

Our vision for payments in Europe

Policy recommendations for a new EU Payments Strategy

TransferWise was launched in 2011 with the belief that more fairness and transparency was needed in international payments. Since then, we've gone to the public and to policy-makers with our mission of money without borders - instant, convenient, transparent, and eventually free. Today, TransferWise serves **7m** customers globally, moving **5bn** in payments each month.

The Covid-19 crisis has accelerated the need for consumers and businesses around the world to access cheaper, faster, easier payments. The EU's focus on digital finance and a new EU payments strategy can put Europe at the forefront of a fast-moving global landscape. **Below we set out policy recommendations on how to achieve this.**

Cheaper payments.

Payments are the rails that European consumers and small businesses thrive on. That's why we need cheaper cross-border payments and access to payment methods that are both affordable to use and accept. TransferWise's cross-border payments are on average **5x to 8x cheaper** than other providers.

Instant payments.

All payments in Europe could be instant - but banks have been slow to adopt the instant rulebook. Today the percentage of TransferWise's instant payouts today varies greatly by country, depending on their adoption on instant payments:



Easier payments.

Customers should be able to send, spend and receive Euros easily, no matter which EU country they live in - without barriers to onboarding or accessing financial services across the EU. And under EU law any consumer should be able to use their European-issued IBAN in any EU country - but this is not yet a reality, and negatively impacts Europeans living and working cross-border. Finally, European consumers should benefit from new, convenient payment methods such as Open Banking.

Transparent payments.

In one year alone, the eurozone paid almost €12 billion in hidden exchange rate mark-ups, a huge loss for EU consumers. Consumers and SMBs should always be able to understand the costs incurred while making a payment - especially in a time of strife. The Cross-Border Payments Regulation 2 coming into force 19 April 2020 should have brought greater transparency to many European consumers, but due to a lack of clarity in the Regulation, varying levels of transparency are being applied across EU providers - which means consumers in one country may be getting transparent information about their payments, while those in another EU Member State are not. We need to make sure that all consumers and businesses benefit from transparent payments, especially when they need it most.

6 ways to achieve cheaper, faster, easier, more transparent payments in the EU:

1. Mandate instant payments.

Mandating instant payments for all accounts in Europe will support financial inclusion, reduce customer worry, and unlock working capital for small businesses who wait days for money to appear in accounts. TransferWise has always encouraged the adoption of SCT Inst, but had to wait for its banking partners to implement this rulebook. Today many account holding banks are not incentivised to adopt SCT Inst. Only mandatory adoption will make instant payments universally available, however consumers should not be discouraged to use instant payments by making it a premium service.

2. Improve cross-border payments with price transparency

CBPR2 promised more transparency for consumers sending money cross-border as of 19 April 2020. However, due to a lack of clarity in the text and enforcement delays due to covid-19, transparency is now being applied in a patchwork way across the EU. The Regulation leaves loopholes for providers to hide their exchange rate mark-up and continue to mislead consumers. For CBPR2 to deliver on its goal, clarity is needed to ensure providers show the total cost including the exchange rate margin, calculated from the **mid-market rate** (e.g. from Google). Looking ahead, transparency requirements should be expanded to include cash, used by the most vulnerable consumers. Price transparency, including total cost disclosure, for all cross-border payments paired with the rollout of instant payments and direct access for non-banks to the payments system, can increase the speed and drive down the costs of cross-border payments.

3. Remove barriers to living and working cross-border.

Our customers lead truly borderless lives. While the Single Market has removed many barriers to doing business and living in other EU countries, it still does not deliver the same benefits as domestic. For example, consumers still face discrimination when making payments across the Single Market. For example, a Spanish gym does not accept their Belgian IBAN - even though it's illegal under SEPA. We need swifter, stronger enforcement of these breaches like IBAN discrimination. In addition, digital onboarding requirements are still fragmented across the continent. The EU should harmonise digital identification methods so that all consumers and businesses can access services regardless of where they're based in the EU.

4. Give fair access to payments infrastructure.

In most countries, only banks have direct access to the payments system. That means non-banks such as TransferWise must rely on banks to move money, which adds costs to the customer and concentrates risk in a handful of banks. In 2018, TransferWise became the first payments company to join the UK's Faster Payments Scheme and obtain a settlement account with the Bank of England. This allowed us to cut customer fees by **about 20%** on related routes. A tweak to the Settlement Finality Directive would allow direct access to non-banks, creating a competitive Digital Single Market in financial services and a more resilient financial sector. In addition, a framework that fosters secure, interoperable instant payment methods at point-of-sale is a prerequisite for introducing competition to card payments. The bank-led initiative to create a pan-European payment system must be carefully developed with consideration of all market players, and must not incur high entry costs or limit access to smaller players and TPPs, which would exacerbate an already uneven playing field.

5. Deliver open banking, open finance.

Going forward, the path to delivering an EU-wide open banking environment should be outcomes-focused, ensuring harmonised standards, high-quality and reliable APIs, authorisation that works for consumers, and data parity (including FX information). Proper implementation of open banking can help stimulate an open finance environment, an opportunity for industry players to aggregate data and create comparison tools that benefit everyday people. Customers could choose to share their financial profile, e.g. pensions, current accounts and such - and industry participants could compete for their accounts, similar to utility switching. Open data should be based on an ongoing right of data portability under GDPR, so that consumers can make use of their data otherwise locked into incumbents and Big Tech. To maximise the potential of Open Finance, we need to see Open Banking delivered, and offer users viable products and TPPs sustainable and reliable access to the required data. Then further intervention by the EU could ensure Open Finance comes to fruition and delivers maximum consumer benefit.

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