

# **Study on the extension of Regulation 924/2009 to currencies of Member States outside the euro area**

## **Final Report**

A study prepared by Deloitte for the European Commission, Directorate-General for Financial Stability, Financial Services and Capital Markets Union

January 2018

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## Glossary

### Country codes

BG	Bulgaria
CZ	Czech Republic
DE	Germany
DK	Denmark
HR	Croatia
IT	Italy
FR	France
HU	Hungary
PL	Poland
RO	Romania
SE	Sweden
UK	United Kingdom

### Abbreviations used

ACH	Automatic Clearing Houses
AISP	Account Information Service Providers
ATM	Automated Teller Machine
BIC	Bank Identifier Code
BIS	Bank of International Settlements
CAs	Consumer associations
CEA	Cost-effectiveness analysis
CMU	Capital Market Union
EC	European Commission
ECAS	European Commissions' Authentication Service
ECB	European Central Bank
EPC	European Payments Council
EU	European Union
IA	Impact Assessment
IBAN	International Bank Account Number
IF	Interchange Fee
IFR	Interchange Fee Regulation
KPI	Key Performance Indicator
MIF	Multilateral Interchange Fee
MS	Member States
MSC	Merchant Service Charge
PISP	Payment Initiation Service Providers
POS	Point of sales
PSD	Payment Services Directive
PSD2	Second Payment Services Directive
PSP	Payment services provider
PSPs	Payment services providers
PSUs	Payment services users
REFIT	Regulatory Fitness program
RGTS	Real-time gross settlement
SEPA	Single euro Payments Area
SM	Single Market

SMEs Small and Medium-sized Enterprises  
SMS Single Market Strategy  
STP Straight-Through Processing  
SWIFT Society For Worldwide Interbank Financial Telecommunications



## 1 Executive Summary

The mandate of the European Commission for the current executive period focuses on 10 top priorities<sup>3</sup>. The present study on **the extension of Regulation 924/2009 to currencies of Member States (MS) outside the Eurozone** falls under the scope of the fourth political priority: *Internal Market*, pushing to achieve a more integrate and fairer internal market.

With the introduction of the euro, consumers have enjoyed a single currency across the Eurozone, knowing cost and timing of transactions. The concept of domestic credit transfer has been replaced by the concept of a unique transfer within the Eurozone, creating a harmonized payments area.

In that perspective, the introduction of the Regulation 924/2009 on cross-border payments ensures that fees are equalised for cross-border and national payments in euro for MS within the EU with the euro as a currency. Payments involving currencies of EU MS other than the euro are today not covered by this Regulation.

Nevertheless, the concept of domestic versus cross-border is still present. This is particularly to be noted within the bank fees across the EU, specifically for the non-EUR countries. When analysing cross-border transactions involving non-EUR currencies, it appears that fees for this type of transactions overall remain quite high and are above the level of fees as compared to purely national transactions in non-EUR currencies, with high minimum fees that make small transactions very expensive. While some of the 'additional fees' (i.e. transaction charges and currency exchange fees) may be justified, differences are sometimes not appropriate and proportionate to the objectives pursued. Moreover, the transparency around bank fees is not providing the necessary confidence for consumers for using this type of service.

The current study has focused on the bank fees charged by PSPs to consumers in terms of EUR and non-EUR transactions within the EU, for three banking operations: (i) cards payments; (ii) cash withdrawals at an ATM and (iii) wire transfers.

The study has noted that the **processing of non-EUR currencies** overall faces many barriers, ranging from different formats, different time settlements and having a long process for payments executions linked to the non-integration of those currencies into a single clearing system. As such, currently, this type of transactions are costly because of various drivers among which the absence of EU multi-currency clearing and settlement infrastructures. Also, the volume treated by the banks as cross-border payments will hardly justify any major investments.

On the contrary, **processing EUR**, regardless of the country (the example of Sweden) is lean and efficient due to the volume treated and the simplicity of the models: unique format, unique clearing system and certainty for the consumers of time and costs. Processing these transactions can be done overall at a low cost by all banks in the EU considering STP and centralised infrastructures have reduced the costs of this type of transactions to significant levels. On top of that, the volume reached of straight through processing of the EUR transactions are extremely high, confirming the efficiency of the processes in place.

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<sup>3</sup> European Commission, 2017. 'Priorities'. Accessed May 2017. Available at: [https://ec.europa.eu/priorities/index\\_en](https://ec.europa.eu/priorities/index_en)

The study results reported on various differences in fees:

- **Differences in fees charged by payment service providers (PSPs) in the countries of the EU:** the stakeholder consultation showed that for domestic transactions, the fees are mostly similar for cash withdrawals (45%), card payments (90%) and credit transfers (64%). However, for cross-border transactions, most respondents mentioned that the fees charged by different PSPs differ for cash withdrawals (70%) and card payments (56%). This is even more apparent for credit transfers as 100% of the respondents mentioned that the fees charged by PSPs differ;
- **Cross-border credit transfers in the non-EUR MS:** in 7 out of 9 non-EUR MS countries, a credit transfer in euro can be cheaper than a transfer in another EU currency as some of the banks in our sample showed to apply different tariffs for EUR or non-EUR payments. Nevertheless, customers rarely use this practice as only 14% of the respondents indicated that customers are frequently to very frequently transferring credit abroad;
- **Cross-border cash withdrawals in the non-EUR MS:** no differences were noted across our sample for payments made in euro as compared to another currency. Although, withdrawing money in a country with a different currency costs more than corresponding payments in the domestic country; and
- **Cross-border cash withdrawals in the non-EUR MS:** paying by card is the favoured option for citizens when they want to pay for a service abroad. The analysis demonstrated that fees charged for card payments remain minor or even are free for some bank PSPs.

The analysis of the study shows that the extension of the Regulation to treat the EUR uniformly across the EU MS will have two major benefits: (i) improve the access of consumers in non-euro countries to access a simple and efficient payments systems; and (ii) will bring efficiency and competition for the PSPs across the area.

## 2 Introduction and background

Deloitte has been asked by the European Commission to carry out this study on the extension of Regulation 924/2009 to currencies of Member States outside the euro.

The general approach and the detailed methodology for data collection activity deployed by Deloitte in order to study the extension of the Regulation are described in the appendix.

### 2.1 Background of the study

The mandate of the European Commission for the current executive period focuses on 10 top priorities<sup>4</sup>. The present study on **the extension of Regulation 924/2009 to currencies of MS outside the Eurozone** falls under the scope of the fourth political priority: *Internal Market*, pushing to achieve a deeper and fairer internal market.

As one of the policy areas in scope of the internal market, the European Commission created the Single Market Strategy (SMS). The SMS<sup>5</sup> is at the heart of the European project, enabling people, services, goods and capital to move more, offering opportunities for European businesses, greater choice and lower prices for consumers. It is the European Commission's plan to unlock the full potential of the Single Market (SM) focusing on building a true, deep and fair SM for internal financial market, including **payment services** and retail **financial services**. As one of its boosting measures, it aims to tackle key barriers for business services and to **facilitate cross-border provision of services, including consumer financial services**<sup>6</sup>.

Today, the EU single market for retail financial services is not yet fully integrated. These services still operate largely on a national basis and it remains difficult for consumers to access or transfer certain financial products across borders, such as most insurance products, credit cards or mortgage credit. As a result, consumers do not always receive the benefits of increased competition such as an increased choice and cheaper prices. Therefore, the Commission wishes to further promote transparency and strengthen consumer protection in this area<sup>7</sup>.

In response, and in addition to the SMS, the European Union (EU) has launched various initiatives in order to achieve a significant reduction in the costs of cross-border transactions, obtained through:

1. Initiatives to increase the level of consumer protection and facilitate the cross-border distribution of insurance, mortgages and consumer credit;
2. The establishment of a Single euro Payments Area (SEPA);
3. The introduction of a set of standards for euro transactions with the SEPA Credit Transfers and SEPA Direct Debits;

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<sup>4</sup> European Commission, 2017. 'Priorities'. Accessed May 2017. Available at: [https://ec.europa.eu/priorities/index\\_en](https://ec.europa.eu/priorities/index_en)

<sup>5</sup> European Commission, 2017. 'The Single Market Strategy'. Accessed May 2017. Available at: [http://ec.europa.eu/growth/single-market/strategy\\_en](http://ec.europa.eu/growth/single-market/strategy_en)

<sup>6</sup> Consumer financial services, also called 'retail financial services' are financial services offered to ordinary consumers. These cover: current and savings accounts, payment services, credit cards, mortgages, insurance and investment products. Definition available at: [https://ec.europa.eu/info/business-economy-euro/banking-and-finance/consumer-finance-and-payments/consumer-financial-services/consumer-financial-services-policy\\_en](https://ec.europa.eu/info/business-economy-euro/banking-and-finance/consumer-finance-and-payments/consumer-financial-services/consumer-financial-services-policy_en)

<sup>7</sup> Idem

4. The prohibition of International Bank Account Number (IBAN) discrimination (i.e. a single euro account, whatever the Member State, is sufficient to make any transfer in euro within the EU); and
5. The Regulation 924/2009 on cross-border payments that pushes for equalised fees for cross-border and national payments in euro within the EU. Payments involving currencies of EU MS other than the euro are currently not covered by this Regulation.

In spite of these initiatives, key findings of the latest European Commissions' Consumer Markets Scoreboard<sup>8</sup> (2016) demonstrated that **persistent issues remain in the retail financial services**. To illustrate one of these issues, EU citizens who make transactions that involve currencies of the EU MS other than the euro still face increased costs and complications which stand in the way of deepening the internal market. As pointed out in the 2015 Commission's Green Paper on retail financial services<sup>9</sup>, Europe-wide markets in retail financial services do not really exist at present. The current level of direct cross-border transactions in retail financial services is quite limited. Boosting "cross-border provision of services would create huge opportunities"<sup>10</sup>.

The Green Paper on retail financial services also shows evidence of **market fragmentation in the difference between prices for identical or similar products available in different domestic markets**, even from the same provider. For instance, when establishing branches in other markets, firms tend to adjust their pricing to local conditions and do not generally export more competitive pricing to other markets. Market fragmentation is also demonstrated by the fact constrained choices are available to consumers in some MS; for instance, in some markets, consumers can only access fixed-rate mortgages, and in others they can only access variable rates<sup>11</sup>.

Moreover, there is evidence that **prices vary widely across the EU a fortiori when they involve non-EUR currencies**. Differences in prices can be attributed to several factors: varying conditions in domestic economies, uneven levels of purchasing power, financial or institutional structures (e.g. taxation, Regulation or supervision), or differing funding costs, value propositions (sometimes related to product tying or packaging) and pricing structures in local markets<sup>12</sup>.

The same **divergence across the EU arises for fees**, which are furthermore not always disclosed clearly to customers. This issue is closely linked with the topic of this study. For MS within the EU with the euro as a currency, **the Regulation on cross-border payments (Regulation 924/2009)** ensures that fees are equalised for cross-border and national payments in euro. Nevertheless, payments involving currencies of EU MS other than the euro are today not covered by this Regulation. In specific when analysing cross-border transactions, it appears that opaque and potentially excessive fees could be a deterrent to cross-border transactions within the EU, especially if these concern non-EUR currencies. Fees for this type of cross-border transactions overall remain quite high and are above the level of fees as compared to purely national transactions in non-EUR currencies, with high minimum fees that make small transactions very expensive. While some of the 'additional fees' (i.e. transaction

<sup>8</sup> European Commission, 2016, 'Consumer Market's Scoreboard'. Accessed May 2017. Available at: [http://ec.europa.eu/consumers/consumer\\_evidence/consumer\\_scoreboards/12\\_edition/docs/consumer\\_markets\\_scoreboard\\_2016\\_en.pdf](http://ec.europa.eu/consumers/consumer_evidence/consumer_scoreboards/12_edition/docs/consumer_markets_scoreboard_2016_en.pdf)

<sup>9</sup> European Commission, 2015. 'Green Paper on retail financial services', Accessed May 2017. Available at: [http://ec.europa.eu/finance/consultations/2015/retail-financial-services/docs/green-paper\\_en.pdf](http://ec.europa.eu/finance/consultations/2015/retail-financial-services/docs/green-paper_en.pdf)

<sup>10</sup> Idem

<sup>11</sup> European Mortgage Federation, Hypostat 2015, p. 15

<sup>12</sup> European Commission, 2015. 'Green Paper on retail financial services', Accessed May 2017. Available at: <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52015DC0630&from=EN>

charges and currency exchange fees) may be justified, differences are sometimes not appropriate and proportionate to the objectives pursued.

Considering these issues in retail financial services, the Commission has decided to take action in this field. Following the Green Paper consultation, the Commission presented **an Action Plan on Consumer Financial Services**<sup>13</sup> that sets out further steps towards a genuine technology-enabled SM for retail financial services where consumers can get the best deals while being well protected.

As in line with the first action of this Action Plan on Consumer Financial Services, the European Commission proposes to **amend the Regulation on cross-border payments**<sup>14</sup> to reduce charges for cross-border transactions in all MS. The harmonisation of cross-border transactions fees for MS having the euro and currencies of EU MS other than the euro would not only save consumers money and offer them more choice, it would also foster competition among retail payments providers<sup>15</sup>.

## 2.2 Objectives and scope

Currently, transaction costs for cross-border payments in currencies other than the euro are substantially higher than for their equivalent in domestic transactions. The Regulation 924/2009 has successfully equalised charges for transactions in euro, which has resulted in lower fees for consumers cancelling the concept of cross-border for payments in euro in the euro area. In the non-EUR area, consumers have not benefitted from the same reduction of fees. The concept of cross-border still exists and creates a sense of exclusion for those consumers. For the consumers of the Eurozone, atop it creates confusion and lack of transparency in the fees as those transactions are charged by the initiating party and the receiving party.

The Commission intends to propose an amendment to the Regulation on cross-border payments aiming to reduce charges for cross-border transactions in all MS. Therefore, the Commission would like to identify the best options regarding the extension of the Regulation 924/2009 to all currencies of MS of the EU and aims to present a detailed overview of the pricing applied by payment services providers (PSPs) to their clients for a defined set of transactions in all non-EUR area MS and a few euro area MS as well as the corresponding internal costs of these transactions.

The objectives of this study are to:

- Provide data relative to fees applied by PSPs to transactions within the EU in Member State currencies other than the euro and, for comparison purposes, in euro;
- Estimate the internal costs of these transactions for PSPs in order to evaluate whether the current practices in pricing are coherent with fees charged for payment services user; and
- Provide elements allowing a rough estimate to be made of the total financial impact on providers and users of transactions that would be affected by the

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<sup>13</sup> Communication, COM 2017/0139 final from the Commission to the European Parliament, the Council, the European Central Bank, the European Economic and Social Committee and the Committee of the Regions, 'Consumer Financial Services Action Plan: Better Products, More Choice. Available at: <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52017DC0139>

<sup>14</sup> Regulation (EC) No 924/2009 of the European Parliament and of the Council of 16 September 2009 on cross-border payments in the Community and repealing Regulation (EC) No 2560/2001, OJ L 266/11 of 9.10.2009.

<sup>15</sup> European Commission, 2017. 'The Single Market Strategy', Accessed May 2017. Available at: [http://ec.europa.eu/growth/single-market/strategy\\_en](http://ec.europa.eu/growth/single-market/strategy_en)

extension of the scope of Regulation 924/2009. This should take into account the total volume of transactions and the information gathered on pricing structures.

This study includes the coverage of all non-EUR MS of the EU and three selected MS of the euro area, which were selected in order to have a common comparison basis:

Geographical coverage	
<p><b>Selected euro countries</b></p> <ul style="list-style-type: none"> <li>• France</li> <li>• Germany</li> <li>• Italy</li> </ul>	<p><b>Non-EUR countries</b></p> <ul style="list-style-type: none"> <li>• Sweden</li> <li>• United Kingdom</li> <li>• Romania</li> <li>• Poland</li> <li>• Bulgaria</li> <li>• Denmark</li> <li>• Czech Republic</li> <li>• Hungary</li> <li>• Croatia</li> </ul>

Hence, with this study we will have a sound understanding of the functioning of the internal financial market, specifically in relation to the type of fees as well as the fees themselves charged by PSPs to their consumers and on the internal costs of such cross-border transactions both for EUR and non-EUR currencies in the EU. It will allow for an assessment of the relevance of an extension of the Regulation. Finally, it will help to assess the potential economic impact of an extension of the Regulation to all currencies of MS of the EU.

## 2.3 Main tasks

This study on the "Extension of Regulation 924/2009 to currencies of MS outside the euro area" attempts to address the main objective listed in the previous section via the following functional tasks:

**Main Task 1** – Overall integrated analysis EU legal framework on the functioning of the cross-border transactions and internal financial market through a high-level desk research and literature review focusing on the applicable EU level legislation and regulatory framework.

**Main Task 2** – Data collection exercise across the 12 countries in scope on the standard fees charged by PSPs, the internal costs of PSPs and an overview of comparison fees applied by PSPs to their consumers in EUR/local currency, for cross-border and domestic transactions, for internal costs and for currency conversions.

**Main Task 3** – Cost and effectiveness analysis of the impact of the extension of the Regulation to all currencies of MS in the European Union. This task will also include a presentation of high-level recommendations on the extension of the Regulation 924/2009.

The data analysis in relation to these tasks can be found in Section 4. The methodology for the data collection across the three tasks can be found in Section 7 (Annex).

### **3 EU regulatory framework**

The current study assesses the best options regarding an amendment to the Regulation 924/2009 on cross-border payments to reduce charges for cross-border transactions in all MS, by extending this to all currencies of MS of the EU.

Due to the high complexity of this study, it is important to analyse the EU legal framework regulating the functioning of the internal financial market for retail financial services in the EU. The importance is further illustrated below.

Firstly, it is to be noted that excessive fees related to the market for retail financial services are a deterrent to cross-border transactions. This does not stem directly from the rules alone, but rather their application in practice, their quality and speed of application, legal service costs and other framework conditions. Hence it is important to understand the legal framework to be able to detect its voids. Secondly, the understanding of legal rules will specifically inform the design of the other research tools deployed for the current study, such as the surveys to the relevant stakeholders, as well as other research tools.

From a legal framework perspective, the study is embedded in a larger EU legal framework that includes other key pieces of Commission work already dealing with the issue of harmonizing consumer protection by regulating payment services and PSPs in order to create an efficient market for payment services in Europe.

The EU legal framework relevant for the research focus of the current study are:

- **The Regulation 924/2009 on cross-border payments;**
- **The Regulation 2560/2001 on cross-border payments;**
- **The Payment Services Directive 1 (PSD1);**
- **The SEPA Regulation;**
- **The PSD2;**
- **The Interchange Fee Regulation (IF); and**
- **The concept of Capital Market Union (CMU) (incl. consumer financial services action plan).**

The details of each Regulation can be found in Annex 7.1 'Detailed legislation on Payments', with the exception of Regulation 924/2009.

### 3.1 Regulation on cross-border payments

In the context of SEPA, the Regulation (EC) 924/2009<sup>16</sup>, referred to as the 'Cross-border Payments Regulation', on charges for cross-border payments<sup>17</sup> in euro was adopted. Similarly to Regulation No 2560/2001, the objective is to equalise charges for corresponding national and cross-border electronically processed payments in euro offered by any PSP within the EU, which is for example a bank. The types of payments covered in the Regulation are:

- Credit transfers;
- Direct debit payments;
- Cash withdrawals at cash dispensers (ATMs); and
- Payments by means of debit and credit cards.

It aims at ensuring the proper functioning of the internal market in order to facilitate cross-border trade within the Community and as linked to the Single Market, the convergence of prices for payment services in the EU is one of the desired outcomes. Consequently, transaction fees for payments in euro have been reduced to a few cents as indicated in the study<sup>18</sup> on the impact of the Regulation published in 2013.

However, the Regulation does not equalise the differences in charges between the EU MS and does not mandate that transferring or receiving payments in euro should be free of charge. Charges may remain to be different between banks and MS since the equality of charges applies at the individual PSP level. The principle applies based upon the denomination (i.e. currency) of the payment, not the denomination of the account from or to which the payment is made.

In addition, payments involving currencies of EU MS other than the euro are not covered by the Regulation and thus tend to be much more expensive, creating economic barriers between MS and imposing significant costs on citizens who need to make cross-border transactions in non-EUR currencies. This implies that citizens and businesses making cross-border payments in non-EUR currencies are incurring significant costs which represent an obstacle to the further deepening of the Single Market. This is as such as cross-border issue which affects all types of electronic transactions involving a non-EUR MS currency.

#### Potential extension of the Regulation

It appears that action at EU level is required to ensure a harmonised approach in all MS. Thereby avoiding disadvantages for citizens and businesses in certain MS and depending on the currency used for transaction but also to capitalize on the largest basis possible for economies of scale to be made.

Therefore, under the Regulatory Fitness program (REFIT), as included in the Commission Work Programme 2017, the Regulation was flagged for review, within the framework to propose an amendment to the Regulation on cross-border payments to

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<sup>16</sup> Regulation (EC) No 924/2009 of the European Parliament and of the Council of 16 September 2009 on cross-border payments in the Community and repealing Regulation (EC) No 2560/2001, OJ L 266/11 of 9.10.2009

<sup>17</sup> Defined as an electronically processed payment transaction initiated by a payer or by or through a payee when the payer's payment service provider and the payee's payment service provider are located in different Member States (Regulation (EC) No 924/2009, Art. 1.

<sup>18</sup> European Commission, 2015. 'Green Paper: Building a Capital Markets Union'. Accessed June 2017. Available at: [http://ec.europa.eu/finance/consultations/2015/capital-markets-union/docs/green-paper\\_en.pdf](http://ec.europa.eu/finance/consultations/2015/capital-markets-union/docs/green-paper_en.pdf)



reduce charges for cross-border transactions in all MS, also those with currencies other than the euro. One exception among the MS outside the euro area is Sweden, which applies an equality of charges for domestic payments in Swedish krona and cross-border payments in krona and euro, and this since 2002, following the adoption of Regulation 2560/2001, the predecessor of Regulation 924<sup>19</sup>.

Further, the Action Plan on Consumer Financial Services<sup>20</sup> – based on the consultation on the Green Paper on retail financial services<sup>21</sup> – confirmed the intention to carry out this review and to use it as a basis for further reducing charges for cross-border transactions. By extending the Regulation to all currencies in the EU, this initiative generally aims to reduce charges for cross-border transactions in all MS, irrespective of the currency.

### **Options towards the extension of the Regulation**

Various policy options are available that could be completed by non-legislative options such as encouraging market initiatives that bring more transparency to cross-border transaction costs to legislative options. These could include:

- The equalisation of fees for local currency cross-border transfers and corresponding domestic transfers – currency conversion costs would be excluded. The legal basis for this type of initiative would be Article 114 TFEU dealing with the establishment and functioning of the internal market. This is today optional;
- The extension of the Regulation could also equalise fees for local currency transactions with euro transactions, which corresponds to the current article 3(3) of Regulation 924. This is today also optional and as noted earlier, only implemented by Sweden; and
- The extension could impose requirements on fee structures applied to payment services users such as minimum fees, ad valorem pricing or maximum fees / caps for cross-border transactions.

The following section directly addresses the data analysis on cross-border transactions.

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<sup>19</sup> See Communication from the Commission pursuant to Article 9 of Regulation (EC) No. 2560/2001 of the European Parliament and of the Council published in the Official Journal of the European Communities, C165/36 of 11 July 2002. The Communication indicates that on 28 June 2002, the Commission received notification that the Swedish authorities decided to extend the applicability of the Regulation to its currency, the Swedish krona, and states that this extension shall take effect fourteen days after publication in the Official Journal of the European Communities

<sup>20</sup> Communication COM 2017/0139 final from the Commission to the European Parliament, the Council, the European Central Bank, the European Economic and Social Committee and the Committee of the Regions, 'Consumer Financial Services Action Plan: Better Products, More Choice. Available at: <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52017DC0139>

<sup>21</sup> European Commission, 2015. 'Green Paper on retail financial services', Accessed May 2017. Available at: [http://ec.europa.eu/finance/consultations/2015/retail-financial-services/docs/green-paper\\_en.pdf](http://ec.europa.eu/finance/consultations/2015/retail-financial-services/docs/green-paper_en.pdf)

## 4 Data analysis on cross-border transactions

This section presents the methodology of the data analysis and the main findings for the data collected as part of Task 2. This is followed by a presentation of limitations and main challenges encountered in relation to the data analysis approach.

In specific, this data analysis in this section is structured around the following themes:

- **Retail financial services markets and consumer complaints;**
- **Fees charged by bank and non-bank PSPs;**
- **Costs charged by PSPs and internal PSP cost estimations;**
- **Transaction number and volume estimations;**
- **Clearing systems operating hours; and**
- **Limitations data analysis.**

### 4.1 Retail financial services markets and consumer complaints

In this section, the retail financial services market is covered through data collected on the following topics:

- **Consumers complaints and legal frameworks for consumer protection;**
- **Information provided by PSPs to consumers;**
- **Fees charged by PSPs in the countries of the EU;**
- **Cross-border transactions in the countries of the EU; and**
- **Extending the Regulation 924/2009 to all countries within the EU.**

The methodology for the data collection is described in Section 7.3.1.

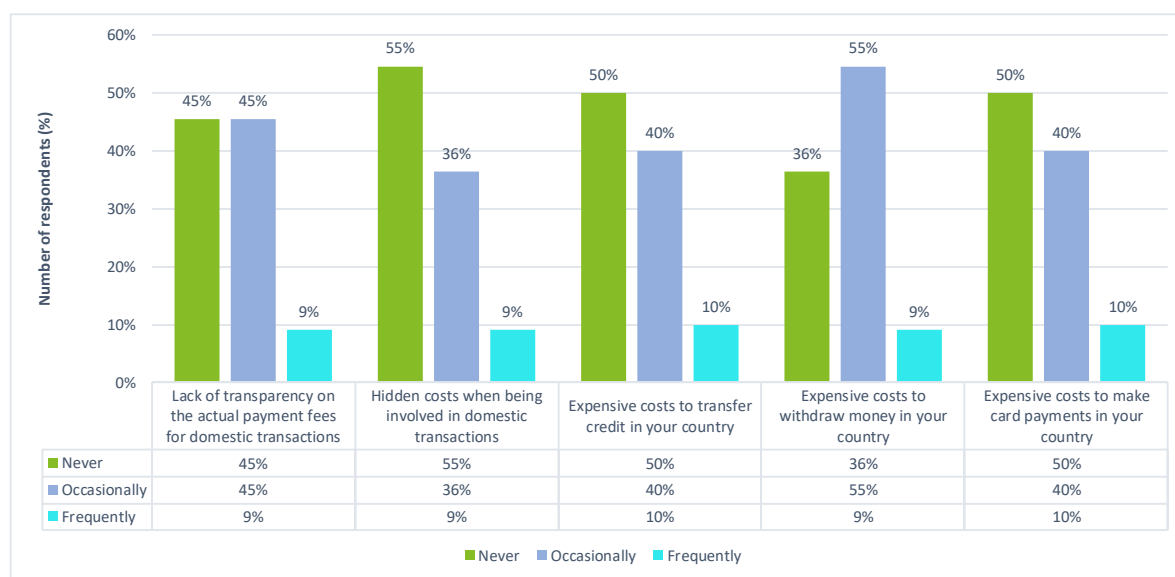
#### **Sub-topic 1: Consumers complaints and legal frameworks for consumer protection**

To obtain better insights into consumer complaints, CAs and PSU associations' representatives were asked as part of the survey to provide information regarding the practices consumers usually complain about in relation to financial retail transactions provided by PSPs for both domestic transactions as well as cross-border transactions. In addition, it was asked whether some legal frameworks existed in their countries to protect consumers.

Firstly, we analyse the domestic transactions by requesting survey respondents to rate the frequency of the practices consumers usually complain about in relation to **financial retail domestic transactions**. These domestic transactions are related to the different payments which involve customers or corporations **in the same country**. In particular, the practices included:

- Lack of transparency on the actual payment fees for domestic transactions;
- Hidden costs when being involved in domestic transactions;
- Expensive costs to transfer credit in the country of the survey respondent;
- Expensive costs to withdraw money in your country; and
- Expensive costs to make card payments in your country.

Figure 1: Consumers complaints about domestic transactions



Number of respondents: Grouped responses: 13; CAs: 11; PSUs: 2  
 Source: Survey to CAs, Survey to PSUs

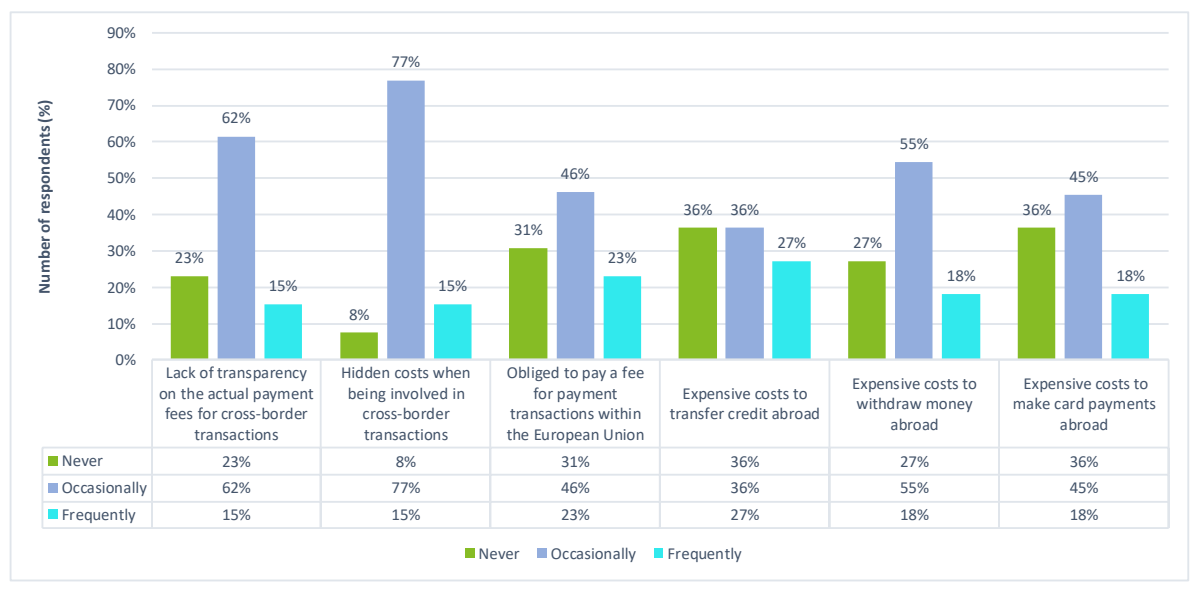
Regarding the domestic transactions, respondents noted that consumers do not often complain about any of the listed practices above. Most respondents indicated that the practices never occur or occasionally occur.

64% of the respondents indicated that consumers occasionally or frequently complain about the 'expensive costs to withdraw money in their country', however, 36% respondents also indicated that this never occurs. For the other practices, about 50% indicated that consumers never complain about 'expensive costs to transfer credit in their country' and 'expensive costs to make a card payments in their country', followed by 55% of the survey respondents pointing out that consumers never complain about 'hidden costs when being involved in domestic transactions' and around 45% never complain about the 'lack of transparency on the actual payment fees for domestic transactions'.

Secondly, we requested survey respondents to rate the frequency of the practices consumers usually complain about in relation to **cross-border retail domestic transactions**. These cross-border transactions are related to the different payments which involve individuals or corporations in at least two **different countries**. In particular, the practices included:

- Lack of transparency on the actual payment fees for cross-border transactions;
- Hidden costs when being involved in cross-border-transactions;
- Obligated to pay a fee for payment transactions within the European Union;
- Expensive costs to transfer credit abroad;
- Expensive costs to withdraw money; and
- Expensive costs to make card payments abroad.

Figure 2: Consumers complaints about cross-border transactions

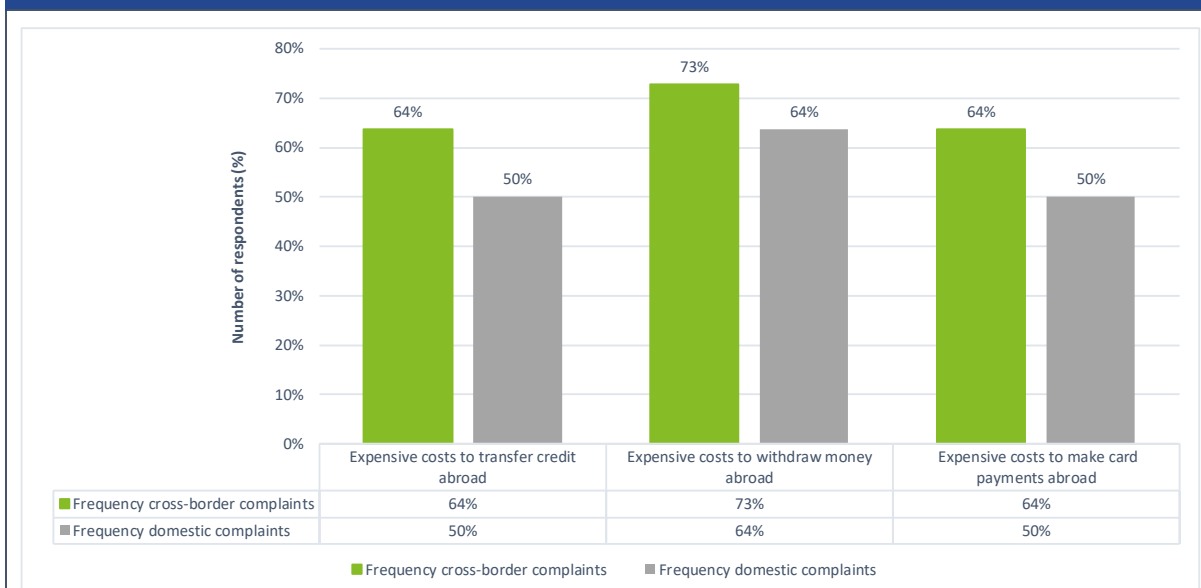


Number of respondents: Grouped responses: 13; CAs: 11; PSUs: 2  
 Source: Survey to CAs, Survey to PSUs

According to the majority of respondents, consumers occasionally complain about most of the listed cross-border practices above. In specific, about 92% of the consumers occasionally or frequently complain about the 'hidden costs when being involved in cross-border transactions'. Only 8% indicated that this practice is never complained about. Respondents further indicated that the following practices also occasionally and frequently occur: 'lack of transparency of the actual payment fees for cross-border transactions' (77%), 'expensive costs to withdraw money abroad' (73%), 'obliged to pay a fee for payment transactions within the European Union' (69%), 'expensive costs to transfer credit abroad' (64%) and 'expensive costs to make card payments abroad' (64%).

Most interesting is to compare the results for domestic transactions and cross-border transactions. Overall, according to our respondents, consumers are more often complaining (either occasionally or frequently) about practices in relation to their cross-border transactions as compared to domestic transactions.

**Figure 3: Consumers complaints (occasionally or frequently) about expensive costs for domestic and cross-border payments**



Number of respondents: Grouped responses: 13; CAs: 11; PSUs: 2  
 Source: Survey to CAs, Survey to PSUs

In relation to these complaints, both CAs and PSUs were also asked whether consumers are aware they can submit their complaints about payment services to competent authorities for these payments services. Overall, approx. 54% indicated that consumers are quite aware on this topic, whereas 38% believes consumers are not aware of this.

Another addressed theme covered the national legal framework for consumer protection. Overall, 78% of the respondents indicated that there were no deficiencies in the existing national legal framework for consumer protection in the payment service market. One respondent indicated that there was a lack in the national legal framework to force banks to give totally transparent information on the fees they charge to consumers. In addition, according to the majority of respondents, there are no national Regulations/laws related to unfair commercial practices in the payment service market which extend the current EU regulatory framework.

**Sub-topic 2: Information provided by payment service providers (PSPs) to consumers**

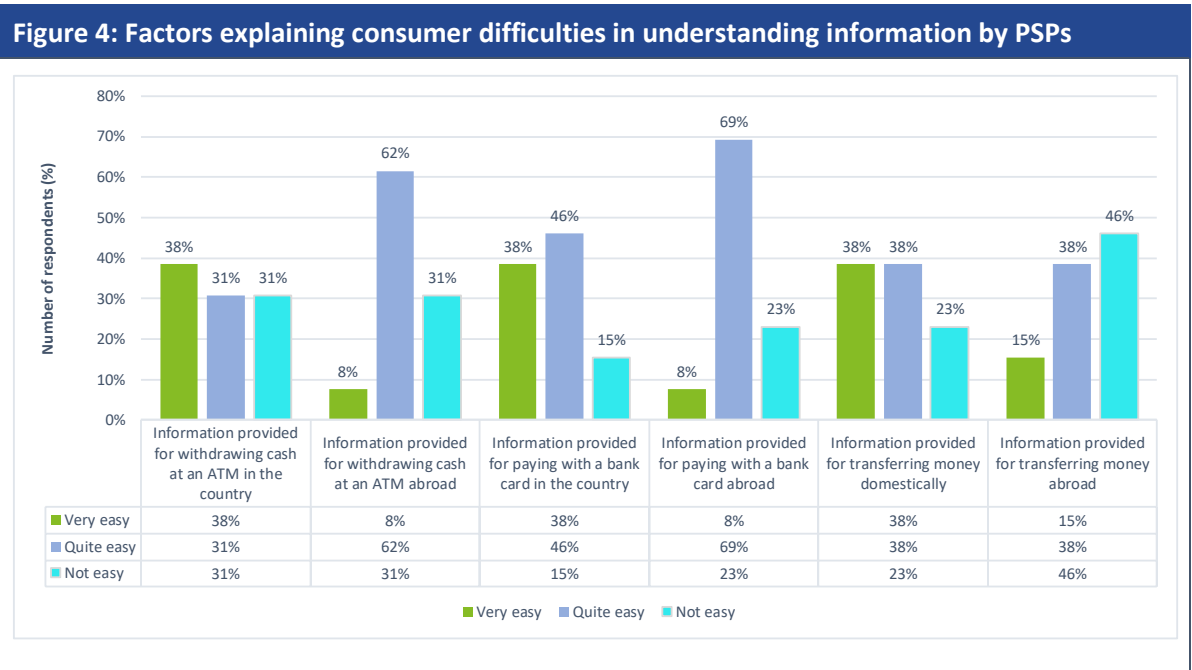
As highlighted in sub-topic 1, consumers do frequently complain about practices in relation to cross-border transactions and to a lesser extent to the domestic transactions. In particular, complaints may relate to the lack of information transparency provided by the PSPs. In this perspective, we further verify in this sub-topic (i) the easiness to understand the fees charged by PSPs for different transactions; and (ii) the reasons why consumers complain about the level of information clarity and transparency.

It was asked to consumers and PSUs associations for which of the following transactions it is difficult for the consumer to understand the fees charged by PSPs:

- Withdrawing cash at an ATM in the country;
- Withdrawing cash at an ATM abroad;
- Paying by card in the country;

- Paying by card abroad;
- Transferring money domestically; and
- Transferring money abroad.

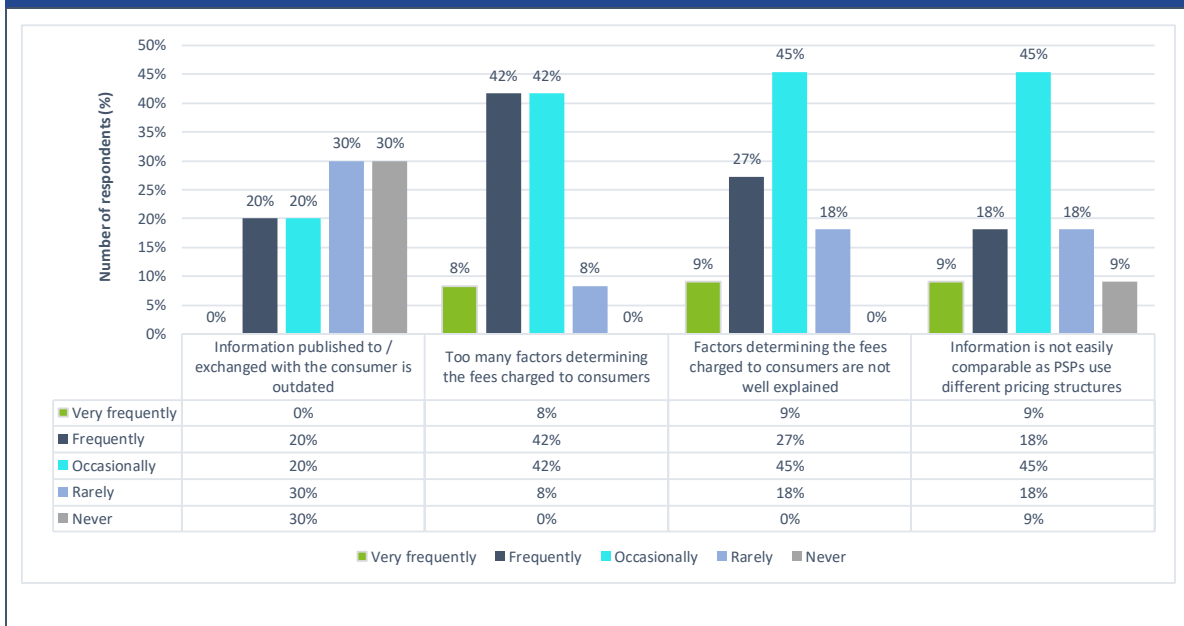
The data analysis displayed in the figure below reveals that, according to 38% of respondents, it is very easy to understand the fees charged by PSPs for 'withdrawing cash at an ATM in the country', 'paying by card in the country' and 'transferring money domestically'. The most difficult transaction fees for consumers to understand are the ones charged for 'transferring money abroad' (46%), 'withdrawing cash in the country' (31%) and 'withdrawing cash abroad' (31%).



To gain further insights about consumers' difficulties to understand the fees charged by PSPs, it was asked to associations' representatives which factors could explain these difficulties. The most relevant factor explaining these difficulties is that 'too many factors are determining the fees'. As indicated in the following graph, 92% of the respondents indicated that this factor, occasionally to very frequently, explains consumers' difficulties to understand the information provided. Also, some 'factors determining the fees charged to consumers' are very frequently to occasionally not well explained (82%) and 'information is not easily comparable as PSPs use different pricing structures' (73%). To a lower extent, respondents noted that 'information published or exchanged with the consumer' is frequently and occasionally outdated (40%) considering this is rarely or never the case (60%).

Representatives of consumer and PSU associations indicated that some initiatives could be taken to improve consumers' understanding of the information provided. Namely, they suggest that messages to customers should be more standardized and more easily formulated. Banks could also be obliged to publish a single annual tariff guide on their website. Lastly, it is recommended to banks to clearly indicate whether conversion fees will apply.

**Figure 5: Factors explaining consumer difficulties in understanding information by PSPs**



Number of respondents: Grouped responses: 13; CAs: 11; PSUs: 2  
 Source: Survey to CAs, Survey to PSUs

Further insights about the transparency of information provided to customers was collected via communications. A German consumer association indicated that the information provided by PSPs in relation to the fees they charge for cash withdrawals and card payments in non-EUR MS is misleading. In particular, it was noted that the fees are not transparent and always more expensive than mentioned when the customer is performing the payment. Very often, the fee charged for ATMs is correctly mentioned to be 0%. However, PSPs do not mention the applied exchange rate. Finanztest, a German consumer magazine, conducted a study (2016)<sup>22</sup> in which they asked two Swiss and one British citizen to withdraw money in 14 ATMs of Berlin and Hamburg. It appears from this study, that at some banks, the exchange rates from ATM-banks were more than 12% higher than standard exchange rate. Considering fees are generally not transparent, a transaction that appears to be free can be very costly for consumers.

### Sub-topic 3: Fees charged by payment service providers (PSPs) in the countries of the EU

This sub-section describes the reflections made by consumer and PSU associations' representatives on characteristics of different types of fees charged by PSPs in their country, for both domestic and cross-border transactions.

Firstly, it was asked to these respondents to indicate which fee structure they thought was the most appropriate for the three main types of transactions in scope (i.e. credit transfer, cash withdrawal and card payment). The selected fee structures included:

- (i) Minimum fee - lowest fee that can be charged;
- (ii) Maximum fee - highest fee that can be charged;
- (iii) Ad valorem fee - fee that is expressed as a percentage of the payment amount; and
- (iv) Flat fee - fee that is charged for any payment amount.

<sup>22</sup> Finanztest (2016), Moderne Wegelagerei.

As it can be seen from the below figure, the responses gathered are varied. Overall, and for each type of transaction, associations argue that a flat fee is the most suited fee structure (45% argue this for cash withdrawals, 36% for card payments and 40% for credit transfers). A flat fee structure is the easiest one to understand for customers as it applies for a payment of every value. In addition, a consumer association in the Czech Republic mentioned that flat fees are the best as it is 'transparent and the customer immediately knows what fee will pay for the service'. Charging an ad valorem fee is also recommended by 18% of the respondents for cash withdrawals and card payments and by 30% for credit transfers. Maximum fees are only recommended by 18%, 9% and 10% for cash withdrawals, card payments and credit transfers respectively.

**Figure 6: Best suited fee structures for withdrawing cash at an ATM; paying by card and transferring credit**



Number of respondents: Grouped responses: 13; CAs: 11; PSUs: 2  
 Source: Survey to CAs, Survey to PSUs

Another interesting aspect to understand is whether the fees charged to consumers vary from one PSP to another and, if so, the reasons behind this variation. From the figure displayed below, it appears that for domestic transactions, majority of the respondents indicated that the fees are mostly similar for cash withdrawals (45%), card payments (90%) and credit transfers (64%). However, for cross-border transactions, most respondents mentioned that the fees charged by different PSPs differ for cash withdrawals (70%) and card payments (56%). This is even more apparent for credit transfers as 100% of the respondents mentioned that the fees charged by PSPs differ.

This will be further analysed in Section 4.3.2 and particularly by figure 17. This figure displays the cost difference of transferring 10€ abroad using the cheapest bank PSP and the most expensive bank PSP in EU non-EUR countries. It was shown that in Bulgaria, shifting from the most expensive bank PSP to the cheapest one in our sample could save a customer 9€ when transferring 10€ abroad.

To gather more insights about these dissimilarities in the fees charged by PSPs, it was asked to associations' representatives which factors could explain this phenomenon. The majority of the respondents (75%) indicated that a possible reason to explain these differences is due to the high level of competition in the country. In addition,



50% declared that the quality of the service provided might also explain this difference.

**Figure 7: Differences in fees charged by different PSPs in each country for domestic and cross-border transactions**



Number of respondents: Grouped responses: 13; CAs: 11; PSUs: 2  
 Source: Survey to CAs, Survey to PSUs

#### **Sub-topic 4: Cross-border transactions in the countries of the EU**

Another key element is to gather insights about consumers' predisposition to perform cross-payments.

Associations' representatives were requested to indicate which payment methods a citizen of his/her country is likely to use for cross-border EU transactions in a foreign currency (e.g.: A German citizen transferring money in pounds to the UK). Due to the low response rate for countries of the EU which do not have the euro as a currency, the analysis was only performed for replies from associations' representatives of **euro countries**. In specific, the following payment methods were selected:

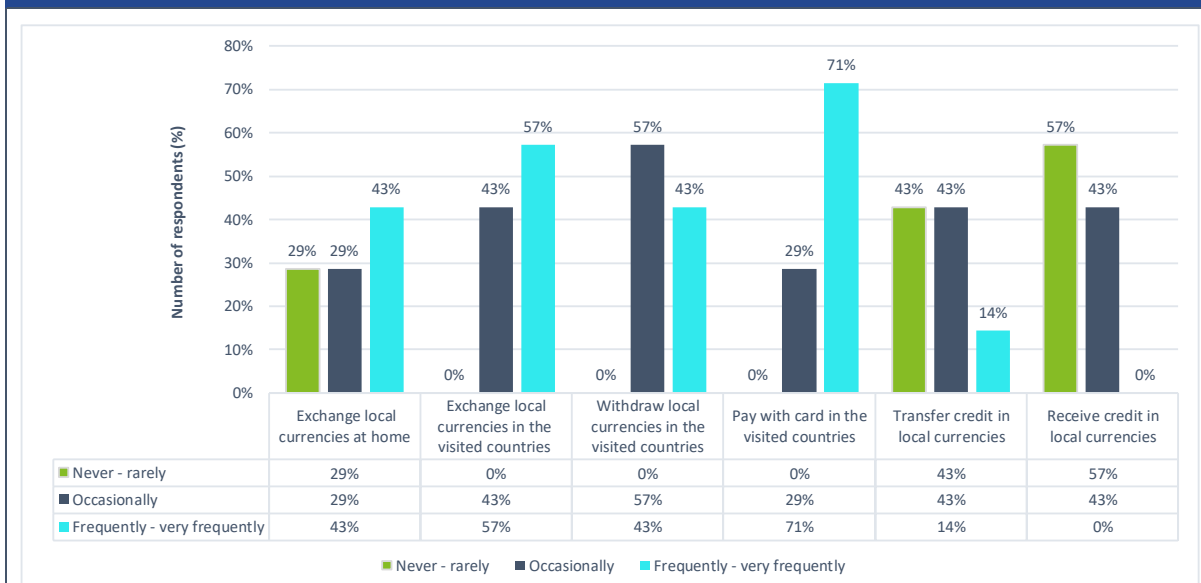
- Pay in cash by exchanging local currencies at home (E.g.: A German citizen exchanging euro for pounds in Germany);
- Pay in cash by exchanging local currencies in a visited countries (E.g.: A German citizen exchanging euro for pounds in the UK);
- Pay by cash by withdrawing local currencies in a visited countries (E.g.: A German citizen withdrawing pounds from an ATM in the UK);
- Pay with card in a visited countries (E.g.: A German citizen paying in pounds in the UK with his payment card);
- Transfer credit in local currencies (E.g.: A German citizen transferring money in pounds to the UK); and
- Receive credit in local currencies (E.g.: A German citizen receiving money in pounds from the UK).

As shown in the figure below, consumers are generally not refrained from paying with cash abroad, despite the high costs of these services. The majority of respondents (43%) indicated that citizens frequently to very frequently exchange currencies at home and withdraw local currencies in the visited country. Moreover, 57% of the associations' representatives mentioned consumers frequently to very frequently exchange local currencies in the visited countries.

Paying with card is usually a cheaper option and is greatly favoured by customers. Indeed, 71% of the respondents indicated that customers are frequently to very frequently paying by cards when they go abroad in an EU non-EUR country. The other 29% revealed that this practice occasionally occurs.

With regards to credit transfers, customers rarely use this practice as only 14% of the respondents indicated that customers are frequently to very frequently transferring credit abroad. In addition, it appears to be infrequent for citizens to receive a payment in local currencies of EU MS which do not have the euro as a currency. Indeed, 57% of the associations' representatives indicated that this never to rarely happens.

Figure 8: Services used by citizens for cross-border EU non-EUR transactions



Number of respondents: Grouped responses: 9; CAs: 8; PSUs: 1

Source: Survey to CAs, Survey to PSUs

### Sub-topic 5: Extending the Regulation 924/2009 to all countries within the EU

Lastly, the survey aimed to gather feedback directly from consumers and PSU associations' representatives on an extension of Regulation 924/2009. Overall, 60% of the respondents indicated to be in favour of this.

In addition, respondents were requested, according to their knowledge, to indicate the potential consequences of an extension of Regulation 924/2009 to currencies of MS outside the euro area. These could range from:

- Decreases or increases cross-border fees for consumers;
- Encourages PSPs to modernize payment systems to lower their internal costs;
- Enables consumers to better compare services;
- Gives consumers more confidence to explore the market and encourage to do cross-border transactions; and
- Encourages citizens to travel/study abroad.

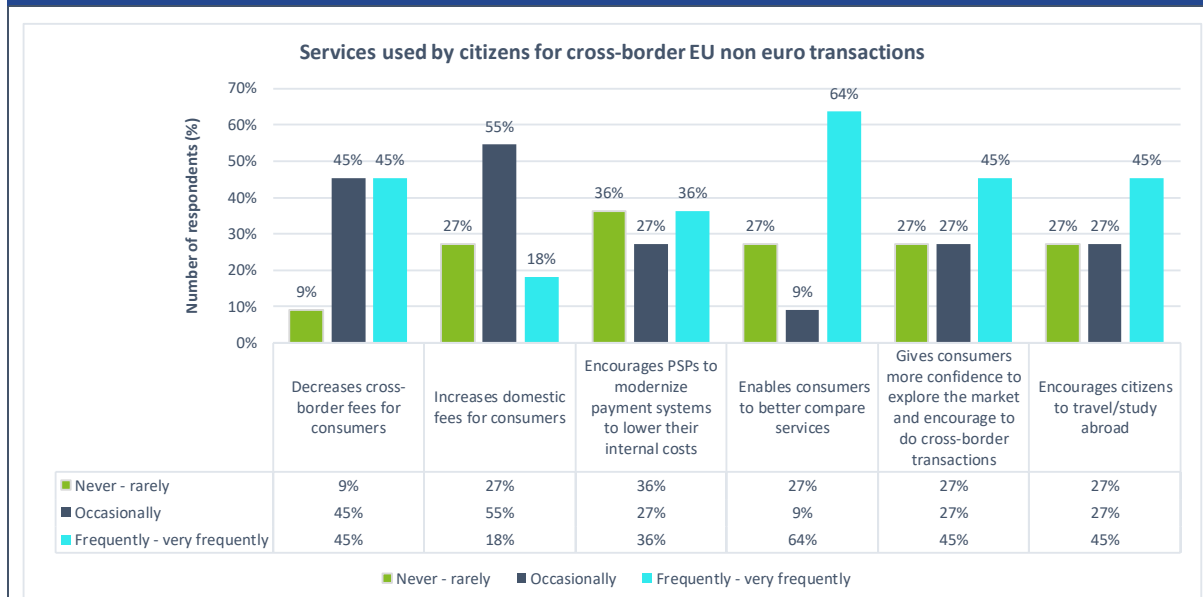
According to most respondents (64%), **the main benefit** expected from this extension would be that **services offered to consumers could be easier compared**. Also it should be noted that 45% of the respondents believe that this extension would lead to greater consumers' confidence to explore other markets as well as to encourage citizens to travel or study abroad. In addition, 36% of the respondents think that a Regulation extension could encourage PSPs to modernize payment systems to lower their internal costs.

The opinions on the impact of an extension of the Regulation on the fees charged by PSPs leads to an overall belief that this extension will reduce the fees on cross-border transactions (90% of the respondents) while fearing an increase in the domestic transactions (73%). **As a conclusion, the general public impression is that the extension will indeed be overall beneficial for the consumers.**

During the interviews with Banks, their **greater concern** relates to lowering the fees regarding cross-border transactions in non-EUR currencies. In fact, all banks

confirmed that this will have a direct impact of the cost recovery, as those transactions by their nature cannot be standardised. For EUR transactions, no banks opposed to the harmonization of costs.

**Figure 9: Potential consequences of an extension of Regulation 924/2009 to currencies of MS outside the euro area**



Number of respondents: Grouped responses: 13; CAs: 11; PSUs: 2  
Source: Survey to CAs, Survey to PSUs

The analysis performed in this section reveals that the associations' representatives' opinions about the consequences of an extension of the Regulation 924/2009 to currencies of MS outside the euro area are diverse. In this context, a case study about Sweden is displayed in the box below to gain further insights about the potential impacts an extension could have. Sweden is the only non-EUR country of the EU that decided to extend the Regulation to its country.

**Box 1: Extension Regulation 924/2009 - Case study Sweden**

When the Regulation 2560/2001 (i.e.: former version of Regulation 924/2009) on cross-border payments was adopted in December 2001, the possibility was given to non-EUR countries of the EU to extend the Regulation to their own currency. The European Commission received notification on June 28<sup>th</sup> 2002 that Sweden desired to extend the Regulation's application to its currency, the Swedish Krona. Sweden is the only country that decided to extend the Regulation.

The legal framework for the payment and settlement systems infrastructure in Sweden includes the Act on Fees on some Cross-Border Payments ('Lag om avgifter för vissagränsöverskridande betalningar, 2002:598<sup>23</sup>') which extends to payments made in Swedish kronor (SEK) the provisions on charges for cross-border payments in the Regulation (EC) 924/2009 on cross-border payments in the Community.

In this context, a desk research was performed in September 2017 in order to gather insights in the rationale behind the Swedish government's decision to extend the Regulation to its currency and the impacts identified. The purpose of this additional desk research is to support the analysis performed on the potential consequences of the extension of the Regulation. As illustrated previously, the feedback collected from associations' representative's regarding the

<sup>23</sup> Svensk författningssamling (2002). 'Lag om avgifter för vissa gränsöverskridande betalningar;'. Accessed September 2017. Available at <http://rkrattsdb.gov.se/SFSdoc/02/020598.PDF>

### Box 1: Extension Regulation 924/2009 - Case study Sweden

impacts of an extension of the Regulation are quite diverse.

The desk research consisted of the circulation of communications to payment experts in Deloitte Sweden, the Riksbank (Sweden national bank), the Swedish Financial Supervisory Authority (SFSA) and the Swedish Ministry of Finance.

Based on these communications, it was noted that no formal studies have been performed by these institutions to assess the real impact of the extension of the Regulation.

However, the SFSA and the Swedish Ministry of Finance provided information based on their experience and personal reflections. This information has not been confirmed by formal studies. The SFSA and the Swedish Ministry of Finance indicated two main reasons explaining the decision by the Swedish government to extend the Regulation to the SEK:

- Firstly, the Swedish government strongly believed this extension would benefit the Swedish integration in the European Union.
- Secondly, this adoption would put pressure on the Swedish banks to develop payment functions that are competitive, namely that are more automatized, thus benefitting consumers and SME businesses.

According to the interviewed stakeholders, the implications of the extension are twofold.

- Firstly, fees charged by PSPs for cross-border transactions in SEK should be the same as the fees charged for domestic transactions in SEK in Europe.
- Secondly, transfers of less than 50,000€ should have the same fees as a domestic payment in SEK.

The data collection exercise presented in Section 4.3.2, and which results are shown in Figure 13, displays that the five Swedish banks in our sample do not charge fees for electronic transfers in SEK. Therefore, it is also free for Swedish citizens to transfer money in euro as indicated in our data collection exercise.

Also the extension has not damaged the non-Bank PSP, as Sweden is one of the active countries in innovation in the non-bank PSP and their development has not been hindered by the extension of the Regulation.

## 4.2 Emerging trends from consumers' association

From the result of the stakeholder consultation, consumers and consumers' associations concur in the general sentiment that cross-border transactions are more expensive than domestic transactions, even between two EU countries.

This sentiment is exacerbated for the non-EUR currencies, for which not only the costs are deemed extremely high and often considered a barrier to use the service, but also deem to be non-transparent, considering not only the initiator of the payment is charged, but also the receiver is exposed to fees for the incoming funds.

For EUR transactions in the non-Eurozone, banks complain only about the access to the TARGET2 clearing system and about the need to be better connected. This would lead to lower fees for consumers and more efficiency for the banks.

## 4.3 Fees charged by bank and non-bank PSPs

### 4.3.1 Methodology data analysis

This sub-section describes our methodology in relation to the data analysis of fees charged by bank and non-bank PSPs to consumers for different domestic and cross-border payments.

As a first step in relation to the data analysis, the collected data was simplified as to design a comparable view of the data. The collected fees were converted into the exact amount of money (i.e. 'the fee') that a consumer is charged for by the bank and non-bank PSPs, for each payment type across each country in scope. Secondly, the fees were converted from local currencies to EUR using the exchange rate published on the ECB's website dated 14th of July 2017.

An example of the methodology applied to the Czech Republic is illustrated in the following figure:

**Figure 10: Data analysis methodology illustration**

Pricing Structure	Fee structure as collected in section 4.1 and 4.2	Exact fee in CZK	Exact fee in EUR (1EUR=26.075 CZK)
10 € (or equivalent)	0.9% (min 250 CZK, max 1500 CZK)	250.00 CZK	9.59 EUR
50 € (or equivalent)		250.00 CZK	9.59 EUR
100 € (or equivalent)		250.00 CZK	9.59 EUR
1000 € (or equivalent)		250.00 CZK	9.59 EUR
10000 € (or equivalent)		1,500.00 CZK	57.53 EUR

This exact fee calculation and EUR conversion allowed to directly compare the fees charged by the bank and non-bank PSPs within countries as well as across countries. To further ease the comparison of services offered by PSPs in EUR and non-EUR countries, **a low-high fees template** was created. This template records per pricing structure or per value of payment (i.e.: 10, 50, 100, 1.000 and 10.000€ or equivalent) the lowest and the highest fee charged to consumers for the different types of payments within each country in scope. An extract of the data analysis using this 'high-low' fees collection template is hereby displayed.

Figure 11: Low-high fees collection template extract

Lowest and Highest fees charged by PSPs to consumers for a payment of 10 € in non EUR EU MS													
					Bulgaria				Croatia				
					Banks PSP		Non Banks PSP		Banks PSP		Non Banks PSP		
					Low	High	Low	High	Low	High	Low	High	
Payment amount	Type of electronic payment				€ eq.	€ eq.	€ eq.	€ eq.	€ eq.	€ eq.	€ eq.		
10 € (or equivalent)	Credit Transfer	Euro	Cross-border	Incoming	0	0.00			N/A	N/A			
				Outgoing	15.00	24.03	0.72	5.00	4.05	10.80	0.72	3.00	
			Domestic	Incoming	0.00	0.00			N/A	N/A			
					Outgoing	15.00	24.03			4.05	10.80		
		Local currency	Cross-border	Incoming	0.00	1.53			N/A	N/A			
				Outgoing	15.00	24.03			4.05	10.80			
			Domestic	Incoming	0.00	0.51			0.00	0.08			
				Outgoing	0.41	1.28			0.19	1.21			
		Other EU currency	Cross-border	Incoming	0.00	1.53			N/A	N/A			
	Outgoing			15.00	24.03			4.05	10.80				
	Card Payment (debit)	Euro (cross-border)				0.00	0.04			0.00	4.10		
		Local currency (domestic)				0.00	0.00			0.00	0.20		
		Other EU currency				0.00	0.04			0.00	4.10		
	Cash Withdrawal	Euro (cross-border)				2.14	2.66			2.00	3.47		
		Local currency (domestic)	At ATM Group		0.00	0.15			0.00	0.00			
			Other ATM		0.45	0.61			1.41	2.70			
		Other EU currency				2.14	2.66			2.00	3.47		

### 4.3.2 Data analysis

The data analysis presented in this section compares, from a high level point of view, the main fees charged by different bank PSPs on a national level and across countries in scope. Furthermore, fees charged by bank PSPs are also compared to those related to non-bank PSPs. The following types of fees are analysed:

- **Sub-topic 1: Fees charged by bank PSPs for cross-border transactions in the non-EUR MS;**
- **Sub-topic 2: Fees charged by PSPs for outgoing cross-border credit transfer in euro in the non-EUR MS;**
- **Sub-topic 3: Fees charged by bank PSPs for incoming cross-border credit transfer in the EU; and**
- **Sub-topic 4: Fees charged by bank PSPs for domestic and cross-border transactions in euro in the EU.**

## Sub-topic 1: Fees charged by bank PSPs for cross-border transactions in the non-EUR MS

**Box 2: Illustration fees per transaction type for cross-border transactions in the non-EUR MS**

Payment Type	Explanation	Example
<b>Credit transfer</b>	Transfer credit, via a bank PSP, in EUR to a beneficiary in another EU country from a non-EUR EU MS	A Croatian citizen transferring money in EUR to a citizen resident in France
	Transfer credit, via a bank PSP, in a non-EUR EU MS currency to a beneficiary in another EU country from a non-EUR EU MS	A Croatian citizen transferring money in CZK to a citizen resident in Czech Republic
<b>Card payment</b>	Paying by card in EUR	A Croatian citizen paying by card in EUR in Italy
	Paying by card in currency of other EU MS	A Croatian citizen paying by card in SEK in Sweden
<b>Cash withdrawal</b>	Withdraw cash at an ATM in EUR	A Croatian citizen withdrawing money in EUR in France
	Withdraw cash at an ATM in currency of other EU MS	A Croatian citizen withdrawing money in HUF in Hungary

This sub-topic addresses the fees charged by bank PSPs in the non-EUR MS for EU cross-border transactions (i.e. transactions that involve individuals or corporations in at least two different countries).

### Cross-border credit transfers in the non-EUR MS

With regards to credit transfers, it appears from the analysis that, on the one hand, bank PSPs in Bulgaria and Croatia charge the same fees for any outgoing transfer in a foreign currency, whether this is in euro or in currencies of EU MS other than the euro. For example, a Croatian bank's website mentions that the bank charges 80 HRK (10.80€) for an 'international payment' of 10€ equivalent. Therefore, in this case, the fee is 80 HRK whether the payment is made in EUR, in a currency of another EU MS or even in a non-EU currency.

On the other hand, in the other seven non-EUR MS countries, a credit transfer in euro can be cheaper than a transfer in another EU currency as some of the banks in our sample have different tariffs for EUR or non-EUR payments. For example, an UK bank charges 10£ (11.4€) for a credit transfer of 10€, but charges 22£ (25€) for an equivalent transfer (e.g. 19.56 BGN) in a non-EUR currency.

An extract of the data analysis is provided below. This shows the highest and lowest fees a consumer can be charged, according to our sample, for transferring 10€ or 10€ equivalent from a non-EUR EU country to another EU MS.



**Figure 12: Fees charged to consumers for transferring 10€ (or local currency equivalent) to another EU MS for countries of the EU which do not have the euro as a currency**

Non-euro countries																			
10 €		From																	
		Bulgaria		Croatia		Czech Republic		Denmark		Hungary		Poland		Romania		Sweden		The UK	
		Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High
To	Euro	15.00 €	24.03 €	4.05 €	10.80 €	7.48 €	9.59 €	2.69 €	2.69 €	4.62 €	10.36 €	1.19 €	1.90 €	9.86 €	14.90 €	0.00 €	0.00 €	4.55 €	11.37 €
	Other EU currency	15.00 €	24.03 €	4.05 €	10.80 €	8.44 €	11.51 €	6.72 €	6.72 €	4.62 €	12.34 €	4.74 €	9.48 €	9.86 €	19.73 €	5.24 €	5.24 €	4.55 €	25.00 €

As it can be seen in the above figure, according to our sample, the cost for transferring 10€ for a consumer of an EU MS which does not have the euro as a currency can range from 0€ in Sweden to 24.03€ in Bulgaria. For transactions in currencies of EU MS other than the euro, transferring 10€ equivalent can cost a consumer from 4.05€ in Croatia to 25.00€ in the UK.

### Cross-border cash withdrawals and card payments in the non-EUR MS

For cash withdrawals in the non-EUR MS, across our sample, no differences were seen if the payments are made in euro or in another currency. For example, a bank in Bulgaria charges 4.29 BGN (2.20€) if one of their client withdraws, for instance, 10€ equivalent in EUR in France (i.e. 10€) or in DKK in Denmark (i.e. 74.37 DKK). The same applies to card payments. For example, a bank in the UK charges a fee of 0.24£ (0.28€) if a customer pays by card an amount of 10€ equivalent in EUR in France (i.e. 10€) or in DDK in Denmark (i.e. 74.37 DKK).

Overall, paying by card or withdrawing money in a country with a different currency costs more than corresponding payments in the domestic country. For example, for a bank in the UK, it costs 0.24£ (0.28€) to withdraw 10€ equivalent in a non-domestic currency (i.e. not in British pounds) but is free if the clients withdraw 10€ equivalent in British pounds (i.e. 8.8£).

An extract of the data analysis for cash withdrawals and card payments is provided below. This shows the highest and lowest fees a consumer can be charged, according to our sample, for withdrawing or paying by card 10€ or 10€ equivalent in another EU country. As explained above, there is no cost difference whether the payment is in euro or in an EU MS currency other than the euro.

**Figure 13: Fees charged to consumers for withdrawing and paying by card 10€ (or equivalent) in another EU MS for countries of the EU which do not have the euro as a currency**

Cash withdrawal at an ATM																			
10 €	Bank account in																		
	Bulgaria		Croatia		Czech Republic		Denmark		Hungary		Poland		Romania		Sweden		The UK		
	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	
Other EU country	2.14 €	2.66 €	2.00 €	3.47 €	3.80 €	4.79 €	4.03 €	N/A	0.06 €	9.98 €	0.30 €	2.37 €	2.51 €	16.12 €	0.17 €	0.27 €	0.27 €	2.55 €	

Card payments																			
10 €	Bank account in																		
	Bulgaria		Croatia		Czech Republic		Denmark		Hungary		Poland		Romania		Sweden		The UK		
	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	
Other EU country	0.00 €	0.04 €	0.00 €	4.10 €	0.00 €	0.00 €	0.01 €	0.15 €	N/A	N/A	0.28 €	2.37 €	0.00 €	0.20 €			0.20 €	1.98 €	

As analysed in the above Figure, fees charged to consumers for withdrawing 10€ (or equivalent) can range from 0.06€ in Hungary to 16.12€ in Romania. For card payments, the fees are generally lower. It can range, according to our sample from 0€ in Bulgaria, Croatia, Czech Republic and Romania to 4.10€ in Croatia.

### Sub-topic 2: Fees charged by PSPs for outgoing cross-border transactions in euro in the non-EUR MS

#### Box 3: Illustration fees per transaction type for outgoing cross-border transactions in euro in the non-EUR MS

Payment Type	Explanation	Example
<b>Credit transfer</b>	From a non-EUR EU MS, via a bank PSP, transfer credit in EUR to a beneficiary in another EU country	A Croatian citizen transferring money, via its bank, in EUR to a resident in France
	From a non-EUR EU MS, via a non-bank PSP, transfer credit in EUR to a beneficiary in another EU country	A Croatian citizen transferring money, via a non-bank PSP, in EUR to a resident in France
<b>Card payment</b>	N/A	N/A
<b>Cash withdrawal</b>	N/A	N/A

A detailed example illustrating the fees analysed in this section is given in Box 4. These are the fees charged by bank and non-bank PSPs for transferring euro from an account in the currency of an EU MS other than the euro.

**Box 4: Practical illustrations - Fee charged for a euro cross-border transaction by bank and non-bank PSPs for countries of the EU which do not have the euro as a currency**

**Bank PSP**

A British citizen, who has an account in pounds at Barclays bank in the UK, would like to transfer 10€ to a peer in France on 14 July 2017.

Barclays charge a flat fee of 5£<sup>24</sup> for this type of euro payment, taken into account this is a SEPA payment. Therefore, when adding the amount transferred and the transaction cost, the British citizen will pay 5,00£ for transferring 10€ to his peer in France.

**Non-bank PSP**

The same British citizen could also use a non-bank PSP for transferring the 10€ to his peer in France. The citizen decides to use TransferWise. TransferWise charges an ad valorem fee of 0.5%, with a minimum of 2£<sup>25</sup> for a euro transfer from the UK. In the case of transferring 10€ (8.80 £), the minimum fee of 2£ will then apply. This is the transaction cost. Therefore, in total, the British citizen will pay 2,00 £ for transferring 10€ to his peer in France.

The data analysis shows the fees charged by bank PSPs in case of **a credit transfer of 10€** from a payment initiator located in a non-EUR EU MS to a beneficiary in another EU country. Note that this comparison exercise has only been performed for 10€ due to the complexity of data collection.

The analysis for transferring a credit of 10€ generally demonstrates that the amounts of fees greatly differ **across the countries** in scope. Differences are not only noted across the countries in scope, but also at the **domestic level** and **between bank PSPs and non-bank PSPs**, as displayed below.

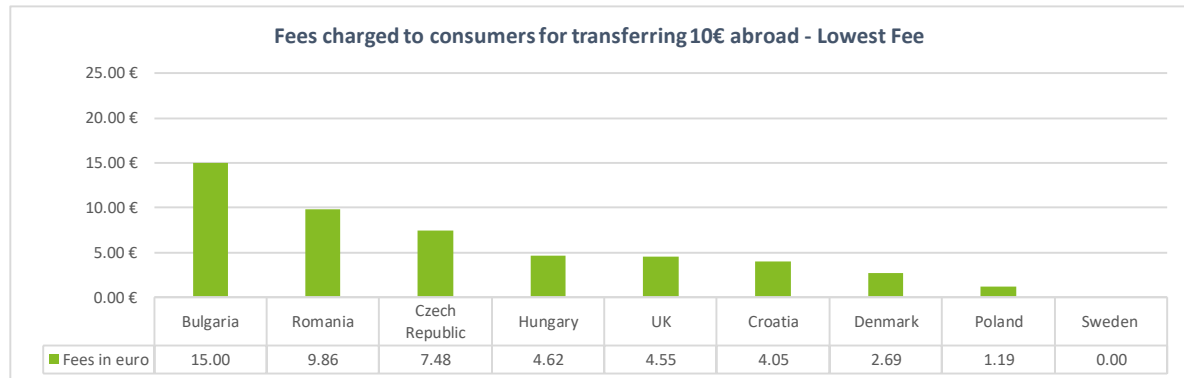
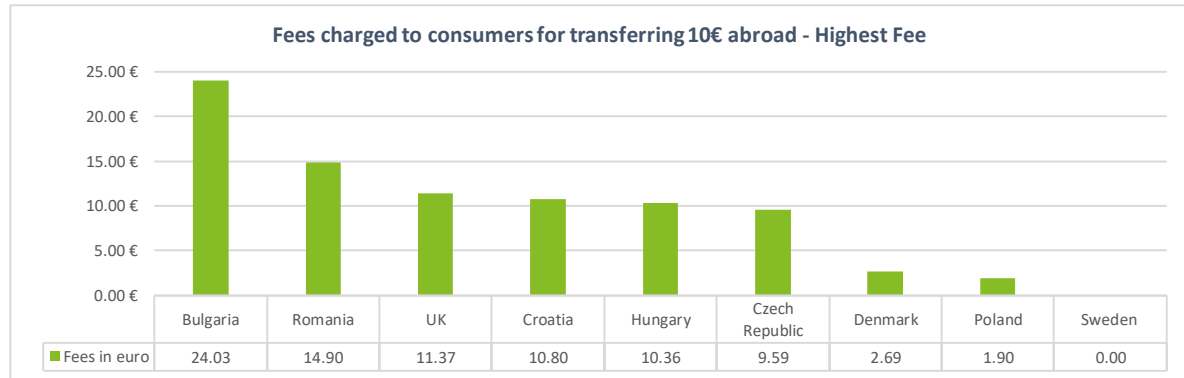
**Cross-border credit transfers in euro in the non-EUR MS: Fees differences across countries**

The following graphs illustrate the cost charged to a consumer in case of transferring credit of EUR 10 abroad **across all the non-EUR countries in scope** when (i) using the bank PSP in the dedicated country charging the lowest fees (or the 'cheapest bank PSP') and (ii) using the bank PSP in the dedicated country charging the highest fees (or the 'most expensive bank PSP').

<sup>24</sup> Data were retrieved on the 14<sup>th</sup> July 2017

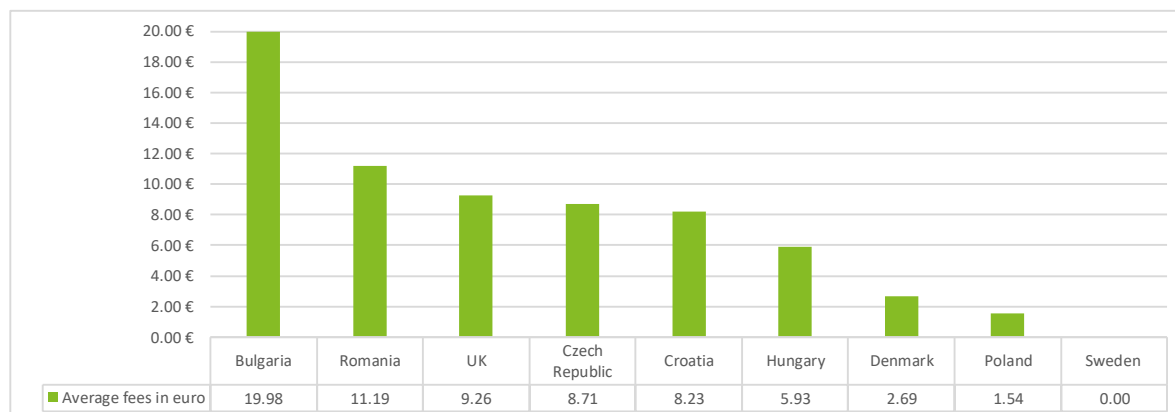
<sup>25</sup> Data were retrieved on the 14<sup>th</sup> July 2017

**Figure 14: Fees charged to consumers for transferring 10€ for countries of the EU which do not have the euro as a currency – Comparison between the highest fees and lowest fees charged by a bank PSP**



The analysis is further completed by the calculation of average fees across the different countries in scope, as illustrated in the below Figure.

**Figure 15: Fees charged to consumers for transferring 10€ for countries of the EU which do not have the euro as a currency – Average fees charged by bank PSPs**



Based on the analysed data, it generally appears that the northern countries (Sweden, Poland, Denmark) are charging the lowest fees to their consumers for a credit transfer of 10€. For a citizen in Sweden, a credit transfer of 10€ is free of charge, both in cases of transferring credit through the cheapest and most expensive bank PSP. This is followed by Poland, where a consumer is charged on average 1.54€. Fees applied range from 1.90€ by using the most expensive bank PSP to 1.19€ in case of using the cheapest bank PSP. In Denmark, the average fee charged to consumers is 2.69€. All three Danish banks in our sample were charging the same fee.

On the other hand, Bulgaria, Romania and the UK are overall charging the highest fees to their customers. A citizen in Bulgaria would pay on average 19.98€. This goes up to 24.03€ when transferring money through the most expensive bank and about 15€ through the cheapest bank. The second most expensive country is Romania where a citizen would be charged 11.19€ on average. The fee amounts to 14.90€ of the most expensive bank and 9.86€ of the cheapest bank PSP. For the UK, the highest fee is 11,37€ and the lowest is 2,27€. The wider gap between the cheapest and the most expensive bank PSP is due to the fact that in the UK, there is a presence of numerous non-bank PSPs offering cheaper solutions as compared to banks.

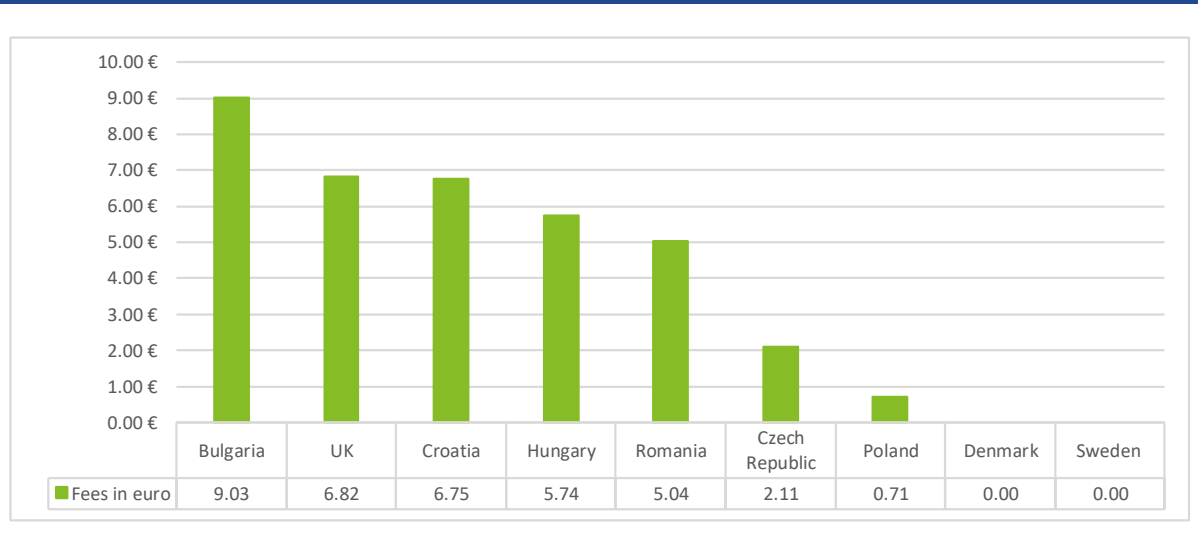
### **Cross-border credit transfers in euro in the non-EUR MS: Fees differences within countries**

Not only across the countries in scope of the study, but also **within a country itself (domestic level)**, there are some large differences noted between the amount of fees the different bank PSPs charge for credit transfers.

The following graph shows that the largest differences in fees charged to consumers within one country for transferring 10€ are in Bulgaria, the UK and Croatia. For example, in Bulgaria, switching from the most expensive bank PSP to the cheapest one can save a consumer about 9.03€ when transferring 10€ abroad. In the UK and Croatia, consumers can save approximately 6.75€.

In Denmark and Sweden, on the contrary, there is no difference observed for the fees charged by the most expensive and cheapest bank PSP – due to, as noted before, in Sweden no fees are charged to the consumers for this type of money transfers. Low differences are further noted for Poland, where a consumer can save about 0.71€.

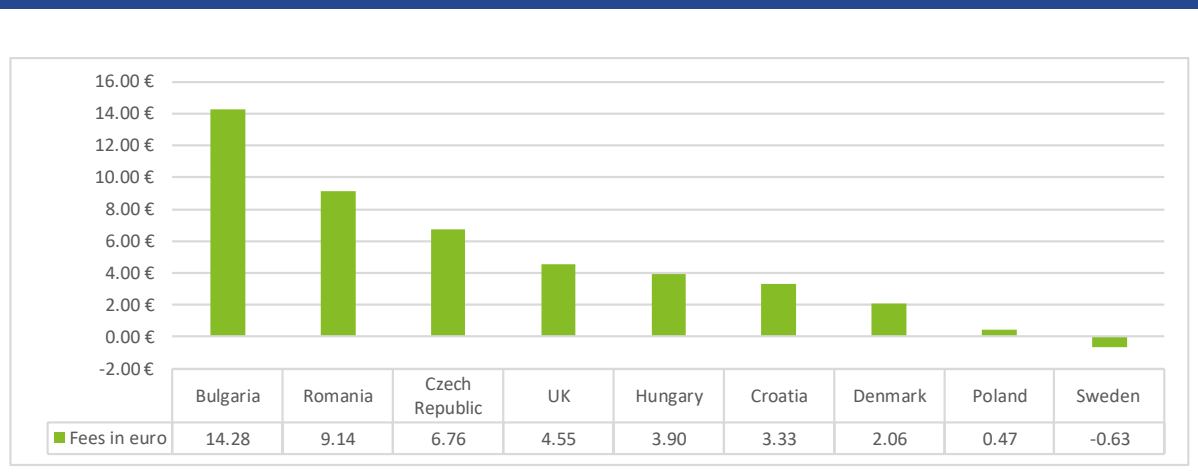
**Figure 16: Fees charged to consumers for transferring 10€ for countries of the EU which do not have the euro as a currency – Comparison between the highest fee and lowest fees charged at the domestic level**



**Cross-border credit transfers in euro in the non-EUR MS: Fees differences between bank PSPs and non-bank PSPs**

Besides relying on services offered by bank PSPs, citizens also began more and more to use **non-bank PSPs for cross-border payments**. It is therefore important to analyse the differences in price between the cheapest bank PSP and the cheapest non-bank PSP in case a consumer from countries of the EU which do not have the euro as a currency transfers 10€ abroad.

**Figure 17: Fees charged to consumers for transferring 10€ for countries of the EU which do not have the euro as a currency – Comparison between the cheapest bank PSP and non-bank PSP**

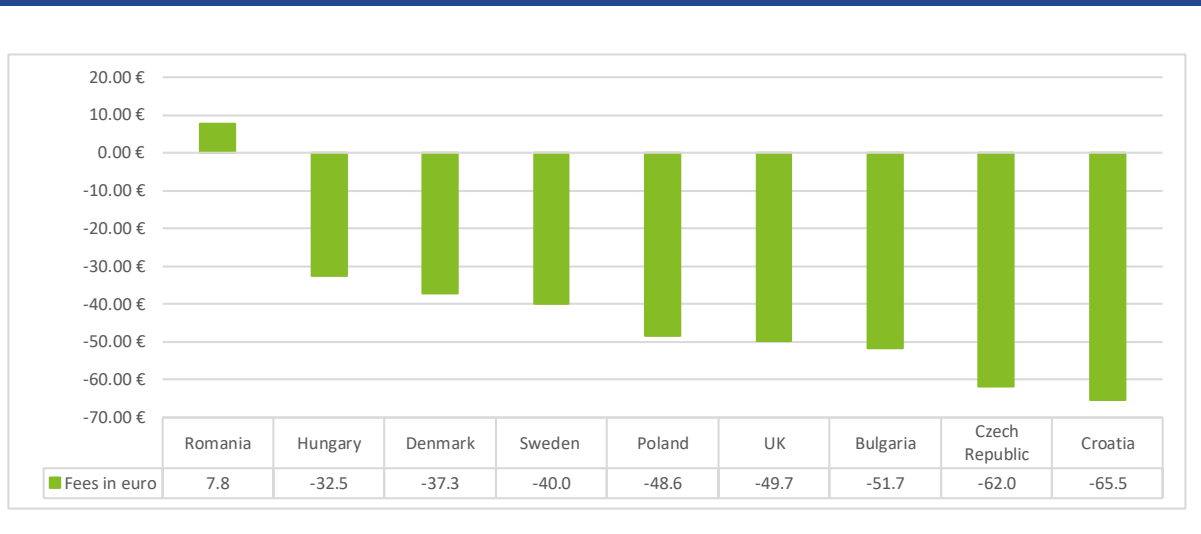


As it can be seen from the graph, for transferring 10€ abroad, switching from the cheapest bank PSP to the cheapest non-bank PSP would save a consumer 14,28€ in Bulgaria and 9,14€ in Romania and 6.76€ in the Czech Republic. In the case of

Denmark, the difference would only be 2.06€, followed by Poland 0.47€. However, this would cost 0.63€ more in Sweden.

While it can be advantageous for consumers to use non-bank PSPs for small amounts of money, this is less the case for larger ones. As an example, the graph below indicates **the impact when transferring 10,000€ abroad**, using the cheapest banks and non-bank PSPs.

**Figure 18: Fees charged to consumers for transferring 10,000€ for countries of the EU which do not have the euro as a currency - Comparison between the cheapest bank PSP and non-bank PSP**



For all the countries in scope, except for Romania, the consumers will pay a higher fee for transferring 10,000€ via a non-bank PSP than via a bank PSP. The biggest difference is noted in Croatia where a consumer could save up to 65.46€ if he/she transfers 10,000€ via the cheapest bank PSP rather than via the cheapest non-bank PSP. On the other hand, in Romania, when transferring 10,000€ abroad, the consumer will receive better rates and consequently be charged less fees (i.e. -7.81€) when using the cheapest non-bank PSP rather than the cheapest bank PSP. This overall trend can be explained by the fact that non-bank PSPs largely charge ad-valorem fees (i.e. percentage fees), which tend to be vast for high amounts. On the other hand, bank PSPs are frequently charging flat fee (i.e. standard fee for any amounts), which tend to be expensive for small amounts but which can be interesting when transferring large amounts.

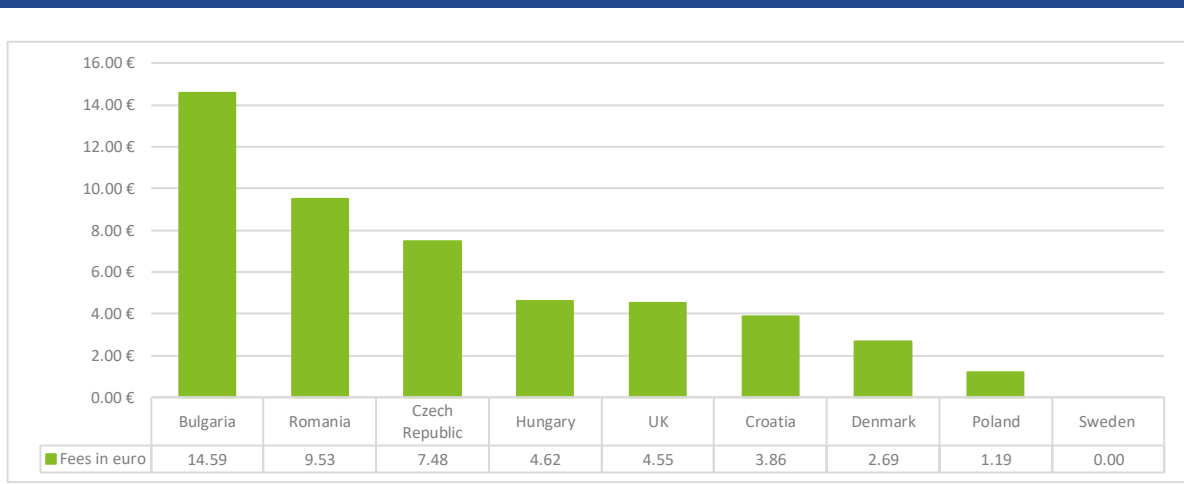
**Cross-border credit transfers in euro in the non-EUR MS: Fees differences with equivalent payments in local currency**

Another element analysed is the comparison of fees charged by the cheapest bank to the consumer when transferring **10€** domestically as compared to an **equivalent** transfer domestically in the **local currency**. For example, this compares the fees charged by the cheapest bank PSP to a Bulgarian customer for transferring domestically 10€ and the fees charged for transferring domestically 19.56 BGN (i.e. 10€ equivalent in his local currency). Overall, in most countries analysed, transferring 10€ costs much more as compared to an equal transfer in the local currency.

In Bulgaria, the fee charged to a customer for transferring 10€ costs 14.60€ more as compared to a corresponding payment in the local currency (i.e. 28.54 BGN). This is

the largest difference noted of the analysed countries in scope. The second highest difference is observed in Romania, where the cost difference rises to 9.53€, followed by Czech Republic where a difference of 7.48€ was observed. Transferring 10€ domestically or transferring its equivalent in Swedish krona is however free of charge in Sweden. This equality of charges for domestic payments in SEK and cross-border payments euro is a result of the extended Regulation 2560/2001 (predecessor of Regulation 924/2009) in 2002 in Sweden.

**Figure 19: Fees charged to consumers for transferring 10€ equivalent domestically for countries of the EU which do not have the euro as a currency – Comparison between transferring 10€ and 10€ equivalent in local currency, using the cheapest bank PSP**



### Sub-topic 3: Fees charged by bank PSPs for incoming cross-border credit transfer in the EU

**Box 5: Illustration fees per transaction type for incoming cross-border credit transfer in the EU**

Payment Type	Explanation	Example
<b>Credit transfer</b>	In a non-EUR EU MS, via a bank PSP, receive credit in EUR from a payment initiator in an EU country	A Croatian citizen receiving money, via its bank, in EUR from a resident in France
	In a EUR MS, via a bank PSP, receive credit in a non-EUR EU MS currency, from a payment initiator in an EU country	A French citizen receiving money, via its bank, in CZK from a resident in Czech Republic
<b>Card payment</b>	N/A	N/A
<b>Cash withdrawal</b>	N/A	N/A

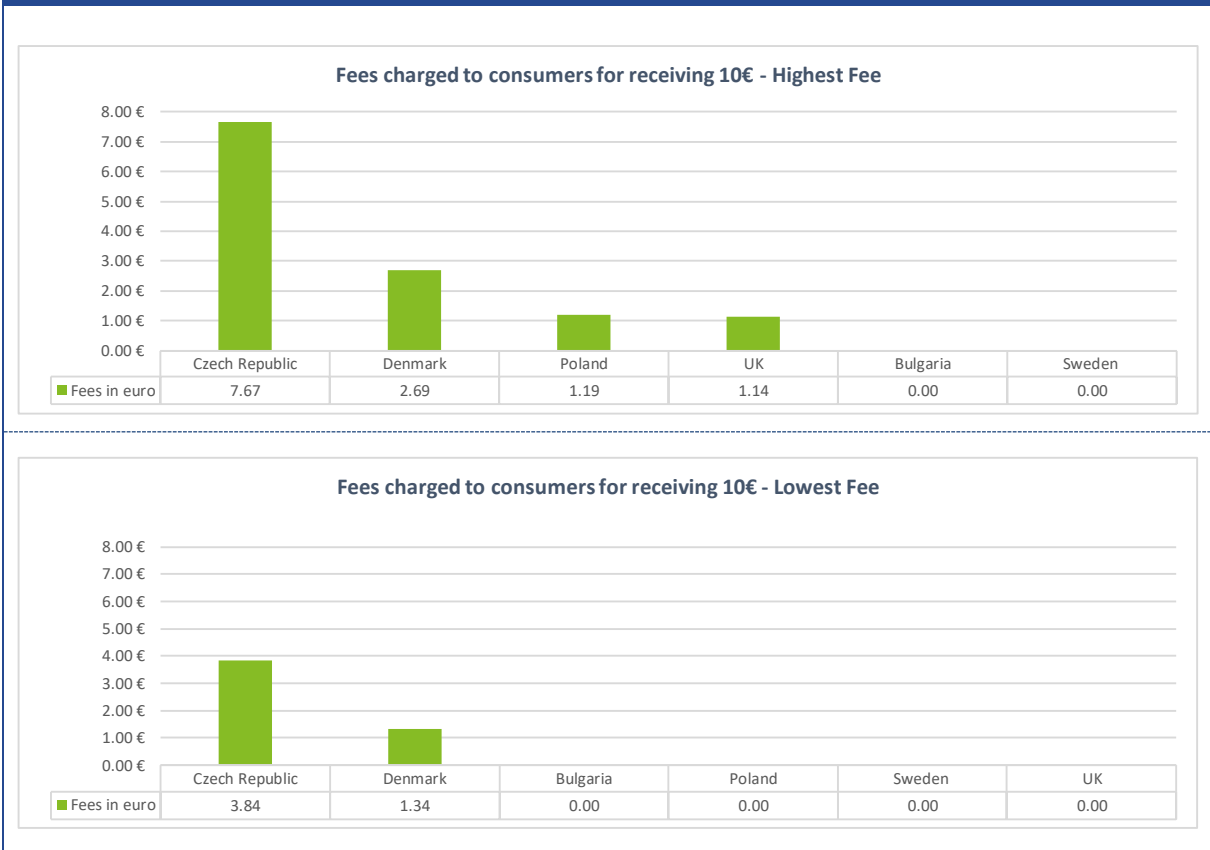
The third type of fees analysed are the fees charged by bank PSPs to consumers **in the EU** (i.e. both in EUR MS and in non-EUR MS) for **receiving a credit transfer in a foreign currency**. This incoming fee can be charged to consumers regardless of the consumer's desire to receive the payment.



### Incoming cross-border credit transfers in euro in the non-EUR MS

The following graphs illustrate the lowest and the highest fees a consumer in the **non-EUR countries** of the European Union can be charged with for receiving a payment of 10€, according to the sample of countries analysed.

**Figure 20: Fees charged to consumers for receiving 10€ for countries of the EU which do not have the euro as a currency – Comparison between the most expensive bank PSP and the cheapest bank PSP**



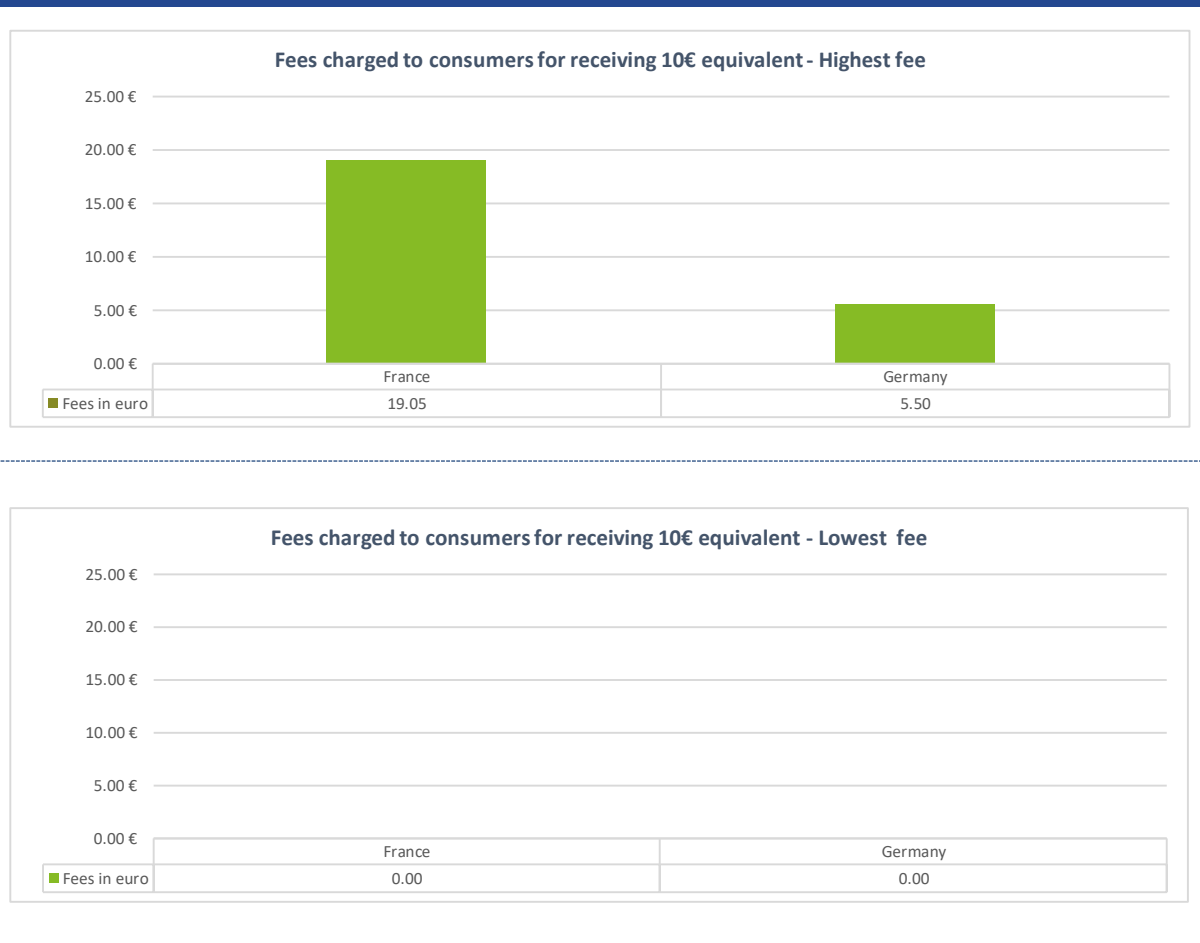
The data collection exercise in relation to this type of fees showed that Croatia, Poland and Romania are not, or to a very limited extent, publicly disclosing the fees charged by bank PSPs for incoming euro transfers. No further analysis for these countries could be performed.

Comparing the fees for those countries where data is available, it appears that bank PSPs in Czech Republic and Denmark are charging the highest fees when receiving a transfer of 10€. Fees applied in Czech Republic range from 3.84€ by using the cheapest bank PSP to 7.67€ in case of using the most expensive bank PSP. In Denmark, 2.69€ can be charged to a customer if he/she holds an account at the most expensive PSP and 1.34€ if he/she has an account at the cheapest one. In Sweden and Bulgaria, no costs are charged to the consumer.

**Incoming cross-border credit transfers in currency of the EU MS other than the euro in the euro MS**

Fees also apply for citizens of euro countries for **receiving a credit transfer in a currency of the EU MS other than the euro**. The following graphs illustrate the highest and the lowest fees a consumer can be charged with for such payments transferred to France and Germany. Italy was excluded from the analysis as the incoming fees are not publicly disclosed and/or not easily collected.

**Figure 21: Fees charged to consumers for receiving 10€ equivalent in local currency of the country – Cost difference between domestic and cross-border – Comparison between the most expensive bank PSP and the cheapest bank PSP**



**Figure 22: Fees charged to consumers for receiving 10€ equivalent in currencies of EU MS other than the euro – Comparison between domestic and cross-border transfers**



The above graph indicates that, in France, it can cost up to 19€ for receiving a payment of 10€ equivalent in a currency other than the euro (e.g.: receiving 19.56 BGN). The fee is the same whether the payment is coming from France or another country. For example, a customer which has an account at this bank can receive 19.56 BGN (10€ equivalent in Bulgarian currency) but has to pay 19€ for receiving the transfer. Therefore, his/her account is overall debited by 9€. The maximum fee that can be charged in Germany for such a transfer is 5.50€ according to our sample. It is however possible, for consumers in these countries, as indicated in the graph above, to not pay fees for receiving such payment as there are banks in France and Germany that do not charge fees for receiving payments of 10€ equivalent.

#### Sub-topic 4: Fees charged by bank PSPs for domestic and cross-border transactions in euro in the EU

**Box 6: Illustration fees per transaction type for domestic and cross-border transactions in euro in the EU**

Payment Type	Explanation	Example
Credit transfer	From a EU MS, via a bank PSP, transfer credit in EUR to a beneficiary in the same country	A Croatian citizen transferring money, via its bank, in EUR to a resident in Croatia
	From a EU MS, via a bank PSP, transfer credit in EUR to a beneficiary in another country	A Croatian citizen transferring money, via its bank, in EUR to a resident in France
Card payment	N/A	N/A
Cash withdrawal	N/A	N/A

The fourth type of fees analysed are the fees charged by PSPs to EU consumers for domestic and cross-border euro transactions. In this sub-topic, domestic and cross-border fees are considered, contrary to sub-topics 1, 2 and 3 where only cross-border transactions were considered. According to the Regulation 924/2009, charges for **cross-border** payments in euro should be the **same** as for corresponding payments **within a MS**. This for example means that the fees charged to a Croatian consumer for transferring 10€ to a beneficiary domestically (i.e. in Croatia) should be the same as the fees charged for transferring 10€ to a receiver in another EU country (e.g. France, Bulgaria etc.).

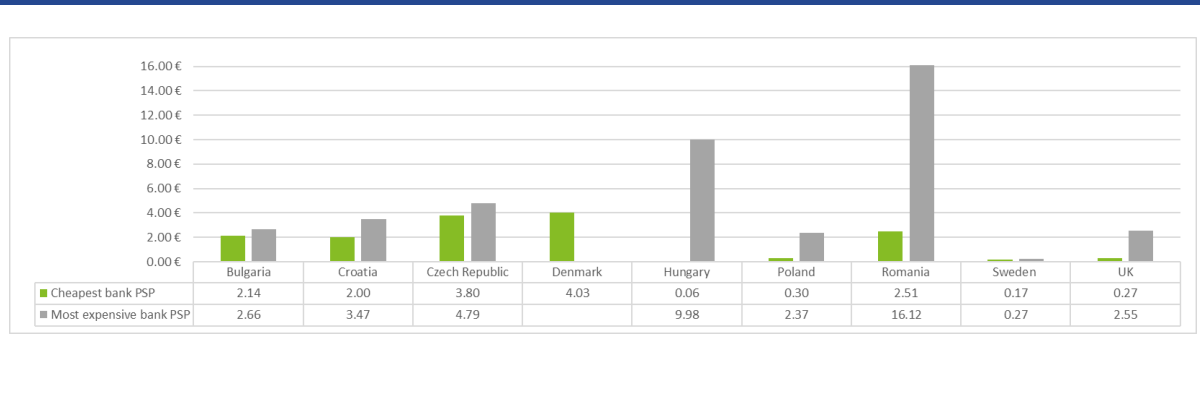
From the data collected from official websites of bank PSPs, it appears that the Regulation 924/2009 is well applied in the European Union: fees charged by bank PSPs are the same for national transfers in euro as compared to cross-border transfers in euro.

#### Cash withdrawals in the non-EUR MS

For cash withdrawals in the non-EUR MS, across our sample, no differences were seen if the payments are made in euro or in an EU MS currency other than the euro. For example, a bank in Bulgaria charges 4.29 BGN (2.20€) if one of their client withdraws, for instance, 10€ equivalent in EUR in France (i.e. 10€) or in DKK in Denmark (i.e. 74.37 DKK).

From our sample, it appears that withdrawing 10€ equivalent is the most expensive for some Romanian consumers where a bank charges 16.12€ for such transaction. The cheapest fee is charged by a Hungarian bank which asks for 0.06 € to its customers. The lowest and the highest fee charged by the banks in the different non-EUR MS are displayed in Figure 23.

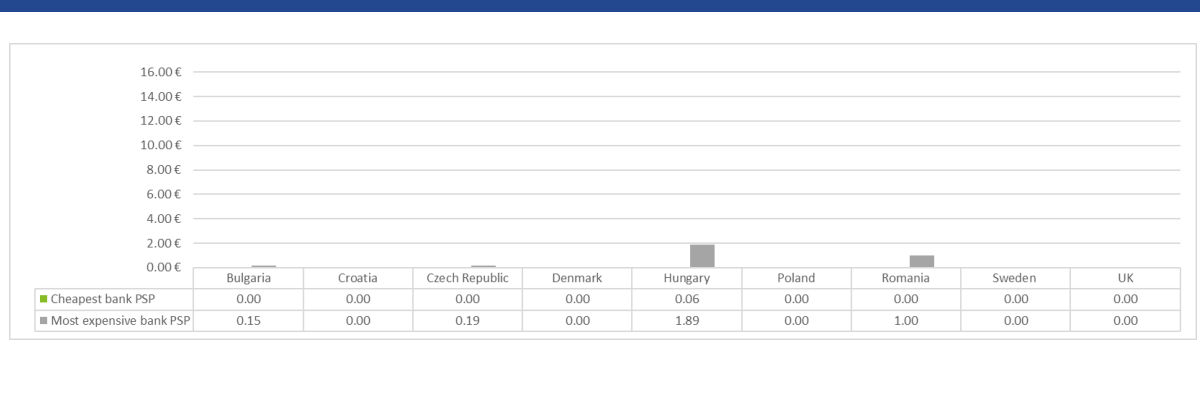
**Figure 23: Fees charged to consumers for withdrawing 10€ equivalent in a non-local EUI currency - At an ATM not owned by the client's PSP group**



In comparison, withdrawing money in a country with a different currency costs more than corresponding transactions in the domestic country. For example, for a bank in the UK, it costs 0.24£ (0.28€) to withdraw 10€ equivalent in a non-domestic currency (i.e. not in British pounds) but is free if the clients withdraw 10€ equivalent in British pounds (i.e. 8.8£).

It is common to find banks in the EU that charges no fees for withdrawing cash domestically at an ATM of the client’s group; the only exception being Hungary in our sample. In Hungary, it can cost 1.89€ to a customer who would like to withdraw 10€ equivalent at an ATM of its bank. The charges for such transactions are illustrated in the following graph.

**Figure 24: Fees charged to consumers for withdrawing 10€ equivalent in local currency - At an ATM owned by the client's PSP group**

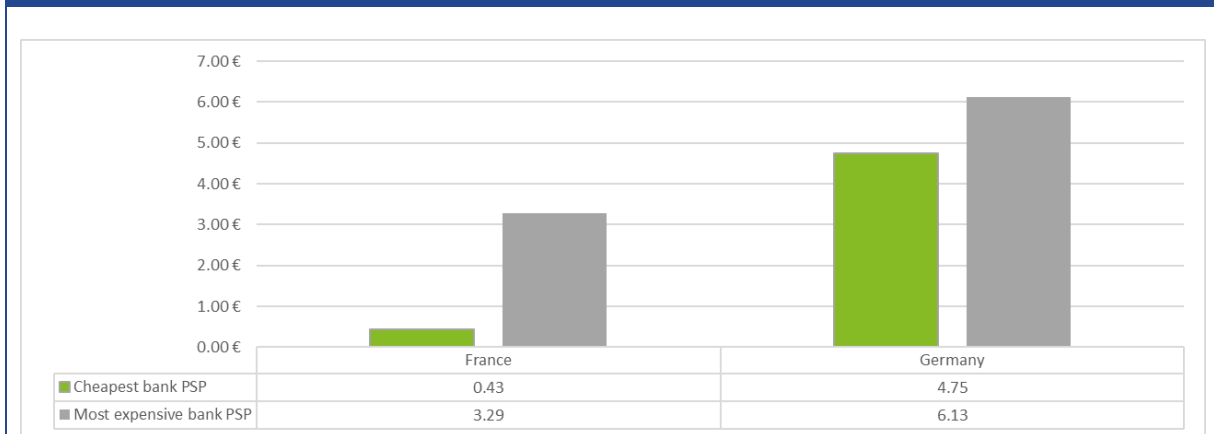


### Cash withdrawals in the EUR MS

Withdrawing 10€ domestically at the **ATM of the client’s bank** is free in all the banks of our sample in Germany and France. Italy is excluded from the analysis due to lack of transparency of the data. Banks in France allow their client to withdraw euro in another country which has the euro as a currency for free for the first 3 or 4 withdrawals. Every subsequent withdrawal costs 1€.

However withdrawing 10€ equivalent in the currency of an EU MS which is not the euro proves to be more costly for French and German citizens. If clients have an account at the most expensive bank in their country, a French person would pay 3.29€ for withdrawing 10€ equivalent while a German citizen would pay 6.13€. The highest and lowest fees charged for such transaction are illustrated below.

**Figure 25: Fees charged to consumers for withdrawing 10€ equivalent in local currency - At an ATM owned by the client's PSP group**



## 4.4 Costs charged by PSPs and internal PSP cost estimations

This section presents the internal costs estimations of both banks and non-bank PSPs. Collecting data on internal costs proves to be a complex exercise as the information is highly confidential. In addition, it appears that PSPs cannot precisely estimate their costs per transaction as these involve many different direct and indirect costs. Therefore, the research team could not collect detailed costs data but was able to gather overall estimations by conducting 5 interviews with bank PSPs and non-bank PSPs. The interviews were performed in the course of August – October 2017.

### 4.4.1 Non-bank PSPs costs

During the course of this project, 2 interviews with non-bank PSPs were conducted. These organisations, which serve as an electronic alternative to traditional payment methods, do not develop their own payment infrastructure as do regular banks. Non-bank PSPs have various operating models in order to process the payments. One example is given in the following box, illustrating how a non-bank PSP uses partners (i.e. local banks) to process payments.

#### Box 7: Illustration of the operating model of a non-bank PSP

A major non-bank PSP uses different partners, which are local banks, to process their payments. Local banks are then intermediaries, which charge a fee for using their services. The different intermediaries involved in a typical transaction is illustrate in the figure below:



As illustrated above, the non-bank PSP processes the payments via local banks, in which it has an account in local currency. Let's consider the example of a French citizen that wishes to transfer money to a British citizen and who uses a non-bank PSP. On the non-bank PSP's website, it will be asked to the French citizen to indicate the account number of the beneficiary and the amount of money he wishes to transfer. However, this payment will not be transferred directly to the beneficiary. Instead, the payment will be transferred in euro to the non-bank PSP's bank account, which is also in euro. The non-bank PSP has another bank account in the UK, which is in British Pounds. After having calculated the amount that should be transferred (i.e. the euro amount converted in GBP after applying the real exchange rate), the payment is transferred in GBP to the British beneficiary.

A major advantage is this business model is that payments do not have to move across borders and therefore do not have to pay major fees for international transfers. However, the local banking partners will generally charge the non-bank PSP a fee by transaction.

As illustrated in the box above, a typical cost for a non-bank PSP is the charges it must pay to its partners, which are local banks. From the interviews performed, it appears that these costs can range from 2 to 30 cents per transaction. Other costs that the different PSPs face, which were gathered during interviews, are listed below:

**Figure 26: Non-bank PSPs costs**

<b>Costs of operations</b>	<b>Business costs</b>
Payment instruments support	Software development
Spreads	Infrastructure maintenance
Risk of holding currencies	Marketing
Fees charged by banking partners	Office rental
Liquidity	Staff training
Regulation compliance	

It was indicated by the interviewees that costs vary a lot from country to country. This was explained by the different local requirements, such as for AML and KYC Regulations.

On top of this, as an indirect cost, non-bank PSPs need to invest time in order to secure and maintain their relationships with local banks partners. Indeed, it appears from the interviews performed that banks are risk-averse to money transfer businesses. The box below explains in more details the barriers PSPs are facing when they want to operate with local banks.

**Box 8: Non-bank PSPs barriers**

During the interviews performed by Deloitte with non-bank PSPs during the course of August – October, non-bank PSPs revealed that they were sometimes faced with discriminatory behaviour from some banks. Indeed, some local banks refuse to let non-bank PSPs open an account at their bank. According to a major PSP, the reason for this is that ‘banks are unwilling to differentiate between different money remittances actors (large and small, formal and informal etc.) and unjustifiably associate the sector as a whole as a medium for money-laundering.’ These restrictions pose challenges for non-bank PSPs to service their customers and to expand their banking networks.

According to non-bank PSPs, it is not evident if banks refuse them to open an account at their banks for legal or risks concerns or if this is for competitive reasons (i.e. banks frequently charge higher prices for cross-border transactions than non-bank PSPs, as illustrated in the report) The non-bank PSPs claim to have already raised this problematic issue to regulators across Europe.

Generally, the interviewed non-bank PSPs did not agree to share the absolute numbers for their costs. However, it could be seen that, for a credit transfer from a euro account to a non-EUR EU account, the costs of a non-bank PSP range between 0.43% and 0.94% of the volume of the transaction, depending on the currency.

**4.4.2 Bank PSPs costs**

To gather an insight in bank PSPs costs, three interviews were conducted with major European banks. All the banks interviewed mentioned that processing payments in currencies of MS other than the euro is more expensive than processing payments in euro. This is explained by several factors as listed below.



**Figure 27: Bank PSPs costs**

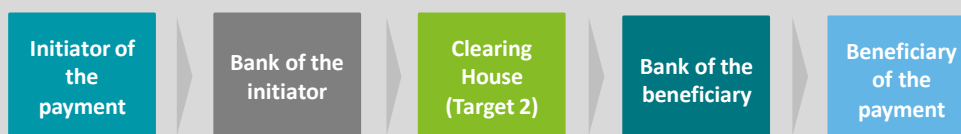
Costs for all transactions	Extra costs for non-EUR transactions
Infrastructure costs	Correspondent bank costs
IT costs	Foreign clearing systems access
Control and compliance costs	Monitoring and converting costs
National clearing system access	Local Regulation compliance

The most significant cost, mentioned by all the interviewed banks, is that processing a payment in a non-EUR currency is not as straightforward as a euro payment as this requires the use of correspondent banks. Therefore, more intermediaries intervene to process the payment. The different intermediaries involved in a payment transaction are illustrated in the box below.

**Box 9: Different intermediaries involved in a payment transaction**

To understand the costs a traditional bank PSP faces when a customer transfers money to a beneficiary, it is important to understand **the different intermediaries involved in such transaction**. Depending whether the payment is processed in euro or in other currencies of EU MS, three different scenarios are identified and presented below.

**Scenario 1 - Payment processing in euro**



As a cornerstone of the SEPA project, a common European platform, called TARGET2 (Trans-European Automated Real-time Gross settlement Express Transfer system), for euro payments in Europe was introduced in 2008. TARGET2 is the real-time gross settlement (RTGS) system owned and operated by the Eurosystem, facilitating the implementation of the Eurosystem’s monetary policy and supporting the functioning of the euro area’s money and capital markets. As such, TARGET2 is used for the settlement of central bank operations, interbank transfers and other large-value or urgent euro payments<sup>26</sup>. It further functions as the intermediary for euro payments between the bank of the sender and the bank of the beneficiary as illustrated in the above figure.

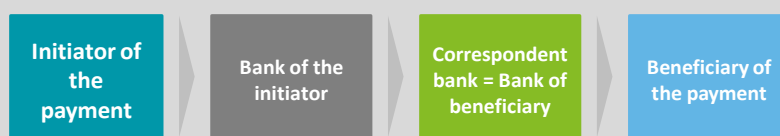
The situation is dissimilar for payments within the EU in currencies of EU MS other than the euro. There is no common European platform such as TARGET2 for such non-EUR payments. Therefore, in order to transfer money in another currency, the bank of the initiator needs a partner bank called ‘a correspondent bank’. This bank provides services on behalf of its partner bank (i.e. in this case, the bank of the initiator) and can facilitate credit transfers completed in the correspondent bank’s local currency (i.e. a foreign currency for the bank of the initiator). The correspondent bank has the capabilities to process local transactions by having access to local clearing systems. The bank of the initiator does not have such access to the local clearing system as either, they do not have a physical presence in the country and/or they do not judge it worth to pay for having access to the clearing system as the volumes of transactions do not justify such investment. On the contrary, for non-Eurozone banks, the access to the TARGET2 platform would enhance their capabilities to reduce costs and streamline further their processes. The cost reduction and the volume would justify for those banks to invest in a direct access (as a participant or sub-participant) to TARGET2, if allowed by the ECB. Alternatively the same efficiency could be reached by using Step2 from EBA.

<sup>26</sup> Bank of International Settlements, 2012. ‘Payment, clearing and settlement systems in the euro area. Accessed September 2017. Available at: [http://www.bis.org/cpmi/publ/d105\\_eu.pdf](http://www.bis.org/cpmi/publ/d105_eu.pdf)

### Box 9: Different intermediaries involved in a payment transaction

#### Scenario 2 – Payment processing in other currencies of EU MS: transfer to a client with a bank account at the corresponding bank of the initiator’s bank

The following graph illustrates the parties involved when a customer is transferring money to a client that **has** a bank account at a corresponding bank of the bank of the initiator. In this case, the payment can be directly transferred from the corresponding bank to the beneficiary.



#### Scenario 3 – Payment processing in other currencies of EU MS: transfer to a client with a bank account that is different from the corresponding bank of the initiator’s bank

The last graph shows the parties involved when a customer is transferring money to a client that **does not have** a bank account at the corresponding bank. In this case, the corresponding bank receives the money amount from the bank of the initiator and can transfer it to the bank of the beneficiary through the clearing system.



As illustrated above, processing payments in currencies of EU MS other than the euro requires the use of correspondent banks and clearing houses, which all charge a fee. The banks interviewed mentioned that these costs ‘are much higher than costs for SEPA transactions, which are just a few cents’, but were unable or unwilling to share the exact costs with the research team. As explained in the box above, the banks prefer to use correspondent banks than paying a direct access to the clearing systems, which can be very expensive for the low volumes of transactions processed.

In addition, an interviewee mentioned that in its bank, payments in euro are processed in an efficient manner. Indeed, SEPA credit transfers can be delivered in bulk files of 100,000 transactions to the clearing partners. On the contrary, credit transfers in currencies of EU MS other than the euro have to be processed individually, which is much more cost intensive.

Moreover, it was revealed that the investments needed to have an infrastructure that can process payments in EU MS currencies other than the euro are similar to the ones needed for euro payments. However, as the volume is marginal in comparison to the volume of euro payment, the cost per transaction is far higher for payments in EU MS currencies other than the euro.

Another cost reported by the different banks relates to the manual intervention needed to treat different local specificities such as discrepancies in payment information format, different settlement procedures, inconsistent Regulations related to AML and KYC.

According to major European banks interviewed, the costs for transactions in EU MS currencies other than the euro are from 30 to 50 times higher than the costs for processing euro payments. Opinions from the banks interviewed were diverse. According to two banks, the impact on their revenues would be extreme if the Regulation was extended. One bank even mentioned that it would have to reconsider to offer cross-border non-EUR transfers if the EC decided to extend the Regulation. On the other hand, another bank mentioned that the impact on its revenues would be limited as the number of transactions that they process in these currencies is marginal.

As a conclusion, non-EUR cross-border transactions are higher in costs due to a lack of automation and a limited volume treated by currencies. Atop, the format differences between the non-EUR currencies renders costly any automation, as each currency would have to be on boarded singularly. From the interviews, we can conclude that the cost of non-euro transactions is on average 40 times the euro credit transfer executed on TARGET. If we consider that the cost of a target payment is EUR 0,01, the transfer of a non-EUR currency will be around EUR 0,40, therefore still far from the current fees charged by Banks for those services.

On the contrary, EUR cross-border payments/receipts, can be processed efficiently as long as the access to TARGET is guaranteed for all banks.

#### **4.4.3 Credit Card Costs**

The system of credit cards does not justify the introduction of additional fees for cross-border usage. The system of credit cards is integrated and is based on multilateral exchange. The justification of a cost differential between a domestic and cross-border transaction resides in the cost of settlement of position between the banks. Those costs are minimal and won't justify a cost differential. Also worth to mention that the margin of the financial institution is composed of the margin on the exchange of the currency.

In fact in most of the countries, there is no concept of cross-border or domestic transactions on cards, only few PSPs, especially banks are applying a fee for the usage of the cards in another currency.

#### **4.4.4 ATM costs**

The ATM costs linked with the cross-border transactions is composed of two different aspects:

- 1. The cost carry of cash advance while the other bank covers the amount withdrawn by its customers; and**
- 2. The transmission of the information, its aggregation and the request for settlement. Although those have a high level of automation, the information costs exists.**

Therefore there is an objective cost of withdrawing cash outside of the area of issuance. The first costs does not apply to EUR withdrawal within the Eurozone, there the fee that should be applied is the same as another domestic bank. There should not be any significant difference.

#### 4.4.5 Transaction number estimations

The transaction numbers serve as the main basis to perform the economic impact assessment of Main Task 3 and additionally can provide further insights into the domestic markets as it is possible to identify evident trends with regards to the usage of different payment types across the countries in scope. In the first part of this section, the total number of transactions is analysed. Subsequently, in the second part of this section, the total number of cross-border transactions versus domestic transactions is analysed. Data were collected from the European Central Bank website. In addition, PSPs were asked during the interviews whether they would agree to share data about their transactions' volumes.

##### 4.4.5.1 Total number of transactions

The analysis presented in the three figures below displays the **total number of transactions**, from 2011 to 2015, for card payments, cash withdrawals and credit transfers<sup>27</sup>. The different countries in scope are grouped in these three figures below according to their similar magnitude in terms of number of transactions.

**Figure 28: Number of transactions (in millions) of cash withdrawals, credit transfers and card payments in France, Germany and the UK**



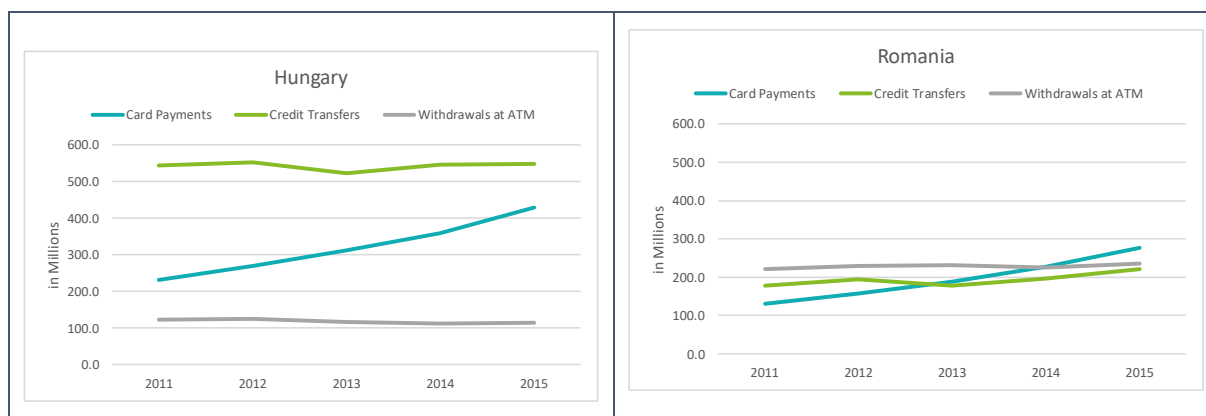
<sup>27</sup> Data was collected in July 2017 from the European Central bank' website (see section 7.3.5)

**Figure 29: Number of transactions (in millions) of cash withdrawals, credit transfers and card payments in Italy, Sweden, Poland and Czech Republic**



**Figure 30: Number of transactions (in millions) of cash withdrawals, credit transfers and card payments in Bulgaria, Croatia, Hungary and Romania**





To provide further insights about the trends that can be seen from the graphs above, Figure 31 illustrates the fluctuations of the number of transactions of the three payment types between 2011 and 2015 (expressed in percentage) across the countries in scope.

**Figure 31: Percentage change in the number of transactions (in millions) of cash withdrawals, credit transfers and card payments across the different countries in scope from 2011 to 2015**

Fluctuation in the number of transactions from 2011 to 2015			
Countries	Transactions		
	Cash withdrawals	Credit transfers	Card payments
Bulgaria	9%	24%	183%
Croatia			
Czech Republic	10%	181%	124%
Denmark		32%	49%
France	2%	13%	29%
Germany	14%	-1%	24%
Hungary	-8%	1%	86%
Italy	13%	17%	45%
Poland		42%	149%
Romania	7%	24%	112%
Sweden	-29%	29%	44%
UK	-3%	13%	47%
<b>Averages</b>	<b>2%</b>	<b>34%</b>	<b>81%</b>

Source: Data retrieved in July 2017 from European Central Bank statistics. Available at: <http://sdw.ecb.europa.eu/reports.do?node=1000001962>  
<http://sdw.ecb.europa.eu/reports.do?node=1000001961>

Only the fluctuations for cash withdrawals in Denmark could not be computed as data were not available. In addition, for cash withdrawals in Poland and Croatia and for card payments and cash withdrawals in Croatia, the percentage change is calculated based on data ranging from 2013 to 2015 considering this is the most recent data published.

**Figure 32: Percentage change in the number of transactions (in millions) of cash withdrawals, credit transfers and card payments across the different countries in scope from 2013 to 2015**

Fluctuation in the number of transactions from 2013 to 2015			
Countries	Transactions		
	Cash withdrawals	Credit transfers	Card payments
Croatia	12%	8%	17%
Poland	-6%		
Averages	3%	8%	17%

Given that figure 31 presents more complete data (from 2011 to 2015), the analysis is based on these numbers. On average, based on all countries in scope, the largest increase in the number of transactions from 2011 to 2015 that can be seen across all countries is for the payment type 'card payments', which has overall increased by 81%. This is followed by credit transfers with an increase of 34% and by cash withdrawals by 2%. A more detailed analysis for these three types of transaction is given below.

### Card payments

Card payments increased in all the countries in scope. The most significant increases can be perceived in Bulgaria (183%), Poland (149%), Czech Republic (124%) and in Romania (112%). However, in Croatia, card payments increased only by 17%. In absolute terms, in 2011, card payment was the payment type with the highest number of transactions in France, the UK, Italy and Sweden. In 2015, it was also the most common payment type in Poland and Romania. The largest amount of card payments occurred in 2015 in the UK with 14,601 million of transactions.

### Credit transfers

The number of credit transfers also increased in all the countries in scope, except in Germany where the number of transactions dropped by 1% from 2011 to 2015. The largest increases can be seen in the Czech Republic with 181%, followed by Poland with 42%. In 2011, credit transfers were the most common payment type in five of the countries in scope (i.e. Germany, Poland, Czech Republic, Bulgaria and Hungary). In 2015, it was still the most common payment type in these countries, except in Poland. The largest amount of credit transfers' transactions was recorded in 2013 in Germany with 6,217 million transactions.

### Cash withdrawals

The number of transactions in relation to cash withdrawals decreased in four of the countries in scope: the UK, Poland (from 2013 to 2015), Hungary and Sweden. The largest decrease occurred in Sweden, between 2011 and 2015, where the number of cash withdrawals decreased by 29%. Figure 29 demonstrates that the absolute number of cash withdrawals is relatively low in Sweden as compared to other similar countries and as compared to the number of card payments and credit transfers. In 2015, in Sweden, there were 18.5 times more card payments (2,845 million) than cash withdrawals (154 million). One Swedish consumer association mentioned during our research that 'Sweden is moving very fast towards a non-cash society'. The largest increases in the number of cash withdrawals were recorded in Germany with a

14% increase and in Italy with a 13% increase. In 2011, cash withdrawals were the most frequent transaction type in only one country in scope: Bulgaria. It is not the case anymore in 2015 for any of the 12 countries in scope. In absolute terms, the largest amount of cash withdrawals recorded in our sample is 2,115 million in Germany in 2013.

#### 4.4.5.2 Cross-border transactions versus domestic transactions

The analysis presented in the preceding section illustrated the total number of credit transfers, cash withdrawals and card payments initiated by citizens of the 12 countries in from 2011 to 2015. In a next phase, the total number of transactions is, when data is available, split between domestic and cross-border transactions.

The following table illustrate the relative number of cross-border transactions initiated by the citizens of the 12 countries in scope in 2015.

**Figure 33: Percentage of cross-border transactions per country**

Countries		Cash withdrawals		Credit transfers		Card payments	
		% cross-border	Average	% cross-border	Average	% cross-border	Average
Euro countries	France	2.8%	4.9%	1.9%	1.8%	5.2%	7.9%
	Germany	11.6%		2.2%		15.6%	
	Italy	0.1%		1.1%		2.8%	
Non euro countries	Bulgaria	1.6%	1.8%	0.7%	2.2%	21.4%	9.5%
	Croatia			1.0%		6.5%	
	Czech Republic	3.2%					
	Denmark					8.8%	
	Hungary	1.3%		0.6%		6.5%	
	Poland	1.3%		6.8%		2.8%	
	Romania	1.7%		1.9%		11.3%	
	Sweden	7.5%					
UK							

From the figure above, it appears that cross-border transactions represent a marginal proportion of the total number of transactions performed across countries. Credit transfer is the transaction type with the lowest percentage of cross-border transactions. Indeed, in 2015, only 1.8% of the credit transfers initiated by French, Italian and German citizens were cross-border transactions. These cross-border transactions represent only 2.2% in the non-EUR EU countries.

In order to cross-check the accuracy of these data, PSPs were asked, during the interviews, if they were willing to share with the research team the number of transactions they process, split per currency. The interviewed banks all confirmed that the volume of payments in currencies of EU MS, other than the euro, were minor in comparison to domestic payments and payments in euro. One bank interviewed, operating in a EUR country, stated that, in 2016, cross-border transactions represent around 3% of their total transactions. Within these 3% of cross-border transactions, around 82% were performed in euro, 13% in non-EUR EU currencies and 5% in non-EU currencies. However it is important to mention that out of the 13%, 4,55% are GBP payments. Therefore in the specific cases, the extension via article 3.1. would only cover less than 0,50% of the payments, while the extension via Article 3.3 would cover 2,5% of the transactions.



The interviewed banks also confirm that for Retail consumers the usage of their remote banking does not allow the transfer of non-EUR and therefore the processing will be done entirely manual, therefore limiting the choice of consumers.

For cash withdrawals transactions, based on the statistics gathered from the ECB, on the one hand, in 2015, 4.9% of the cash withdrew at ATMs by citizens of France, Italy and Germany was done in a foreign country. On the other hand, the total number of cash withdrawals done in a foreign country for the citizens of the non-EUR EU countries was 1.8% in 2015.

The transaction type that has the highest percentage of cross-border transactions is card payments. It appears that, in 2015, 7.9% of the card payments made by French, Italian and German citizens were done, in 2015, a foreign country. For citizens of the non-EUR EU countries, these transactions represented 9.5% of the total number of card payments.

As a conclusion, although it is difficult to provide a specific number of the involved transactions, due to the absence of such distinction in the public statistic, we found through the interview that the volume of non-EUR cross-border transactions represented less than 5% of the cross-border traffic to those area, with the exclusion of the GBP, which represented most of the non-EUR traffic. Therefore the extension of the regulation to the non-EUR currency, will only have a marginal impact. If the Regulation is extended to the euro, the impact is much greater as it will cover over 80% of the cross-border traffic for credit transfer.

## 4.5 Clearing systems operating hours

This section of the data analysis focuses on the data collected in section 7.3.6, which covers the operating hours of the clearing systems in the different countries of the European Union.

The data collected and exhibited in Figure 47 illustrates the operating hours of the clearing systems in Europe. The PSD obliges payment service providers to process payments within certain time limits. The execution time 'D+1' applies since 1 January 2012. This implies that SEPA payments have to be transferred to the receiver, maximum, before the end of the next business day (i.e. D+1)<sup>28</sup>. The time at which the beneficiary can receive the payment is illustrated, from a high level point of view, in the following box.

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<sup>28</sup> European Central Bank, 2013. 'The Single euro Payments Area (SEPA). Accessed September 2017. Available at: [https://www.ecb.europa.eu/paym/retpaym/shared/pdf/SEPA\\_e-brochure\\_2013.pdf?ff1cd1d4060ec1655bcbf933fd3cbc97](https://www.ecb.europa.eu/paym/retpaym/shared/pdf/SEPA_e-brochure_2013.pdf?ff1cd1d4060ec1655bcbf933fd3cbc97)

#### Box 10: Practical illustrations - Time needed to receive an EUR payment

TARGET2, the clearing system for euro payments is operating from 7AM to 5PM for customers' payments and from 7AM to 6PM for interbank payments. Depending whether the payment is initiated within the operating hours or not, two different scenarios are identified and presented below.

##### 1) Payment initiated within operating hours

A French bank receives a payment instruction for transferring money to a beneficiary in France on a Monday at 4PM. As this is before TARGET2 cut-off time, the beneficiary will receive the payment, maximum, on the following day (i.e. Tuesday) as requested by the Payment Services Directive.

##### 2) Payment initiated outside of operating hours

A French bank receives a payment instruction for transferring to a beneficiary in France on Monday at 7PM. As this is after the TARGET2 cut-off time, the payment will only be processed on Tuesday. The payment beneficiary will then receive the payment, maximum, on the following day (i.e. Wednesday) as requested by the Payment Services Directive.

As it can be seen from the data in Figure 47, the operating hours of the clearing systems are not harmonized throughout the European Union countries. As illustrated in the box above, if a French bank receives payment instructions at 4PM for transferring money to a beneficiary in France in euro, the beneficiary will receive the payment on the following day. The situation can however differ if the beneficiary has an account in another EU currency. This is illustrated in the following box:

#### Box 11: Practical illustrations - Time needed to receive a GBP or a BGN payment

In the first scenario of the previous box, a French bank was receiving instructions for transferring a payment in EUR at 4PM (GMT+1) on a Monday. The following scenarios show how the situation differs when a payment instruction is received at the same time but in another currency. The first scenario illustrates a payment in GBP (i.e. UK currency) and the second one in BGN (i.e. Bulgarian currency).

##### 1) Payment initiated from France to the UK in GBP

A French bank receives a payment instruction for transferring money to a beneficiary in the UK in GBP on a Monday at 4PM. The CHAPS, the clearing system for GBP payments, is operating **from 7AM to 7PM** for both customers' payments and interbank payments. As the payment is initiated by a French citizen holding a euro account, the payment will be first processed by TARGET2. As this is before TARGET2 cut-off time, the payment will be processed and transferred to CHAPS, which will also process the payment on the same day as this is **within the CHAPS operating hours**. There is no Regulation that fixes a time limit for non-EUR payments within the EU. Therefore, it cannot be stated when the payment will be received. However, as the payment is processed by CHAPS on Monday (i.e.: same day as initiated by the payer), it is possible that the English beneficiary will receive the payment on the following day (i.e. Tuesday).

**Box 11: Practical illustrations - Time needed to receive a GBP or a BGN payment**

2) Payment initiated from France to Bulgaria in BGN

A French bank receives a payment instruction for transferring money to a beneficiary on a Monday at 4PM. The RINGS, the clearing system for BGN payments, is operating from **7AM to 2.45PM** for both customers' payments and interbank payments. As the payment is initiated by a French citizen holding a euro account, the payment will first be processed by TARGET2. As this is before TARGET2 cut-off time, the payment will be processed and transferred to RINGS on the same day. However, as this is **outside the RINGS operating hours**, the payment will only be received by the RINGS system on the following day (i.e. Tuesday). As for a payment in GBP, it cannot be stated when the payment will be received. However, it is unlikely that the Bulgarian beneficiary will receive the payment on the day after which the payment was initiated (i.e. Tuesday).

The two boxes above illustrate a potential difficulty for European authorities in their desire to have a harmonized European payment system. As illustrated above, a payment in euro initiated within TARGET2 operating hours will be received by the beneficiary on the following business day, as required by the PSD.

## 4.6 Limitations to the data analysis

The table below summarises the limitations related to the collection and interpretation of data as well as risk mitigation strategies that have been employed to enable the collection and analysis of data:

**Figure 34: Risk/limitations and risk mitigations**

<b>Risk</b>	<b>Description</b>	<b>Risk mitigation</b>
<b>Low response rate to the surveys circulated to consumer associations and payment services users associations</b>	Consumer associations and PSU associations are not reactive to emails requesting to participate to the dedicated surveys. A large group of contacts was identified and invited to participate, nevertheless, a low response rate was perceived to the survey completion.	<ul style="list-style-type: none"> <li>As noted above, Deloitte performed specific actions aimed at achieving a high response rate for each of the two surveys. Up to three reminders have been sent via e-mail to the survey participants to kindly remind them of the participation to the survey.</li> <li>In addition, several key stakeholders were contacted by phone call to remind them of the survey invitation or to invite them for a more personal interview as to collect the data.</li> </ul>
<b>Missing data due to low response rate to surveys and/or to interviews</b>	Information that is important to be collected to in general respond to the study questions is missing or is incomplete as the surveys were not or to a limited extent replied to and/or interview invitations were not accepted.	<ul style="list-style-type: none"> <li>In case information is not collected through the surveys, but crucial to respond to the study questions, Deloitte has collected the information through other sub-tasks, and/or alternatively, included specific questions in the interview guidelines when performing dedicated interviews.</li> </ul>
<b>Data with regards to the number of transactions and volumes of transactions split per currency is not published and/or difficult to collect based on confidentiality restrictions by PSPs</b>	Specific information about EU wide number of transactions and volumes split per currency were not found, although having consulted different sources.	<ul style="list-style-type: none"> <li>The interviews with PSPs allowed for collection of data on their number of transactions and volumes of transactions. This serves as a basis to estimate the number and volume of transactions across Europe in the different currencies of EU MS.</li> </ul>

<b>Risk</b>	<b>Description</b>	<b>Risk mitigation</b>
<b>Fees charged by PSPs are not easily comparable</b>	Fees charged by PSPs can vary depending on many factors such as, for example, packaged bought, type of cards, age of the customer, bank of the beneficiary etc. This renders the comparison of fees more complex.	<ul style="list-style-type: none"> <li>• To provide comparable data, Deloitte and the EC agreed to collect more common types of fees that are published by PSPs and as such more easily to be compared. These types of fees include: (i) the fees charged by PSPs to consumers that do not have a package; (ii) fees for card payment and cash withdrawal with a standard debit card and (iii) credit transfers to a beneficiary in a different bank.</li> </ul>
<b>Data on fees charged by PSPs are complex to retrieve and/or complex to analyse</b>	Fees charged by some PSPs (mainly banks) cannot be easily retrieved as information is not published online and/or is not presented in a clear and transparent way.	<ul style="list-style-type: none"> <li>• To mitigate this risk, Deloitte performed specific actions as to present the data in a consistent manner in collaboration with the native experts assigned to the project and the subject matter expert.</li> </ul>

## 5 Assessment potential impact Regulation extension

The data collection and analysis performed so far provides a foundation to assess potential impacts of extending Regulation 924/2009 to currencies of MS outside the euro area. As mentioned in the introduction of this report, the extension of the Regulation by applying either Article 3.1 or Article 3.3.

Article 3.1 is equalising fees for domestic and cross-border non-euro national currency transactions.

This measure will favour the development of the usage of non-EUR currencies, however the value and the number of those transactions is extremely limited, the impact of such measure will as such be limited in impact.

Also from a cost standpoint, the removal of the fee will only be an additional burden for the bank, as it is difficult to automate such payments and the investments will not be justified by the volume, unless the clearing will be handled at the level of the European Central Bank.

Article 3.3 imposes that cross-border payments in euro, in non-euro countries are equalised with the price of corresponding national transactions in national currencies.

This measure will be more favourable to consumers as the majority of transactions is denominated in EUR and will also increase the feeling of integration for consumers, as no difference will be made between their domestic currency and the euro.

Also the infrastructure is ready as transferring euro is a highly standardised process and the access to TARGET would be justify for the PSPs of those countries. The example of Sweden demonstrates that there is a substantial positive impact of applying this extension.

The application of Article 3.3. would also favour the development of small and medium sized companies, as they will be more incline in using the euro as a transaction currency, thus expanding their reach.

The overall assessment of the potential impact of a Regulation extension is split into the following three aspects:

- **Economic impact for customers (consumers, SMEs, large companies);**
- **Economic impact for banks; and**
- **Reputation impact.**

### 5.1 Economic impact for customers

This sub-section considers the economic impact for consumers if the Regulation 924/2009 were to be extended. This is done by considering different scenarios in order to analyse the effects in case the number of transactions and the fees charged by PSPs change once the Regulation has been extended. In specific:

- **Number of transactions** – effects in case of further linear development of the number of transactions in line with the past years, or in case of exponential increase; and

- **Fees** – effects in case the fees remain equal over time or gradual decrease of fees.

The effects are presented in the following paragraphs for the three transaction types in scope.

### **Credit Transfers**

Based on statistics gathered in section 4.4.5.2 on transaction numbers, it appears that for the countries for which data could be collected, cross-border transactions account for a very small proportion of the total number of credit transfers. Indeed, about 2% of the total number of transactions is cross-border.

However, those statistics do not follow the general trend of increase for credit transfer. This is mostly linked to transaction costs and practical barriers for the execution. Therefore increasing pressure on reducing the costs and introducing more transparency on the end to end process would foster the competition and probably increase those numbers. One example is that on home banking software you do not have the possibility to send other currencies than your national currency. This is clearly a limitation, if consumers have to go the bank and add to the cost of the credit transfer an additional cost of using a paper version for the instructions, which could further increase the cost of the overall transaction.

The interviews performed also confirmed that the volume in these currencies is low. To illustrate, from the internal research made by one of the interviewees, it appears that in 2015, 0.07% of the euro transactions are cross-border transactions between a EUR MS and a non-EUR MS. In addition, another bank in a euro country mentioned that around 0.44% of its transactions were processed in non-EUR EU currencies.

Though no formal impact assessment can be performed due to the limited amount of data gathered, it overall appears that:

- The number of cross-border transactions in the European Union is minor today in comparison to the number of domestic transactions;
- In addition, the number is even more marginal for the cross-border transactions in currencies of EU MS other than the euro or in euro initiated by a citizen of an EU MS whose currency is not the euro; and
- Moreover, it could be seen that over the different countries in scope, the number of credit transfers have increased from 2011 to 2015 by around 35%; and
- There are major differences between the fees charged by PSPs for transactions in local currency and the fees charged for cross-border transactions in EU MS currencies other than the euro, and for cross-border transactions in euro when initiated from a person resident in a non-EUR MS. These latter ones are expensive for consumers, especially for low amounts.

#### **Box 12: Economic impact customers - Credit transfers**

Extending the Regulation would have a substantial positive impact for the consumers who transfer payments in euro in case the consumer is resident in a non-EUR MS. However, as noted in the paragraph above, these cross-border transactions remain marginal in comparison to domestic transactions.

An extension of the Regulation could increase the number of cross-border transactions in these currencies as listed above, though only slightly as these transactions are only performed in rare circumstances. The impact of the extending the Regulation for consumer for credit transfer is graphically summarised in Figure 35.

#### Box 12: Economic impact customers - Credit transfers

Additional impact of the extension would be on increasing the cross-border electronic commerce due to the removal of uncertainties for the collections of payments for small and medium size company. The creation of a single transaction cost, removing the uncertainty will favour not only the consumers, but the overall eco systems of those countries.

### Cash withdrawals

Similarly to credit transfers, the total number of cash withdrawals initiated by citizens abroad remains limited as compared to the number of cash withdrawals done within the country of the citizen. Though, as noted by the survey respondents, getting cash abroad appears to be one of the most favoured options for citizens. The analysis on the number of transactions revealed that the number of cash withdrawals has only been very slightly increasing (2% on average for the countries in scope) and has even been decreasing in some countries as part of the study.

Moreover, in this study, it was found that the fees charged for cash withdrawals abroad are large, especially in comparison to the ones charged at an ATM in the country of the citizen. However, the fees charged are generally not as expensive as this is the case for consumers' credit transfers.

The cost of withdrawal made by non-domestic card in a non-EUR country is also affected by the recovery of those amounts by the local banks, which takes more time than a domestic clearing. Thus a difference could be imposed, however it does not justify the extreme cases shown in our sample statistics.

#### Box 13: Economic impact customers - Cash withdrawals

The extension of the regulation for cash withdrawal will be difficult to assess, as overall we see a trend of reduction in the cash withdrawal, with consumers favouring card transactions over cash withdrawals. The decrease will have a positive impact still, as the citizen travelling abroad will not feel penalized when using ATM abroad.

### Card payments

According to the performed survey analysis, paying by card is the favoured option for citizens when they want to pay for a service abroad. However, cross-border card payments are no longer marginal number in comparison to domestic card payments (representing around 8-10% and growing). Overall, an increasing trend of card payments in the countries in scope could be observed as these payments have been increasing by more than 70% during the last 5 years.

The analysis further demonstrates that fees charged for card payments remain minor or even are free for some bank PSPs.



#### Box 14: Economic impact customers – Card payments

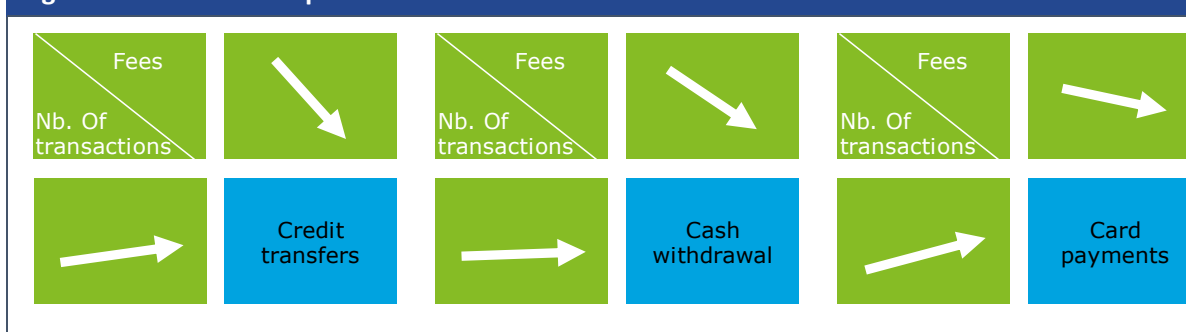
Therefore, if the EC decided to extend the Regulation, the decrease in costs paid by the consumer would be slight, which implies that the impact of the extension would be limited for consumers. For PSP the reduction in fees will be more than likely be offset by the increase in volume.

This is summarized in the next figure.

### Conclusion

The impact of extending the Regulation for consumers for the different payment methods is visually summarised in the below figure:

Figure 35: Extension Impact for consumers – credit transfers



As illustrated above, **the largest decrease in fees subsequent to a Regulation extension** could be for credit transfers, followed by cash withdrawals and card payments.

In terms of **number of transactions**, **the largest increase subsequent to a Regulation extension** could respectively be for card payments and credit transfers while cash withdrawals might not be affected (as the general trend is to reduce the usage of cash).

Therefore, if the Regulation was extended, it overall appears that **the largest impact on fees for consumers** could be for those consumers who transfer credit to non-EUR EU MS. While for cards the impact is low on fees (as they are already reduced), it will provide higher volume (as a general trend of the market to favour card over other means in the retail segment).

## 5.2 Economic impact for banks

Extending the Regulation 924/2009 to currencies of Member States outside the euro area would force PSPs to charge the same fees for cross-border transactions as for domestic transactions. As noted in the analysis, **the fees charged for EUR cross-border transactions in 8 of the 9 non-EUR EU countries are higher than the fees charged for corresponding domestic payments**. The only exception is Sweden, as they already decided to extend the Regulation. Therefore, this would represent a major decrease in revenues for PSPs for these transactions. This would

especially be costly for banks in Bulgaria, Romania and Czech Republic as they charge much higher fees for cross-border transactions than for domestic transactions.

While banks have justified **the high fees for cross-border transactions in non-EUR** as considering they need to take into account their high internal costs, the same cannot be said for the euro. The increased costs applies to non-EUR currencies, when looking at EUR, the accessibility of pan European RGTS clearing systems would provide to those institutions with cost efficient clearing process. The trend noted in Sweden is the increase in credit transfer upon adoption of the regulation, with banks recovering the costs from the increase in the volume. The lost initial revenue could be recover over time with the increase in volume.

The harmonization of fees for **non-EUR credit transfers** will be difficult for banks to recover from the lost revenue. All banks stated that credit transfers in non-EUR currencies are not processed in STP with the same rate as their EUR payments. The reason is linked to the longer chain of data transmission, the heterogeneous format used by those currencies and the low volume of transactions not justifying the investments. Therefore the processing of those payments involves more steps and effort. In fact, banks are required to run a costly system of correspondent banks via SWIFT. Having a large network of correspondent banks increases the administrative costs and adds complexity with regards to the processing of payments. As noted in section 4.4.2, due to local requirements the banks have to use correspondent banks rather than maintaining access to the different local clearing houses across the EU as this would be too costly for a limited number of transactions.

During the interviews, banks quoted to have 'an increase cost factor ranging from 20 to 40 times the cost of processing a SEPA payment'. In addition, banks noted that there are no uniform formatting Regulations with regards to credit transfers. For SEPA payments, payments are processed thanks to the uniform IBAN system. This is not applicable for non-SEPA payments. Processing cross-border transactions therefore cannot be easily automated and requires manual intervention.

For **non-EUR banks within the EU**, a regulation extension will affect their short term profitability at the inception of the harmonization, however the potential volume increase should within a short period of time off set the revenue reduction and the initial costs. In order to help the banks achieving those goals, equal access to the euro clearing systems (TARGET and STEP) should be granted.

Furthermore, looking at the ownership structure of the market leaders in the non-EUR area, most of the banks are part of group of banks that have their headquarters in the Eurozone, reinforcing the possibility to access easily those platforms.

#### Box 15: Economic impact banks

It overall appears from this study that banks oppose to an extension of the Regulation if nothing is changed to facilitate and reduce the costs of processing payments in the currencies in scope.

However, as analysed in Section 4.4.5.2, the total number of these cross-border transactions is minor in comparison to the number of domestic transactions. Therefore, considering the total revenues bank have, this decrease in revenues could remain tolerable for some banks.

The Swedish example has demonstrate no change in the profitability of banks for cash management. On the contrary it has forced the banks to invest in technology to remain competitive, making the Swedish banks efficient in their cash management operations.

#### Box 16: ECB as the only clearing centre for EU

One of the solutions to reduce costs and increase efficiency is to allow the ECB to clear all EU currency and not only the EUR. Therefore all European Banks would be on the same access level to each market and would allow the ECB to control the cost of those transactions. Also, it would allow the access for all EU countries to TARGET.

We can also envisage a scenario for which the ECB will transform its platform into multiple currency clearing. However this will require time and investments, without mentioning the need to build up common format for all currencies.

### 5.3 Reputation Impact

Charging the same fees for domestic and cross-border payments would equalise all charges across the European Union. Therefore, the term 'cross-border' would be banned within the EU area. If a payment is initiated from an EU country, regardless of the currency, it would be considered as a domestic payment.

The majority of consumers complain (occasionally or frequently) about the fact that they have to pay a fee for a payment transaction within the European Union. In this context, if the Regulation was extended, **the consumers would not face an extra fee anymore for cross-border transactions within the EU**. This would strengthen citizens' image of European Union as a single and integrated market without borders. This is one of the main objectives of the European Union as explained at the introduction of this report (Section 1).

The box below provides an example of another recent European initiative to remove borders within the European Union, including the impact noted on the reputation of the EU.

### Box 17: Europe as a single market – End of the data roaming charges

Since the 15<sup>th</sup> June 2017, phone companies are subject to the applicability of Regulation 2017/920<sup>29</sup>. This Regulation states that retail roaming surcharges for communications within the European Union cannot longer apply. From this date, citizens who travel within the EU are able to call, text and surf on internet at the same price as they are charged at home. This news was well reported in the media and widely welcomed by European citizens.

The official communication of the European Commission stated that *"The European Union is about bringing people together and making their lives easier. The end of roaming charges is a true European success story. [...] Eliminating roaming charges is one of the greatest and most tangible successes of the EU."*<sup>30</sup>

Considering this Regulation has been introduced very recently, desk research on the topic showed that no studies have yet been published to formally assess consumers' satisfaction in relation to the effects of the implemented Regulation. However, recent trends seem to show that consumers welcomed this new Regulation. To illustrate, a Belgian phone operator, Proximus, revealed that during the summer 2017, in comparison to the same period in 2016, the data consumption from their customers multiplied by 6, the number of SMS sent doubled and the number of calls increased by 30%.<sup>31</sup>

It has to be noted that this new Regulation for the telecom industry can only be approximately compared to the potential extension of the Regulation 924/2009 to currencies of Member States outside the euro area. Especially, the extension of the Regulation 924/2009 would have a wider scope than the end of the roaming. The end of roaming imposes telephone companies to charge the same prices to their consumers as if they were at home. However, a communication to a citizen that has a phone number registered in a different country would still be costly for the initiating customer. For example, in Belgium, a customer could be charged around 40 cents when sending a SMS to a person with a Luxembourg number.

However, the reputation impact of such a Regulation extension could be similar and be seen as an European success story that makes European citizens' life easier.

In addition, lowering the fees for cross-border payments **could incite consumers to buy products abroad**. As noted in the Green Paper published by the European Commission, today, only a small minority of retail financial service purchases takes place across the border<sup>32</sup>. However, it appears that prices vary widely across the EU. Extending the Regulation and therefore imposing lower and more transparent fees for cross-border payments, could possibly incline consumers to buy more products abroad. In this case, the European Union could be seen as a SM, in which 500 million of consumers could benefit from a large competition, therefore offering them greater choice, better quality and lower prices.

In addition, this would **allow to simplify the charges imposed by the banks across the EU**. As illustrated in Section 4.1, consumers complain about the lack of transparency on the actual payment fees for cross-border transactions. Moreover, it

<sup>29</sup> Regulation (EU) 2017/920 of the European Parliament and the Council of 17 May 2017 with regards to rules for wholesale roaming markets

<sup>30</sup> European Commission, (2017). 'End of roaming charges in the EU: Joint statement by 3 EU institutions'. Accessed September 2017. Available at [http://europa.eu/rapid/press-release\\_STATEMENT-17-1590\\_en.htm](http://europa.eu/rapid/press-release_STATEMENT-17-1590_en.htm)

<sup>31</sup> Zone Bourse, 2017. 'Proximus : Les clients Proximus surfent massivement en vacances après la suppression des frais de roaming'. Accessed September 2017. Available at <http://www.zonebourse.com/PROXIMUS-5983/actualite/Proximus-Les-clients-Proximus-surfent-massivement-en-vacances-apres-la-suppression-des-frais-de-ro-25033097/>

<sup>32</sup> European Commission, 2015. 'Green Paper on retail financial services', Accessed May 2017. Available at: [http://ec.europa.eu/finance/consultations/2015/retail-financial-services/docs/green-paper\\_en.pdf](http://ec.europa.eu/finance/consultations/2015/retail-financial-services/docs/green-paper_en.pdf)

was noted that 'the too many factors determining the fees' is the most likely reason to explain consumers' difficulties to understand the fees charged by banks.

Finally the dual charges on the transactions (i.e. one for emitting the payment and one for receiving the payment) accentuate the frustration of the consumers. To illustrate; when the consumer initiates the payment, the only certain information he/she has is the information related to the transmission of the payment.

An extension of Regulation 924/2009 to currencies of MSs outside the euro area would impose banks to have same tariffs for domestic and cross-border transactions. **In this case, the number of factors determining the fees would decrease and satisfy consumers.**

## 6 Policy recommendations on Regulation extension

Based on the economic impact assessment performed in Section 5 and based on the project team's observations over the whole duration of the project, some recommendations to the European Commission are listed below.

On the one hand, it overall appears that extending the Regulation would be a good initiative for consumers, which are today paying excessive fees, especially for credit transfers. However, this would require the European Commission to take some measures to facilitate the extension. On the other hand, if the European Commission decides to not extent the Regulation, some recommendations with regards to measures to take are still provided in order to increase consumers' satisfaction relating to retail payment services.

The most favourable scenario for consumers seems to be the extension as per Article 3.3. In fact in terms of potential efficiency for banks, reduction of fees for consumers, and positive impact of the usage of the euro, the extension should be favour.

### Policy recommendations if the Regulation is extended

From the economic impact assessment performed in the previous section, it appears that equalising fees for local currency transactions with euro transactions would be beneficial for consumers. This would decrease the fees consumers have to pay for such transactions, which are judged as excessive by consumers.

**The European Commission would though have to be cautious that the final overall price for consumers is reduced.** As noted in the box below, in an approximately similar context, some telephone companies have found a way to increase their revenues after the European Commission imposed a fees' reduction and the end of roaming charges in June 2017. In addition, this would simplify the customers' understanding of the fees charged. This overall would encourage customers to make payments in other countries and currencies, though the total number of transactions should not extensively increase as cross-border payments are not too frequently performed.

#### Box 18: End of roaming charges – Case study on change in revenues for telephone companies

As explained in the preceding box, roaming charges have been cancelled within the European Union. This represents a major decrease in revenues for telecom companies as they used to charge higher fees for cross-border communications than domestic ones. In this context, it is interesting to consider the actions taken by the telecom companies following this decision, as well as the final economic impact for consumers.

To illustrate the measures taken by phone companies, a case study is performed for Proximus, a Belgian telephone company.

According to Proximus, the society's revenues are planned to decrease by 61 million euro in 2017 due to the end of roaming charges. Ten days after roaming charges have been cancelled in June 2017, Proximus announced an increase of the monthly subscription costs for customers, though Proximus did not explicitly want to link this price increase with the end of the roaming. In specific, it was announced that monthly subscriptions would increase from 15€ to 16€ / 25€ to 27€ / 40€ to 43€.<sup>33</sup>

<sup>33</sup> RTL Info (2017). 'Quelques jours après la fin des frais de roaming, Proximus augmente tous ses prix: coincidence?'. Accessed September 2017. Available at <http://www.rtl.be/info/belgique/economie/quelques->

**Box 18: End of roaming charges – Case study on change in revenues for telephone companies**

Therefore, a consumer who used to pay 40€ a month for his mobile package has now to pay 3€ extra per month, totalling 36€ per year. Similar than for cross-border payments, cross-border phone communications remain a marginal proportion of the total number of phone communication. Therefore, a common consumer that does not regularly do cross-border communications is likely to be, on the overall, negatively affected by the end roaming charges.<sup>34</sup>

As noted in the preceding section, **an extension would have a negative impact on profits for banks, though limited when compared to their overall profits.** If the European Commission wants to extend the Regulation 924/2009, it would need to take some measures in order to limit the impact for banks on their revenues. It is recommended to the Commission to open the discussion on harmonising the payment systems across the EU countries in order to decrease the internal costs of banks. This cost reduction would allow banks to partly compensate for the decrease in revenues due to the extension of the Regulation.

From the analysis performed in this study, it appears that payment systems are not harmonized across countries of the EU. In specific, for credit transfers, the information that needs to be provided for payment execution is not uniform. Considering this aspect, it is advised to the Commission to impose EU rules so that all payments in the EU require the same information. In addition, **the European Commission could implement some Regulations to harmonize the different countries' legal specificities such as, for example, AML and KYC Regulation.**

Next to that, clearing houses across the EU have different operating hours. As explained in Section 7.3.6, payments initiated in some currencies can take a longer period to be processed than payments in another currency, though initiated at the same time. Therefore, if banks want to have their payments to be received by the beneficiary at the same time, regardless of the currency, they would need to process the payment as an 'urgent' one, which implies additional costs. In this context, **it can then be advised to the Commission to impose operating hours for clearing houses so that they are harmonized across the EU.**

Lastly, cross-border payments are usually processed through a network of correspondent banks. These correspondent banks have access to the local clearing systems. Such access is judged too cost-intensive for banks, as the number of transactions initiated in these foreign currencies is quite limited. However, using a network of correspondent banks is costly as each intermediary takes a fee on the transaction. Therefore, **in order to decrease the costs for banks, it could be advised to the European Commission to take actions to ease the access for banks to the local clearing systems,** by for example, determining special price conditions for these banks.

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jours-apres-la-fin-des-frais-de-roaming-proximus-augmente-considerablement-tous-ses-prix-pour-combler-les-pertes-930170.aspx

<sup>34</sup> RTL Info (2017). 'Quelques jours après la fin des frais de roaming, Proximus augmente tous ses prix: coïncidence?'. Accessed September 2017. Available at <http://www.rtl.be/info/belgique/economie/quelques-jours-apres-la-fin-des-frais-de-roaming-proximus-augmente-considerablement-tous-ses-prix-pour-combler-les-pertes-930170.aspx>

## Other considerations linked to the Regulation

During our study, we noted other aspects to be brought to the attention of the Commission in order to increase the overall competition and improve consumers' satisfaction in the financial services market.

1. **It is recommended to cancel the fees charged to the beneficiary of a credit transfer.** As illustrated in section 4.3.2, some banks charge an (excessive) fee for receiving a transfer in a foreign currency. This can be considered as unfair for consumers as (i) they cannot accept to receive a payment or (ii) choose on which bank account they would like to receive the payment in order to minimise the fees. Therefore, for simplicity, clarity and fairness reasons, the fees should be borne by the initiating party only;
2. It would be beneficial to verify the different possibilities to remove access barriers for non-bank PSPs. **Non-bank PSPs revealed during the conducted interviews that they are facing discriminatory behaviour from some other banks as some banks refuse to let non-bank PSPs open an account at their bank.** According to non-bank PSPs, banks justified their choice by explaining that non-bank PSPs could be used as a medium for money-laundering, though without evidence. These restrictions pose challenges for non-bank PSPs to provide services to their customers. According to bank PSPs, banks refuse bank PSPs to open accounts for competitive reasons as it is frequent that banks charge higher prices for cross-border transactions than non-bank PSPs, as illustrated in Section 4.3.2 (Sub-topic 2). The non-bank PSPs claim to have already raised this problematic issue to regulators across Europe. In order to have a competitive market in the European Union and to allow consumers to have the lowest prices, it is advised to the European Commission to take some measures to forbid banks from refusing to open accounts to non-bank PSPs;
3. **Simplification of published costs.** It was noticed during this study that the information on the fees charged by some PSPs was not transparent and complex to determine. Indeed, in some cases, the fees were dependent on many factors, such as country of origin/destination, bank of destination, age of the payment initiator, type of card used etc. In addition, some extra fees were sometimes mentioned in footnotes. According to a study, only 14% percent of the people can accurately identify the total fees charged when presented with bank's pricing<sup>35</sup>. Similarly, in 2012, the UK consumer association asked 12 people to calculate different pricings. Out of the 48 calculations, only 7 were calculated correctly<sup>36</sup>. This lack of transparency implies that consumers cannot effectively compare the fees charged by PSPs. In addition, it can also happen that a consumer might think he has found the cheapest provider but is then faced with extra fees at a later stage. Understanding the real fees charged by PSPs requires from consumers some above-average financial literacy. **In this context, it is advised to the European Commission to take some measures to improve the fees transparency.** Possible actions could be to impose a flat fee structure or an add-valorem fee depending on a limited amount of factors. It could also impose banks to provide a fee calculator on their website, as this is commonly done by non-bank PSPs. Such actions would prevent banks from abusing from consumers with low and medium financial literacy; and

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<sup>35</sup> TransferWise (2017). 'Towards an effective single market for financial services'. Accessed September 2017. Available at [https://ec.europa.eu/info/law/better-Regulation/feedback/2440/attachment/090166e5b42b2a2d\\_en](https://ec.europa.eu/info/law/better-Regulation/feedback/2440/attachment/090166e5b42b2a2d_en)

<sup>36</sup> Which? Magazine, February 2012. 'Bank charges: how clear are they?' p. 15-16. Accessed September 2017.



4. **Review the charges for transfers outside of the EU (to third party countries to the EU).** Although not cover by the scope of the current legislation, we recommend the Commission to closely monitor fees charged to transfer, ATM Cash withdrawal and Card payments to non EU Countries. The risk, is that by extending the regulation (thus reducing bank fees), banks could substantially increase the transfer outside of the EU.

## 7 Annex

### 7.1 Detailed legislation on Payments

#### 7.1.1 The Regulation 2560/2001 on cross-border payments

Inefficiencies and high costs of cross-border payments became more and more apparent after the introduction of the euro and the disappearance of exchange rates between the euro area countries. In 2001 the Commission realised that initiatives undertaken to facilitate the integration of fragmented European financial markets would not necessarily lead to a reduction of costs and an improvement of the service standards in the area of cross-border payments. Consequently, this created obstacles to the proper functioning of the Internal Market. For both consumers and businesses, this was seen as unacceptable, for an area which operated with one common currency.

Therefore, the Commission made a proposal for **Regulation 2560/2001 on cross-border payments in euro**. The Regulation 2560/2001<sup>37</sup> was adopted in December 2001, one month before physical euro coins and banknotes entered into circulation in January 2002. Enforced in July 2002, the Regulation was implemented with the objective of creating an integrated payment system in the EU, in particular, considering the introduction of the common currency.

The Regulation was based on Internal Market principles, as to ensure there is no discrimination between similar national and cross-border payments in euro. Its objectives are overall to:

- Reduce the charges levied for cross-border payments to the level of domestic (national) payments;
- Equalise fees charged by PSPs for euro electronic payments within MSs to the fees charged for cross-border electronic payments between MSs. In specific, the Regulation established the principle of equality of charges for payments up to €12,500 within MSs (national) and between MSs (cross-border), applied to ATM cash withdrawals and payment card transactions since July 2002 and to credit transfers since July 2003;
- Encourage the financial services industry to make the necessary changes in existing cross-border payment infrastructures, as part of the integration of European financial markets;
- Apply the principle of transparent charges in order to allow customers to assess easily the cost of a cross-border payment;
- Lower costs and improve speed and quality of cross-border payments in euro by eliminating barriers to automated processing of payments (Straight-Through Processing or STP);
- Facilitate the execution of cross-border payments through the use of the International Bank Account Number (IBAN) and Bank Identifier Code (BIC); and
- Remove all national reporting obligations for balance-of-payment statistics for cross-border payments up to EUR 12 500 and as to the minimum information to be provided concerning the beneficiary which may prevent automation of payment execution.

The enforcement of Regulation 2560/2001 that implies to PSPs to charge the same fees for national and cross-border payments has forced the banking industry to create EU-wide infrastructures in order to cut the costs for cross-border payments. As a

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<sup>37</sup> Regulation (EC) No 2560/2001 of the European Parliament and of the Council of 19 December 2001 on cross-border payments in euro

consequence, the European Payment Council (EPC) was established and a pan-European Clearing House (referred to as 'STEP 2') was created in Europe and started its operation in April 2003<sup>38</sup>.

The Regulation 2560/2001 was one of the first initiative of the European Union to create a single European payment area. This was followed by other directives as explained in the following sub-sections.

### 7.1.2 The Payment Services Directive 1 (PSD1)

The **Payment Services Directive 2007/64/EC**<sup>39</sup> was adopted in 2007, became law in 2009 and is still in force. **It provides the legal foundation for an EU single market for payments**, to establish safer and more innovative payment services across the EU. Enforced in 2009, the Directive purpose was to make cross-border payments as easy, efficient and secure as 'national' payments within a MS. In particular, the initial objective of the payment directive were to establish a single market supported by a predefined regulatory framework for payments, enhance the payment processing to make easier and safer cross-border payments, provide SEPA with the legal requirements mandatory for its implementation, increase customer data security with more detailed and transparent information and allow new players to enter in the market<sup>40</sup>.

Since 2007, this Directive has brought substantial benefits to the European economy, easing access for new market entrants and payment institutions, and **so offering more competition and choice to consumers**. It offered economies of scale and helped SEPA in practice. It led to more transparency and information for consumers, especially on the execution time and fees; and has cut execution times, strengthened refund rights, and clarified the liability of consumers and payment institutions. Another tangible benefit is that payments are now easily made throughout the whole EU and are furthermore much faster, considering payments are credited to the payment receiver's account within the next business day<sup>41</sup>.

The PSD also created a new type of payment service providers, namely payment institutions<sup>42</sup>; "payment institution which is a legal person that has been granted authorisation in accordance with Article 10 of the PSD to provide and execute payment services throughout the Community" (Article 4(4) of the PSD). To illustrate, prior to its implementation, in most EU MS, a number of financial institutions, differing from the credit institutions, electronic money institutions and post office giro institutions, provided selected payment services such as, remittances and other types of cross-border transfers of funds, under a regulatory regime which varied greatly across the EU<sup>43</sup>.

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<sup>38</sup> Retail Banking Research Ltd, 2005. 'Study of the impact of Regulation 2560/2001 on bank charges for national payments', Accessed August 2017. Available at:

[http://ec.europa.eu/internal\\_market/payments/docs/reg-2001-2560/impact\\_en.pdf](http://ec.europa.eu/internal_market/payments/docs/reg-2001-2560/impact_en.pdf)

<sup>39</sup> Directive 2007/64/EC of the European Parliament and of the Council of 13 November 2007 on payment services in the internal market amending Directives 97/7/EC, 2002/65/EC, 2005/60/EC and 2006/48/EC and repealing Directive 97/5/EC (Text with EEA relevance)

<sup>40</sup> Deloitte Luxembourg, 2016, "The early bird catches the worm: anticipating the challenges and opportunities of PSD2

<sup>41</sup> European Commission, 2015, 'Payment Services Directive: frequently asked questions 8 October 2015', Accessed July 2017. Available at: [http://europa.eu/rapid/press-release\\_MEMO-15-5793\\_en.htm](http://europa.eu/rapid/press-release_MEMO-15-5793_en.htm)

<sup>42</sup> London Economics and iff in association with PaySys, 2011. 'Study on the impact of Directive 2007/64/EC on payment services in the internal market and on the application of Regulation (EC) No 924/2009 on cross-border payments in the community. Accessed June 2017. Available at:

[http://ec.europa.eu/internal\\_market/payments/docs/framework/130724\\_study-impact-psd\\_en.pdf](http://ec.europa.eu/internal_market/payments/docs/framework/130724_study-impact-psd_en.pdf)

<sup>43</sup> Idem

In July 2013, the Commission proposed to revise the PSD, as to modernise the legislation taking account new types of payment services, such as payment initiation services. These service providers have brought innovation and competition, providing more, and often cheaper, alternatives for internet payments; but were previously unregulated. Bringing them within the scope of the PSD aimed at further boosting transparency, innovation and security in the single market and at boosting a level playing field between different payment service providers. In addition, certain rules part of the PSD were transposed or applied by MSs in different ways (e.g. the exemptions of a number of payment-related activities). The proposal to revise PSD towards PSD2 was part of a package of legislative measures on payment services, which included a proposal for a Regulation on interchange fees for card-based payment transactions (the Interchange Fee Regulation).

### 7.1.3 The SEPA Regulation

The **Single euro Payments Area (SEPA) Regulation (EU) No 260/2012** <sup>44</sup> is another project towards a common European payments market as to harmonize payments and as to reach the objectives of the Regulation 2560/2001 on cross-border payments in euro (i.e. equalisation of the price of cross-border payments (credit transfers, ATM cash withdrawals and card payments)).

The SEPA project was launched by the European banking and payment industry represented by the EPC. The EPC has designed the SEPA schemes for credit transfers and direct debits.<sup>45</sup>

From a legal point of view, the Regulation sets the rules and a deadline in February 2014 (later postponed to August 2014) for euro area countries to make credit transfers and direct debits in euro under the same conditions. It also contains arrangements for euro transfers in euro in countries outside of the euro area. The legal foundation for SEPA is laid out in the Payment services directive 2007/64/EC.

**SEPA harmonises the way retail cashless euro payments are made across Europe by using common procedures and standards.** It allows European consumers, businesses and public administrations to make and receive the following types of transactions under the same basic conditions:

1. Credit transfers; and
2. Direct debit payments.

Its key milestone was set as of 1 February 2014, by which all domestic Automatic Clearing Houses (ACH) and direct debit instructions within the Eurozone had to comply with the SEPA standard. Moreover, similar euro transactions in all other EU MSs and countries of the EEA had to be migrated to the SEPA framework.

SEPA makes all cross-border electronic payments in euro as easy as domestic payments. An end goal is to make disappear the current differentiation between

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<sup>44</sup> Regulation (EU) No 260/2012 of the European Parliament and of the Council of 14 March 2012 establishing technical and business requirements for credit transfers and direct debits in euro and amending Regulation (EC) No 924/2009

<sup>45</sup> European Commission, 2016. 'Single euro payments area (SEPA)'. Accessed May 2017. Available at: [https://ec.europa.eu/info/business-economy-euro/banking-and-finance/consumer-finance-and-payments/payment-services/single-euro-payments-area-sepa\\_en](https://ec.europa.eu/info/business-economy-euro/banking-and-finance/consumer-finance-and-payments/payment-services/single-euro-payments-area-sepa_en)

national and cross-border payments. "SEPA not only affects cross-border transactions but is designed to result in the full integration of domestic payment markets<sup>46</sup>".

Overall, SEPA has generated several benefits on the different stakeholders involved<sup>47</sup>.

To illustrate for the companies; the Regulation has increased the transparency in transaction fees across countries, clarified the account structures and the migration of the transaction volume and enhance the migration of transactions towards more efficient banks. In particular, large companies are able to streamline their accounts infrastructure across the European area in order to harmonize the payments markets across Europe. Another advantage of SEPA from a company perspective is that both payer and beneficiary will receive their transactional information under a standardized format facilitating the communication during transactions and reducing the risk of mistake.

On the side of the consumers, the SEPA Regulation has facilitated the implementation of the PSD1 and now the PSD2, which aim to improve and harmonize the customer protection by standardizing the payment transaction. It is more than likely that SEPA will, in short term, facilitate the transfer of money across the Eurozone influencing the payment decisions of the customer towards a recurrent cross-border transactions model. In particular, SEPA had a positive impact on several items and services, just to quote some of the frequently quoted advantages shaping up thanks to SEPA:

- Single account (consumers will no longer need one account at home and another one abroad); and
- Faster and simpler payments (PSPs are obliged to process payments within certain time limits (D+1, regardless of the country of origin).

For the banks and payment settlement providers, SEPA Regulation fosters competition between banks and financial entities that will enter in a price competition to attract additional transaction volumes. As a result, banks with customer subject to high transactions fees risk losing transactions volume and suffering of price pressure. They will then have to reinforce their services in order to comply with the new transactional needs of their customer and remain active on the financial market.

Most importantly for cross-border payments is the fact that within SEPA, these payments can be carried out under the same conditions as domestic payments. Within SEPA euro payments can be initiated not only through a resident PSP but also through PSPs resident in another country without any additional fees, and corporations can execute both their domestic and cross-border euro payments via a single institution<sup>48</sup>.

#### 7.1.4 The payment Service Directive (PSD2)

In July 2013, the Commission proposed to revise the PSD1, as **to modernise the legislation taking account new types of payment services, such as payment initiation services**. These service providers have brought innovation and competition, providing more, and often cheaper, alternatives for internet payments; but were previously unregulated. Bringing them within the scope of the PSD aimed at

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<sup>46</sup> European Banking Federation, 'SEPA Guidance'. Accessed May 2017. Available at: <http://www.ebf-fbe.eu/uploads/SEPA%20guidance%20final.pdf>, p. 6

<sup>47</sup> PWC, 2014. "Economic analysis of SEPA: Benefits and opportunities ready to be unlocked by the stakeholders", [http://ec.europa.eu/internal\\_market/payments/docs/sepa/140116\\_study\\_en.pdf](http://ec.europa.eu/internal_market/payments/docs/sepa/140116_study_en.pdf)

<sup>48</sup> ECB, 2015. 'Enhanced payments statistics: new indicators and changes in the methodology applied'.

Accessed in May 2017. Available at:

[http://www.ecb.europa.eu/stats/pdf/151012\\_enhanced\\_payments\\_statistics.pdf](http://www.ecb.europa.eu/stats/pdf/151012_enhanced_payments_statistics.pdf)

further boosting transparency, innovation and security in the single market and at boosting a level playing field between different payment service providers. In addition, certain rules part of the PSD were transposed or applied by MSs in different ways (e.g. the exemptions of a number of payment-related activities). The proposal to revise PSD towards PSD2 was part of a package of legislative measures on payment services, which included a proposal for a Regulation on interchange fees for card-based payment transactions (the Interchange Fee Regulation).

The **Second Payment Services Directive<sup>49</sup> (PSD2)** entered into force in January 2016 and as noted above, updates and complements the EU rules put in place by the PSD.

Its main objectives are to:

- Contribute to a more integrated and efficient European payments market;
- Improve the level playing field for payment service providers (including new players);
- Make payments safer and more secure;
- Protect consumers; and
- Encourage lower prices for payments.

As compared to PSD, PSD2 reviews and extends the PSD's scope of four main topics: Stakeholders, Transactions, Liabilities and access to Account and Securities.

### **Stakeholders**

Firstly, it covers new services and players and by extending the scope of existing services (i.e. payment instruments issued by payment service providers that do not manage the account of the payment service user), enabling their access to payment accounts. In the context of Fintech integration in the Financial Market, PSD2 has introduced two new types of stakeholders: the Account Information Service Providers (AISP) and Payment Initiation Service Providers (PISP). AISPs enable the PSP to access to all the relevant accounts data and give access to banks to this information. This will allow the PISPs to execute payments through the bank's payment systems and infrastructure on behalf of the payers.

### **Transactions**

Next, PSD2 extends the scope of transparency and information requirements to transactions in any currency where only one of the PSP is within the EU ("one leg-out transactions"). This statement applies to the parts of the payment chain that are carried out within the EU.

### **Liabilities**

Thirdly, it also enhances cooperation and information exchange between authorities in the context of authorisation and supervision of payment institutions.

PSD2 allows also increasing consumer protection in case of loss, theft misappropriation or incorrect execution of the cross-border transactions. Meaning that the PSPs become fully responsible in case of incorrect payments and are required to cover all the needs in terms of reimbursement of the customer and related fees.

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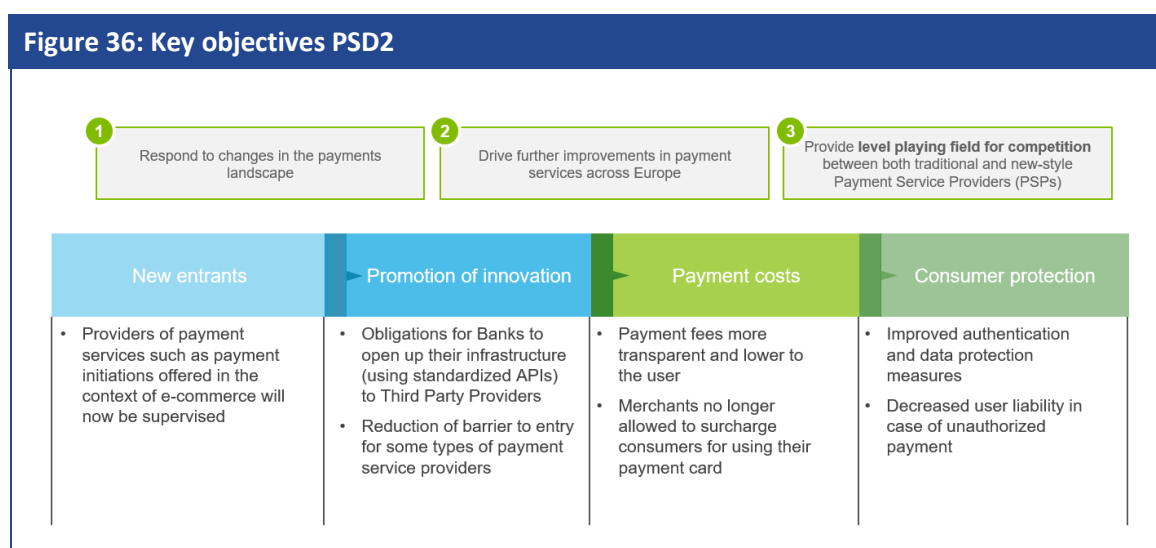
<sup>49</sup> Directive (EU) 2015/2366 of the European Parliament and of the Council of 25 November 2015 on payment services in the internal market, amending Directives 2002/65/EC, 2009/110/EC and 2013/36/EU and Regulation (EU) No 1093/2010, and repealing Directive 2007/64/EC.

## Access to Account and Securities

Lastly, PSD2 further introduces enhanced security measures to be implemented by all payment service providers, including banks, as to make electronic payments safer and more secure.

It further highlighted the necessity of a security increase concerning the data customer. In more details, PSD2 has reinforced the authentication of customer by using at least 2 or 3 independent features to identify the client: knowledge (e.g. password), possession (e.g. a digi-pass) and inherence (e.g. fingerprint). This new security requirement forces the PSPs to rely on each other for the authentication of customer and facilitate the transactions from one entity to another.

Overall, PSD2 is a fundamental piece of payments-related legislation in the EU as it intends to better protect consumers when they pay online, promote the development and use of innovative online and mobile payments, and make cross-border European payment services safer.



Source: Deloitte presentation, 2017

## 7.1.5 The Interchange Fee Regulation

### Concept of Interchange fees

Payment cards are one of the most important means of retail payments, especially for cross-border and online purchases. In 2012, payments were estimated by the European Central Bank (ECB) to represent a total cost to society of about 1% of GDP or EUR 130 billion per year<sup>50</sup>.

While being engaged in transactions, the retailer's bank is requested to pay interchange fees (IFs) to the cardholder's bank for every individual transaction. These fees may vary depending on the type of card. Moreover, it could be stated that IFs determine to a large extent (in general 70 % or more) the price charged by PSPs to merchants for card acceptance<sup>51</sup>.

<sup>50</sup> ECB Occasional Paper Series, No. 137, Sept. 2012.

<sup>51</sup> European Commission, 2013. 'Payment Services Directive and Interchange fees Regulation: frequently asked questions'. Accessed May 2017. Available at: [http://europa.eu/rapid/press-release\\_MEMO-13-719\\_en.htm](http://europa.eu/rapid/press-release_MEMO-13-719_en.htm)

In general, Interchange Fees (IFs), are multilaterally or bilaterally agreed fees, to be paid between the PSPs of the payer/consumer and of the payee/merchant. In the vast majority of cases, **the retailer's bank pays these fees to the consumer's bank for each transaction**. The justification generally used for IFs is that they are used to stimulate card issuing and use; banks could use part of the fees to incentivise card use through bonuses. The most common type of card scheme is the so-called 'four-party' scheme (e.g. MasterCard and Visa). Under this, a collectively agreed IF is agreed between the PSP of the merchant and the PSP of the cardholder.

In practice, this implies that due to the increasing competition between payment card schemes, retailers are charged higher costs, which in turn, they pass on to all consumers through relatively higher retail prices. As a result, new and innovative providers of online or mobile payment services cannot enter the market and (low fee) domestic operators cannot expand as banks expect at least the same (high) revenues from them as for normal card payments. Moreover, consumers and merchants cannot benefit from seamless and efficient payment means and European companies are at a competitive disadvantage on the global stage.

Due to the pressure on consumers, the European Commission has been looking at interchange fees for some time. As such, they have adopted several decisions under EU antitrust rules, including the Commission's MasterCard Decision of December 2007<sup>52</sup> and certain card scheme rules preventing merchants from steering consumers in the choice of a payment instrument (e.g. rebate, surcharging, refusal of a payment instrument) have also been covered. In spite of this, the European cards market remained fragmented and interchange fees still varied widely, often at a higher level than the one accepted by the Commission for Visa and MasterCard cross-border transactions<sup>53</sup>.

## The Interchange Fee Regulation

In response to these challenges, the Commission has adopted the **Interchange Fee Regulation (IFR) for card-based payment transactions 2015/751**<sup>54</sup>, which entered into force on 8 June 2015 and has been fully applicable since 9 June 2016. The Regulation covers the most widely used debit, credit and prepaid cards as issued by operators of payment card schemes<sup>55</sup> and focuses on the redistribution of costs of and revenues from such card transactions.

In line with the overarching aim to foster the Single Market, a key objective of the IFR is to channel the endeavours of various MSs to regulate excessive hidden interchange fees and introduce a harmonized approach at EU level. As noted above, IFs are paid between banks for the acceptance of card-based transactions regardless of an in-store or online purchase. Prior to the IFR, these fees ranged from less than 0.1% in some MSs to more than 1.5% in others.<sup>56</sup>

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<sup>52</sup> Commission Decision of 19/XII/2007 (COMP/34.57 Mastercard), 2007. 'Relating to a proceeding under Article 81 of the EC Treaty and Article 53 of the EEA Agreement'. Accessed June 2017. Available at: [http://ec.europa.eu/competition/antitrust/cases/dec\\_docs/34579/34579\\_1889\\_2.pdf](http://ec.europa.eu/competition/antitrust/cases/dec_docs/34579/34579_1889_2.pdf).

<sup>53</sup> European Commission, 2013. 'Payment Services Directive and Interchange fees Regulation: frequently asked questions'. Accessed May 2017. Available at: [http://europa.eu/rapid/press-release\\_MEMO-13-719\\_en.htm](http://europa.eu/rapid/press-release_MEMO-13-719_en.htm)

<sup>54</sup> Regulation (EU) 2015/751 of the European Parliament and the Council of 29 April 2015 on interchange fees for card-based payment transactions

<sup>55</sup> Commercial cards and pure third-party schemes, not using a bank as an Issuer or Acquirer, as for example American Express, were declared out of scope of the Regulation

<sup>56</sup> EU Commission, 2016. 'The interchange fees Regulation'. Accessed July 2017. Available at: [http://ec.europa.eu/competition/publications/factsheet\\_interchange\\_fees\\_en.pdf](http://ec.europa.eu/competition/publications/factsheet_interchange_fees_en.pdf)



Under the IFR, IFs on consumer credit cards and consumer debit cards have been capped by the PSP to **a maximum of 0.3% and 0.2%**<sup>57</sup> **of the value of the transaction respectively**. These caps are based on an estimate of the fee at which a merchant would be indifferent between being paid by card or in cash. The figures have been developed using data from the central banks of Belgium, the Netherlands and Sweden on the cost of payment instruments. Next to that, these caps will ensure that the retailer's average costs upon card payments do not exceed those of cash payments and therefore level out the costs of accepting cash and cards.

The introduction of maximum fees halted the ongoing reverse competition for higher interchange fees between MasterCard and Visa, resulting from the incentive for banks to collaborate with operators that endorse a higher interchange fee policy in order to reap higher revenues themselves.

Moreover, the Regulation creates **higher transparency** on merchants' fees by stipulating the disclosure of an 'unblended' breakdown of the components of the Merchant Service Charge (MSC) (Art 9) including:

- The Card interchange fee;
- The Card Scheme fee; and
- The Merchant Service charge.

Despite the increased complexity and significant amount of new streams of data created by this divided cost approach, it benefits merchants by enabling them to identify the composition of costs and thus understand whether the full extent of IFR savings is being transferred to them by their bank.

Furthermore, IFR imposes the Regulation of the operating model of payment card schemes and processing entities by requiring **a strict separation of these entities to ensure independence in terms of accounting, organisation and decision-making processes** (Art. 7). This prevents those payment card schemes that equally operate a processor to cross subsidise or bundle prices. Moreover, Article 7 ensures a common system standard across all processing entities within the EU, granting the possibility to operate with any other processing entity.

In terms of new business requirements introduced by the IFR, the 'Honour all card's rule' (Art. 10) entitles merchants to no longer accept all cards of a single brand (e.g. right to accept Visa debit, but decline Visa credit). For card issuers, this means that they must ensure that the brand and type of their payment instruments are unequivocally electronically identifiable by both the merchant and the buyer. Merchants on the other side are obliged to clearly indicate to the customers which cards they chose to accept for payments.<sup>58</sup>

One of the most challenging business requirements was introduced under the name 'Co-badging and choice of payment brand or payment application'. This provision means that card issuers can offer two or more payment brands or payment applications on a single card-based payment instrument (e.g. a local domestic debit card including the Maestro international functionality). Article 8 grants the right to merchants to choose their preferred payment option and configure a priority selection mechanism in their Point of Sale (PoS). Nevertheless, the consumer must have the final choice and possibility to overrule the merchant's preferred payment option.

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<sup>57</sup> Art. 3 and Art. 4 of the Interchange Fee Regulation

<sup>58</sup> Art. 10 §4 Regulation (EU) 2015/751 of the European Parliament and the Council of 29 April 2015 on interchange fees for card-based payment transactions

## Reflections on the IFR

Since the entry into force of the IFR, the impact of its various rulings has been different for actors in the market. As indicated by a 2017 report on the impact of the IFR on the European Union cards market<sup>59</sup>, the IFR has generally up to now covered a good deal more than the interchange fee caps and included substantial changes to the business rules for cards acceptance and processing frameworks. Nevertheless, there are a few consequences on the market and consumers since its implementation which require attention.

It appears that consumers and the mass of SMEs have seen little benefit of the IFR adoption. In specific, **the credit interchange caps have mainly hurt the credit card issuers**. Issuers have suffered most from the reduction to 0,3% with average EU interchange falling by over 50% and a potential annual revenue loss of €2bn annually.<sup>60</sup> In order to compensate for these losses, many card issuers either introduced card fees or reduced their card service offering (e.g. cutting back on the consumer loyalty programmes and cash back offers). In the long term, it needs to be seen how the value proposition of individual card issuers will evolve under market competition.

On the side of the merchants however, and as a complementary effect to the revenue losses of card issuers, **the caps have transferred substantial revenues to large merchants**. Large merchants could see a significant reduction in spending on card payments and thus could increase revenues. Based on overall market feedback, the multilateral interchange fee (MIF) caps have been widely applied. There is, according to the report, some evidence that cap exempt commercial cards issuing has increased but so far the impact is modest.

Other aspects noted after the adoption of the IFR are<sup>61</sup>:

- Most acquiring banks have not (yet) passed on the full interchange reduction to their small retailers, but many credit card issuing banks have on the other hand introduced card fees and have cut back on consumer loyalty programs because of the interchange fee caps have impacted their revenues. The United Kingdom (the UK), the largest credit card market in the European Union, has been most impacted;
- The capping of debit card interchange fees has had less impact, as many EU domestic debit schemes already had fees close to IFR levels. Debit rates in turn have increased in some countries;
- The separation of card scheme brand and processing is now in place and some acquirers are actively seeking multi-brand processing bids meeting the IFR's goal of increased competition. Consumers have now the choice of card brand as they pay; and
- The 'Honour All Cards' and surcharging rules cannot be fully implemented yet as most merchants lack systems to identify capped and uncapped cards.

More reflections on the application and consequences of the IFR will be provided by the European Commission, as stated in Article 17 'Review Clause' of the IFR. By 9

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<sup>59</sup> Jones, P. 2017. '18 months on – Impact of the Interchange Fee Regulation on the European Union cards market'. Available at: <https://www.europeanpaymentscouncil.eu/news-insights/insight/18-months-impact-interchange-fee-Regulation-european-union-cards-marke>

<sup>60</sup> Jones, P. 2017. '18 months on – Impact of the Interchange Fee Regulation on the European Union cards market'. Available at: <https://www.europeanpaymentscouncil.eu/news-insights/insight/18-months-impact-interchange-fee-Regulation-european-union-cards-market>

<sup>61</sup> Idem

June 2019, the Commission shall submit a report on the application of the IFR to the European Parliament and to the Council. The report will in particular look at the appropriateness of the levels of interchange fees and at steering mechanisms such as charges, taking into account the use and cost of various payments methods and the level of entry of new players, new technology and innovative business models on the market.”<sup>62</sup>

## 7.1.6 The Capital Market Union

Retail financial services have been subject to a wide variety of requirements and Regulations at the EU and national levels with the aim of protecting consumers and encouraging an internal EU market for these services. Alongside this work, the Commission has regularly reviewed the regulatory framework for the retail financial services sector with the aim of creating more integrated, competitive and fair markets for financial services<sup>63</sup>.

Supporting the Commission’s priority strategy to support jobs, growth and investment, **an Action Plan on Building a Capital Market** has been launched by the Commission in September 2015, referred to as the **Capital Market Union (CMU)**; functioning as a key building block of the Investment Plan for Europe. Its objective is to diversify and amplify sources of finance and ensure that capital can move freely across borders in the Single Market and be put to productive use.

The action plan sets out a programme of 33 actions and related measures, which aim to establish the building blocks of an integrated capital market in the European Union by 2019. In particular, the Action Plan is built around the following key principles<sup>64</sup>:

- **Creating more opportunities for investors** – the CMU should help mobilise capital in Europe and channel it to companies and infrastructure projects that need it to expand and create jobs;
- **Connecting financing to the real economy** – the CMU is a classic single market project for the benefit of the 28 MSs, through gaining from channelling capital and investment into their projects;
- **Fostering a stronger and more resilient financial system** – the CMU intends to ensure that EU citizens and companies are no longer as vulnerable to financial shocks as they were during the crisis and therefore opens up a wider range of funding sources and more long-term investment; and
- **Deepening financial integration and increasing competition** – the CMU should lead to more cross-border risk-sharing and liquid markets that will deepen financial integration, lower costs and increase competitiveness at the European level.

Overall, the outcomes of the CMU will be to offer more and better options for consumers practicing cross-border transactions by tackling national obstacles to the free flow of capital and supporting economic convergence<sup>65</sup>. It will further ensure

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<sup>62</sup> Art. 17, Review Clause, Regulation (EU) 2015/751 of the European Parliament and the Council of 29 April 2015 on interchange fees for card-based payment transactions

<sup>63</sup> For instance, the Commission’s Financial Services Action Plan (1999); Communication from the Commission: Sector Inquiry under Art 17 of Regulation 1/2003 on retail banking (COM(2007)33 final); Green Paper 'Retail Financial Services in the Single Market' (COM/2007/0226 final); and Green Paper 'Towards an integrated European market for card, internet and mobile payments' (COM/2011/0941 final).

<sup>64</sup> European Commission, 2016. 'Capital Markets Union: Taking stock of the progress made so far'. Accessed May 2017. Available at: [http://europa.eu/rapid/press-release\\_IP-16-1562\\_en.htm](http://europa.eu/rapid/press-release_IP-16-1562_en.htm)

<sup>65</sup> European Commission, 2016. 'State of the Union 2016: Completing the Capital Markets Union – Commission accelerates reform', Accessed May 2017. Available at: [http://europa.eu/rapid/press-release\\_IP-16-3001\\_en.htm](http://europa.eu/rapid/press-release_IP-16-3001_en.htm)

greater diversification in the funding of the economy and reduce the cost of raising capital (for all companies, but especially for SMEs)<sup>66</sup>.

The focus of the CMU is put on tackling barriers one at a time (e.g. revisiting the barriers to cross-border clearing and settlement, reviving plans to tackle issues in the cross-border ownership of securities and the assignment of claims, and the barriers to the cross-border distribution of funds). These measures have the potential to address persistent issues that have dominated the cross-border market activity.

As noted in **the Commissions' Green Paper Building a Capital Markets Union** (COM(2015)<sup>67</sup>, there are a range of different obstacles to the integration and development of EU capital markets, originating in historical, cultural, economic and legal factors (e.g. characteristics of pension provisions, aspects of corporate and company law, inefficient market structures). Even in well-integrated capital markets, some of these differences will remain. In order to achieve the benefits of a fully integrated single market for capital, it is necessary to overcome challenges in particularly linked to the following three areas / objectives:

- **Improving access to finance, including to risk capital notably for SMEs (e.g. innovative and high growth start-ups)** – its success over time will highly depend on the information received from the market, the fragmentation of key market segments and lowering the costs of access to capital markets. In addition, there are specific impediments to the financing of long-term projects, including infrastructure investment;
- **Boosting the flow of institutional and retail investment into capital markets to promote the diversification of funding sources** – growing occupational and private pension provision in Europe could result in an increased flow of funds into a more diverse range of investment needs through capital market instruments and facilitate a move towards market-based financing. In addition, enhancing the confidence of retail investors in capital markets and financial intermediaries could increase the flow of household savings into capital market instruments. These are currently largely held in home equity and bank deposits. Increasing the global competitiveness and attractiveness of European capital markets in this way could also boost the flow of investment; and
- **Improving the effectiveness of markets to enable the EU to achieve the benefits of greater market size and depth** – the benefits would mainly include more competition, greater choice and lower costs for investors as well as a more efficient distribution of risk and better risk-sharing. More integrated capital markets, especially for equity, would enhance the shock absorption capacity of the European economy and allow more investment without increasing levels of indebtedness. Lastly, well-functioning capital markets will improve the allocation of capital in the economy, facilitating entrepreneurial, risk-taking activities and investment in infrastructure and new technologies.

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<sup>66</sup> European Commission, 2015, 'Green Paper: Building a Capital Markets Union'. Accessed June 2017. Available at: [http://ec.europa.eu/finance/consultations/2015/capital-markets-union/docs/green-paper\\_en.pdf](http://ec.europa.eu/finance/consultations/2015/capital-markets-union/docs/green-paper_en.pdf)

<sup>67</sup> Idem

## The Consumer Financial Services Action Plan

As part of the Action Plan on Building a Capital Markets Union and based on the result of a Green Paper consultation on Consumer Financial Services in December 2015<sup>68</sup>, the Commission set up a dedicated **Consumer Financial Services Action Plan**<sup>69</sup> to tackle the remaining regulatory obstacles to the Single Market in consumer financial services.<sup>70</sup>

The Action Plan, published on 23 March 2017, aims at providing better products and a greater choice of financial services across the EU for European consumers. The Action Plan focuses on technology and innovative online services to support the SM for financial services and is built around the following three key anchors<sup>71</sup>:

1. **Increase in consumer trust and empowerment of consumers** - upon purchase of services in their home country or from another MS (E.g. transfer of no-claims bonus ('bonus-malus') abroad, reduction in cross-border transaction fees of non-EUR currencies);
2. **Reduction of legal and regulatory obstacles** - affecting businesses upon market expansion (e.g. establishment of common creditworthiness assessment criteria, improvement of data exchange between credit registers); and
3. **Support of the development of an innovative digital world** – enabling to overcome barriers to the Single Market (e.g. user cases for electronic identification and trust services for customer identification in the private sector, review of rules for the remote sale of financial services).

In order to further elaborate the policy objectives set by the Consumer Financial Services Action Plan, a public consultation was launched in March 2017<sup>72</sup>. Moreover, an internal FinTech Task Force has been created by the Commission to ensure that the multi-disciplinary approach required for developments in this area are being taken into account.

The combined work of the FinTech Task Force<sup>73</sup>, the public consultation and the Consumer Financial Services Action Plan will define the actions necessary for the development of an innovative Single Market for financial services based on FinTech and technology.

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<sup>68</sup> European Commission, 2015. 'Green Paper on retail financial services', Accessed May 2017. Available at: [http://ec.europa.eu/finance/consultations/2015/retail-financial-services/docs/green-paper\\_en.pdf](http://ec.europa.eu/finance/consultations/2015/retail-financial-services/docs/green-paper_en.pdf)

<sup>69</sup> European Commission, 2017. 'Consumer Financial Services Action Plan: Better Products, More Choice'. Available at: <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52017DC0139>

<sup>70</sup> The EU has previously taken other measures to achieve a Single Market in consumer financial services such as the Payment Accounts Directive and The Digital Single Market Strategy

<sup>71</sup> European Commission Press release, 2017. Accessed July 2017, Available at: [http://europa.eu/rapid/press-release\\_IP-17-609\\_en.htm](http://europa.eu/rapid/press-release_IP-17-609_en.htm)

<sup>72</sup> European Commission Consultation, 2017. 'Public consultation on FinTech: a more competitive and innovative European financial sector'. Available at: [http://ec.europa.eu/info/finance-consultations-2017-fintech\\_en](http://ec.europa.eu/info/finance-consultations-2017-fintech_en)

<sup>73</sup> More details are to be accessed by consulting Viola, R. and Guersent O., 2016. 'European Commission sets up an internal Task Force on Financial Technology'. Accessed June 2017. Available at <https://ec.europa.eu/digital-single-market/en/blog/european-commission-sets-internal-task-force-financial-technology>

## 7.2 Methodology applied to Main Task 1

The desk research and regulatory review conducted so far provides a summary of the legal framework framing the functioning of the internal financial market focusing on retail financial services and the overall functioning of the cross-border payments and transactions across EU MSs, including both euro countries and non-EUR countries.

For the data collection as part of Main task 1, the stakeholders' consultation and subsequently the identification or mapping of the relevant stakeholder groups is the focal point.

### 7.2.1 Sub-task 1: EU regulatory framework

The **regulatory review** consists of examining the EU level legislation and regulatory framework on the topic under research, across the EU MSs (euro and non-EUR countries). It further includes other sources of literature such as reports commissioned by the European Commission, legislative proposals by the European Commission, and other published Communications and data published in the available literature at national level, such as academic studies.

EU Regulatory framework	Examples
<b>EU Directives, Regulations, Communications, Papers published by the European Commission</b>	<ul style="list-style-type: none"> <li>• Payment Services Directives (PSD and PSD2)</li> <li>• SEPA Regulation</li> <li>• Regulation 924/2009</li> <li>• The 2015 Commission Green Paper on retail financial services</li> <li>• The Interchange Fee Regulation</li> </ul>
Overall report	Examples
<b>Market data and country specific data</b>	<ul style="list-style-type: none"> <li>• Statistical sources including ECB, Eurostat, Intellinet, etc.</li> </ul>
<b>Studies / reports</b>	<ul style="list-style-type: none"> <li>• Reports published by the European Central Bank (ECB) and Eurostat</li> <li>• Reports published in trade journals, EU publications and EU offices SEPA Regulation</li> <li>• Regulation 924/2009</li> </ul>
<b>Review of data repositories and databases of publications, having access to studies on the area from the academia</b>	<ul style="list-style-type: none"> <li>• List of stakeholders' websites that this study contacts for interviewing (i.e. PSPs, industry representatives and consumer bodies at EU level) is reviewed, in order to request them to provide the study team with other relevant studies</li> </ul>

## 7.2.2 Sub-task 2: Mapping of stakeholders

The stakeholders' consultation activities as part of the data collection rely on several communication channels that are distributed directly to five stakeholder groups (both public and private entities) across each of the 12 countries included in this study.

The mapping of stakeholders includes the identification of stakeholders per stakeholder group, as well as the listing of their contact details. These stakeholders are contacted in the framework of the study through our survey invitations or through stakeholder communication to ask for either collaboration with the study (i.e. participation in a survey or an interview) or to obtain relevant studies and data which they might know of on the topic.

A target of thirty to sixty players (3-5 per country) is selected, spread across a mix of the categories of payment service providers.

Stakeholder public entity	Definition	Data to be collected
<b>Consumer associations (public entity)</b>	Includes both official consumer affairs offices and self-funded consumer associations, and other organizations that act in a consumer advocacy role in the area of financial services	<ul style="list-style-type: none"> <li>Actual costs incurred by the members of these public entities</li> <li>Complaints consumers deal with in respect to their actual costs related to payment services</li> </ul>
<b>Payment services users associations (public entity)</b>	Associations responsible to redress complaints in the area of payment services for payment service users (i.e. natural or legal person making use of payment service in the capacity of either payer or payee) <sup>74</sup>	

Stakeholder public entity	Definition	Data to be collected
<b>Payment service providers</b>	The EC defines six categories of PSPs <sup>75</sup>	<ul style="list-style-type: none"> <li>Costs charged to payments services users</li> <li>Private entities' corresponding internal costs</li> </ul>

<sup>74</sup> Directive 2007/64/EC of the European Parliament and of the Council of 13 November 2007 on payment services in the internal market amending Directives 97/7/EC, 2002/65/EC, 2005/60/EC and 2006/48/EC and repealing Directive 97/5/EC. OJ L 319, 5.12.2007.

<sup>75</sup> Idem

The stakeholders have been identified through the following methods:

- **All stakeholders** – through desk research. Moreover, an initial list has been drafted as part of the submission to the call for tender. This list has been further fine-tuned and completed during the course of the study;
- **Specific for bank PSPs** – desk research allow to identify the major banks for each country in scope. The drafted list has been reviewed by the native speakers assigned to the study and has been validated by the study expert. A total of 57 bank PSPs has been identified for the study; and
- **Specific for non-bank PSPs** – the list has been drafted by the study expert through the experience with the field and the network of non-bank PSPs. A total of 9 non-bank PSPs has been identified for the study.

The final selection of stakeholders to be contacted was submitted to the Commission and consequently validated before initiating the data collection. For the stakeholders to be contacted through surveys in particular, the following data has been collected per stakeholder and was presented in a stakeholders' list in the form of an Excel file:

- Country;
- Organisation name;
- Contact name (if available);
- Function (if available);
- Email address;
- Telephone number; and
- Website.

The stakeholders list can be found in Annex 7.5.1 (Bank PSPs) and Annex 7.5.2 (Non-bank PSPs). The list has been validated by the European Commission.



### 7.2.3 Sub-task 3: Data collection through stakeholder consultation

The five stakeholder groups and the corresponding contacts identified during sub-task 2 were further contacted in order to collect data through a 'stakeholder consultation'. This consultation aims to obtain a broad coverage of different sources across a wide-range of the relevant stakeholders.

The data methods included in the stakeholder consultation are the following:

Stakeholder public entity	Data to be collected	Data collection method
<b>Consumer associations (CAs)</b>	<ul style="list-style-type: none"> <li>Actual costs incurred by the members of these public entities</li> <li>Complaints consumers deal with in respect to their actual costs related to payment services</li> </ul>	<b>Survey to CAs</b> <i>Sample of at least 1 CA per MS in scope</i>
<b>Payment services users associations (PSU associations)</b>		<b>Survey to PSU associations</b> <i>Sample of at least 1 PSU association per MS in scope</i>
Stakeholder private entity	Data to be collected	Data collection method
<b>Payment service providers (PSP)</b>	<ul style="list-style-type: none"> <li>Data collection on costs charged to payments services users</li> <li>Data collection on their corresponding internal costs</li> </ul>	<b>On-line data collection</b> <i>Sample of 3 to 5 major PSPs per MS in scope</i>
		<b>Communication</b> <i>Sample of major PSPs and banking associations</i>
		<b>Interview</b> <i>Sample of 5 major providers in total across the MS in scope</i>

This approach has additional benefits, as it will allow us for each data collection method:

1. **Communication** – to gather data from studies at EU level, obtained from different sources and from the relevant stakeholders groups;
2. **Interviews and surveys** – to receive the insights of different profiles of stakeholders groups in order to assess the pricing structure, internal cost structure, data for comparison purpose and understand the potential impact of the Regulation extension; and
3. **All methods** – to enable triangulation of results, to detect at an early stage whether further efforts are required to gather additional data on fees/costs structure.

## 7.2.4 Stakeholder surveys

The stakeholders consultation through surveys consists of the design and deployment of two dedicated surveys addressed to the following stakeholder groups across the countries in scope of the study:

- Consumer associations (including European Consumer Centres); and
- Payment services user associations.

CAs and PSU associations were contacted and invited to participate to a dedicated survey. The advantage of conducting two surveys is to receive insights from different profiles of stakeholder groups.

### Survey design

The surveys comprise a mixture of open-ended and closed questions. Each survey includes separate questions customised for the target group. Its design aims at including as many quantitative questions as possible (i.e. either binary responses (Y/N) or scales) because this enables the respondent to answer more questions and cover a wider variety of topics. At the same time, the response rate for this type of question is normally higher than for more time-consuming open-ended questions. Nonetheless, the open-ended questions included in the surveys give the respondents a greater opportunity to collaborate and add input.

The surveys were developed in collaboration with the Commission and went through a validation process. During the design of the questionnaires, the following principles of good questionnaire design were taken into account:

- **Balance** – we made sure that not only are the questions in the survey worded in an objective manner, but also that the composition of the research as a whole is **presented** in a balanced way. A mix of open and closed questions is included;
- **Content** – is crucial to the success of any project and the questionnaire was designed by the **project** team and in close collaboration with experts. The questionnaire is structured around key themes and is cohesive;
- **Comparability** – where possible and appropriate, we ensured that we used questions which have been tried and tested before so that you have access to any tracking or comparative (benchmark) data;
- **Simplicity** – the survey is simple enough in order not to discourage people from answering it: by means of having greater number of quantitative questions or by means of broadening the questions;
- **Length** – an overly long questionnaire can appear daunting and off-putting to participants, **while** a brief questionnaire can be seen as skirting the issues;
- **Information** – we aimed to maximise the ease with which information is retrieved by respondents, making it as easy as possible for them to give their responses; and
- **Instructions** – clear and simple instructions for completion were provided.

Generally, the process of preparing the surveys was composed of the following steps. The next steps were deployed during the course of the project:

- Draft the two surveys tailored to the relevant tasks. The survey questions are drafted based on desk research (e.g. understanding functioning retail financial services, complaints consumers deal with in respect to their actual costs related to payment services) and in collaboration and discussion with the subject

matter experts. In particular, the Commissions' Inception Impact Assessment on the review of Regulation on cross-border payments (2017) assisted in drafting the survey questions<sup>76</sup>;

- Test the surveys internally and with the experts;
- Comments integrated to create a client draft version;
- Consultation discussion between the project team and the European Commission;
- Finalisation of the survey(s) by the project team; and
- Survey sign-off by the European Commission.

### Survey to Consumer Associations and PSU Associations

Both CAs and PSU associations are key actors when it comes to ensuring efficiency throughout the retail financial services markets. The survey addressed to these stakeholders aims at understanding the functioning of the retail financial services market from a consumer perspective. Its objective is to collect data on the actual costs incurred by the members of these public entities and to retrieve examples and statistics on complaints consumers deal with in respect to their actual costs related to payment services.

The questions included in this survey have been grouped into the following main categories:

Category	Key areas of research covered per category
<b>Consumer complaints and consumer protection</b>	<ul style="list-style-type: none"> <li>• Practices consumers complain about in relation to financial retail domestic transactions</li> <li>• Practices consumers complain about in relation to financial retail cross-border transactions</li> <li>• Legal framework for consumer protection and relative to unfair commercial practices in the payment services market and its potential deficiencies</li> </ul>
<b>Information provided by payment service providers to consumers</b>	<ul style="list-style-type: none"> <li>• Level of consumer understanding information provided by PSPs on fees</li> <li>• Factors explaining consumers' difficulties to understand information provided by PSPs on fees</li> <li>• Further requirements to regulate market practices to better inform consumers on payment fees charged by PSPs</li> </ul>

<sup>76</sup> European Commission, 2017. 'Impact Assessment. Review of Regulation on cross-border payments'. Available at: [https://ec.europa.eu/info/law/better-Regulation/initiatives/ares-2017-3372443\\_en](https://ec.europa.eu/info/law/better-Regulation/initiatives/ares-2017-3372443_en).

Category	Key areas of research covered per category
<b>Fees charged by PSPs in each country part of the study scope</b>	<ul style="list-style-type: none"> <li>• Extent to which fees charged by PSPs for domestic transactions may differ in each country in scope (e.g. fees for paying by card)</li> <li>• Options explaining divergence of fees between PSPs for similar products</li> <li>• Most beneficial fee structure for consumers for different types of payments</li> <li>• Share of domestic credit transfer service provided by non-bank PSPs</li> </ul>
<b>Cross-border transactions in the domestic market</b>	<ul style="list-style-type: none"> <li>• Extent to which fees charged by different PSPs differ for cross-border transactions</li> <li>• Options potentially explaining divergence of fees between PSPs for similar products</li> <li>• Frequency in which consumer use services for cross-border EUR and non-EUR transactions</li> <li>• Consumer awareness on variety of prices for financial retail services across the EU and relation versus foreign countries</li> <li>• Share of cross-border credit transfer services provided by non-bank PSPs</li> </ul>
<b>Extending the Regulation 924/2009 to all countries within the EU</b>	<ul style="list-style-type: none"> <li>• Opinion on consequences regarding the extension of the scope for Regulation 924/2009 to currencies of EU MSs other than euro</li> </ul>
<b>General questions</b>	<ul style="list-style-type: none"> <li>• Collection of documentation (e.g. guidelines, guidance, best practices, campaigns) in relation to payment services for consumers</li> </ul>

The survey to Consumer Associations can be found in Annex 7.6.1. The survey to Payment services users associations can be found in Annex 7.6.2.

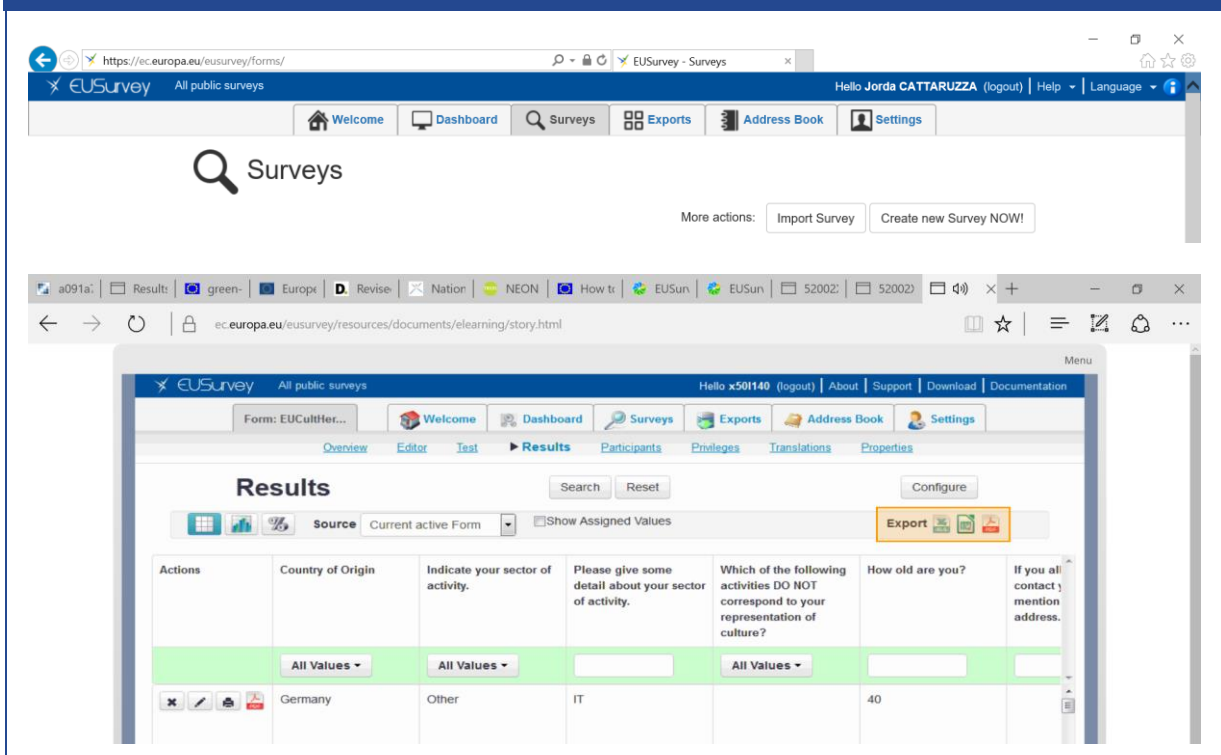
### Online survey tool supported by the European Commission

For the purpose of this task, the electronic survey tool 'EU Survey'<sup>77</sup> was selected. EU Survey is the Commission's online survey management tool used to create and conduct multilingual surveys. It covers different steps in a survey life cycle from the design to the launch of surveys up to the data analysis and publication of the results. The tool can be used for any type of organisation or administration, public or private. It is secured by the European Commission's Authentication Service (ECAS). Considering the survey is EU branded, it will identify the Commission to respondents, which may increase the response rate.

The tool allows us to distribute a single URL to participants which, once accessed, cannot be re-accessed once the survey has been completed. This ensures unique responses to the consultation. In addition, survey respondents can save their responses in the survey and finalise its completion at another timeframe according to their availability. Our experiences has shown that this creates a higher response rate, as compared to only having one timeslot to complete the survey.

<sup>77</sup> The survey tool EU survey is accessible as per <https://ec.europa.eu/eusurvey/home/welcome>. A tutorial survey showing all elements in use is available at <https://ec.europa.eu/eusurvey/runner/TutorialEUSurvey>

Figure 37: EU Survey Tool



Source: <https://ec.europa.eu/eusurvey/home/welcome>

## Response rate coordination

To ensure sufficient provision of information and ensure high response rate from stakeholders, we made use of the following techniques:

- Use of an introduction that gives a concise background to the survey which explains why the respondent should be motivated to complete the survey;
- Offering a link to an official letter from the European Commission (requested at the beginning of the study) which gives further detail and displays that the survey is officially authorised;
- Offering a contact email to the project team which allows stakeholders to validate that the consultation is bona fide;
- Offering a .pdf version of the questionnaire in advance if requested, which allows respondents to assemble any data in advance of their responses online; and
- Offering the possibility for stakeholders to send all relevant materials to the email address, specifically designed for the surveys.



Subject: Study on charges for cross-border transactions in the EU

Dear Mr/Ms/Ms, dear Sir,

The Commission recently adopted a Consumer Financial Services Action Plan<sup>1</sup> which announced in particular an initiative to reduce charges for cross-border transactions in all Member States also for non-euro currency transactions.

The Commission has asked Deloitte to collect evidence on such charges and on the possible impact of an extension of the scope of Regulation 924/2009 on cross-border transactions in the EU to non-euro transactions.

In the course of this study, Deloitte will collect evidence on charges and internal costs and will seek stakeholders' views. Your organization has been identified as one of the key stakeholders whose input would be particularly valuable in the context of the study. Your comprehensive feedback would help the Commission obtain a comprehensive understanding of the fees applied and the costs incurred by payment services providers and their clients across the EU for cross-border transactions.

Participants were invited to complete the survey on the 4<sup>th</sup> of August 2017. In case they failed to complete the survey on release, participants were reminded twice to complete it (2-3 weeks after release, and then 2 weeks after the first reminder). In

addition, respondents were ensured that strict anonymity is guaranteed during the whole process.

## 7.2.5 Interviews

As part of the data collection, a limited number of stakeholder interviews were organised with bank PSPs and non-bank PSPs during the months of August – October 2017. **In total, about 5 interviews were conducted.** The interviews were conducted by phone and took approximately 45 minutes depending on the information exchanged by the interviewee. Interviews were mainly conducted in English.

Interviews value to studies in many ways:

- Off-the-record comments which respondents may be unable to put in writing (for legal reasons or due to fear) may be shared within anonymous interviews;
- The potential to judge the efficacy of policy instruments. For example, a regulatory review may display a robust framework within MSs, but stakeholder interviews may reveal obstacles or barriers; and
- Often, reliable statistics or key performance indicators (KPIs) may not be available. Qualitative data derived from interviews may be the only substitute.

The different stakeholders were approached differently within the context of the study, taking into account the differences in resources, roles and experience in the market. Therefore, interviews were tailored to the respondent category, although many common questions were still posed across all categories. We also encouraged stakeholders to submit additional information, such as supporting data or documentation.

As support for the interview, '**interview guidelines**' (annex 7.7) were drafted by the subject matter expert covering:

- Objectives and scope of the study;
- Categories of questions to be addressed during the interview; and
- Detailed questions per category.

The interview guidelines include the following main categories of questions:

Category	Category description	Examples of key areas/questions discussed during the interviews*
<b>Volumes and Transactions levels</b>	This part focuses on the quantification of the transactions in the specific currencies of each of the non-EU currencies and will be extended to the USD sent to those countries	<ul style="list-style-type: none"> <li>• Number of transactions: Does the Bank/PSP has statistic around the number of transactions for those currencies? Split by type of services: cash withdrawal, card transactions and wires?</li> <li>• Volume of transactions: Can you split those volumes between retail and corporate?</li> <li>• Infrastructures: Do you have a specific infrastructure supporting those payments/collections? If yes, please specify?</li> </ul>
<b>Legal barriers</b>	This part focuses on the identification of legal barriers when doing business with non-EUR EU MS	<ul style="list-style-type: none"> <li>• Do you encounter legal barriers while doing business in those countries?</li> <li>• Do you face restrictions? Can you offer services and products without restrictions?</li> </ul>
<b>Infrastructures</b>	This part focuses on the specific	<ul style="list-style-type: none"> <li>• Are you facing infrastructures issues in connecting with financial institution for</li> </ul>

	infrastructure investment needed to maintain the flows and transactions in those currencies	<p>those currencies?</p> <ul style="list-style-type: none"> <li>• Can you share with us the investments dedicated to those infrastructures?</li> <li>• What are the costs linked with the maintenance of the infrastructures?</li> </ul>
<b>Costs</b>	This part focuses on specific costs incurred by your institutions for processing those transactions	<ul style="list-style-type: none"> <li>• What are the additional costs that you are incurring for the executions of those transactions?</li> <li>• What are the main drivers of those costs?</li> </ul>

\*Non-exhaustive list

The input of the interviews are discussed in Section 4.4, data analysis on cross-border transactions.

## 7.2.6 Communication

In addition to the stakeholder surveys and interviews, a sample of private and public entity stakeholders received a separate communication in which they were asked for their willingness to participate in our study by means of sharing any relevant information they might have and that pertains to our field of research.

In particular, information was requested from three stakeholders' groups:

- Consumer associations
- Banking associations
- Swedish banks

Addressing banking associations and consumer organisations adds particular value to the study as it allows to gain ground level perspectives by potentially capturing uprising trends, which are not yet enough widespread to have been caught and reported through the surveys.

They were invited to share information for different areas as illustrated in the table below.

Stakeholder group	Information requested
<b>Consumer associations</b>	<ul style="list-style-type: none"> <li>• Relevant issues related to the situation of consumers in payment service market in your country;</li> <li>• Consumer complaints related to the study topic;</li> <li>• Relevant guidelines, guidance, best practices or awareness-raising campaigns in relation to payment services for consumers;</li> <li>• Your personal opinion on the impacts of extending the Regulation would have for consumers and banks in your country.</li> </ul>

Stakeholder group	Information requested
<b>Banking associations</b>	<ul style="list-style-type: none"> <li>• Relevant issues related to the situation of consumers in payment service market in your country;</li> <li>• The degree of harmonization across the different national payment systems in the EU;</li> <li>• The infrastructure needed and the different costs faced to process payments in euros and in other currencies of the EU MSs;</li> <li>• The legal barriers faced by PSPs to operate in the different countries of the European Union;</li> <li>• Your personal opinion on the impacts of extending the Regulation would have for consumers and banks in your country.</li> </ul>

<b>Swedish banks</b>	<ul style="list-style-type: none"> <li>• Change in the number of cross-border transactions following the 924/2009 Regulation extension in Sweden</li> <li>• Change in the technical infrastructure to process payments following the extension</li> <li>• Change in revenues/costs following the 924/2009 Regulation extension in Sweden</li> <li>• Change in consumers' satisfaction following the 924/2009 Regulation extension in Sweden</li> <li>• Opinion on the Regulation extension and its overall impact</li> </ul>
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In total, **2 stakeholders** replied to the communication requests by providing the study with relevant documentation and reflections. The replies gave further insights about the complaints consumers have with regards to the fees charged by PSPs for different transactions.

<b>Number of respondents to the communications</b>		
<b>Stakeholder group</b>	<b>Number of contacted stakeholders</b>	<b>Number of replies</b>
Consumer Associations	36	2
Banking Associations	18	0
Swedish Banks	4	0

### **7.2.7 Online data collection**

The majority of data was collected through **online desk research**. In order to do so, the project team, including native researcher for the countries in scope, collected data published by banks and non-bank PSPs through their web pages. Data mainly includes the collection of fees and internal costs as published on the official websites of the targeted stakeholders, or through statistical websites. This is further highlighted in the next sections of the report.



### 7.3 Methodology applied to Main Task 2

To identify the best options regarding the extension of the Regulation 924/2009 to all currencies of MS of the EU, a focal point is to present a detailed overview of the pricing applied by PSPs to their clients as well as their internal costs.

Main Task 2 consists of a detailed data collection exercise across the 12 countries in scope on different sets of fees and costs, collected for **electronic credit transfers, card payments and cash withdrawals**. This implies that any type of physical transfers/withdrawals is not included in the scope.

In addition, further research was performed to gain insights about the impact of the potential Regulation 924/2009 extension to all currencies of MSs in the European Union. In this context, data was gathered on the functioning of retail financial services market and consumer complaints about their actual costs related to payment services, as well as data on transactions numbers and transactions volumes.

The table below presents the different types of data collected as part of Main Task 2. Further details are given in the following sub-sections.

Type of collected data	Description	Method	Section
<b>Functioning of the retail financial services market and consumer complaints across countries</b>	<ul style="list-style-type: none"> <li>Information about national Regulations in the payment service market across countries in scope</li> <li>Information on consumer habits as regards payment practices across countries in scope</li> <li>Statistics on consumers' complaints in respect to fees charged by PSPs</li> </ul>	<ul style="list-style-type: none"> <li>Surveys</li> </ul>	Section 7.3.1
<b>Fees charged to consumers by bank PSPs</b>	Pricing structure applied by the bank PSP for standard credit transfers/card payments/cash withdrawals for values of 10, 50, 100, 1000 and 10.000 EUR (or equivalent)	<ul style="list-style-type: none"> <li>Online data collection</li> </ul>	Section 7.3.2
<b>Fees charged to consumers by non-bank PSPs</b>	Pricing structure applied by the non-bank PSP for standard credit transfers for values of 10, 50, 100, 1000 and 10.000 EUR (or equivalent)	<ul style="list-style-type: none"> <li>Online data collection</li> </ul>	Section 7.3.3
<b>Internal costs estimations for PSPs to execute the different types of transactions</b>	Data or estimation of the actual cost for the PSPs to execute standard credit transfers/card payments/cash withdrawals presented as: <ul style="list-style-type: none"> <li>Actual cost for transactions within the country, and</li> </ul>	<ul style="list-style-type: none"> <li>Communications</li> <li>Interviews</li> </ul>	Section 7.3.4

	<ul style="list-style-type: none"> <li>• Actual cost for cross-border transactions</li> </ul>		
<b>Transaction number and volume estimation</b>	Estimation of the number and volume of transactions in 2015 for standard credit transfers, card payments and cash withdrawals	<ul style="list-style-type: none"> <li>• Online data collection</li> <li>• Interviews</li> </ul>	Section 7.3.5
<b>Clearing systems operating hours</b>	Online data collection to identify the operating hours of the clearing systems in the different countries in scope. This was performed through reviewing the cut off times for customers and interbank transactions of different clearing houses	<ul style="list-style-type: none"> <li>• Online data collection</li> </ul>	Section 7.3.6

### 7.3.1 Retail financial services markets and consumer complaints across countries

The functioning of the retail financial services market and consumer complaints across countries allows to better understand how the financial services market operates from a consumer perspective and the type of complaints that consumers have reported in relation to retail financial services. It further allows to understand the different national Regulations/legislations in place, the consumers' motives for addressing complaints about payment services and consumer habits as regards payment practices across countries in scope as well as to retrieve examples of consumer complaints across the twelve countries in scope.

In general, and as demonstrated by the 2017 European Commissions' Scoreboard<sup>78</sup>, one fifth of the consumers indicated that they experienced a problem when buying or using foods or services in the past 12 months that in their view provided a legitimate cause to make a complaint. In order to address complaints with regards to retail financial services, specific tools have been developed over the past years to help consumers in their cross-border contracts as to retail financial services. For example: the Financial Dispute Resolution Network (FINNET) – created by the European Commission in 2001. Its purpose is to facilitate the resolution of cross-border disputes in financial services. However, as highlighted in the Green Paper, hardly anyone is aware of the network's existence.

The data collection regarding the topic across countries was performed through the surveys sent to CAs and PSU associations as discussed in Section 7.3.1. In total, 14 replies were gathered including 12 responses from CAs and 2 from PSUs associations. In addition, communications were sent to the identified stakeholders to increase the response rate. Two consumer associations have replied to the communication request and have shared information about consumers' complaints during September 2017.

<sup>78</sup> European Commission, 2017. 'Consumer Market's Scoreboard 2017 Edition'. Accessed September 2017. Available at: [http://ec.europa.eu/newsroom/just/item-detail.cfm?item\\_id=117250](http://ec.europa.eu/newsroom/just/item-detail.cfm?item_id=117250)

### 7.3.2 Collection of fees charged to customers by bank PSPs

The collection of fees which bank PSPs are charging to consumers when they use their services aims at providing an overview of fees, which compares the fees applied by PSPs to their consumers in EUR/local currency, for cross-border and domestic transactions across the countries in scope.

The fees were identified across a large number of bank PSPs to ensure the full comprehensiveness of our analysis. As explained in section 7.3, desk research allowed to identify 3 to 5 major banks in each country in scope. **In total, 57 bank PSPs' fees were examined.** The list can be seen in Annex 7.5.1.

In specific, through on-line data collection, the fees pricing structure applied by each bank PSPs to consumers for **three types of electronic payments** (excluding any type of physical transfers / withdrawals) was identified:

1. Pricing structure applied by the PSP for **standard credit transfers** for values of 10, 50, 100, 1000 and 10.000 EUR (or equivalent);
2. Pricing structure applied by the PSP for **card payments** for values of 10, 50, 100 and 1000 EUR (or equivalent) ; and
3. Pricing structure applied by the PSP for **cash withdrawals** for values of 10, 50 and 100 EUR (or equivalent).

Furthermore, for each of these three types of electronic payments, data was gathered for fees applied by bank PSPs to their consumers in:

- Domestic transactions;
- Cross-border (EUR) transactions; and
- Cross-border (non-EUR currencies) transactions.

The two next tables provide more details on the fees collected for each of the three types of payments for non-EUR and EUR MS in scope.

**Figure 38: Fees collected for non-EUR member states**

				<b>Type of fees</b>	<b>Explanation</b>	<b>Example</b>
<b>Cash withdrawal at ATMs</b>				Local currency (domestic)	In local currency at an ATM in one of the countries in scope (i.e. a non-EUR MS)	'A Romanian citizen withdrawing cash at an ATM in Romanian Leu'
				euro (cross-border)	In EUR at an ATM in a EUR MS	'A Romanian citizen travelling to France withdrawing cash at an ATM in euro'
				Other EU currencies (cross-border)	In another non-EUR EU currency at an ATM in another non-EUR EU MS	'A Romanian citizen travelling to Sweden withdrawing cash at an ATM in Swedish Krona'
<b>Card Payment</b>				Local currency (domestic)	In local currency in one of the countries in scope (i.e. a non-EUR MS)	'A Romanian citizen paying by card in Romanian Leu'
				euro (cross-border)	In EUR in one EUR MS	'A Romanian citizen travelling to France paying by card in euro'
				Other EU currencies (cross-border)	In another non-EUR EU currency in another non-EUR EU MS	'A Romanian citizen travelling to Sweden paying by card in Swedish Krona'
<b>Credit Transfer</b>	In local currency	Domestic	Incoming	Receive a credit transfer in local currency from a sender in the same EU country	'A Romanian citizen receiving money in Romanian Leu from a peer in Romania'	
			Outgoing	Transfer credit in local currency to a beneficiary in the same country	'A Romanian citizen transferring money in Romanian Leu to a peer in Romania'	
		Cross-border	Incoming	Receive a credit transfer in local currency from a sender in another EU country	'A Romanian citizen receiving money in Romanian Leu from a peer in France'	
			Outgoing	Transfer credit in local currency to a beneficiary in another EU country	'A Romanian citizen transferring money in Romanian Leu to a peer in France'	
	Other EU currency	Cross-border	Incoming	Receive a credit transfer in another non-EUR EU currency from a sender in another EU country	'A Romanian citizen receiving money in Swedish krona from a peer in Sweden'	
			Outgoing	Transfer credit in another non-EUR EU currency to a beneficiary in another EU country	'A Romanian citizen transferring money in Swedish krona to a peer in Sweden'	
	In euro	Domestic	Incoming	Receive a credit transfer in EUR from a sender in the same country	'A Romanian citizen receiving money in euro from a peer in Romania'	
			Outgoing	Transfer credit in EUR to a beneficiary in the same country	'A Romanian citizen transferring money in euro to a peer in Romania'	
		Cross-border	Incoming	Receive a credit transfer in EUR from a sender in another EU country	'A Romanian citizen receiving money in euro from a peer in France'	
			Outgoing	Transfer credit in EUR to a beneficiary in another EU country	'A Romanian citizen transferring money in euro to a peer in France'	

**Figure 39: Fees collected for EUR member states**

<b>Figure 39: Fees collected for EUR member states</b>					
<b>Type of fees</b>			<b>Explanation</b>	<b>Example</b>	
<b>Cash withdrawal at ATMs</b>	In euro	Domestic	In local currency at an ATM in one of the countries in scope (i.e. a EUR MS)	'A French citizen withdrawing cash at an ATM in euro in France'	
		Cross-border	In EUR at an ATM in another EUR MS	'A French citizen travelling to Germany withdrawing cash at an ATM in euro '	
	In other EU currency (cross-border)		In non-EUR MS currencies at ATM in non-EUR MS	'A French citizen travelling to Sweden withdrawing cash at an ATM in Swedish Krona'	
<b>Card Payment</b>	In euro	Domestic	In local currency in one of the countries in scope (i.e. a EUR MS)	A French citizen paying by card in euro in France'	
		Cross-border	In EUR in another EUR MS	'A French citizen travelling to Germany paying by card in euro'	
	In other EU currency (cross-border)		In EUR in one EUR MS	'A French citizen travelling to Sweden paying by card in Swedish Krona'	
<b>Credit Transfer</b>	In euro	Domestic	Incoming	Receive a credit transfer in EUR from a sender in the same country	'A French citizen receiving money in euro from a peer in France'
			Outgoing	Transfer credit in EUR to a beneficiary in the same country	'A French citizen transferring money in euro to a peer in France'
		Cross-border	Incoming	Receive a credit transfer in EUR from a sender in another EU country	'A French citizen receiving money in euro from a peer in Germany'
			Outgoing	Transfer credit in EUR to a beneficiary in another EU country	'A French citizen transferring money in euro to a peer in Germany'
	In other EU currencies	Domestic	Incoming	Receive a credit transfer in non-EUR EU currency from a sender in the same EU country	'A French citizen receiving money in Swedish krona from a peer in France'
			Outgoing	Transfer credit in non-EUR EU currency to a beneficiary in the same country	'A French citizen transferring money in Swedish krona to a peer in France'
		Cross-border	Incoming	Receive a credit transfer in non-EUR EU currency from a sender in another EU country	'A French citizen receiving money in Swedish krona from a peer in Sweden'
			Outgoing	Transfer credit in non-EUR EU currency to a beneficiary in another EU country	'A French citizen transferring money in Swedish krona to a peer in Sweden'

## Approach data collection

The fees collection for **the 57 selected bank PSPs** was performed by Deloitte native researchers for each country in scope. The researchers were requested to complete two 'fee collection templates', available in spreadsheet format, separating the data for EUR MS and non-EUR MS.

The researchers performed on-line data gathering on the different types of fees for EUR MS and non-EUR MS through the review of online published information on the official websites of banks and directly integrated this information in the two fee collection templates, while keeping track of the sources.

The below figure is an extraction of the draft fee collection template. Researchers were requested to collect fees charged by bank PSPs to consumers for credit transfers, card payments and cash withdrawals for values of 10, 50, 100, 1000 and 10.000 EUR (or equivalent). The sources of the bank PSPs consulted for this exercise are also integrated by the researchers in this template. This allows the project team to ensure to keep track of sources in order for to perform an adequate data quality review.

**Figure 40: Explained data collection template distributed to researchers**

Pricing Structure	Credit transfer							
	Euro							
	Cross-border				Domestic			
	Incoming	Pricing Structure Explanation	Outgoing	Pricing Structure Explanation	Incoming	Pricing Structure Explanation	Outgoing	Pricing Structure Explanation
≤ 8,8 € (10 €)								
≤ 44 € (50 €)								
≤ 88 € (100 €)								
≤ 876 € (1000 €)								
≤ 8764 € (10000€)								

## Researchers guidelines

Each native researcher received adequate training and documentation in order to conduct the data collection in the offices of Deloitte. Where possible researchers were trained in groups, either in one physical location (Deloitte Luxembourg) or online, using Webex or similar presentation solutions.

Researchers were mostly trained at the same time and performed a trial exercise together during half a day, with the core research team involved in the exercise. Immediately following the training, they became available for this study in order to ensure they move rapidly from instruction through to data gathering, keeping instructions and guidance fresh in their minds.

During the training, the researchers received training documentation and fee collection guidelines/instructions. The table below summarises the documentation and the guidelines provided to the researchers:

**Figure 41: Information and instructions given to researchers to perform the data collection**

1. **Study objective** - the aim of the study and the rationale behind the data collection was explained to the researchers
2. **Technical knowledge explanations** - the researcher were provided technical knowledge about cross-border transactions, types of fees, types of transactions, payment services providers and explicit linkages to the data types being gathered
3. **List of PSPs to be targeted** – the researchers were provided with a predefined list of major bank PSPs for which they should retrieve data
4. **Data collection explanations** – the researchers were provided with explanations on the number of data entries to collect per PSPs with the requirements of the data entries (e.g. types of charged fees, types of internal costs, fees/costs breakdown, types of transactions, etc.)
5. **Fee collection template explanations** – the Deloitte project team ensured that the researcher understood each item of the data collection tool and how to fill this in. A document explaining the fee collection template was provided to researchers as illustrated in Figure 42
6. **Sources data collection explanations** – the researcher were explained how to reference their sources for the fee collection per country
7. **Issues escalation explanations** – the researcher were requested to report all missing data and to contact the instructor in case of understanding problems

**Figure 42: Fees collection guidelines distributed to researchers**

	Bank Name											
	Credit transfer											
	Euro				Local currency				Other EU currency			
	Cross-border		Domestic		Cross-border		Domestic		Cross-border			
Incoming	Outgoing	Incoming	Outgoing	Incoming	Outgoing	Incoming	Outgoing	Incoming	Outgoing	Incoming	Outgoing	
Example for UK	Receiving euro from a peer in a EU country (not England)	Sending euro to a peer in a EU country (not England)	Receiving pounds from a peer in England	Sending euro to a peer in England	Receiving pounds from a peer in another EU country	Sending pounds to a peer in another EU country	Receiving pounds from a peer in UK	Sending pounds to a peer in UK	Receiving other EU currency (non euro and non local currency) from a EU country (not England)	Sending other EU currency (non euro and non local currency) to a EU country (not England)		
	Most likely referred as SEPA payment		Most likely referred as SEPA payment		Most likely referred as payment to foreign banks		Most likely referred as domestic payment		Most likely referred as international payment			
SEPA: Single Euro Payment Area. A payment in euro to a euro account in the European Union												

In summary, the researchers executed their instructions as per the guidelines above and populated the data collection tool with the data and the data sources per country. External data sources (e.g. hyperlink, documentation, etc.) were collected alongside the exercise. Researchers were expected to:

- Complete their data gathering by a specific date in June 2017;
- Transfer their outputs to the project team in Luxembourg (price collection and backups);
- Escalate any issues as they appear; and
- Provide evidence (data dump in PDF format and link to the data observation). Some data references were not immediately accessible via hyperlink, and in some cases, a hyperlink alone was not sufficient, as they are not reliably updated in some cases on the hosting website.

### 7.3.3 Fees charged to consumers by non-bank PSPs

This sub-section describes our methodology to collect the fees which non-bank PSPs are charging to consumers when they use their services. Non-bank PSPs are companies operating worldwide online payments systems that give consumers the ability to transfer money online. These PSPs serve as an electronic alternative to traditional payment methods offered by banks.

We gathered data to provide an overview which compares the fees applied by non-bank PSPs to their consumers in EUR/local currency, for cross-border transactions across the countries in scope. Furthermore, the data collection exercise presented in this section will enable to compare the fees charged by non-bank PSPs to the one charged by bank PSPs, which were collected in Section 4.4.

As explained in Section 7.2.2, **a list of 9 non-bank PSPs was selected** by the subject matter expert through his experience with the field and his network. A desk research further fine-tuned this list as to only include non-bank PSPs that offer comparable services to bank PSPs. Therefore, in the end, **in total 4 non-bank PSPs** were identified for the data collection (See Annex 7.5.2) and were validated by the European Commission.

The following figure explains the rationale behind the exclusion of these five non-bank PSPs:

Figure 43: Non-bank PSPs excluded from the study	
List of non-bank PSPs as suggested by the expert	Reasons for exclusion from the study
Google Wallet	Google Wallet is only available in the U.S.
Xoom	Enables to transfer money only with a U.S. based bank account, credit card or debit card
Stripe	Provides services for retailers to accept payments from consumers
Fastspring	Provides services for retailers to accept payments from consumers
Trustly	Does not provide the ability for consumers to perform standard credit transfers

For this study, an on-line data collection was performed to identify the pricing structure applied by the non-bank PSPs for **cross-border standard credit transfers** for values of 10, 50, 100, 1000 and 10.000 EUR (or equivalent). Card payments and cash withdrawals were excluded in this data collection exercise as these services are not offered by the identified non-bank PSPs.

#### Approach data collection

Non-bank PSPs fees for cross-border transactions vary depending on the currency sent, the country of the sender and the country of the receiver. For example, if a citizen in Poland wishes to use PayPal to transfer 10€<sup>79</sup> in a EUR MS, he will pay 0.69€, 0.72€ or 0.74€ if the beneficiaries are located respectively in Luxembourg, France and Germany. Therefore, to provide comparable data, the research team and the European Commission decided that for non-EUR MS, data would be collected online from each PSPs for transferring money from the home country (i.e.: a non-EUR MS country) to France (i.e. a

<sup>79</sup> Payment is funded fully or partially by a debit card or a credit card



EUR country). For EUR MS, data was collected for transferring money from France (i.e.: a EUR MS) to Poland (i.e. a non-EUR MS). This is illustrated in the following figure.

**Figure 44: Fees collected for EUR member states**

Countries in scope	Type of fees				Explanation	Example
<b>Non-EUR MS</b>	Credit Transfer	In euro	Cross-border	Outgoing	Transfer credit in EUR to a beneficiary in France	'A Romanian citizen transferring money in euro to a peer in France'
<b>EUR MS</b>	Credit Transfer	In PLN	Cross-border	Outgoing	Transfer credit in PLN to a beneficiary in Poland	'A French citizen transferring money in Polish Zloty to a peer in Poland'

### 7.3.4 Identification costs charged by PSPs and internal PSP cost estimations

As noted in Section 7.2.5, interviews with bank and non-bank PSPs were performed in order to collect data related to the costs charged by the PSPs to consumers per transaction and the internal costs estimation for PSPs to execute the different types of transactions. In addition, separate communications were sent by email.

In specific information was collected on:

1. Infrastructures needed to process payments;
2. Different costs faced by PSPs to process payments; and
3. Legal barriers faced by PSPs for operating in the different countries of the EU.

A total of **8 major banks and non-bank PSPs** were identified. Experts of these organisations were in turn invited for an interview in order to share their experience with the topics above. Based on interviewees' availability and interest to contribute to the study, interviews were conducted with **5 PSPs** during the course of August – October 2017.

During these 5 interviews, up to two to four staff members with different positions of the same bank or non-bank PSPs participated. The participants had different positions and responsibilities within their organization, which ensures that the analysis takes into account various point of views. The different positions of the participants in the interviews are listed in the table below:

<b>Interview participants positions (bank and non-bank PSPs)</b>
<ul style="list-style-type: none"> <li>• Government Relations</li> <li>• Head of Cash</li> <li>• Head of European Banking</li> <li>• Head of Government Relations</li> <li>• Head of Product Management Payments</li> <li>• Legal Counsel Europe</li> <li>• Regional General Counsel</li> <li>• Treasury Product Manager</li> </ul>

Interviews were structured across 'interviews guidelines' as presented in Annex 7.7.

In addition, as explained in Section 7.2.6, communications were sent out in September 2017 to European associations involved in the area of retail financial services, allowing to target more organizations in a limited time frame. Unfortunately, no replies were received.

### 7.3.5 Transaction number and volume estimation

This sub-section discusses the followed methodology to **estimate the number and the volume of transactions expressed in EUR** that took place **from 2011 to 2015** in the countries in scope. The outcome of this task includes an overview of the number and volume of transactions in EUR MS and non-EUR MS in a comparable format. This data supports the calculation of the economic impact of a potential extension of the Regulation 924/2009.

This task, covering desk research performed in July 2017, overall aims to **determine how much consumers could save in terms of costs if the Regulation 924/2009 was extended to currencies of Member States outside the euro area**. To determine such an impact, the total costs incurred by consumers both before and after the potential Regulation extension will be compared. Total costs are calculated by multiplying the number of cross-border transactions in non-EUR MS currencies by the fees charged by PSPs for these transactions.

On-line data was collected to identify the number and volume of transactions for three types of electronic payments (excluding any type of physical transfers / withdrawals) from 2011 to 2015:

1. Cash withdrawals at ATM;
2. Card payments; and
3. Standard credit transfers.

The following table provides further details on these types of transactions categorised per payment type:

Type of payment	Type of transaction
<b>Cash withdrawal</b>	At an ATM in the country
	At an ATM in the country by cards issued in the country
	At an ATM in the country by cards issued outside of the country
	At an ATM outside of the country by cards issued in the country
<b>Card payments</b>	With a card issued in the country
	In the country with a card issued in the country
	Outside the country with a card issued in the country
<b>Credit transfers</b>	In the country
	Domestic credit transfers in the country
	Cross-border credit transfers in the country
	SEPA credit transfers in the country (if available)
	Non-SEPA credit transfers in the country (if available)

## Approach data collection

To identify the number and volume of transactions for the three types of electronic payments, an online data collection exercise was performed. The research team performed the data gathering through the review of statistics published by the ECB and integrated this information in a 'number and volumes transactions' template, while keeping track of the sources. The below figure is an extraction of the draft 'number and volume transactions' template. It represents the information to be collected for the number and volume of the different transactions in scope as described in the above table.

**Figure 45: Number and volume transactions template (2015 data)**

Country				
	<b>Withdrawals at ATM</b>	<b>Number of transactions (in millions)</b>	<b>Value of transactions (in EUR Billions)</b>	<b>Source</b>
		2015	2015	
	Cash withdrawals at ATM in the country			
	Cash withdrawals at ATM in the country by cards issued in the country			
	Cash withdrawals at ATM in the country by cards issued outside of the country			
	Cash withdrawals at ATM outside of the country by cards issued in the country			
	<b>Card Payments</b>			
		2015	2015	
	Card payments by cards issued in the country			
	Card payments in the country by cards issued in the country			
	Card payments outside the country by cards issued in the country			
	<b>Credit Transfers</b>			
		2015	2015	
	Country Total			
	Domestic			
	Cross-border			
	Country Total which are not SEPA			
	Country Total which are SEPA			

The data collected originates from payment statistics published by the ECB in September 2016 for all European Union countries. Data were collected from 2011 to 2015 as these are the most recent years for which the ECB provides statistics. A data consistency check was performed by comparing the data from the ECB to the ones made available on the website of the Bank of International Settlements (BIS). An illustration for the country France for both payment statistics is shown in the below figure.

**Figure 46: Example total number of credit transactions for France (2015, expressed in EUR) collected from BIS and ECB websites**

BIS Statistics Extraction	<b>Table 8</b>					
	<b>Indicators of the use of payment instruments and terminals: value of transactions</b>					
	<i>(EUR billions, total for the year)</i>					
		<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
	<b>Transactions per type of payment instrument</b>					
	Credit transfers <sup>1</sup>	24,540.85	24,114.69	23,198.46	24,046.38	21,635.38
	paper-based	nav	nav	nav	4,198.07	2,433.59
	non-paper-based	nav	nav	nav	19,848.31	19,196.27
	Direct debits	1,325.14	1,310.88	1,399.30	1,514.55	1,427.00
	Card payments with cards issued in the country	393.59	421.57	438.43	443.31	469.64
	payments by cards with a debit function	nav	nav	nav	215.76	256.72
	payments by cards with a delayed debit	nav	nav	nav	77.57	110.95
	payments by cards with a credit function	nav	nav	nav	5.54	13.17
	E-money payment transactions	0.101	0.113	0.109	0.244	0.402
	by cards with an e-money function	0.101	0.113	0.109	0.205	0.051
	through other e-money storages	nav	nav	nav	0.04	0.35
	Cheques	1,787.53	1,628.46	1,320.02	1,216.04	1,137.30
	Other payment instruments <sup>2</sup>	377.21	356.54	330.26	0.38	243.56

ECB Statistics Extraction	8a. Payment transactions per type of payment service involving non-MFIs - page 1				
	<i>Value of transactions sent (unless otherwise stated): EUR billions; total for the period</i>				
	2011	2012	2013	2014	2015
<b>Transactions per type of payment service</b>					
<b>Credit transfers</b>	24,540.85	24,114.69	23,198.46	22,742.47	21,635.38
Domestic	-	-	-	18,221.16	16,416.10
Cross-border	-	-	-	4,521.31	5,219.28
<b>Credit transfers</b>					
Initiated in paper-based form	-	-	-	4,198.07	2,433.59
Initiated electronically	-	-	-	19,848.31	19,196.27
Initiated in a file/batch	-	-	-	13,388.14	11,410.50
Initiated on a single payment basis	-	-	-	6,460.18	7,785.77
of which (memorandum item):					
Online banking based e-payments	-	-	-	1,932.84	1,725.85
<b>Credit transfers</b>					
of which:					
Non-SEPA credit transfers	-	-	-	18,573.12	11,229.82

Source: BIS, 2016. Statistics on payment, clearing and settlement systems in the CPMI countries – Figures for 2015. Available at: <http://www.bis.org/cpmi/publ/d155.htm>

Source: ECB-PUBLIC . (2016, September 26). Reports, Payments Statistics, France. Retrieved from <http://sdw.ecb.europa.eu/reports.do?node=1000001972>

## Challenges encountered

The statistics from the ECB and BIS do not provide information on whether the data collected for cross-border payments (i.e. cash withdrawals, card payments and credit transfers) were made in EUR, in another EU currency or in a non-EU currency. In addition information was requested to SWIFT (Society for Worldwide Interbank Financial Telecommunication), which appears to have the information needed. Regrettably, SWIFT informed the research team that data is owned by SWIFT members and users and is only accessible to them.

This is an impediment to assess the economic impact of an extension of Regulation 924/2009 as such assessment requires to collect information about the number and volumes of cross-border payments made in non-EUR EU currencies. As a risk mitigation action, the impediment was overcome by addressing this theme during the interviews with the PSPs. More specifically, non-bank PSPs and bank PSPs were requested, upon their willingness, to share their data on the number of transactions and volumes of transaction, split per EU currency. The data gathered from the interviewees may allow to provide an estimation of the proportion of cross-border transactions executed in euro and in other currencies of EU MS. At this stage of the study, one PSP shared its number and volume of transactions. In addition, one other PSPs has agreed to share the information before the draft final report version.

### 7.3.6 Clearing systems operating hours

Since the creation of the euro as a monetary union with a single currency, a common central bank system ('the Eurosystem'), a single monetary policy and a common money market has been implemented. The Eurosystem's statutory task is to promote in that perspective the smooth operation of payment systems, which implies, to further integrate **the euro area market infrastructure** for payments and post-trading services for financial instruments.

Efforts were undertaken during the last years to harmonise the infrastructure to enable the safe and efficient flow of payments and financial instruments at a low cost throughout the whole zone, resulting in the existence of a consolidated infrastructure to effect payments, for trading, clearing and settling financial instruments.

For example, in recent years a number of public and private sector initiatives have been proposed and implemented with a view to fostering integration and competition in euro area securities market infrastructures, particularly with the aim of enhancing the interoperability and efficiency of post-trading infrastructures. These include, but are not limited to:

- **The Payment Services Directives<sup>80</sup>** (Sections 7.1.2 and 7.1.4);
- **The Regulation on cross-border payments in the Community<sup>81</sup>** (Section 3.1);
- **The Markets in Financial Instruments Directive (MiFID)** – a comprehensive regulatory framework governing the organised execution of investor transactions by exchanges, other trading systems and investment firms. One of its main achievements relates to clearing and settlement systems. Member States are required to grant: (i) local regulated markets access to a CCP, clearing house or settlement system from another member state; (ii) investment firms from other countries access to a CCP and clearing and settlement systems in their territory; and (iii) local investment firms access to a CCP, clearing house or settlement system of another Member State;
- **Recommendations of the European System of Central Banks (ESCB) and the Committee of European Securities Regulators (CESR) for securities settlement systems (SSSs) and central counterparties (CCPs);**
- **The TARGET2-Securities (T2S) project;** and
- **The Framework for the evolution of the clearing and settlement of payments in SEPA** - this framework establishes principles on how providers of clearing and settlement mechanisms (CSMs) can support the SCT (SEPA Credit Transfer) and SDD (SEPA Direct Debit Core) schemes. It clearly delineates the roles and responsibilities of the scheme layer and the infrastructure layer.

Following this, another important aspect of the study is to identify the operating hours of the local clearing systems in the countries of the European Union, in order to determine whether the operating hours of the local clearing systems are indeed currently harmonized across Europe and to better understand the mechanisms behind the clearing systems.

### **Approach data collection**

The research team performed in August 2017 an online data collection to identify the operating hours of the clearing systems in the different countries in scope. This was performed through reviewing the cut off times for customers and interbank transactions of different clearing houses. The information is published on the different national banks' websites of the countries in scope and was directly retrieved from these websites.

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<sup>80</sup> Directive 2007/64/EC of the European Parliament and of the Council of 13 November 2007 on payment services in the internal market amending Directives 97/7/EC, 2002/65/EC, 2005/60/EC and 2006/48/EC and repealing Directive 97/5/EC (Text with EEA relevance) and Directive (EU) 2015/2366 of the European Parliament and of the Council of 25 November 2015 on payment services in the internal market, amending Directives 2002/65/EC, 2009/110/EC and 2013/36/EU and Regulation (EU) No 1093/2010, and repealing Directive 2007/64/EC

<sup>81</sup> Regulation (EC) No 924/2009 of the European Parliament and of the Council of 16 September 2009 on cross-border payments in the Community and repealing Regulation (EC) No 2560/2001, OJ L 266/11 of 9.10.2009

**Figure 47: Data collection on clearing systems**

<b>Country</b>	<b>Clearing House</b>	<b>Currency</b>	<b>System</b>	<b>Operating hours (for consumers)</b>	<b>Operating hours (for interbank)</b>
euro-countries	TARGET2	EUR	RTGS	7AM - 5PM	7AM - 6PM
Bulgaria	RINGS	BGN	RTGS	7AM - 2.45PM	7AM - 2.45PM
Croatia	CLVPS	HRK	RTGS	7.30PM - 6PM	7.30PM - 6PM
Czech Republic	CERTIS	CZK	RTGS	12PM - 4PM	12PM - 4PM
Denmark	KRONOS	DKK	RTGS	N/A	7AM - 3.30PM
Poland	SORBNET	PLN	RTGS	7AM - 5PM	7AM - 6PM
Hungary	VIBER	HUF	RTGS	7AM - 5PM	7AM - 6PM
Romania	REGIS	LEI	RTGS	7AM - 4PM	7AM - 4PM
Sweden	RIX	SEK	RTGS	8AM - 5PM	8AM - 5PM
The UK	CHAPS	GBP	RTGS	7AM - 7PM	7AM - 7PM

### 7.3.7 Data quality review

A systematic data quality review was performed by the research team and the subject matter expert for the different data collected (covering online data and data collected from surveys, communications and interviews).

#### Data collected online

Concerning the **quality review** of the data collected online, two rounds of quality review have been performed by the project team and the subject matter expert. Firstly, the research team performed, when applicable, a quality review upon reception of the data collected by the native researchers. In specific, the research team performed a check with reference to saved source documents. To illustrate, for the fees data collection exercise, the research team cross checked the accuracy of the collected data by directly consulting the sources and screenshots provided by the native researchers in order to validate that the data is correct.

In addition, the research team verified whether information was missing and whether inconsistencies across the collected data were noted in order to request the researchers to perform further research to complete the information.

Secondly, the subject matter expert performed an additional quality review including the comparison of data across the countries in scope as to identify potential outliers. Moreover, the subject matter expert verified whether the data could be easily compared (e.g. fees charged to a customer that has a package, fees charged for transfers to specific banks, etc.). For example, pricing structures differed across the PSPs which rendered the data comparison too complex.

#### Data collected from surveys, communications and interviews

Information that was collected directly from the relevant stakeholders was subject to a quality review by the project team. Namely, it was ensured that the content of the data collected strictly relates to the retail financial market, specifically for the volumes of payments processed by the interviewed PSPs and the complaints sent by different associations' representatives.

In addition, a mapping was performed between the survey respondent and the targeted organisation as to ensure the respondent covers one of the organisations relevant for the study as well as is located in one of the countries in scope. Responses originating from countries out of scope were excluded from the data analysis.

## 7.4 Methodology applied to Main Task 3

The section below highlights the followed methodology as part of Task 3, which mainly consists of (i) integrating the findings observed in Main Task 1 and Main Task 2 and (ii) performing an assessment of the potential economic impact of the extension of the Regulation 924/2009 to all currencies of Member States of the EU.

The impact assessment is performed through a cost-effectiveness analysis (CEA) of the extension of the Regulation. Generally, this technique relates to the costs of a program/implementation to its key outcomes or benefits. A CEA is most useful in cases where major outcomes are either intangible or difficult to monetize, which is the case for the study in scope<sup>82</sup>.

The impact assessment (IA) supporting the cost-effectiveness analysis is derived from an estimation of **the number of transactions** covered (cross-border credit transfers in non-EUR Member States, cross-border card payments from non-EUR Member States, cross-currency border cash withdrawals) combined with **an alignment of fees** charged from cross-border transfers with domestic transfers (currency conversion excluded). The analysis of this is a highly complicated task, considering the amount of data that might be missing.

More specifically, this task focuses on:

### Step 1 – Identify the standard fees and internal costs

Identification of **the standard fees** and **internal costs** (integration of the data as collected in Main Task 1 and Main Task 2): the standard fees charged by PSPs to their consumers for a defined set of three types of transactions and to identify the internal costs for the PSPs. In specific, the costs and fees were identified through online research and interviews. In addition, the number of transactions which are covered by the extension (i.e. cross-border credit transfers in non-EUR MS, cross-border card payments from non-EUR MS and cross-currency border cash withdrawals) were collected from European Central bank’s website as explained in Section 4.4.5.

Overview standard fees and internal costs	Approach
Pricing structure applied by each PSP to consumers	Main Task 1 and 2
Typical cost for the PSPs when executing the three types of transactions	Main Task 1 and 2
Cost charged by the PSPs to the consumers per transaction	Main Task 1 and 2
Data or estimation of the actual cost for the PSPs to execute each of the three types of transactions	Main Task 1 and 2
Estimation of the volume of transactions per year at EU level	Main Task 1 and 2
Estimation of the number of transactions per year at EU level	Main Task 1 and 2

The estimation of the volume in number of transactions and in average fees per country and in total includes:

- Average cost per country - Calculation of the cost of each transaction per country, and subsequently taking the average of this cost;

<sup>82</sup> Riegg Cellini, S. and Kee, J., 2010. Cost-effectiveness and cost-benefit analysis. Accessed May 2017. Available at: <http://home.gwu.edu/~scellini/CelliniKee21.pdf>



- Number of transactions per country - Calculation of the number of transactions per country;
- # of transactions X average cost per country - Calculation of the number of transactions multiplied by the average cost per transaction per country;
- Sum of transaction costs per country - Calculation the sum of the above-mentioned data; and
- Average transaction cost for the countries in scope - Calculation of the average of the above-mentioned data. This will allow to understand the average cost per transaction for the overall countries in scope.

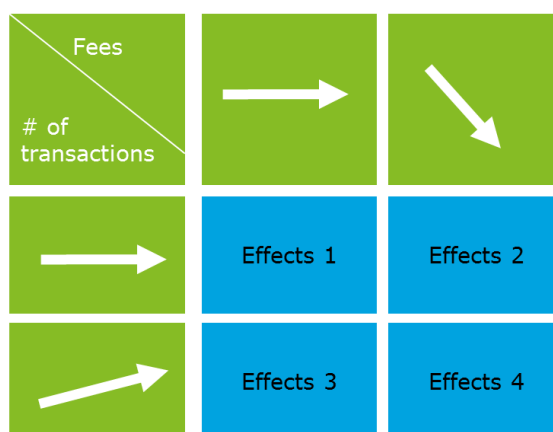
## Step 2 – Determine the effectiveness

Thereafter, we determined the overall effectiveness in relation to the objectives settled by the Regulation (e.g. increase competitiveness and growth with EU through the rise of the number of transactions, etc.), and the objectives settled by the Commission as part of this study.

Four scenarios were defined for which the effects were analysed in case the number of transactions changes and the fees changes applied to the extension of the Regulation. In specific:

- Number of transactions – effects in case of further linear development of the number of transactions in line with the past years, or in case of exponential increase; and
- Fees – effects in case the fees remain equal over time or gradual decrease of fees.

The below illustration shows this:



For all scenarios, multiplying the average fees with the projected number of transactions allows to estimate the potential economic impact of an extension of the Regulation to all currencies of Member States of the EU.

## Step 3 – Provide recommendations

Lastly, a set of high-level recommendations is provided, based on the collected data, on the costs and benefits expressed in non-quantitative terms in case of the extension of the Regulation. This may cover recommendations in terms of non-equalised business conditions of the stakeholders involved with internal financial market services.

## 7.5 Stakeholders list

### 7.5.1 Stakeholders list – Bank PSPs

Figure 48: Stakeholder list Bank PSPs	
Country	Banks in scope
France	BNP Paribas
	Crédit Agricole
	Société Général
	Groupe Crédit Mutuel - CIC
Italy	UniCredit
	Intesa Sanpaolo
	Banca Monte dei Paschi di Siena
	Banca BPM
Germany	Deutsche Bank
	Commerzbank
	ING
	UniCredit Bank
Sweden	Nordea Bank AB
	Skandinaviska Enskilda Banken AB
	Svenska Handelsbanken AB
	Swedbank AB
	Danske Bank
United Kingdom	HSBC
	Barclays
	Lloyds Banking GroupCCC
	The Royal Bank of Scotland Group.
	Halifax
	Tesco Bank
	Nationwide
Country	Banks in scope
Romania	BCR
	BRD
	Banca Transilvania
	Raiffeisen Bank
	UniCredit Bank
Poland	PKO BP
	BRE bank
	ING BSK
	BZ WBK
Bulgaria	UniCredit Bulbank
	DSK Bank
	First Investment Bank
	Eurobank Bulgaria (Postbank)
	United Bulgarian Bank
Denmark	Danske Bank A/S
	Nordea Bank Danmark A/S
	Sydbank
Czech Republic	Česká spořitelna
	Komerční banka
	ČSOB
	UniCredit Bank CZ
	Raiffeisenbank CZ
Hungary	OTP Bank
	UniCredit Bank

	K&H Bank
	Raiffeisen Bank
	MKB Bank
Croatia	Zagrebacka banka (UniCredit Group)
	Privredna banka Zagreb (PBZ) (Intesa Sanpaolo Group)
	Erste Bank Croatia
	Raiffeisen Bank
	Hrvatska poštanska banka

## 7.5.2 Stakeholders list – Non-bank PSPs

Figure 49: Stakeholder list Non-Bank PSPs

Country	Banks in scope
France	Transferwise
	Moneygram
	Western Union
	PayPal
Sweden	Transferwise
	Moneygram
	Western Union
	PayPal
United Kingdom	Transferwise
	Moneygram
	Western Union
	PayPal
Czech Republic	Transferwise
	Moneygram
	Western Union
	PayPal

Country	Banks in scope
Poland	Transferwise
	Western Union
	PayPal
Bulgaria	Transferwise
	Western Union
	PayPal
Denmark	Transferwise
	Moneygram
	Western Union
	PayPal
Croatia	Transferwise
	Moneygram
	Western Union
	PayPal
Hungary	Transferwise
	Moneygram
	Western Union
Romania	PayPal
	Transferwise
	Moneygram
	Western Union
	PayPal

## 7.6 Surveys

### 7.6.1 Survey sent to Consumer Associations

#### Consumer Association Survey

##### Introduction and purpose

The European Commission is conducting a study on the “extension of Regulation 924/2009 on cross-border payments to currencies of Member States outside the euro area”. This Regulation ensures that fees are equalised for cross-border and national payments in euro for EU member states. Nevertheless, payments involving EU currencies other than the euro are today not covered by this Regulation. In specific when analysing cross-border transactions, it appears that opaque and potentially excessive fees could be a deterrent to cross-border transactions within the EU, especially if these concern non-EUR currencies.

The objective of the study is **to identify the best options regarding the extension of the Regulation 924/2009 to all currencies of Member States of the EU.**

In particular, the study aims to:

- Present the pricing applied by **payment service providers (PSPs)** to their clients for transactions on credit transfers, card payments and cash withdrawals in all non-EUR area MS and few euro area MS;
- Present the corresponding **internal costs of PSPs** for these transactions;
- Obtain an overview of **the complaints consumers deal** with in respect to their actual costs related to payment services; and
- Provide elements allowing a rough estimate to be made of **the total financial impact** on providers and users of transactions that would be affected by the extension of the scope of Regulation 924/2009.

**Consumer Associations** active in the area of retail financial services can be key actors that ensure the well-functioning of the payment services market and can provide the oversight in relation to consumer complaints. We are therefore interested in understanding the practices regarding retail financial services that exist in your country and your views on how these practices are contributing, or hindering, to a better market for consumers.

This consultation invites and seeks to encourage as wide a range of comments as possible. Given that any change to the applicable EU legislation may have an impact on your national legislation, we encourage you to give your feedback to this important study.

##### Closing date

The closing date for submissions is **18<sup>th</sup> August 2017**.

##### Queries

Queries to the content and use of this survey and the market study should be sent to Dr Carlo Duprel, Contractor responsible for Study Consultation, Deloitte, Tax & Consulting, 560, rue de Neudorf, L-2220 Luxembourg, Grand Duchy of Luxembourg, crossborderstudy@deloitte.lu. +352 451 45 4498.

Queries to the EC on the context of this study should be sent to [fisma-cross-border-transactions-fees@ec.europa.eu](mailto:fisma-cross-border-transactions-fees@ec.europa.eu).

### **Confidentiality**

This survey is intended at collecting information on the position and experiences of National Competent authorities on the topic. Deloitte will only share the views of the institution and not personal details about the individual respondents. Please, do not hesitate to contact us for more detailed information on confidentiality and data protection issues.

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Thank you in advance for your cooperation!

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### **Identification of the institution**

<b>Name of the institution</b>	
<b>Website</b>	
<b>Email (Optional)<sup>83</sup></b>	
<b>Country</b>	
<b>Your function</b>	

---

<sup>83</sup> The email you provide in this section may be used to inquire for further details or to send you the answers in PDF. Please refer to the final section of the survey to choose the latter option.

## CONSUMER COMPLAINTS AND CONSUMER PROTECTION

1. To your knowledge, about which of the following practices do consumers complain in relation to financial retail domestic transactions? Please rate the frequency of the complaints for each practice:

2.

	Frequentl y	Occasio nally	Never	N.A.
Lack of transparency on the actual payment fees for domestic transactions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hidden costs when being involved in domestic transactions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Expensive costs to transfer credit in your country	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Expensive costs to withdraw money in your country	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Expensive costs to make card payments in your country	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

2.1. To your knowledge, about which of the following practices do consumers complain in relation to financial retail cross-border transactions? Please rate the frequency of the complaints for each practice:

	Frequentl y	Occasio nally	Never	N.A.
Lack of transparency on the actual payment fees for cross-border transactions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hidden costs when being involved in cross-border transactions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Obliged to pay a fee for payment transactions within the European Union	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Expensive costs to transfer credit abroad	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Expensive costs to withdraw money abroad	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Expensive costs to make card payments abroad	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**3. To your knowledge, to what extent are consumers aware that they can submit their complaints about payment services to competent authorities for payment services?**

- Unaware
- Quite aware
- Very aware
- Not applicable

**4. Are there any deficiencies in the existing national legal framework for consumer protection in the payment service market?**

- Yes
- No
- Not applicable

**4.1. If yes, could you please specify?**

[Description text]

**5. Are there any national Regulations/legislations relative to unfair commercial practices in the payment service market, which extend the current EU regulatory framework in terms of consumer protection?**

- Yes
- No
- Not applicable

**5.1. If yes, could you please specify and provide a link or the documents (in English if available, if not, in the national language)?**

[Description text]

### **INFORMATION PROVIDED BY PAYMENT SERVICE PROVIDERS TO CONSUMERS**

**6. To your knowledge, to what extent is it easy for consumers to understand the information provided by payment service providers (PSPs) on the fees they charge for the following transactions?**

<b>Fees for</b>	<b>Very easy</b>	<b>Quite easy</b>	<b>Not easy</b>	<b>N.A.</b>
<b>Withdrawing cash at an ATM in the country</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Withdrawing cash at an ATM abroad</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Paying with a bank card in the country</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Paying with a bank card abroad</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

<b>Transfer money domestically</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Transfer money abroad</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

7. To your knowledge, to what extent do the following factors explain the consumers' difficulties to understand the provided information on fees charged by PSPs?

	<b>Very frequently</b>	<b>Frequently</b>	<b>Occasionally</b>	<b>Rarely</b>	<b>Never</b>	<b>N/A</b>
<b>Information published to / exchanged with the consumer is outdated</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>There are too many factors determining the fees charged to consumers</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>The factors determining the fees charged to consumers are not well explained</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Information is not easily comparable as PSPs use different pricing structures (i.e.: flat fee, ad valorem fee etc.)</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Other (please specify)</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

8. To your knowledge, is there a need to further regulate the current market practices in order to better inform consumers in relation to the payment fees charged by PSPs?

- Yes
- No
- Not applicable

8.1. If yes, in your opinion, what initiatives should be taken to achieve this?

[Description text]

### **FEES CHARGED BY PAYMENT SERVICE PROVIDERS (PSP) IN YOUR COUNTRY**

9. To your knowledge, to what extent do the following fees charged by different PSPs for domestic transactions differ in your country?



Fees for	Are mostly similar	Differ	Largely differ	N.A.
Withdrawing cash at an ATM	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Paying by card	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Transferring credit in local currency	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Transferring credit in euro (if not your local currency)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**10. To your knowledge, which options may explain the divergence of fees between PSPs for similar products?**

- Quality of service provided
- High levels of competition among PSPs
- False and untruthful information on fees
- Reputation of the PSP
- Other (please specify)
- N/A

**11. To your knowledge, which fee structure would benefit consumers the most for the following types of payments?**

<u>Payment Types</u>	Flat fee (= fixed fee for any transaction amount)	Minimum fee	Maximum fee	Ad Valorem (= percentage of the transaction amount)
Withdrawing cash at an ATM	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Paying by card	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Transferring credit (domestic or cross-border)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**11.1. Could you please explain your choice?**

[Description text]

**12. To your knowledge, what share of domestic credit transfer services are provided by non-bank PSPs in your country?**

[Description text]

## CROSS-BORDER TRANSACTIONS IN YOUR DOMESTIC MARKET

13. To your knowledge, to what extent do the following fees charged by different PSPs for cross-border transactions differ in your country?

Fees for	Are mostly similar	Differ	Largely differ	N.A.
Withdrawing cash at an ATM abroad	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Paying by card abroad	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Transferring credit in local currency to a foreign country (e.g: An English citizen transferring pounds to an account in France)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Transferring credit in euro to a foreign country (if not your local currency) (e.g: An English citizen transferring euro to an account in France)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

13.1. To your knowledge, which options may explain the divergence of fees between PSPs for similar products?

- Quality of service provided
- High levels of competition among PSPs
- False and untruthful information on fees
- Reputation of the PSP
- Other (please specify)
- N/A

14. Is your local currency the EURO?

- Yes
- No

15. If yes, how often do consumers in your country use the following services for cross-border non-EUR transactions (in the EU):

	Very frequently	Frequently	Occasionally	Rarely	Never	N/A
Exchange local currencies at home (E.g.: A German citizen exchanging euro for	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

<b>pounds in Germany)</b>						
<b>Exchange local currencies in the visited countries (E.g.: A German citizen exchanging euro for pounds in the UK)</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Withdraw local currencies in the visited countries (E.g.: A German citizen withdrawing pounds from an ATM in the UK)</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Pay with card in the visited countries (E.g.: A German citizen paying in pounds in the UK with his payment card)</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Transfer credit in local currencies (E.g.: A German citizen transferring money in pounds to the UK)</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Receive credit in local currencies (E.g.: A German citizen receiving money in pounds from the UK)</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**16. If no, how often do consumers in your country use the following services for cross-border EUR transactions:**

	<b>Very frequently</b>	<b>Frequently</b>	<b>Occasionally</b>	<b>Rarely</b>	<b>Never</b>	<b>N/A</b>
<b>Exchange euro at home (E.g.: An English citizen exchanging pounds for euro in the UK)</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Exchange euro in the visited country (E.g.: An English citizen exchanging pounds for euro in Germany)</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Withdraw cash in a euro country (E.g.: An English citizen withdrawing euro from an ATM in Germany)</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

<b>Pay with card in a euro country (E.g.: An English citizen paying in euro in Germany with his payment card)</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Transfer credit in euro (E.g.: An English citizen transferring money in euro to Germany)</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Receive credit in euro (E.g.: An English citizen receiving money in euro from Germany)</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**17. And how often do consumers in your country use the following services for cross-border non-EUR transactions (in the EU):**

	<b>Very frequently</b>	<b>Frequently</b>	<b>Occasionally</b>	<b>Rarely</b>	<b>Never</b>	<b>N/A</b>
<b>Exchange local currencies at home (E.g.: An English citizen exchanging pounds for leu in Romania)</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<b>Exchange local currencies in the visited countries (E.g.: An English citizen exchanging pounds for leu in Romania)</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Withdraw local currencies in the visited countries (E.g.: An English citizen withdrawing leu from an ATM in Romania)</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Pay with card in the visited countries (E.g.: An English citizen paying in leu in Romania with his payment card)</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Transfer credit in local currencies (E.g.: An English citizen transferring money in leu to Romania)</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Receive credit in local currencies (E.g.: An English citizen receiving money in</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

leu from Romania)						
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**18. To your knowledge, are consumers aware that prices for financial retail services vary widely across the EU and can therefore be cheaper in a foreign country?**

- Very aware
- Quite aware
- Not aware
- Not applicable

**19. To your knowledge, what share of cross-border credit transfer services are provided by non-bank PSPs in your country?**

[Description text]

**EXTENDING THE REGULATION 924/2009 TO ALL COUNTRIES WITHIN THE EU**

**20. In your opinion, should the scope of the Regulation 924/2009 be extended to currencies of EU Member States other than the euro?**

- Yes
- No
- Not applicable

**21. If yes, please explain your choice**

[Description text]

**21.1. To your best knowledge, to what extent do you think an extension of the Regulation 924/2009 to currencies of EU Member States other than the euro could have any of the following consequences:**

	Never	Rarely	Occasionally	Frequently	Very Frequently	N/A
<b>Decreases cross-border fees for consumers</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Increases domestic fees for consumers</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Encourages PSPs to modernize payment systems to lower their internal costs</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Enables consumers to better compare services</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

<b>Gives consumers more confidence to explore the market and encourage to do cross-border transactions</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Encourages citizens to travel/study abroad</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Other (please specify)</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

## GENERAL QUESTIONS

**22. Are there any other relevant issues related to the situation of consumers in payment service market in your country that have not been addressed and you would like to share?**

- Yes
- No
- Not applicable

**22.1. If yes, could you please specify?**

[Description text/URL box]

**23. Have you produced any other relevant guidelines, guidance, best practices or awareness-raising campaigns in relation to payment services for consumers?**

- Yes
- No
- Not applicable

**23.1. If yes, could you please specify and provide a link or the documents (in English if available, if not, in the national language)?**

[Description text]

## Final note

Thank you very much for your participation in this study.

Please, tick the box below if you would like to receive your answers in PDF:

- I want to receive my answers in PDF to the email provided in the identification page

## 7.6.2 Survey sent to Payment Services Users Associations

Payment Services Users Associations Survey

### Introduction and purpose

The European Commission is conducting a study on the “extension of Regulation 924/2009 on cross-border payments to currencies of Member States outside the euro area”. This Regulation ensures that fees are equalised for cross-border and national payments in euro for EU member states. Nevertheless, payments involving EU currencies other than the euro are today not covered by this Regulation. In specific when analysing cross-border transactions, it appears that opaque and potentially excessive fees could be a deterrent to cross-border transactions within the EU, especially if these concern non-EUR currencies.

The objective of the study is to identify the best options regarding the extension of the Regulation 924/2009 to all currencies of Member States of the EU.

In particular, the study aims to:

- Present a detailed overview of the pricing applied by **payment service providers (PSPs)** to their clients for transactions on credit transfers, card payments and cash withdrawals in all non-EUR area MS and few euro area MS;
- Present a detailed overview of the corresponding **internal costs of PSPs** for these transactions;
- Obtain an overview of **the complaints consumers deal** with in respect to their actual costs related to payment services; and
- Provide elements allowing a rough estimate to be made of **the total financial impact** on providers and users of transactions that would be affected by the extension of the scope of Regulation 924/2009.

**Payment Services Users Associations** can be key actors that ensure the well-functioning of the payment services market and are responsible to redress complaints for payment service users. We are therefore interested in understanding the practices regarding retail financial services that exist in your country and your views on how these practices are contributing, or hindering, to a better market for consumers.

This consultation invites and seeks to encourage as wide a range of comments as possible. Given that any change to the applicable EU legislation may have an impact on your national legislation, we encourage you to give your feedback to this important study.

### **Closing date**

The closing date for submissions is **18<sup>th</sup> August 2017**.

### **Queries**

Queries to the content and use of this survey and the market study should be sent to Dr Carlo Duprel, Contractor responsible for Study Consultation, Deloitte, Tax & Consulting, 560, rue de Neudorf, L-2220 Luxembourg, Grand Duchy of Luxembourg, crossborderstudy@deloitte.lu. +352 451 45 4498.

Queries to the EC on the context of this study should be sent to [fisma-cross-border-transactions-fees@ec.europa.eu](mailto:fisma-cross-border-transactions-fees@ec.europa.eu).

### **Confidentiality**

This survey is intended at collecting information on the position and experiences of National Competent authorities on the topic. Deloitte will only share the views of the institution and not personal details about the individual respondents. Please, do not hesitate to contact us for more detailed information on confidentiality and data protection issues.

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Thank you in advance for your cooperation!

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**Identification of the institution**

<b>Name of the institution</b>	
<b>Website</b>	
<b>Email (Optional)<sup>84</sup></b>	
<b>Country</b>	
<b>Your function</b>	

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<sup>84</sup> The email you provide in this section may be used to inquire for further details or to send you the answers in PDF. Please refer to the final section of the survey to choose the latter option.



## CONSUMER COMPLAINTS AND CONSUMER PROTECTION

24. To your knowledge, about which of the following practices do consumers complain in relation to financial retail domestic transactions? Please rate the frequency of the complaints for each practice:

	Frequently	Occasionally	Never	N.A.
Lack of transparency on the actual payment fees for domestic transactions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hidden costs when being involved in domestic transactions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Expensive costs to transfer credit in your country	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Expensive costs to withdraw money in your country	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Expensive costs to make card payments in your country	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

24.1. To your knowledge, about which of the following practices do consumers complain in relation to financial retail cross-border transactions? Please rate the frequency of the complaints for each practice:

	Frequently	Occasionally	Never	N.A.
Lack of transparency on the actual payment fees for cross-border transactions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hidden costs when being involved in cross-border transactions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Obligated to pay a fee for payment transactions within the European Union	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Expensive costs to transfer credit abroad	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Expensive costs to withdraw money abroad	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Expensive costs to make card	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

payments abroad				
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**25. To your knowledge, to what extent are consumers aware that they can submit their complaints about payment services to competent authorities for payment services?**

- Unaware
- Quite aware
- Very aware

**26. Are there any deficiencies in the existing national legal framework for consumer protection in the payment service market?**

- Yes
- No
- Not applicable

**26.1. If yes, could you please specify?**

[Description text]

**27. Are there any national Regulations/legislations relative to unfair commercial practices in the payment service market, which extend the current EU regulatory framework in terms of consumer protection?**

- Yes
- No
- Not applicable

**27.1. If yes, could you please specify and provide a link or the documents (in English if available, if not, in the national language)?**

[Description text]

### **INFORMATION PROVIDED BY PAYMENT SERVICE PROVIDERS TO CONSUMERS**

**28. To your knowledge, to what extent is it easy for consumers to understand the information provided by payment service providers (PSPs) on the fees they charge for the following transactions?**

Fees for	Very easy	Quite easy	Not easy	N.A.
Withdrawing cash at an ATM in the country	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Withdrawing cash at an ATM abroad	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

<b>Paying with a bank card in the country</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Paying with a bank card abroad</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Transfer money domestically</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Transfer money abroad</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**29. To your knowledge, to what extent do the following factors explain the consumers' difficulties to understand the provided information on fees charged by PSPs?**

	<b>Very frequently</b>	<b>Frequently</b>	<b>Occasionally</b>	<b>Rarely</b>	<b>Never</b>	<b>N/A</b>
<b>Information published to / exchanged with the consumer is outdated</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>There are too many factors determining the fees charged to consumers</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>The factors determining the fees charged to consumers are not well explained</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Information is not easily comparable as PSPs use different pricing structures (i.e.: flat fee, ad valorem fee etc.)</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Other (please specify)</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**30. To your knowledge, is there a need to further regulate the current market practices in order to better inform consumers in relation to the payment fees charged by PSPs?**

- Yes
- No
- Not applicable

**30.1. If yes, in your opinion, what initiatives should be taken to achieve this?**

[Description text]

**FEES CHARGED BY PAYMENT SERVICE PROVIDERS (PSP) IN YOUR COUNTRY**

**31. To your knowledge, to what extent do the following fees charged by different PSPs for domestic transactions differ in your country?**

Fees for	Are mostly similar	Differ	Largely differ	N.A.
Withdrawing cash at an ATM	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Paying by card	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Transferring credit in local currency	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Transferring credit in euro (if not your local currency)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**32. To your knowledge, which options may explain the divergence of fees between PSPs for similar products?**

- Quality of service provided
- High levels of competition among PSPs
- False and untruthful information on fees
- Reputation of the PSP
- Other (please specify)
- N/A

**33. To your knowledge, which fee structure would benefit consumers the most for the following types of payments?**

<u>Payment Types</u>	Flat fee (=fixed fee for any transaction amount)	Minimum fee	Maximum fee	Ad Valorem (=percentage of the transaction amount)
Withdrawing cash at an ATM	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Paying by card	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Transferring credit (domestic or cross-	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

border)				
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**33.1. Could you please explain your choice?**

[Description text]

**34. In your country, do national authorities impose maximum and/or minimum fees for consumers when being involved in the following domestic transactions?**

<u>Maximum fees for</u>	Yes	No	Fee amount (if known)	N.A.
Withdrawing cash at an ATM	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Paying by card	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Transferring credit domestically	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

<u>Minimum fees for</u>	Yes	No	Fee amount (if known)	N.A.
Withdrawing cash at an ATM	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Paying by card	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Transferring credit domestically	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**35. To your knowledge, what share of domestic credit transfer services are provided by non-bank PSPs in your country?**

[Description text]

**CROSS-BORDER TRANSACTIONS IN YOUR DOMESTIC MARKET**

**36. To your knowledge, to what extent do the following fees charged by different PSPs for cross-border transactions differ in your country?**

Fees for	Are mostly similar	Differ	Largely differ	N.A.
Withdrawing cash at an	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

<b>ATM abroad</b>				
<b>Paying by card abroad</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Transferring credit in local currency to a foreign country (e.g: An English citizen transferring pounds to an account in France)</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Transferring credit in euro to a foreign country (if not your local currency) (e.g: An English citizen transferring euro to an account in France)</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**36.1. To your knowledge, which options may explain the divergence of fees between PSPs for similar products?**

- Quality of service provided
- High levels of competition among PSPs
- False and untruthful information on fees
- Reputation of the PSP
- Other (please specify)
- N/A

**37. Is your local currency the EURO?**

- Yes
- No

**38. If yes, how often do consumers in your country use the following services for cross-border non-EUR transactions (in the EU):**

	<b>Very frequently</b>	<b>Frequently</b>	<b>Occasionally</b>	<b>Rarely</b>	<b>Never</b>	<b>N/A</b>
<b>Exchange local currencies at home (E.g.: A German citizen exchanging euro for pounds in Germany)</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Exchange local currencies in the visited countries (E.g.: A German citizen exchanging euro for pounds in the UK)</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

<b>Withdraw local currencies in the visited countries (E.g.: A German citizen withdrawing pounds from an ATM in the UK)</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Pay with card in the visited countries (E.g.: A German citizen paying in pounds in the UK with his payment card)</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Transfer credit in local currencies (E.g.: A German citizen transferring money in pounds to the UK)</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Receive credit in local currencies (E.g.: A German citizen receiving money in pounds from the UK)</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**39. If no, how often do consumers in your country use the following services for cross-border EUR transactions:**

	<b>Very frequently</b>	<b>Frequently</b>	<b>Occasionally</b>	<b>Rarely</b>	<b>Never</b>	<b>N/A</b>
<b>Exchange euro at home (E.g.: An English citizen exchanging pounds for euro in the UK)</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Exchange euro in the visited country (E.g.: An English citizen exchanging pounds for euro in Germany)</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Withdraw cash in a euro country (E.g.: An English citizen withdrawing euro from an ATM in Germany)</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Pay with card in a euro country (E.g.: An English citizen paying in euro in Germany with his payment card)</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

<b>Transfer credit in euro (E.g.: An English citizen transferring money in euro to Germany)</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Receive credit in euro (E.g.: An English citizen receiving money in euro from Germany)</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**40. And how often do consumers in your country use the following services for cross-border non-EUR transactions (in the EU):**

	<b>Very frequently</b>	<b>Frequently</b>	<b>Occasionally</b>	<b>Rarely</b>	<b>Never</b>	<b>N/A</b>
<b>Exchange local currencies at home (E.g.: An English citizen exchanging pounds for leu in Romania)</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<b>Exchange local currencies in the visited countries (E.g.: An English citizen exchanging pounds for leu in Romania)</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Withdraw local currencies in the visited countries (E.g.: An English citizen withdrawing leu from an ATM in Romania)</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Pay with card in the visited countries (E.g.: An English citizen paying in leu in Romania with his payment card)</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Transfer credit in local currencies (E.g.: An English citizen transferring money in leu to Romania)</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Receive credit in local currencies (E.g.: An English citizen receiving money in leu from Romania)</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



**41. To your knowledge, are consumers aware that prices for financial retail services vary widely across the EU and can therefore be cheaper in a foreign country?**

- Very aware
- Quite aware
- Not aware
- Not applicable

**42. In your country, do national authorities impose maximum and/or minimum fees for consumers when being involved in the following cross-border transactions?**

<u>Maximum fees for</u>	Yes	No	Fee amount (if known)	N.A.
Withdrawing cash at an ATM	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Paying by card	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Transferring credit domestically	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

<u>Minimum fees for</u>	Yes	No	Fee amount (if known)	N.A.
Withdrawing cash at an ATM	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Paying by card	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Transferring credit domestically	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**43. To your knowledge, what share of cross-border credit transfer services are provided by non-bank PSPs in your country?**

[Description text]

#### **EXTENDING THE REGULATION 924/2009 TO ALL COUNTRIES WITHIN THE EU**

**44. In your opinion, should the scope of the Regulation 924/2009 be extended to currencies of EU Member States other than the euro?**

- Yes
- No

Not applicable

**45. If yes, please explain your choice**

[Description text]

**45.1. To your best knowledge, to what extent do you think an extension of the Regulation 924/2009 to currencies of EU Member States other than the euro could have any of the following consequences:**

	Never	Rarely	Occasionally	Frequently	Very Frequently	N/A
Decreases cross-border fees for consumers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Increases domestic fees for consumers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Encourages PSPs to modernize payment systems to lower their internal costs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Enables consumers to better compare services	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Gives consumers more confidence to explore the market and encourage to do cross-border transactions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Encourages citizens to travel/study abroad	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other (please specify)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**GENERAL QUESTIONS**

**46. Are there any other relevant issues related to the situation of consumers in payment service market in your country that have not been addressed and you would like to share?**

- Yes
- No
- Not applicable

**46.1. If yes, could you please specify?**

[Description text/URL box]

**47. Have you produced any other relevant guidelines, guidance, best practices or awareness-raising campaigns in relation to payment services for consumers?**

- Yes
- No
- Not applicable

**47.1. If yes, could you please specify and provide a link or the documents (in English if available, if not, in the national language)?**

[Description text]

**Final note**

Thank you very much for your participation in this study.

Please, tick the box below if you would like to receive your answers in PDF:

- I want to receive my answers in PDF to the email provided in the identification page

## 7.7 Interview guidelines

Study on the extension of Regulation 924/2009 to currencies of Member States outside the euro area

### Interview guidelines with PSPs

*Note: This questionnaire includes illustrative questions to guide the interview and is not exhaustive.*

#### Introduction to the study:

The EC is conducting a consumer market study on the **potential extension of Regulation 924/2009 to non-EUR currencies inside the European Union**. The objective of the study is to identify the best options and the impacts regarding a potential extension of the Regulation 924/2009 to all currencies of Member States of the EU. You can find the European Commission's publication by clicking on this link: [https://ec.europa.eu/info/law/better-Regulation/initiatives/ares-2017-3372443\\_en](https://ec.europa.eu/info/law/better-Regulation/initiatives/ares-2017-3372443_en)

## Interview Questions

### 1. Volumes and Transactions Levels

This part of the guide will focus on the quantification of the transactions in the specific currencies of each of the non-EU currencies and will be extended to the USD sent to those countries.

For indication the currencies in scope are the following: SEK, DKK, GBP, CZK, HUF, PLN, BGL, RON.

#### 1.1 Number of transactions

- **Question:** Does the Bank/PSP has statistics around the number of transactions for those currencies? Do you have statistics split by type of services: 1) cash withdrawal, 2) card transactions and 3) wire transfers?
- **Answer:**
- **Question:** If yes, can you communicate the number of transaction for 2016 split by currencies split and typology of services (outgoing and incoming)?
- **Answer:**
- **Question:** Can you split those transaction numbers between retail and corporate?
- **Answer:**
- **Question:** What were in 2016 the fees collected associated with those transactions?
- **Answer:**
- **Question:** What is the percentage of transactions requiring manual intervention?
- **Answer:**

#### 1.2 Volume of transactions

- **Question:** Does the Bank/PSP has statistic around the volume of transactions for those currencies? Do you have statistics split by type of services: 1) cash withdrawal, 2) card transactions and 3) wire transfers?
- **Answer:**
- **Question:** If yes, can you communicate the number of transaction for 2016 split by currencies split and typology of services (outgoing and incoming)?
- **Answer:**
- **Question:** Can you split those volumes between retail and corporate?
- **Answer:**

#### 1.3 Infrastructures

- **Question:** Do you have a specific infrastructure supporting those payments/collections? If yes, please specify.
- **Answer:**

### 2. Legal Barriers

This part of the guide will focus on legal barriers banks/PSPs face when doing business in the countries in scope.

- **Question:** Does your organization encounter legal barriers while doing business in the countries in scope?
- **Answer:**
- **Question:** Does your organization face restrictions in these countries? Can your organization offer all services and products without restrictions?
- **Answer:**
- **Question:** If not can you share with us the problems encountered?
- **Answer:**
- **Question:** What will be the changes required in order to overcome these restrictions?
- **Answer:**

### 3. Infrastructures

This part of the guide will focus on the specific infrastructure investment needed to maintain the flows and transactions in the non-EUR EU currencies.

- **Question:** Are you facing infrastructures issues in connecting with financial institution for those currencies?
- **Answer:**
- **Question:** Can you share with us the investments dedicated to those infrastructures?
- **Answer:**
- **Question:** What are the costs linked with the maintenance of the infrastructures?
- **Answer:**
- **Question:** Do you have additional costs that you would like to share with us?
- **Answer:**

### 4. Costs

This section addresses the specific costs incurred by the institutions for processing transactions in non-EUR EU currencies.

- **Question:** What are the additional costs that you are incurring for the executions of those transactions?
- **Answer:**
- **Question:** What are the main drivers of those costs?
- **Answer:**
- **Question:** How can those costs be addressed?
- **Answer:**

## 7.8 References – Bank PSPs fees sources

Country	Banks in scope	References
France	BNP Paribas	BNP Paribas. (n.d.). Rate Guide - Products and services for private individuals - January 2017. Accessed July 2017. Retrieved from <a href="https://mabanque.bnpparibas/rsc/contrib/document/particuliers/english/Rates_Individuals.pdf">https://mabanque.bnpparibas/rsc/contrib/document/particuliers/english/Rates_Individuals.pdf</a>
	Crédit Agricole	Crédit Agricole Ile-de-France. (2016, December). Tarifs TTC - En vigueur au 01/01/2017. Accessed July 2017. Retrieved from <a href="https://www.ca-paris.fr/Vitrine/ObjCommun/Fic/Paris/pdf/tarifs/tarifs2017/pdf/Particuliers_Tarifs2017_credit-agricole.pdf">https://www.ca-paris.fr/Vitrine/ObjCommun/Fic/Paris/pdf/tarifs/tarifs2017/pdf/Particuliers_Tarifs2017_credit-agricole.pdf</a>
	Société Générale	Société Générale. (2017, January). TARIFS au 1er mars 2017 - CONDITIONS APPLIQUÉES AUX OPÉRATIONS BANCAIRES. Accessed July 2017. Retrieved from <a href="https://static.societegenerale.fr/pri/PRI/Repertoire_par_type_de_contenus/Type_de_contenu/01-Pages/00-perennes/Votre_site/tous_les_tarifs/mars2017/brochure_tarifaire_2017.pdf">https://static.societegenerale.fr/pri/PRI/Repertoire_par_type_de_contenus/Type_de_contenu/01-Pages/00-perennes/Votre_site/tous_les_tarifs/mars2017/brochure_tarifaire_2017.pdf</a>
	Groupe Crédit Mutuel - CIC	Crédit Mutuel. (2017). Convention Clarté - Recueil Des Prix Des Principaux Produits Et Services Applicables Aux Particuliers - Juillet 2017. Accessed July 2017. Retrieved from <a href="https://www.creditmutuel.fr/fr/vitrine/medias/docs/tarifs/convention-clarte/2017/clarte-part-cmidf.pdf">https://www.creditmutuel.fr/fr/vitrine/medias/docs/tarifs/convention-clarte/2017/clarte-part-cmidf.pdf</a>
Italy	UniCredit	UniCredit. (n.d.). CONTO CORRENTE "CONTO DI BASE UNICREDIT A".
	Intesa Sanpaolo	Intesa SanPaolo. (n.d.). Foglio informativo n. 221/062. Conto corrente. Conto di Base. Intesa Sanpaolo. (n.d.). Fascicolo n. 906/019. Conto di Base. Fascicolo dei Fogli Informativi dei Servizi accessori.
	Banca Monte dei Paschi di Siena	Monte dei Paschi di Siena. (n.d.). MPS EUROHOP. Monte Dei Paschi di Siena. (n.d.). Conto Di Base Montepaschi
	Banca BPM	Banco BPM. (n.d.). Foglio Informativo Ai Sensi Delle Vigenti Disposizioni In Materia Di Trasparenza Delle Operazioni E Dei Servizi Bancari.
Germany	Deutsche Bank	Deutsche Bank (n.d.). List of Prices and Services - July 1st 2017. Accessed July 2017. Retrieved from <a href="https://www.deutsche-bank.de/pfb/data/docs/List-of-Prices-and-Services-Deutsche-Bank-Privat-und-Geschaeftskunden-01042016.pdf">https://www.deutsche-bank.de/pfb/data/docs/List-of-Prices-and-Services-Deutsche-Bank-Privat-und-Geschaeftskunden-01042016.pdf</a> Deutsche Bank (n.d.). Preisaushang - July 1st 2017. Accessed July 2017. Retrieved from <a href="https://www.deutsche-bank.de/pfb/data/docs/ser-konditionen_preise-preisaushang.pdf">https://www.deutsche-bank.de/pfb/data/docs/ser-konditionen_preise-preisaushang.pdf</a>
	Commerzbank	Commerzbank (n.d.). Preis- und Leistungsverzeichnis - July 1st 2017. Accessed July 2017. Retrieved from <a href="https://www.commerzbank.de/portal/media/efw-dokumente/preis_leistungsverzeichnis.pdf">https://www.commerzbank.de/portal/media/efw-dokumente/preis_leistungsverzeichnis.pdf</a>
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