmonised terminology. Member States would be responsible for developing a glossary of harmonised (standardised) payment account fee terminology.

Relative merits of different variants:

A glossary containing non-harmonised terminology (variant A) could potentially be very voluminous, with the same terms meaning different things for different banks and thus, confusing for consumers. Long and overly complex information risks being of little value to consumers. Moreover excessive information can lead consumers to feel overwhelmed (OECD – Consumer Policy Toolkit).

Inputs provided by industry associations suggest that industry is concerned that a harmonised glossary (variant B) might imply product standardisation.

Table A4.4 Assessment matrix: glossary

	Expected Benefit	Rating		Explanation
		Variant A	Variant B	
Effectiveness	Greater price transparency	0	0	<p>A glossary would help consumers better understand the terminology used by banks with respect to payment account services and fees. A glossary would therefore, make it slightly easier for consumers to understand the pricing information.</p> <p>A glossary on its own however, would not contribute to greater price transparency as compared to the current situation.</p>
	Greater price comparability	0	1	<p>Consumers would be in a better position to appreciate the differences in prices and features of different payment account products and providers</p> <p>Variant B is likely to be more effective as it would contain standardised terms used across the industry (thus facilitating comparability of prices across banks) whereas under variant A, the same terms could mean different things for different banks or there could be subtle differences across banks in the use of terminology, which could confuse or overwhelm consumers.</p>
	Easier switching	0	0	No impact
Consumers	Reduction in search costs	1	1	Reduction in time spent by consumers in looking for / 'googling' the meaning of specific terms
	Cost savings by enabling consumers to Make purchasing decisions that best meet their needs and preferences Switch to a cheaper or more appropriate payment account provider/ product	0	0	No impact
	Cost savings through better/ more responsible account management i.e. by avoiding unnecessary fees and charges	0	0	No impact
	Reduction in actual/ perceived costs of switching	0	0	No impact
	Distributional effects to the benefit of low income account holders	1	1	A glossary is an educational tool. It would particularly benefit consumers who are relatively less financially literate and lack familiarity with payment

	Expected Benefit	Rating		Explanation
		Variant A	Variant B	
				account terms and concepts.
Wider society	More competition in payment accounts markets	0	0	No impact
	Internal market effects and cross border mobility of payment account users	0	0	No impact
	Greater innovation – improved product choice, distribution channels etc.	0	0	No impact
	Impact on prices	0	0	No impact
	Greater trust and confidence in the banking sector	0	0	No impact
Industry	Efficiency gains	0	0	No impact
	Access to larger customer base/ customer deposits	0	0	No impact
Risks and uncertainties:				The success of this option relies on consumers' ability to use this information and to act on it. However in isolation this information does not generate significant benefits in terms of transparency and comparability of fees. Nor does it facilitate the process of switching.

A4.3.3 Independent fee comparison website

Description of the current situation:

Most Member States have a fee comparison website but their utility is limited by several factors, most notably: use of different terminology and approach to calculation of fees by industry; some websites are sponsored by the industry and are therefore biased; lack of up-to-date, reliable information etc.

Rationale for a fee comparison website:

When gathering information is costly, consumers may not search the market to find the best deal. Price comparison sites can lead to: lower search costs and lower prices. However, in order to be effective, price comparison websites²⁰:

- Must reduce search costs
- Must cover a large number of products available in the market
- Be visible, accessible, user friendly and trust worthy
- Be independent and not for profit (but well advertised).

‘Comparison tools can overcome problems with choice and information overload by proving consumers with a relatively simple, clear picture of the attributes of the product or service in question.’

Source: OECD(2010) Consumer Policy Toolkit, p.82

Two variants of this option have been considered:

- *Variant A:* Single official website managed by a competent authority. Under this variant, Member States would need to create a price comparison website that fulfils the above criteria.
- *Variant B:* Comparison sites licenced under accreditation scheme designed to help consumers compare payment account offers. Price comparison websites would be accredited through a rigorous independent audit.

Relative merits of different variants:

A single official website would ensure independent and good quality information is available to consumers. However, the same goals could also be achieved through quality control of existing websites and licencing or accreditation requirements. Where authoritative and well reputed comparison sites are already in operation, establishing quality standards may be preferable to creating a new website.

Table A4.5 Assessment matrix: independent fee comparison website

	Expected Benefit	Rating		Explanation
		Variant A	Variant B	
Effectiveness	Greater price transparency	3	3	A price comparison website greatly enhances price transparency and comparability by (a) bringing all pricing information in one place ; (b) organising/ processing and displaying it in a manner that is easy for consumers to understand
	Greater price comparability	3	3	
	Easier switching	0	0	No impact
Consumers	Reduction in search costs	2	2	Internet-based, price-comparison websites mitigate problems of costly consumer search who no longer need to collect this information from different sources
	Cost savings by enabling consumers to Make purchasing decisions that best meet their needs and preferences Switch to a cheaper or more appropriate payment account provider/ product	2	2	This option would help consumers identify payment account products that offer them the best value for money.
	Cost savings through better/ more responsible account management i.e. by avoiding unnecessary fees and charges	0	0	No impact
	Reduction in actual/ perceived costs of switching	0	0	No impact
	Distributional effects to the benefit of low income account holders	1	1	This option will benefit consumers with access to internet
	More competition in payment accounts markets	1	1	Would stimulate competition – it would encourage payment account providers to improve quality/ services or reduce prices to retain existing customers or attract new ones A price comparison website could also give visibility to a new entrant in the market
Wider society	Internal market effects and cross border mobility of payment account users	0	0	No impact
	Greater innovation – improved product choice, distribution channels etc.	1	1	Pressure on prices would encourage banks to innovate to reduce their costs and/or improve their services
	Impact on prices	2	2	There is empirical evidence to demonstrate that price comparison websites can reduce prices ²¹ and price dispersion

	Expected Benefit	Rating		Explanation
		Variant A	Variant B	
	Greater trust and confidence in the banking sector	0	0	No impact
Industry	Efficiency gains	0	0	No impact
	Access to larger customer base/ customer deposits	0	0	No impact
Risks & Uncertainties		<p>The availability of a tool does not necessarily mean that consumers will use it. An OFT review found that while price comparison websites can help consumers get better deals, use of these sites can be held back by a lack of understanding, trust and confidence among some groups on consumers.</p> <p>Even where user friendly and reliable websites exist, their use might be limited due to consumer inertia</p> <p>There is a balance between attention on buying the lowest cost product and quality/suitability of products with small-print exclusions or excesses. As such, price comparison websites would be more useful if they also take into account take non-price characteristics of payments accounts</p> <p>A price comparison site may increase amount of information in the market for firms as well as consumers, and in the process, increase the likelihood of tacit collusion between payment account providers with sufficient market power</p> <p>Firms can attempt to limit the competitive effects of price comparison sites by making products more complex</p> <p>Price comparison sites may not cover all payment account providers and therefore, consumers may need to use more than one price comparison site</p>		

A4.3.4 Representative examples

Description of the current situation:

Current account pricing structures can be complex making them difficult to compare against each other. Moreover payment account pricing structures make it difficult for consumers to ex-ante assess the total cost of the product.

Rationale for representative examples

The purpose of representative examples is to illustrate the costs of payment accounts for different patterns of use in banks' advertising material.

There are two variants of this option:

- **Variant A: Based on self-tailored usage profiles.** Banks' develop examples on the basis of usage profiles that best reflect the consumption patterns and behaviours of their customers.
- **Variant B: Based on standard usage profiles.** Standard usage profiles are developed at a national level.

Banks would be required to provide representative example(s) of payment account fees and refer to it using this term in all advertising for payment accounts. The representative example(s) would provide a total cost estimate for running a payment account over a specified timeframe (e.g. over a month/ year) and the breakdown of the total costs by main fee components:

- Fixed fees: one off and standard recurring fees, mainly account maintenance fees;
- Variable fees: which are a function of usage patterns (such as fees relating to cash services, (e.g. withdrawals from ATM network) and payment services, (debit card, standing orders, direct debits);
- Penalty/ conditional fees linked to an account such as: 1) minimum operating balance, 2) minimum monthly transfers into the account, 3) debit interest rate, 4) debit buffer limits, 5) fee for unauthorised/ unarranged overdraft

Relative merits of different variants:

Variant B might facilitate greater comparability but may not be relevant for consumers who don't fit with the average user profile.

Table A4.6 Assessment matrix: representative examples

	Expected Benefit	Rating		Explanation
		Variant A	Variant B	
Effectiveness	Greater price transparency	1	1	<p>Representative examples would provide information on the costs associated with a particular payment account under different usage patterns. This would provide some indication of the likely price of a payment account in an easily digestible format.</p> <p>However, this option would be less effective than a price list in promoting transparency in the market. It would be less useful in countries where transactional pricing structures apply, as difficulties would arise in developing representative profiles; and risks associated with misguiding consumers as to real costs incurred post-purchase.</p>
	Greater price comparability	1	2	<p>Variant A would facilitate limited comparability as the representative examples used by different banks would not be directly comparable. Variant B based on standard usage profiles would be more helpful for comparing prices, provided consumers can place themselves easily into a specific profile.</p>
	Easier switching	0	0	No impact
Consumers	Reduction in search costs	1	1	Representative examples would help break down complex information into a simple and easy to understand format
	Cost savings by enabling consumers to Make purchasing decisions that best meet their needs and preferences Switch to a cheaper or more appropriate payment account provider/ product	1	1	While they will not enable consumers directly to identify the payment account that is the best for them, given the sensitivity of charges to specific patterns of usage, they will facilitate the decision making process through the provision of easily digestible information
	Cost savings through better/ more responsible account management i.e. by avoiding unnecessary fees and charges	0	0	No impact
	Reduction in actual/ perceived costs of switching	0	0	No impact
	Distributional effects to the benefit of low income account holders	1	1	Easy to understand by consumers who are relatively less financially literate.
Wider society	More competition in payment accounts markets	0	0	Representative examples, in isolation, would not make the markets more competitive
	Internal market effects and cross border mobility of payment account	0	0	No impact

Expected Benefit	Rating		Explanation
	Variant A	Variant B	
users			
Greater innovation – improved product choice, distribution channels etc.	0	0	No impact
Impact on prices	1	1	By making pricing information slightly more transparent, representative examples might have a marginal impact on prices
Greater trust and confidence in the banking sector	0	0	No impact
Industry	Efficiency gains	0	No impact
	Access to larger customer base/ customer deposits	0	No impact
Risks and uncertainties:	Risk of oversimplifying information for consumers –usage profiles used to build representative examples may not be relevant for all consumers and might be misleading for a large segment of consumers		

A4.3.5 Cost-simulations

Description of the current situation:

Payment accounts pricing structures can be complex making them difficult to compare against each other. Moreover, payment account pricing structures make it difficult for consumers to ex-ante assess the total cost of the product.

Rationale for cost simulations

Banks would be required to provide a cost simulation expressed in terms of the cost of running a personal payment account per month/year for the consumer.

The purpose of cost simulations is to illustrate the costs of payment accounts for different patterns of use in banks' advertising material.

There are two variants of this option:

- **Variant A: Based on self-tailored usage profiles.** Banks' develop simulations on the basis of usage profiles that best reflect the consumption patterns and behaviours of their customers.
- **Variant B: Based on standard usage profiles.** Standard usage profiles are developed at a national level.

Relative merits of different variants:

Variant B might facilitate greater comparability but may not be relevant for consumers who don't fit with the average user profile.

Table A4.7 Assessment matrix: cost simulations

	Expected Benefit	Rating		Explanation
		Variant A	Variant B	
Effectiveness	Greater price transparency	2	1	<p>Consumers would be able to see the link between usage patterns and prices: cost simulations would approximate the real costs of using a payment account to consumers and provide them with a single annual cost estimate – this option would provide information that consumers can directly use and easily understand. Banks would be required to provide the cost simulation.</p> <p>However, less useful than a price list. In particular cost simulations are more adapted to the transactional based pricing model since they capture costs that vary with the volume of transactions. However they are less adapted to other pricing models whose charges do not vary according to the volume of transactions. In this sense, cost simulations are less easily tailored to different pricing structures than price lists.</p> <p>The usage profiles used to build representative examples may not be relevant for all consumers – in this regard, variant B will be less useful than variant A, which provides more flexibility in determining profiles.</p>
	Greater price comparability	1	2	<p>Standard profiles would enable consumers to compare cost simulations provided by different banks.</p> <p>Variant A: Single annual cost estimate facilitates comparability. Although comparability would be limited as the usage profiles used by different banks would not be directly comparable.</p> <p>Variant B: Standard profiles would enable consumers to compare cost simulations provided by different banks.</p>
	Easier switching	0	0	No impact
Consumers	Reduction in search costs	0	0	Consumers would have to approach banks separately to run through the simulations and collect this information.
	Cost savings by enabling consumers to Make purchasing decisions that best meet their needs and preferences Switch to a cheaper or more appropriate payment account provider/ product	1	2	<p>Greater comparability would facilitate better product selection</p> <p>Variant A: Consumers select product that offers best value for money within the same bank</p> <p>Variant B: Consumers select product that offers best value for money where the comparison between different banks is ensured</p>

Expected Benefit	Rating		Explanation
	Variant A	Variant B	
Cost savings through better/ more responsible account management i.e. by avoiding unnecessary fees and charges	0	0	No impact
Reduction in actual/ perceived costs of switching	0	0	No impact
Distributional effects to the benefit of low income account holders	0	0	No impact
More competition in payment accounts markets	1	1	Greater price transparency would lead to more competitive markets – as firms understand that consumers would walk away to a competitor that offers a better deal, they offer better products at lower prices or better quality/ service for same price
Wider society Internal market effects and cross border mobility of payment account users	0	0	No impact
Greater innovation – improved product choice, distribution channels etc.	1	1	Would encourage payment account providers to innovate in order to reduce costs and/or improve service levels whilst maintaining costs
Impact on prices	1	1+	A small reduction in prices might be noted – to the extent this option stimulates price based competition
Greater trust and confidence in the banking sector	0	0	No impact
Indust Efficiency gains	0	0	No impact
Access to larger customer base/ customer deposits	0	0	No impact
Risks and uncertainties:	Requires sophisticated consumer participation- consumers may not be aware of their usage patterns ex ante		

A4.3.6 EU standardised forms: ex-ante fee information

This would involve the introduction of a single form for ex-ante disclosure of personal payment account fees, covering all fees, developed at an EU level (similar to the European Standardised Information Sheet for mortgages and Standard European Consumer Credit Information).

The standard form would fully harmonise ex-ante disclosures across the EU, providing EU definitions for all fees in use. EU action would specify the content, format and layout of the form.

Table A4.8 Assessment matrix: EU standard form

	Expected Benefit	Rating	Explanation
Effectiveness	Greater price transparency	2	Consumers across the EU would have access to the same comprehensive ex-ante pricing information. However, there could be the potential for some confusion regarding the terminology due to EU/domestic pricing differences.
	Greater price comparability	3	For the consumer, comparison of alternatives would be greatly enhanced by the introduction of standardised forms. However this option is likely to result in information overload - it would be difficult for consumers to compare information on all fees especially where different terminology and approaches are applied to fee calculation (e.g. overdraft could be referred to insufficient funds, unavailable funds and could be charged as daily interest, daily flat fee for each day of the month, flat fee for x number of days etc.)
	Easier switching	2	Would help consumers shop around for the best deal, both domestically and across borders
Consumers	Reduction in search costs	2	Some learning curve for consumers as they familiarise themselves with some new terms and formats, but overall time and effort spent in collecting pricing information and comparing offers would be greatly reduced. However, the impacts of information overload hindering, rather than improving decision-making, somewhat dampen this benefit.
	Cost savings by enabling consumers to Make purchasing decisions that best meet their needs and preferences Switch to a cheaper or more appropriate payment account provider/ product	1	Some degree of harmonisation of price information would make consumer choices easier, as it reduces the number of dimensions that consumers need to consider to find the best deal. Similarly, some impacts due to information overload.
	Cost savings through better/ more responsible account management i.e. by avoiding unnecessary fees and charges	0	No impact
	Reduction in actual/ perceived costs of switching	0	No impact
	Distributional effects to the benefit of low income account holders	0	No impact
	More competition in payment accounts markets	2	Stimulate price based competition from domestic and cross border

	Expected Benefit	Rating	Explanation
			payment account providers
	Internal market effects and cross border mobility of payment account users	2	Facilitate cross border shopping around
	Greater innovation – improved product choice, distribution channels etc.	3	Pressure on banks to distinguish themselves on non-price attributes like service, product features and quality and greater innovation to drive cost efficiencies/ standardisation
	Impact on prices	2	This option would improve price transparency and enable consumers to make comparisons both domestically and across borders. Greater price transparency and comparability would stimulate relatively high priced payment account providers to adjust their prices
	Greater trust and confidence in the banking sector	0	No impact
Industry	Efficiency gains	1	Cost efficiencies through greater standardisation
	Access to larger customer base/ customer deposits	0	No impact
	Risks and uncertainties:		<p>Harmonisation of price information may make it easier for firms to observe each other's pricing strategies. In some situations this may lead to tacit collusion. consumers must be willing to search the market, so they are in a position to compare between products</p> <p>This option gives rise to the risk of information overload i.e. too much information causing harm. The concept of 'bounded rationality' which states that consumers have a limited capacity to find and process information²².</p>

A4.3.7 Ex-post fee disclosure

Description of the current situation:

In a number of Member States, payment account fees and charges are reported on the account statement together with all other transactions. As a result, the information is not easily distinguishable from day to day transactions and consumers cannot have an aggregate view of the fees and charges incurred. Consequently, consumers often lack awareness and understanding of the actual costs of running a payment account.

Rationale for ex post fee disclosure

Clear, comprehensible and timely information on the cost of their personal payment accounts would help consumers assess whether they are getting value for money, the potential gains from switching account, or how to manage their money better.

The following two options have been considered:

- Option 1: Introduce an obligation for banks to provide ex-post information on the fees incurred.
- Option 2: Introduce EU standardised forms for the provision of information on fees.

Relative merits of the different options:

Option 2 would facilitate comparability across borders and enable multinational banks to benefit from standardisation. A comprehensive price list covering all fee terms used in the EU would be overly complex and cumbersome for consumers to process and would therefore, reduce the benefit to consumers. Too much information and lengthy forms could overwhelm consumers.

Table A4.9 Assessment matrix: Ex post fee disclosure

	Expected Benefit	Rating		Explanation
		Option 1	Option 2	
Effectiveness	Greater price transparency	3	2	<p>Consumers would now have access to precise and accurate data on costs. This would (a) raise understanding and awareness among consumers of the true cost of running a personal payment account; (b) help them assess whether they are getting value for money from their personal payment account and whether there are potential gains to be made from switching and, (b) enable consumers to change their behaviour. The link between ex-post price transparency and switching would be strongest if the information provided ex-post could be compared to other banks' offers though ex-ante transparency aids described in sections A4.3.1 to A4.3.6 above.</p> <p>Under option 2, consumers might face a learning curve in terms of familiarising themselves with new terms and formats – some of the EU-defined terms lacking relevance in a domestic context.</p>
	Greater price comparability	3	2	<p>This option may also help consumers identify the pricing information they need to obtain in order to compare them.</p> <p>Comparison of alternatives is greatly enhanced by standardised procedures so Option 2 might be more effective in facilitating comparability and encouraging change in behaviour</p> <p>Similar to above, there will be confusion regarding EU-defined terms lacking relevance in a domestic context, hence the differences in the ratings between option 1 and option 2.</p>
	Easier switching	0	0	No impact
Consumers	Reduction in search costs	0	0	No impact
	Cost savings by enabling consumers to Make purchasing decisions that best meet their needs and preferences	2	2	<p>Awareness of the cost elements associated with payment accounts should encourage consumers to switch.</p> <p>Itemised costs would help consumers identify areas where they could save money by switching to a more competitively priced payment account provider</p>
	Switch to a cheaper or more appropriate payment account provider/ product	2	2	<p>Itemised costs would help consumers identify areas where they could save money by reducing usage/ costs. This may result in them changing their</p>

	Expected Benefit	Rating		Explanation
		Option 1	Option 2	
	charges			behaviour so that they avoid/ reduce charges in the future
	Reduction in actual/ perceived costs of switching	0	0	No impact
	Distributional effects to the benefit of low income account holders	2	2	Low income account holders can avoid incurring high overdraft charges
	More competition in payment accounts markets	1	2	Would encourage switching and stimulate competition
Wider society	Internal market effects and cross border mobility of payment account users	0	0	No impact
	Greater innovation – improved product choice, distribution channels etc.	2	2	Greater innovation to drive cost efficiencies
	Impact on prices	2	3	This is likely to encourage more consumers to search for alternatives/ switch thus increasing competition and reducing prices
	Greater trust and confidence in the banking sector	1	1	Increase in confidence in the banking sector as consumers have access to information on the fees they have been charged
Industry	Efficiency gains	0	1	Option 2 – efficiency gains from standardisation
	Access to larger customer base/ customer deposits	1	1	Customers extend their existing banking relationships by putting more money in the banking system
Risks and uncertainties:				

A4.3.8 Switching

Description of the current situation:

The percentage of consumers who have switched payment account providers in the last two years remains low, at around 16 per cent (compared to 25 per cent for mobile phone services, for example)^{23,24}. Low levels of switching could be due to:

- Consumer inertia
- Consumers are unaware of the opportunity and benefit of switching (switching gains may be underestimated due to lack of transparency)
- Lack of incentives to switch
- They expect to face switching costs²⁵
- They are unable to understand the conditions under which they may switch.

Rationale for switching options:

When consumers are reluctant to switch supplier, firms can:

- Charge high prices
- Enjoy high entry barriers, and
- Attempt to strengthen their position by increasing switching costs further.

The ability and willingness of consumers to switch is therefore, critically important for efficient markets and to reduce risks of consumer detriment. If switching is discouraged or impeded this could impact not only on the demand-side but also potentially raise supply side barriers. This is because new entrants could be deterred from entering the market in the belief that it will be difficult to persuade consumers to switch from their existing provider. This could diminish the effectiveness of competition and serve to limit the benefits that consumers would otherwise derive from it²⁶.

However, high switching levels do not automatically signify that a market is competitive. First, if pricing is unclear and products complex, price differentials and subsequently switching can occur over a long period of time, without the market becoming more competitive. Second, if suppliers co-ordinate their behaviour to keep prices high, the market will not be competitive, regardless of switching levels. Third, high switching levels can conceal certain undesirable activities, such as mis-selling and market churning.

Conversely, low switching levels do not automatically indicate that markets are uncompetitive. Indeed, once price differentials have been exhausted through intensive switching, and prices have been driven down to a competitive level, only limited switching can occur. In such circumstances, the market is most likely to be competitive.

A low switching rate is not necessarily indicative of a market that is not working well and achieving a high switching rate is not an end in itself. However, the competitive process works better when consumers actively shop around and make informed choices to secure value for money. This does not necessarily require high levels of switching - a credible threat that enough consumers are able and willing to switch in response to a

better offer will sometimes be sufficient to ensure providers remain competitive

OFT (2009) Personal payment accounts in the UK

Evidence available in relation to the payments account market however, suggests that a significant proportion of consumers believe that it is complex and risky to switch accounts²⁷, with the result that switching rates are low. The 2010 OFT review found that the ability to attract customers and achieve scale was the most significant barrier to entry and expansion. The OFT found that low switching rates (together with the continued importance of established brands and the value customers placed on a branch network) constituted a key barrier to attracting the scale of customer base needed to achieve the economies of scale required to operate effectively.

Relative merits of different sub-options/ variants:

The ratings assigned to each option/ variant reflect the following differences between the switching options in terms of the risks/ inconvenience involved for consumers:

	Common Principles	Re-direction Service (modelled on UK version)	Portability
Changes for the consumer	Account number changes	Account number changes	Account number remains the same
Action required on part of consumer	Banks facilitate switching; requires action from consumers – consumers still need to inform third parties about their new account details	Automatic re-direction of debits and credit No action required by consumer when changing account	No action required by consumer when changing account
Perceived/ actual risk to consumer	Banks are not obliged to offer compensation to customers in case things go wrong	The service will be guaranteed through a customer contract, which will set out the timetable of the switch and ensure that the customer is protected if there are any bank errors during the process.	Limited scope for human error
Length of the procedure	Delays can be caused by third parties not updating their records or by one of the banks involved in the process	7 day process (indicative based on UK model)	Instant

Table A4.10 Assessment matrix: ensuring compliance with CP

	Expected Benefit	Rating	Explanation
Effectiveness	Greater price transparency	0	No impact
	Greater price comparability	0	No impact
	Easier switching	2	Full and effective implementation of the CP will make switching easier for consumers. Higher effectiveness will be experienced due to greater compliance and enforcement. However it does not fully address all the perceived barriers to switching e.g. the risk of mistakes or delay in changing direct debits, standing orders, salary mandates, and other payments would result in bills going unpaid or funds not being available. Broader compliance would be enjoyed as the rules become monitored and enforceable.
	Reduction in search costs	0	No impact
Consumers	Cost savings by enabling consumers to Make purchasing decisions that best meet their needs and preferences Switch to a cheaper or more appropriate payment account provider/ product	1	This will make it a legal obligation to apply the CP, resulting in a slightly larger number of customers being nudged to switch.
	Cost savings through better/ more responsible account management i.e. by avoiding unnecessary fees and charges	0	No impact
	Reduction in actual/ perceived costs of switching	2	Ensuring it is a legal obligation to apply the existing CP will make switching easier for consumers.
	Distributional effects to the benefit of low income account holders	0	No impact
Wider society	More competition in payment accounts markets	2	As it will be easier for consumers to switch, banks will be stimulated to offer services to retain existing customers and attract new customers
	Internal market effects and cross border mobility of payment account users	0	No impact
	Greater innovation – improved product choice, distribution channels etc.	2	Greater innovation among banks to keep existing customers satisfied and to attract new customers
	Impact on prices	2	Would encourage price based competition
	Greater trust and confidence in the banking sector	2	Improved confidence in the banking system as consumers know they will

Expected Benefit		Rating	Explanation
Industry	Efficiency gains	0	No impact
	Access to larger customer base/ customer deposits	2	To the extent that the option instils greater confidence in the banking sector, customers will feel safe about putting their deposits in the banks
Risks and uncertainties:		Inertia/lack of financial incentives/brand loyalty may stop consumers from switching.	

Table A4.11 Assessment matrix: improving Common Principles

	Expected Benefit	Rating		Explanation
		Variant A	Variant B	
Effectiveness	Greater price transparency	0	0	No impact
	Greater price comparability	0	0	No impact
	Easier switching	3	3	<p>Full and effective implementation of the CP will make switching easier for consumers.</p> <p>Option 2 would be more effective than option 1 due to emphasis on staff training and communication. However, the option does not fully address all the perceived barriers to switching e.g. the risk that mistakes or delay in changing over of direct debits, standing orders, salary mandates, and other payments could result in bills being unpaid or funds not being available.</p>
Consumers	Reduction in search costs	0	0	No impact
	Cost savings by enabling consumers to Make purchasing decisions that best meet their needs and preferences Switch to a cheaper or more appropriate payment account provider/ product	2	2	Variants A/B: slightly higher effectiveness than switching option 1 as enhanced principles would involve more communication, awareness raising and training obligations, thus improving customer service. Once a switching framework is in place and is effectively enforced, consumers would be encouraged to overcome inertia and seek better offers.
	Cost savings through better/ more responsible account management i.e. by avoiding unnecessary fees and charges	0	0	No impact
	Reduction in actual/ perceived costs of switching	3	3	<p>Variant A: actual costs of switching would be contained as they would be regulated. Enhanced switching facilities including better dissemination would also encourage a change in perception about switching costs.</p> <p>Variant B: if appropriately advertised, a pan-European switching service could potentially address the perceived barriers to switching (including in case of cross-border switching). Similar to variant A, the actual costs of switching would be contained as determined by regulation.</p>

Expected Benefit	Rating		Explanation	
	Variant A	Variant B		
Distributional effects to the benefit of low income account holders	0	0	No impact	
More competition in payment accounts markets	2	3	Overall, both variants will make it easier for consumers to switch, thus stimulating competition and prompting payment account providers to offer services to retain existing customers and attract new customers. Variant B, has a particular advantage in enhancing competition in the domestic market, favouring the emergence of new entrants (even cross-border suppliers) into domestic markets.	
Wider society Internal market effects and cross border mobility of payment account users	0	3	Variant A: Complete/improve the existing Common Principles. Slightly higher effectiveness due to: enhanced principles addressing some of the residual concerns of consumers. Greater compliance and enforcement Variant B: Render existing Common Principles legally binding within MS including provisions for cross-border switching. This not only lowers barriers to entry in domestic markets, but also encourages cross-border mobility of demand, potentially integrating the markets at EU-level and encouraging cross-border shopping for payment services.	
	Greater innovation – improved product choice, distribution channels etc.	2	2	Greater innovation among banks to keep existing customers satisfied and to attract new customers
	Impact on prices	2	2	Will encourage price based competition
Greater trust and confidence in the banking sector	2	2	Improved confidence in the banking system as consumers know they will be able to switch if they are not happy with their current provider	
Industry Efficiency gains	0	0	No impact	
	Access to larger customer base/ customer deposits	2	2	To the extent that the option instils greater confidence in the banking sector, customers will feel safe about putting their deposits in the banks
Risks and uncertainties:			Inertia/ lack of financial incentives/ brand loyalty may stop consumers from switching	

Table A4.12 Assessment matrix: automatic redirection service

	Expected Benefit	Variant A	Variant B	Explanation
Effectiveness	Greater price transparency	0	0	No impact
	Greater price comparability	0	0	No impact
	Easier switching	4	4	Variant A: More effective as reduced switching costs for consumers Variant B: Set up an EU-wide redirection service for all receipts and payments from an old to a new account.
Consumers	Reduction in search costs	0	0	No impact
	Cost savings by enabling consumers to Make purchasing decisions that best meet their needs and preferences Switch to a cheaper or more appropriate payment account provider/ product	3	3	A higher number of consumers are likely to switch under this option due to reduced risk of errors and delays
	Cost savings through better/ more responsible account management i.e. by avoiding unnecessary fees and charges	0	0	No impact
	Reduction in actual/ perceived costs of switching	4	4	No action to be taken by consumers; reduces risk of delays and errors
	Distributional effects to the benefit of low income account holders	0	0	No impact
wider society	More competition in payment accounts markets	2	3	Higher customer mobility exerts higher competitive pressure Higher switching levels attract new entrants to the market Variant B would facilitate cross-border mobility of consumers and payment account providers would not only have to compete against domestic competitors but also against cross-border competitors
	Internal market effects and cross border mobility of payment account users	0	3	Higher mobility domestically and at EU-level due to competition effects mentioned above. In addition, potentially making the EU markets more integrated.
	Greater innovation – improved product choice, distribution channels etc.	2	3	Same as option 2.b
	Impact on prices	3	3	Same as option 2.b
	Greater trust and confidence in the banking sector	2	2	Same as option 2.b

	Expected Benefit	Variant A	Variant B	Explanation
Industry	Efficiency gains	0	2	Variant A: No impact Variant B; Minor impact
	Access to larger customer base/ customer deposits	2	2	Same as option 2.b
Risks and uncertainties:				Inertia/ lack of financial incentives/ brand loyalty may stop consumers from switching

Table A4.13 Assessment matrix: portability

	Expected Benefit	Rating		Explanation
		Variant A	Variant B	
Effectiveness	Greater price transparency	0	0	No impact
	Greater price comparability	0	0	No impact
	Easier switching	5	5	Substantially reduces cost of switching for consumers
Consumers	Reduction in search costs	0	0	No impact
	Cost savings by enabling consumers to Make purchasing decisions that best meet their needs and preferences Switch to a cheaper or more appropriate payment account provider/ product	3	3	Portability is expected to encourage more consumers to shop around for the best deal and switch to a more suitable product/ provider
	Cost savings through better/ more responsible account management i.e. by avoiding unnecessary fees and charges	0	0	No impact
	Reduction in actual/ perceived costs of switching	5	5	No action required on part of consumer + consumer retains account number
	Distributional effects to the benefit of low income account holders	0	0	No impact
	More competition in payment accounts markets	3	3	More domestic competition Reducing barriers to entry
Wider society	Internal market effects and cross border mobility of payment account users	2	3	Variant A: Increase in Internal market mobility of payment service providers as barriers to entry in domestic EU markets are lowered. Variant B: Increase in cross-border mobility of providers and consumers
	Greater innovation – improved product choice, distribution channels etc.	3	3	Variant B: Greater pressure on banks to innovate due to domestic and cross-border competition
	Impact on prices	4	4+	Variant B: threat of cross-border competition

	Greater trust and confidence in the banking sector	2	3	Variant A: Reduction in price dispersion and price levels due to more fierce competition internally Variant B: Reduction in price dispersion and price levels due to more fierce competition internally and abroad
Industry	Efficiency gains	2	3	Variant A: Efficiency gains due to reduced legal uncertainty Variant B: Efficiency gains from standardisation across borders; reduced legal uncertainty and fragmentation
	Access to larger customer base/ customer deposits	2	3	Variant A: mainly on domestic market Variant B: on domestic and international market
Risks and uncertainties:		Inertia/ lack of financial incentives/ brand loyalty may stop consumers from switching		

End of Report

¹ In 2008, the European banking industry agreed to implement, at a national level, a number of Common Principles to make it easier for consumers to switch payments accounts. [online] Available at: <http://www.eubic.org/Position%20papers/2008.12.01%20Common%20Principles.pdf>

² Such as impact on levels of competition in the market, innovation and consumer trust and confidence in financial services sector.

³ For example, standardisation of prices or greater price transparency in the payment account market, would make it easier for payment account providers to observe each other's pricing strategies. In some situations this might lead to anti-competitive strategies such as tacit collusion. Another type of indirect and unintended effect of policy could be that payment account providers increase the prices of other retail financial products (that are not subject to similar policy measures) in order to offset any reduction in payment account prices resulting from the proposed policy measures

⁴ Through avoidance of unnecessary charges and/or minimising interest foregone by transferring surplus positive balances into savings accounts, for example.

⁵ ECB (2007) Blue Book

⁶ DG Competition (2006), current accounts and related services, Sector Inquiry under Article 17 Regulation 1/2003 on retail banking

⁷ OFT (2008) The legal and regulatory framework behind personal current accounts, Annex A of Personal current accounts in the UK – an OFT market study

⁸ Terms of Reference issued by the OFT to Northern Ireland Competition Commission for an investigation into the supply of personal payment account banking services in Northern Ireland.

⁹ It should be noted that the policy options relating to ex-ante fee disclosure are complementary in nature, whereas the options relating to ex-post fee disclosure and switching are mutually exclusive.

¹⁰ European Commission (2009) *Data collection for prices of payment accounts provided to consumers*, a report by Van Dijk Management Consultants

¹¹ This refers to responding to EU consultations during the process of a new proposal development. This is distinct from reporting to the EU for compliance purposes.

¹² Oliver, A. M.(2010): From proximity to distant banking: Spanish Banks in the EMU, Working Paper of Banco de Espana

¹³ Gropp, R. & Kashyap, A. (2009): New metric for banking integration in Europe – National Bureau of Economic Research(NBER), February 2009

¹⁴ Estimate based on the cumulative impact of introducing all options, as it is impossible to attribute impact to individual options

¹⁵ This assumption is validated by a consumer survey conducted in 2012 in the context of the OFT's review of the personal current account markets (2013) which revealed that providing ex-post fee information to consumers enables them to avoid charges, compare products and encourages switching. 24% of the survey respondents stated that they would do something different as a result of having received information on the total charges and interest on their payments account statement. Of this, 59% stated that they might consider managing their finances differently to avoid charges; 17% said they might compare interest rates to see where they could earn a higher interest rate on their credit balances, while the remaining 13% said that they might consider switching to another provider.

¹⁶ . J. Brown & A. Goolsbee (2002) Does the Internet Make Markets more Competitive? Evidence from the Life Insurance Industry, 110(3) J. POL. ECON. 481-507 provide evidence that the growth of price-comparison websites for life insurance drove prices down for this product. See OFT (2008) Interactions between competition and consumer policy. [online] Available at: http://www.of.gov.uk/shared_of/economic_research/oft991.pdf

¹⁷ The rational economic model assumes that people use information to inform their actions if the information is available and if the benefits of using it are greater than the costs of using it. The model holds that providing more accessible and understandable information would lead more consumers to use that information in their decision making. However experimental evidence shows how individuals' behaviour is often not consistent with standard models. And consumer behaviour and attitudes may move at different speeds. The standard models are inadequate as they don't deal with the following issues: Firstly, simply providing information does not necessarily mean that consumers will use it. For example, people may ignore information if they do not know that they need to change their behaviour (perhaps because they think that their current behaviour is not a problem or the new behaviour inconsistent with their basic values); Secondly, even if people agree that behavioural change is desirable, there may be other barriers to making that change

¹⁸ Ernst & young (2011) A new era of customer expectation Global Consumer Banking Survey 2011. [online] Available at: [http://www.ey.com/Publication/vwLUAssets/A_new_era_of_customer_expectation:_global_consumer_banking_survey/\\$FILE/A%20new%20era%20of%20customer%20expectation_global%20consumer%20banking%20survey.pdf](http://www.ey.com/Publication/vwLUAssets/A_new_era_of_customer_expectation:_global_consumer_banking_survey/$FILE/A%20new%20era%20of%20customer%20expectation_global%20consumer%20banking%20survey.pdf)

¹⁹ As above.

²⁰ OFT (2008) Assessing the effectiveness of potential remedies in consumer markets. [online] Available at: http://oft.gov.uk/shared_oft/economic_research/oft994.pdf

²¹ . J. Brown & A. Goolsbee (2002) *op cit*

²² Better Regulation Executive and National Consumer Council (2007) Warning: Too much information can harm, An interim report by the Better Regulation Executive and National Consumer Council on maximising the positive impact of regulated information for consumers and markets. [online] Available at: <http://www.bis.gov.uk/files/file44367.pdf>

²³ DG SANCO (2011) Monitoring consumer markets in the European Union, GfK, p.55

²⁴ These levels are similar to those observed in the case of utilities (14 per cent for electricity services and 12 per cent for gas) where barriers to switching are relatively high.

²⁵ OFT defines switching costs as the real or perceived costs that are incurred when changing supplier but which are not incurred by remaining with the current supplier

²⁶ The National Consumer Council in its research titled '*Switched on to switching? A survey of consumer behaviour and attitudes, 2000–2005*' states that "when markets function properly, consumers can identify which product is best for them and switch if they want to get a better deal. This, in turn, encourages companies to compete vigorously to retain current customers and attract new ones. It ensures that companies cut costs and innovate in order to offer products that meet consumers' needs at low prices."

²⁷ OFT 2010 review *op cit*

European Commission Press Release: Consumers: Switching bank accounts – 8 out of 10 mystery shoppers faced difficulties. Brussels, 24 February 2012. Available at: <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/12/164&format=HTML&aged=0&language=EN&language=en#footnote-1>