

Brussels, [16 February] 2018

# **Public consultation on the transparency and level of fees in cross-border transactions in the EU**

(24 July 2017 to 30 October 2017)

## **Feedback statement**

This document provides a factual overview of the contributions to the public consultation on the transparency and level of fees in cross-border transactions in the EU having taken place from 24 July 2017 to 30 October 2017. The content should not be regarded as reflecting the position of the European Commission. It does not prejudge any feedback received in the context of other consultation activities. This document provides an overview of the responses to the public consultation on transparency and fees in cross-border transactions in the EU. The consultation was open from 24 July 2017 to 30 October 2017. The content of this document should not be regarded as an official statement of the position of the European Commission on the subject matters covered.

## 1. INTRODUCTION

Following the publication in 2015 of the Green Paper on retail financial services,<sup>1</sup> it became clear that fees for cross-border transactions can be an obstacle to an integrated and single market for financial services within the EU, particularly when these transactions involve non-euro currencies. The subsequent Action Plan on Consumer Financial Services of the Commission addressed these issues as part of a wider strategy aimed at creating a Single Market for retail financial services<sup>2</sup> which would allow both consumers and businesses to make use of the full potential of the EU-wide market, while maintaining high levels of consumer protection. Actions 1 and 2 of this Action Plan focus on reducing charges for cross-border transactions and increasing transparency in currency conversion practices.

On 24 July 2017, the Directorate-General for Financial Stability, Financial Services and Capital Markets Union ('DG FISMA') of the European Commission launched an open public consultation covering the thematic content of these two actions ('the public consultation'). It closed on 31 October 2017. In order to attract the widest possible range of responses, DG FISMA published two versions of the public consultation. One version was specifically designed as a full questionnaire containing all questions, including those aimed at experts. The other version of the questionnaire was targeted at non-experts. 47% of the respondents answered the simplified version of the questionnaire, and 53% answered the full questionnaire.

The public consultation received a total of 141 responses. 32% of these respondents were private individuals, 62% answered on behalf of an organisation or a company, and 6% were submitted by a public authority or international organisation (Chart 1). Out of the 88 companies and organisations that responded, 51 organisations (58%) were identified as payment service providers (PSPs). 37 other organisations (42%) were categorised as payment service users or organisations representing payment service users (PSUs). Very few private individuals responded to the expert questionnaire. These answers were grouped with the category of payment service users. As a result, the analysis of responses to the expert questions does not distinguish between organisations and private individuals.

Around 50% of the private sector respondents belonged to the financial services industry, one-third to other sectors and for one-sixth, no link to a particular area of activity was indicated (Chart 2).

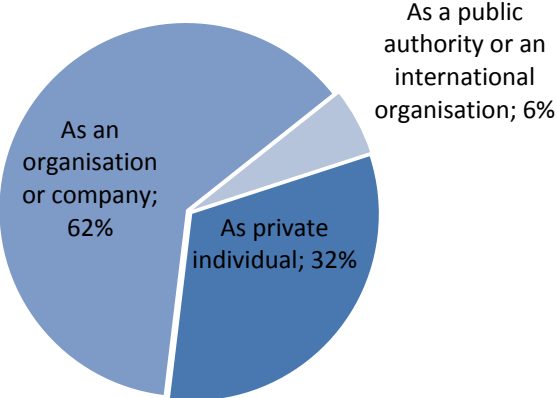
41.8% of the respondents were based in non-euro Member States or third countries, compared to 58.2% from the Eurozone. Most respondents came from Spain (15.6%), the United Kingdom (13.5%), and Germany (10.6%) (Chart 3).

This feedback statement summarises the responses to the open public consultation, focussing mainly on quantitative inputs received. All responses to this consultation are being published at the same time as this feedback statement, unless a respondent refused the publication.

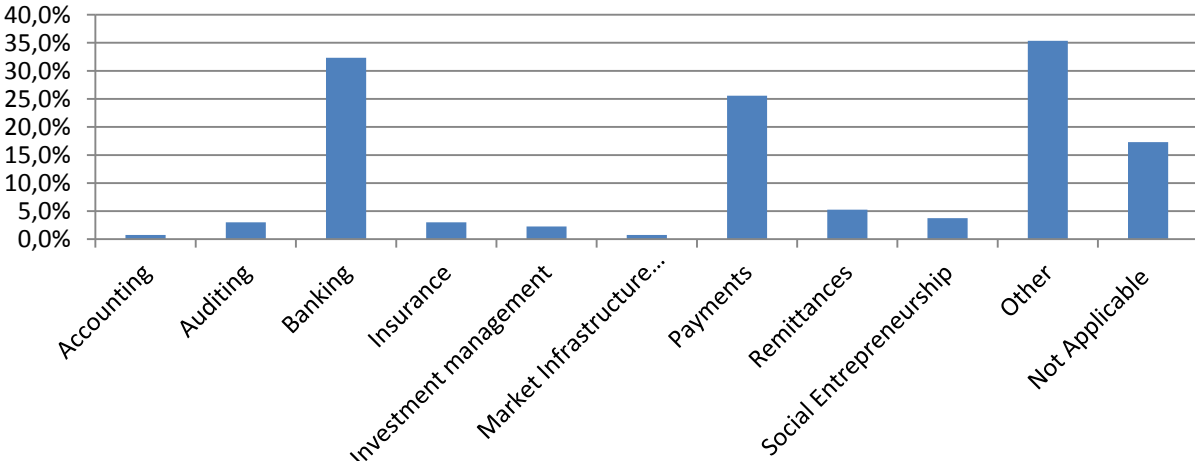
<sup>1</sup> <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=COM:2015:630:FIN>

<sup>2</sup> [https://ec.europa.eu/info/files/factsheet-consumer-financial-services-action-plan\\_en](https://ec.europa.eu/info/files/factsheet-consumer-financial-services-action-plan_en)

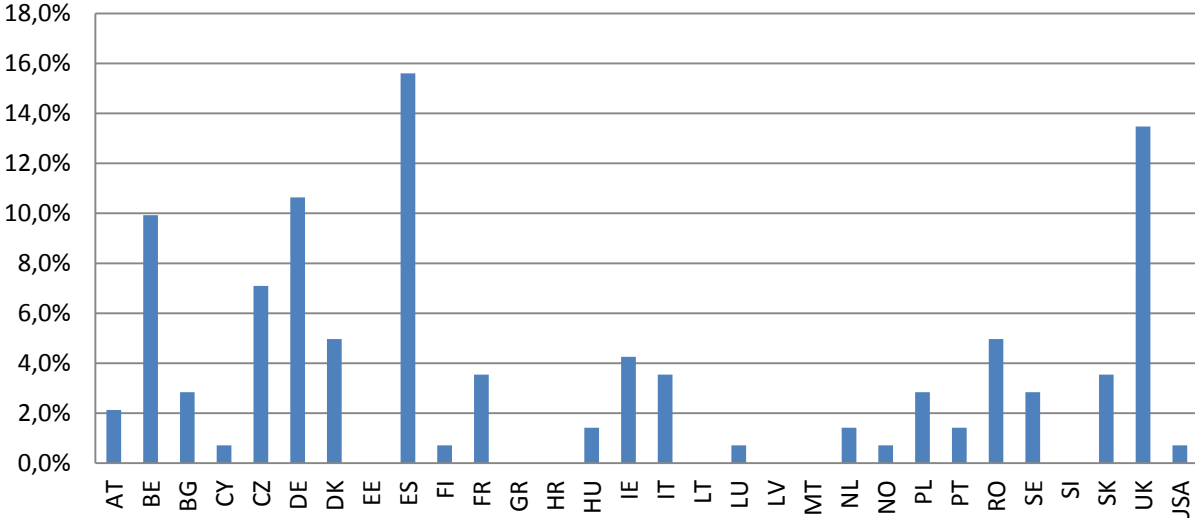
**Chart 1: Type of respondent**



**Chart 2: Field of activity of private sector respondents**



**Chart 3: Location of respondents**



## 2. RESPONSES TO THE CONSULTATION – CROSS BORDER TRANSACTIONS

### A. Transaction Fees – Non-euro transactions

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

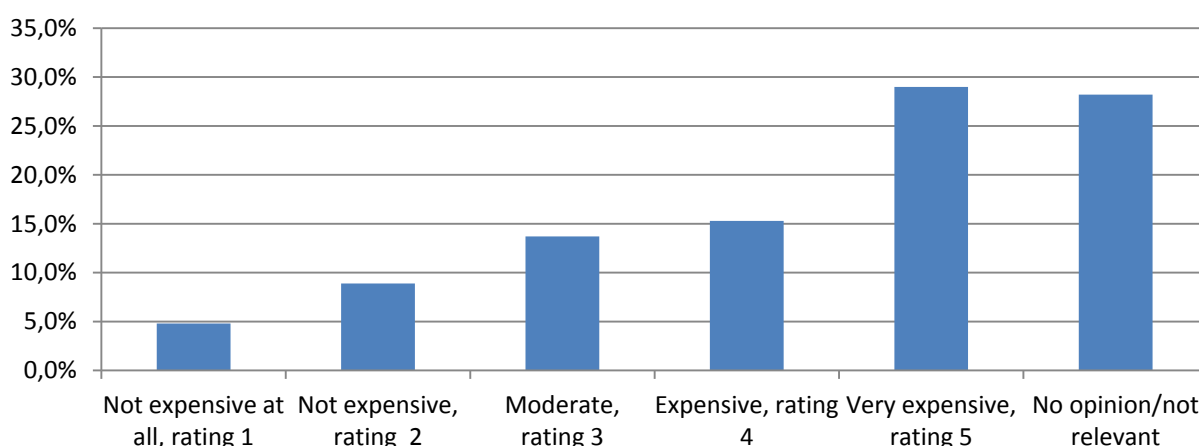
**Question 1.a. Do you know the cost of making transactions from your country to other EU Member states in currencies other than the euro?**

Respondent	Yes	No	No opinion
<b>All</b>	65.8	12.9	21.8
<b>Private Individuals</b>	66.7	20.0	13.3
<b>All Organisations</b>	66.7	8.3	25.0
- PSUs	78.1	15.6	6.3
- PSPs	48.0	0.0	52.0
<b>National Authorities</b>	42.9	14.3	42.9

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

Respondent	Not expensive at all (1)	Not expensive (2)	Moderately expensive (3)	Expensive (4)	Very expensive (5)	No opinion
<b>All</b>	4.8	8.9	13.7	15.3	29.0	28.2
<b>Private Individuals</b>	2.2	6.7	8.9	17.8	44.4	20.0
<b>All Organisations</b>	6.9	11.1	16.7	15.3	19.4	30.6
- PSUs	3.1	9.4	15.6	21.9	37.5	12.5
- PSPs	10.3	12.8	17.9	10.3	5.1	43.6
<b>National Authorities</b>	0.0	0.0	14.3	0.0	28.6	57.1

**Chart 4: Perception of pricing**

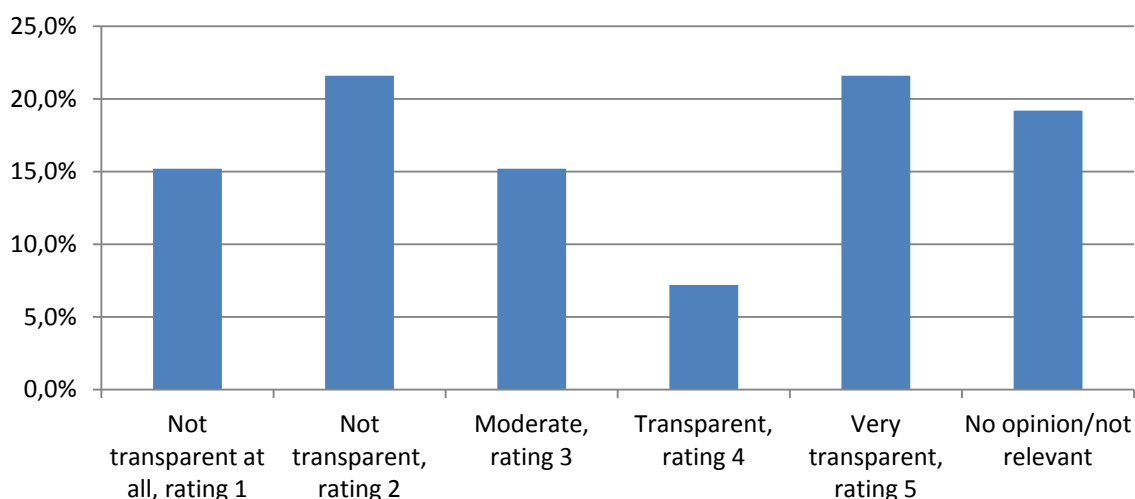


In their comments, respondents provided different insights as to why they chose a specific categorization for such fees. Some respondents emphasised the differences between SEPA transactions and non-euro transactions. These differences are experienced by some payment service users as unjustified. Other respondents stress the disproportionality of the transaction fees. This is especially the case for smaller transactions. Respondents also pointed out the problem that fees may be charged at both the sending and receiving end of the transaction. Certain respondents stressed the difficulties stemming from these fees, especially for Small and Medium-sized Enterprises.

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

<b>Respondent</b>	<b>Not transparent at all (1)</b>	<b>Not transparent (2)</b>	<b>Moderately transparent (3)</b>	<b>Transparent (4)</b>	<b>Very transparent (5)</b>	<b>No opinion</b>
<b>All</b>	15.2	21.6	15.2	7.2	21.6	19.2
<b>Private Individuals</b>	24.4	33.3	13.3	4.4	6.7	17.8
<b>All Organisations</b>	9.6	16.4	15.1	8.2	31.5	19.2
<b>- PSUs</b>	18.8	21.9	25.0	9.4	9.4	15.6
<b>- PSPs</b>	2.5	12.5	7.5	7.5	50.0	20.0
<b>National Authorities</b>	14.3	28.6	0.0	14.3	14.3	28.6

**Chart 5: Perception of transparency among all respondents**



Some payment service users stressed the difficulty of obtaining clear information on fees before making a transaction. It was also pointed out that these fees only become clear after the transaction. Some payment service users observed a lack of pricing details and difficulties of finding the actual fees in the banks' documents. Some other payment service users, however, stated that the fees are available and that they could be found on banks' webpages, in compliance with EU standards. However, others claimed that while fees are transparent, no guarantees can be given on a final price.

**Question 1.d. Could you provide examples of fees that you have paid for such transactions?**

Many respondents presented their personal experiences with transaction fees that were unusually high or excessive in their opinion. Respondents mentioned examples of transactions between euro and non-euro EU Member States, as well as transactions between two non-euro Member States.

Some respondents reported the use of fixed fees or alternatively the use of fixed rates for cross-border transfers. Others stressed the great variety of fees. Much concern was expressed about the level of fees, particularly for small amounts. Examples of such transactions were a transfer of £20 to a Romanian bank, which cost £12, or a fee of €10 for a transaction of €17. For larger amounts, the percentage of the fee in relation to the transfer typically falls. Respondents reported a fee of €20 for a transaction of €100 from Bulgaria to Germany, or of 4% for a transaction of €500, also costing €20. A £500 transaction from the United Kingdom to Spain reportedly cost £40 in fees.

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

<b>Respondent</b>	<b>Not regulated (Left to the market)</b>	<b>Left to individual Member States</b>	<b>Regulated at an EU level</b>	<b>No opinion</b>
<b>All</b>	56.3	4.7	31.3	7.8
<b>PSUs</b>	11.8	5.9	76.5	5.9
<b>PSPs</b>	80.5	4.9	9.8	4.9
<b>All Organisations</b>	61.8	5.5	27.3	5.5
<b>National Authorities</b>	16.7	0.0	50.0	33.3

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

**Question 2.a. Should the scope of the Regulation be extended so that a money transfer to another EU Member State costs the same as a money transfer within the country? If not, what would be the main reasons for not doing so? (Expert Questionnaire)**

<b>Respondent</b>	<b>Yes</b>	<b>No</b>	<b>No opinion</b>
<b>All</b>	27.0	61.8	11.1
<b>PSUs</b>	82.4	11.8	5.9
<b>PSPs</b>	2.5	90.0	7.5
<b>All Companies/Organisations</b>	24.1	68.5	7.4
<b>National Authorities</b>	33.3	16.7	50.0

Respondents who rejected this proposition most often argued that the market could address such matters. Some payment service providers also stressed the higher costs of transactions involving different currencies.

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

**Question 3.a. Do you consider that this type of pricing practice makes transactions too expensive? (Expert Questionnaire)**

<b>Respondent</b>	<b>Yes</b>	<b>No</b>	<b>No opinion</b>
<b>All</b>	36.7	45.0	18.3
<b>PSUs</b>	82.4	11.8	5.9
<b>PSPs</b>	15.4	64.1	20.5
<b>All Companies/Organisations</b>	34.0	49.1	17.0
<b>National Authorities</b>	50.0	0.0	50.0

**Question 3.b. What is the rationale behind such a pricing model? (Expert Questionnaire)**

In the clarifications of their responses, some payment service providers emphasised the dependency on foreign currency in price determination, costs related to anti-money laundering ('AML') obligations, payment infrastructure, or the higher risk associated with higher amounts of transfers. Other respondents considered that ad valorem pricing was not justified or disproportionate and mainly aimed at making profits.

**Question 3.c. Does this practice reflect the internal costs of payment services providers? (Expert Questionnaire)**

<b>Respondent</b>	<b>Yes</b>	<b>No</b>	<b>No opinion</b>
<b>All</b>	48.2	25.0	26.8
<b>PSUs</b>	13.3	46.7	40.0
<b>PSPs</b>	65.8	13.2	21.1
<b>All Companies/Organisations</b>	52.0	26.0	22.0
<b>National Authorities</b>	0.0	66.7	33.3

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

**Question 4.a. Is this practice preventing low-value transactions? (Expert Questionnaire)**

<b>Respondent</b>	<b>Very much so</b>	<b>To some Extent</b>	<b>No</b>	<b>No opinion</b>
<b>All</b>	25.0	18.3	35.0	21.7
<b>PSUs</b>	64.7	11.8	11.8	11.8
<b>PSPs</b>	2.6	20.5	48.7	28.2
<b>All Companies/Organisations</b>	18.9	17.0	39.6	24.5
<b>National Authorities</b>	75.0	25.0	0.0	0.0

**Question 4.b. What is the rationale behind this practice? (Expert Questionnaire)**

Some respondents pointed to the fixed costs of transactions that occur independently from the amount of the transaction; AML-related costs were mentioned in this regard. Other stakeholders stressed that such minimum fees created obstacles to engage in cross-border transfers and pointed to a lack of competition in this market.

**Question 4.c. Should minimum fees be regulated to avoid disproportionate costs of low-value transactions? (Expert Questionnaire)**

<b>Respondent</b>	<b>Yes</b>	<b>No</b>	<b>No opinion</b>
<b>All</b>	26.7	13.3	60.0
<b>PSUs</b>	64.7	29.4	5.9
<b>PSPs</b>	5.1	79.5	15.4
<b>All Companies/Organisations</b>	22.6	64.2	13.2
<b>National Authorities</b>	75.0	0.0	25.0

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

Some payment service providers reiterated the argument that such rules would fail to take into account market conditions, or business models. Other respondents suggested that minimum fees for cross-border transactions should be the same as those for national transactions. Some went so far as to say that such fees should be completely abolished.

**Question 4.e. What would be the economic or social impact of your proposed rules? (Expert Questionnaire)**

Respondents who were against intervention in the market pointed out the negative effects of regulation on the market, such as higher prices, or the elimination of smaller competitors and more concentrated market power. Banks might attempt to recoup lost revenues by raising the prices of other services. Those in favour of market intervention expected increasing volumes of cross-border payments, improved payment infrastructure, more transparency, and more competitive prices. This could, according to some respondents, lead to increased cross-border commerce and mobility.

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

**Question 5.a. What is the rationale behind this practice? (Expert Questionnaire)**

Some respondents saw this as profit-making behaviour. Others argued that this reflects strong competition, as well as the risks and costs involved, especially currency conversion costs and liability risks.

**Question 5.b. Is this practice reflecting internal costs of payment services providers? (Expert Questionnaire)**

<b>Respondent</b>	<b>Very much so</b>	<b>To some Extent</b>	<b>No</b>	<b>No opinion</b>
<b>All</b>	29.3	8.6	34.5	27.6
<b>PSUs</b>	12.5	6.3	75.0	6.3
<b>PSPs</b>	39.5	10.5	15.8	34.2
<b>All Companies/Organisations</b>	31.4	9.8	31.4	27.5
<b>National Authorities</b>	0.0	0.0	50.0	50.0

**Question 5.c. Should there be a mandatory cap on fees? (Expert Questionnaire)**

<b>Respondent</b>	<b>Yes</b>	<b>No</b>	<b>No opinion</b>
<b>All</b>	29.3	56.9	13.8
<b>PSUs</b>	81.3	12.5	6.3
<b>PSPs</b>	5.3	81.6	13.2
<b>All Companies/Organisations</b>	25.5	62.7	11.8
<b>National Authorities</b>	25.0	50.0	25.0

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

Those in favour of a cap suggested a wide range of different levels, ranging from £5 to €1000 or even £5000. Many respondents suggested that such a price cap should be the same as for national transactions, while others argued that any cap should reflect the real internal costs of banks for such transactions.

**Question 5.e. What would be the economic or social impact of such cap? (Expert Questionnaire)**

Some respondents expressed the view that this would lead to an increased volume of cross-border transactions, increased transparency and better conditions for cross-border transactions, which in turn could lead to more cross-border commerce. It was pointed out that an increase in the volumes and frequency of such transactions could actually benefit payment service providers. Others pointed out that such caps could lead to smaller payment service providers being eliminated, resulting in a decrease in competition. A cap could also lead to increases in prices for other services.

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

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

Different practices were mentioned. The majority of respondents highlighted the rise of FinTech solutions on the market which could offer better exchange rates or eliminate intermediaries. Some



respondents expected that these new players would be able to offer competitive services on the market in the future. An important development could be instant payments. However, some payment service providers pointed out that costs have risen for payment service providers due to regulatory obligations. According to these respondents, it has become more difficult to innovate. Others expected that these new FinTech players would be able to offer competitive services on the market in the future.

Some payment service users wrote that they could benefit from lower fees as consumers when making use of online banking. It was also claimed that larger enterprises with market power were able to negotiate better rates. Other respondents pointed to partnerships between payment service providers which could enable them to offer more favourable rates in non-euro currencies. A different view held by some respondents was that regulation was needed to bring about effective solutions.

Some payment service providers pointed out that the costs for cross-border transactions have risen due to regulatory and compliance obligations. According to these respondents, it has become difficult to invest in different ventures or develop new practices.

**Question 6.b. Should these practices be encouraged? If these practices should be encouraged, please explain how. (Expert Questionnaire)**

<b>Respondent</b>	<b>Yes</b>	<b>No</b>	<b>No opinion</b>
<b>All</b>	50.9	20.0	29.1
<b>PSUs</b>	60.0	6.7	33.3
<b>PSPs</b>	42.9	28.6	28.6
<b>All Companies/Organisations</b>	50.0	20.8	29.2
<b>National Authorities</b>	75.0	0.0	25.0

Some payment service users pointed to the need of making consumers more aware of such alternatives. A few respondents suggested that, based on past cases of regulation being used to foster the development of new business models, a harmonised regulatory framework would be considered to allow such FinTechs to operate EU-wide. Others suggested that a dialogue between regulators and the industry could be helpful or that priority should be given to fully implementing the current regulatory framework, thereby overcoming fragmentation and effectively achieving the desired effects. A few proposed other incentives, notably fiscal ones.

Other respondents were critical of regulatory approaches and felt that competition on the market would be sufficient.

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

**Question 7.a. What is the weight of each of these factors in the total cost of transactions? (Expert Questionnaire)**

Respondents confirmed that correspondent banking fees charged by international payment networks and currency conversion fees are important cost factors. Other cost factors highlighted were processing, compliance and settlement. Some respondents stressed that the weight of the different cost factors can vary across Member States and are dependent on the volume of transactions.

**Question 7.b. Are there other factors that come into play? (Expert Questionnaire)**

<b>Respondent</b>	<b>Yes</b>	<b>No</b>	<b>No opinion</b>
<b>All</b>	64.2	3.8	32.1
<b>PSUs</b>	50.0	0.0	50.0
<b>PSPs</b>	71.1	5.3	23.7
<b>All Companies/Organisations</b>	66.0	4.3	29.8

<b>National Authorities</b>	33.3	0.0	66.7
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Most respondents also identified other cost factors such as cut-off times, processing costs and operational costs (e.g. personnel costs).

**Question 7.c. What scope is there for reducing such costs and how can this be achieved? (Expert Questionnaire)**

Respondents suggested that cost reductions, notably for settlement and clearing, would result from improved infrastructure. Some respondents, notably payment service providers, reiterated that the workings of the market would bring about such reductions thanks to competition and innovation. Some payment service providers called for deregulation or more proportionate regulation as a solution.

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

Responses from private individuals and payment service users tended to stress the need to bring down costs or increase transparency.

Many payment service providers expressed their confidence in the market to come up with a solution, and in particular the arrival of new FinTech competitors. Some payment service providers stressed the importance of taking into account different business models in the financial sector and the specific circumstances of different currencies (notably in terms of transaction volumes).

**B – Transaction Fees – Euro Transactions**

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

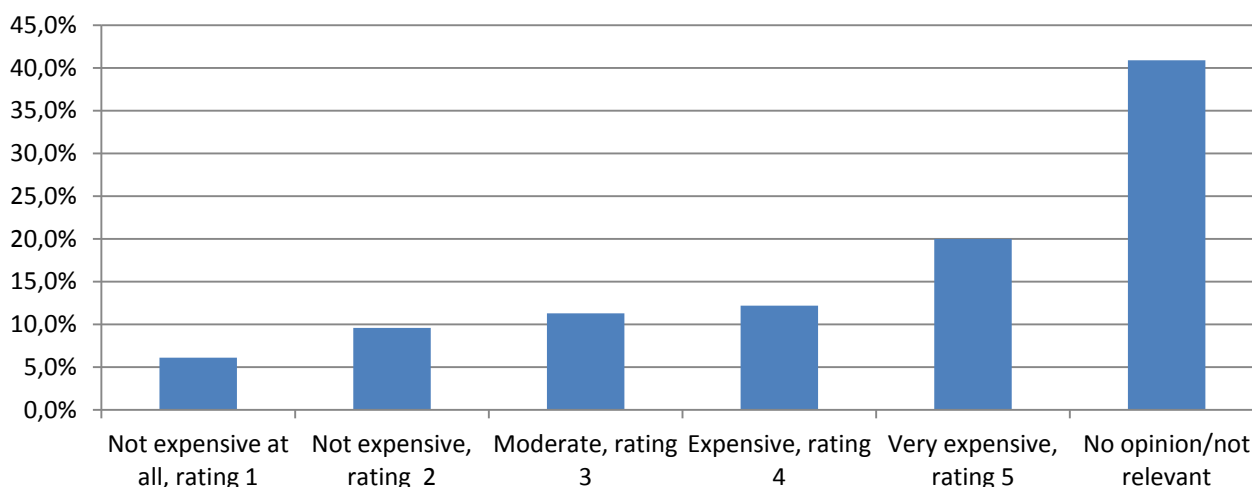
**Question 9.a. Do you know the cost of making euro transactions in non-euro area Member States?**

<b>Respondent</b>	<b>Yes</b>	<b>No</b>	<b>No opinion</b>
<b>All</b>	53.4	22.4	24.1
<b>Private Individuals</b>	54.5	31.8	13.6
<b>All Companies/Organisations</b>	53.0	16.7	30.3
- PSUs	53.3	33.3	13.3
- PSPs	54.3	2.9	42.9
<b>National Authorities</b>	50.0	16.7	33.3

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

<b>Respondent</b>	<b>Not expensive at all (1)</b>	<b>Not expensive (2)</b>	<b>Moderately expensive (3)</b>	<b>Expensive (4)</b>	<b>Very expensive (5)</b>	<b>No opinion</b>
<b>All</b>	6.1	9.6	11.3	12.2	20.0	40.9
<b>Private Individuals</b>	4.5	6.8	9.1	22.7	25.0	31.8
<b>All Organisations</b>	7.7	12.3	10.8	6.2	16.9	46.2
- PSUs	6.9	10.3	10.3	6.9	31.0	34.5
- PSPs	8.6	14.3	11.4	5.7	5.7	54.3
<b>National Authorities</b>	0.0	33.3	0.0	0.0	16.7	50.0

**Chart 6: Perception of price among all respondents**



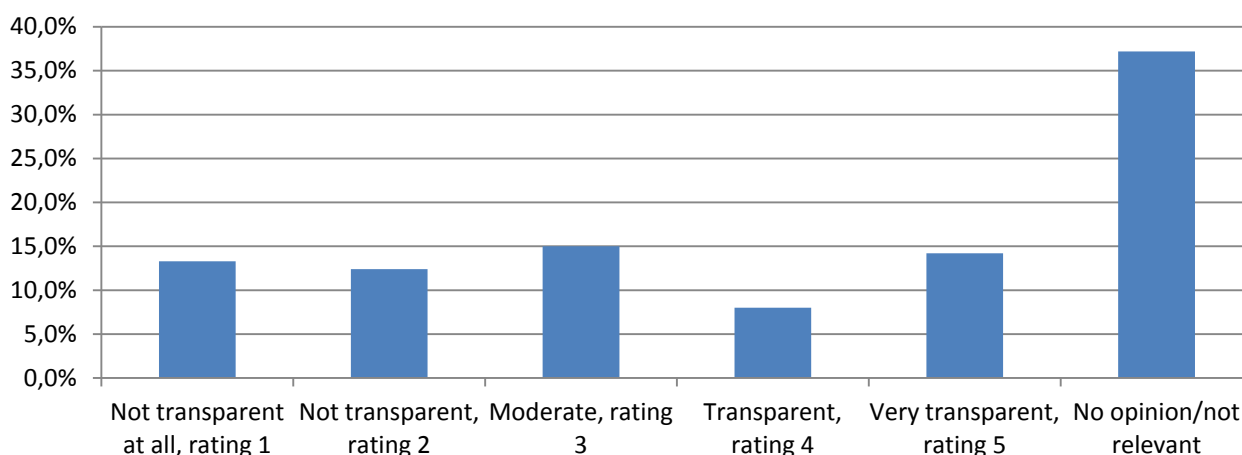
Private individuals tended to perceive the difference in prices between domestic transactions, or euro-to-euro transactions, and between euro and non-euro transactions as disproportionate and unfair. Fees levied at the receiving end were regarded as non-transparent or high. Fluctuations of exchange rates were also mentioned as a problem. Many payment service users saw in these fees a barrier to their cross-border activities.

Some payment service providers expressed their satisfaction with the pricing models that had emerged in the market. Other respondents added that the high costs arose largely due to different currency conversion mechanisms, and that costs could vary greatly depending on the destination to which transfers were made.

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

Respondent	Not transparent at all (1)	Not transparent (2)	Moderately transparent (3)	Transparent (4)	Very transparent (5)	No opinion
<b>All</b>	13.3	12.4	15.0	8.0	14.2	37.2
<b>Private Individuals</b>	20.9	11.6	14.0	9.3	2.3	41.9
<b>Organisations</b>	9.4	12.5	14.1	7.8	23.4	32.8
<b>- PSUs</b>	17.9	17.9	17.9	7.1	10.7	28.6
<b>- PSPs</b>	2.9	8.6	11.4	8.6	34.3	34.3
<b>National Authorities</b>	0.0	16.7	33.3	0.0	0.0	50.0

**Chart 7: Perceptions of transparency among all respondents**



Private individuals often stressed the difficulties they experienced when trying to understand the costs. Some indicated that fees were often levied at unexpected moments in the transaction, or that they were not able to find such fees in the information published by their payment service providers. However, there were also respondents who indicated that they had been able to find the applicable fees.

Payment service users pointed to the complex structure of fee information documents and their lack of clarity and transparency. Other respondents emphasised the lack of clear advice and the complexity, for instance due to the variability of fees on a monthly basis or differences in fees depending on the currencies used.

Some payment service providers stressed that they inform the customer prior to transactions, and that they provide clear indications on costs through their websites or relevant user agreements. Some acknowledged that conversion rates can be complex and challenging for consumers to understand.

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

Examples of fees paid by respondents included €31 for a €350 transaction between the Netherlands and Poland, standard rates of £7 or £10 for transactions from France to the United Kingdom, on top of which a 2-3% margin could be applied to the exchange rate. For transactions between Denmark and Eurozone countries, standard rates of €5 - €7 were mentioned. A particularly high fee amounted reportedly to €50 for a transaction of €79 between Romania and the Netherlands.

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

Respondent	Not regulated (Left to the market)	Left to individual Member States	Regulated at an EU level	No opinion
<b>All</b>	56.4	3.6	30.9	9.1
<b>PSUs</b>	7.1	14.3	71.4	7.1
<b>PSPs</b>	81.1	0.0	13.5	5.4
<b>All Organisations</b>	64.6	2.1	27.1	6.3
<b>National Authorities</b>	0.0	0.0	50.0	50.0

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

<b>Respondent</b>	<b>Volume</b>	<b>Correspondent Banking Fees</b>	<b>Other</b>
<b>All</b>	8.5	23.4	68.1
<b>PSUs</b>	0.0	30.0	70.0
<b>PSPs</b>	5.9	23.5	70.6
<b>All Organisations</b>	4.9	24.4	70.7
<b>National Authorities</b>	66.7	0.0	33.3

Many respondents mentioned currency conversion costs as an additional factor or could accept a justification as a product of the three factors combined. Some mentioned other factors, notably risk management and fraud controls.

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

<b>Respondent</b>	<b>Yes</b>	<b>No</b>	<b>No opinion</b>
<b>All</b>	21.8	58.2	20.0
<b>PSUs</b>	64.3	21.4	14.3
<b>PSPs</b>	2.7	78.4	18.9
<b>All Companies/Organisations</b>	18.8	62.5	18.8
<b>National Authorities</b>	50.0	0.0	50.0

**Question 9.h. If not, what would be the best way to bring these transaction costs for consumers to a lower level? (Expert Questionnaire)**

Some respondents, both payment service providers and payment service users, rejected price fixing or regulatory intervention as solutions and preferred to rely on market evolutions to provide a solution. Certain answers emphasised once more the role of new FinTech competitors.

Other respondents, however, voiced their support for regulatory initiatives that would reduce complexity and inefficiencies on the market.

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

Private individuals and payment service users highlighted the possible benefits of more transparency and lower fees.

Payment service providers stressed the need to take into account both how cross-border payment markets function, as well as the large differences in business models and transaction volumes in euro and non-euro currencies. Alternatives to regulatory intervention were also highlighted, such as encouraging market initiatives and enforcing competition regulations.

## **C – Transaction Fees – United Nations Sustainable Development Goals**

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

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

Most respondents stated that they did not have adequate information to provide a conclusive response. Some respondents indicated that, to the best of their knowledge, the EU still has to take numerous steps before achieving the UN Sustainable Development Goals.

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

Many respondents highlighted the importance of FinTech innovations in the market. Some respondents, however, pointed out various issues to be tackled, including regulatory frameworks, the necessity of applying similar AML requirements to FinTech operators, and the challenges of constructing adequate infrastructures.

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

**Question 12.a. Should an amendment to the Regulation on cross border payments aim at implementing the UN target and explicitly prohibit fees higher than 3% for all transactions within the EU? Please explain your reasoning. (Expert Questionnaire)**

Respondent	Yes	No	No opinion
All	14.0	62.0	24.0
PSUs	41.7	33.3	25.0
PSPs	5.7	74.3	20.0
All Companies/Organisations	13.6	63.6	22.7
National Authorities	0.0	33.3	66.7

Respondents in favour of such an amendment clarified that consumers or individuals experience these prices as too high and disproportionate in relation to the amount of their remittances.

Respondents against such an amendment argued that transfers such as remittances often involve specific costs due to the structure of the banking market on the receiving end, correspondent banking fees, risks and compliance costs, and other operational or regulatory burdens. Some respondents pointed out that competition and innovation have already reduced prices on the market significantly.

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

Respondent	Not regulated (Left to the market)	Left to individual Member States	Regulated at an EU level	No opinion
All	52.0	10.0	14.0	24.0
PSUs	8.3	25.0	50.0	16.7
PSPs	69.4	2.8	2.8	25.0
All Organisations	55.6	6.7	13.3	24.4
National Authorities	0.0	50.0	0.0	50.0

Many respondents stated that it should be left to the market and supply and demand in order to achieve the target. Some respondents cautioned against the risks of fragmentation. One respondent observed that regulation at an EU level is necessary due to the fact that EU citizens also reside in third countries, and could therefore benefit from lower costs of remittances.

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

<b>Respondent</b>	<b>Yes</b>	<b>No</b>	<b>No opinion</b>
<b>All</b>	17.6	58.8	23.5
<b>PSUs</b>	61.5	23.1	15.4
<b>PSPs</b>	2.9	74.3	22.9
<b>All Companies/Organisations</b>	15.6	62.2	22.2
<b>National Authorities</b>	0.0	33.3	66.7

**Question 12.d. Should another EU instrument be envisaged? (Expert Questionnaire)**

<b>Respondent</b>	<b>Yes</b>	<b>No</b>	<b>No opinion</b>
<b>All</b>	12.5	47.9	39.6
<b>PSUs</b>	30.0	40.0	30.0
<b>PSPs</b>	5.7	51.4	42.9
<b>All Companies/Organisations</b>	9.5	47.6	42.9
<b>National Authorities</b>	33.3	33.3	33.3

In the explanation to their replies, those respondents who had suggested a different instrument focused mainly on market-based initiatives and market infrastructure. Some respondents suggested improving access to banking, interconnectivity, and stimulating the role of new FinTech operators on the market. One respondent suggested promoting the euro as a single currency.

Respondents that argued against the adoption of another EU instrument did so either because they considered that this should be left to the market or that Regulation 924/2009 alone would suffice.

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

Some respondents argued for an increase in transparency, or limits imposed on commissions. Other respondents stressed the need for a better banking infrastructure, and a similar regulatory playing field between EU and non-EU countries in order to reduce the level of fees.

### **3. RESPONSES TO THE CONSULTATION – DYNAMIC CURRENCY CONVERSION**

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

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

Many respondents pointed out that the final costs of a transaction depend on multiple factors, including: the currency, the means of payments (debit card vis-à-vis credit card), the real-time currency conversion rates, and timeframes of clearing and settlement. This complicates a cost comparison.

Nevertheless, various respondents observed (with reference to studies conducted by themselves or external parties) that DCC proved to be more expensive in the majority of cases. Some respondents argued that the certainty of the exact cost in one's own currency justifies these higher costs.

**Question 13.b How are currency conversion costs priced by payment services providers and what is the usual pricing model applied? (Expert Questionnaire)**

While some respondents observed strong differences among the business models of currency conversion services, there was a large consensus that the usual operational model consists in applying a percentage mark-up to the wholesale currency exchange rate.

Some payment service providers added that in the case of DCC, the mark-up is often large, reflecting a range of costs faced by DCC providers, such as currency fluctuation risks, compliance costs, fees for the DCC infrastructure etc. However, others pointed out that the margins included in the mark-up

can often be considered to be disproportionate, and in practice are rarely disclosed separately or independently from the final fee.

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

<b>Respondent</b>	<b>Not aware at all (1)</b>	<b>Not aware (2)</b>	<b>Moderately aware (3)</b>	<b>Aware (4)</b>	<b>Fully aware (5)</b>	<b>No opinion</b>
<b>All</b>	26.6	22.6	17.7	8.9	6.5	17.7
<b>Private Individuals</b>	35.6	33.3	8.9	8.9	6.7	6.7
<b>All Organisations</b>	23.6	16.7	22.2	8.3	6.9	22.2
- PSUs	47.1	17.6	5.9	14.7	5.9	8.8
- PSPs	7.5	12.5	35.0	5.0	7.5	32.5
<b>National Authorities</b>	0.0	14.3	28.6	14.3	0.0	42.9

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

<b>Respondent</b>	<b>Not empowered at all (1)</b>	<b>Not empowered (2)</b>	<b>Moderately empowered (3)</b>	<b>Empowered (4)</b>	<b>Fully Empowered (5)</b>	<b>No opinion</b>
<b>All</b>	25.2	23.6	15.0	7.1	7.9	21.3
<b>Private Individuals</b>	46.7	26.7	11.1	6.7	0.0	8.9
<b>All Organisations</b>	14.7	22.7	14.7	8.0	13.3	26.7
- PSUs	27.8	30.6	0.0	16.7	5.6	19.4
- PSPs	7.3	12.2	26.8	2.4	19.5	31.7
<b>National Authorities</b>	0.0	14.3	42.9	0.0	0.0	42.9

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

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

<b>Respondent</b>	<b>Very much so</b>	<b>To some Extent</b>	<b>No</b>	<b>No opinion</b>
<b>All</b>	32.2	39.0	15.3	13.6
<b>PSUs</b>	7.1	57.1	21.4	14.3
<b>PSPs</b>	42.5	30.0	15.0	12.5
<b>All Companies/Organisations</b>	35.3	37.3	13.7	13.7
<b>National Authorities</b>	0.0	20.0	60.0	20.0

In their comments on this question some payment service providers stated that the transparency requirements of the Payment Services Directive are fully complied with. Others pointed to a lack of enforcement in certain Member States, especially when DCC is offered by merchants.

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

<b>Respondent</b>	<b>Very much so</b>	<b>To some Extent</b>	<b>No</b>	<b>No opinion</b>
<b>All</b>	31.7	31.7	26.7	10.0



<b>PSUs</b>	6.3	25.0	56.3	12.5
<b>PSPs</b>	46.2	35.9	10.3	7.7
<b>All Companies/Organisations</b>	36.5	32.7	21.2	9.6
<b>National Authorities</b>	0.0	20.0	60.0	20.0

A number of respondents considered that the transparency requirements of PSD are adequate. Among these, some explained that based on the existing infrastructure, it is possible to assess the final currency conversion cost only after the transaction has been completed. Consequently, it is not possible to offer more transparency.

Other respondents considered that the transparency requirements, as set out under PSD, are sufficient, if and when they are complied with, but that the nudging of consumers towards the DCC option has rendered these transparency requirements less effective.

Other respondents regarded these transparency requirements as insufficient due to the inability of consumers to compare the options, for lack of precise knowledge of the currency conversion rates, the fees charged by the PSP facilitating the transaction (as opposed to the DCC provider), and the lack of knowledge of the market as a whole.

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

Respondents expressed divergent opinions as to the need for changes. Some considered that no further changes were necessary at all, while others saw a need for fundamental changes. Some respondents suggested a more uniform application of DCC in practice, with similar displays offered to consumers on POS terminals or ATMs. Others argued for additional or clearer transparency requirements, including full disclosure prior to the transaction of mark-ups and other fees for both the DCC option and the alternatives, possibly in the form of side-by-side comparisons. Some payment service providers suggested that a stricter enforcement by supervisory authorities of existing regulations would suffice.

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

<b>Respondent</b>	<b>Very much so</b>	<b>To some Extent</b>	<b>No</b>	<b>No opinion</b>
<b>All</b>	20.7	19.0	37.9	22.4
<b>PSUs</b>	35.7	28.6	7.1	28.6
<b>PSPs</b>	10.3	15.4	53.8	20.5
<b>All Companies/Organisations</b>	14.0	20.0	44.0	22.0
<b>National Authorities</b>	60.0	20.0	0.0	20.0

The main obstacles in providing a real-time exchange rate quotation, as called for by some respondents, concern the delay in the settlement of the transaction, a lack of communication channels and appropriate (IT) infrastructure and the disproportionate investments that would be required to overcome these obstacles. Others had more confidence in the technical feasibility, also in view of expected further developments in the FinTech industry.

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

<b>Respondent</b>	<b>Very much so</b>	<b>To some Extent</b>	<b>No</b>	<b>No opinion</b>
<b>All</b>	31.1	16.4	31.1	21.3
<b>PSUs</b>	60.0	13.3	6.7	20.0
<b>PSPs</b>	17.1	17.1	43.9	22.0
<b>All Companies/Organisations</b>	27.8	16.7	35.2	20.4
<b>National Authorities</b>	60.0	20.0	0.0	20.0

Some respondents suggested that terminal upgrades would be needed in order to provide better transparency, for instance by providing a reference exchange rate. A few respondents clarified that this would be mainly a problem for POS terminals rather than for ATMs. A number of respondents stressed that it would not be sufficient to update just terminals and that IT systems would also have to be modernised. Others pointed to the functioning of the clearing and settlement infrastructure which would prevent the provision of real-time exchange rates.

**Question 14.f How much time would be required to implement these changes? (Expert Questionnaire)**

<b>Respondent</b>	<b>Less than 3 years</b>	<b>3-5 years</b>	<b>More than 5 years</b>
<b>All</b>	20.5	28.2	51.3
<b>PSUs</b>	44.4	44.4	11.1
<b>PSPs</b>	9.5	14.3	76.2
<b>All Companies/Organisations</b>	15.2	30.3	54.5
<b>National Authorities</b>	50.0	25.0	25.0

Many respondents explained that the exact timeframe would depend on the scope of the changes proposed. The majority of respondents indicated that the implementation of these changes would take a long time, mainly due to the lack of existing infrastructure to communicate real-time exchange rates or calculate the final price of the transaction. Others stated that considering the ongoing rapid technological developments in the financial sector, a time period of less than three years would be adequate.

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

<b>Respondent</b>	<b>Yes</b>	<b>No</b>	<b>No opinion</b>
<b>All</b>	40.4	36.8	22.8
<b>PSUs</b>	64.3	14.3	21.4
<b>PSPs</b>	28.2	48.7	23.1
<b>All Companies/Organisations</b>	37.3	39.2	23.5
<b>National Authorities</b>	75.0	0.0	25.0

Many payment service providers considered that ancillary measures are not required, whereas a majority of the payment service users suggested that further transparency measures could be beneficial. Consumers would have further insights into the options available. However, some respondents considered that the suggested online calculator would fall short as a solution. Consumers often need such a calculator at the moment of paying at a POS or ATM, at which point, they are under time pressure and unable to consult online resources.

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

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

A number of respondents pointed out that DCC provides a different service to the market and offers more choice to consumers. DCC focuses on certainty of the final amount that is paid at the moment the payment is initiated. However, many of the respondents who had pointed out the utility of DCC, also acknowledged that malpractice occurs amongst a number of DCC providers. Other respondents held stronger views about DCC services offered on the market, stating that DCC is currently characterised by practices that purposefully mislead consumers in the majority of cases.

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

<b>Respondent</b>	<b>Yes</b>	<b>No</b>	<b>No opinion</b>
<b>All</b>	40.0	16.7	43.3
<b>PSUs</b>	25.0	43.8	31.3
<b>PSPs</b>	51.3	2.6	46.2
<b>All Companies/Organisations</b>	45.3	13.2	41.5
<b>National Authorities</b>	0.0	40.0	60.0

**Question 15.c Please provide examples of good practices. (Expert Questionnaire)**

The vast majority of positive examples that were provided concerned transparency arrangements for consumers. These included leaflets with information on DCC at the POS, complete break-downs of the fees levied and margins applied, pre-receipts provided prior to finalising the purchase, additional information disclosed by the merchants, and parameters that indicated estimates of the final costs of DCC and the cost of alternative options. A few respondents stated that the mere provision of DCC, as an alternative (to exchange bureaus for example), already constitutes a good practice.

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

A majority of respondents considered that a ban would be too far-reaching. Some stated that it would not be necessary provided that the existing legal framework is complied with. Support for a ban and further regulation of DCC practices was mainly expressed by consumer organisations and private individuals.

**Question (16) DCC users may not be aware that merchants proposing the service may receive as a reward part of the margin earned on the transaction through the DCC service provider. Should consumers be made aware of the interests of merchants/ATM operators to promote their own DCC services? (Expert Questionnaire)**

<b>Respondent</b>	<b>Yes</b>	<b>No</b>	<b>No opinion</b>
<b>All</b>	35.7	28.6	35.7
<b>PSUs</b>	60.0	13.3	26.7
<b>PSPs</b>	19.4	38.9	41.7
<b>All Companies/Organisations</b>	30.6	30.6	38.8
<b>National Authorities</b>	80.0	0.0	20.0

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

**Question 17.a Could merchants or ATM operators be obliged to reimburse customers making a payment within the EU if the currency conversion they proposed was not economically beneficial to their customers? (Yes/No) (Expert Questionnaire)**

<b>Respondent</b>	<b>Yes</b>	<b>No</b>	<b>No opinion</b>
<b>All</b>	20.7	58.6	20.7
<b>PSUs</b>	56.3	31.3	12.5
<b>PSPs</b>	5.4	73.0	21.6
<b>All Companies/Organisations</b>	21.6	58.8	19.6
<b>National Authorities</b>	20.0	40.0	40.0

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

A few respondents rejected the idea that consumers face prejudice in the first place. A small number argued that it is not for a merchant or bank to guide the consumer through a series of steps in order to reach the most economical option for the consumer. Others pointed to the impossibility of providing full

information to the consumer. They also considered that better enforcement of already existing disclosure or transparency requirements would be sufficient. A few respondents stated that detriment to consumers could only be prevented through a full ban on DCC services.

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

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

Respondents pointed out that it would be difficult to tackle DCC provision in third countries through EU measures. A possible solution could be to raise consumer awareness on DCC. It was also pointed out that the rules of different card schemes on DCC are already very influential and enhance global consistency in the provision of DCC services.

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

A few respondents stated that there are limits as to what the EU could achieve. A significant part of cross-currency payments is processed outside the Union, such as clearing and settlement. However, other respondents also emphasised that mandated transparency and information provisions could provide a significant step towards more clarity for consumers from third countries.

A more radical suggestion that was made was to impose a total ban of DCC services provided in the EU in order to also safeguard the interests of consumers from third countries.

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

Some respondents made use of the opportunity to reiterate their views. Many payment service users stressed that DCC could involve disproportionate costs, or required strong regulation and enforcement of (further) transparency requirements. Some payment service providers, however, emphasized the importance of competition on the market and the extra benefits offered by DCC providers.

#### 4. STATISTICAL ANNEX

##### Are you replying to:

	<b>Answers</b>	<b>Ratio</b>
The simplified questionnaire	66	46.8%
The full questionnaire	75	53.2%
No Answer	0	0.0%

##### Are you replying as:

	<b>Answers</b>	<b>Ratio</b>
As private individual	45	31.9%
As an organisation or company	88	62.4%
As a public authority or an international organisation	8	5.7%
No Answer	0	0%

##### Is your organisation included in the Transparency Register?

(If your organisation is not registered, we invite you to register here, although it is not compulsory to be registered to reply to this consultation. Why a transparency register?)

	<b>Answers</b>	<b>Ratio</b>
Respondents (yes)	46	33%
No	42	29%
No Answer	53	38%

##### Type of organisation:

	<b>Answers</b>	<b>Ratio</b>
NGO	5	3.5%
Industry Association	27	19.1%
Company, SME	31	22.0%
Consumer Organisation	7	5.0%
Consultancy, Law firm	5	3.5%
Other	13	9.2%
No answer	53	37.6%

##### Type of public authority

	<b>Answers</b>	<b>Ratio</b>
International or European organisation	1	1%
Regional or local authority	0	0%
Government or Ministry	2	1%
Regulatory authority, Supervisory authority or Central bank	1	1%
Other public authority	4	3%
No Answer	133	94%

## Where are you located?

<b>Country</b>	<b>Answers</b>	<b>Ratio</b>
Austria	3	2.1%
Belgium	14	9.9%
Bulgaria	4	2.8%
Croatia:	0	0.0%
Cyprus:	1	0.7%
Czech Republic	10	7.1%
Denmark:	7	5.0%
Estonia:	0	0.0%
Finland:	1	0.7%
France:	5	3.5%
Germany	15	10.6%
Greece:	0	0.0%
Hungary	2	1.4%
Ireland	6	4.3%
Italy	5	3.5%
Latvia:	0	0.0%
Lithuania	0	0.0%
Luxembourg:	1	0.7%
Malta:	0	0.0%
The Netherlands	2	1.4%
Norway	1	0.7%
Poland	4	2.8%
Portugal	2	1.4%
Romania	7	5.0%
Slovakia	5	3.5%
Slovenia:	0	0.0%
Spain	22	15.6%
Sweden	4	2.8%
United Kingdom	19	13.5%
Other country	1	0.7%

## Field of activity or sector (if applicable):

	<b>Answers</b>	<b>Ratio</b>
Accounting	1	0.7%
Auditing	4	2.8%
Banking	43	30.5%
Insurance	4	2.8%
Investment management	3	2.1%
Market Infrastructure Operation	1	0.7%
Payments	34	24.1%
Remittances	7	5.0%
Social Entrepreneurship	5	3.5%
Other	47	33.3%
Not Applicable	23	16.3%
No Answer	0	0.0%

#### 4. ANNEX II: List of Abbreviations

Abbreviations	
AML	Anti-Money Laundering
ATM	Automated Teller Machine
DCC	Dynamic Currency Conversion
DG FISMA	European Commission Directorate-General for Financial Stability, Financial Services and Capital Markets Union
EU	European Union
POS	Point-of-Sale
PSD2	Second Payment Services Directive
PSP	Payment Service Provider
PSU	Payment Service User
SME	Small – and Medium-sized Enterprise