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To:	Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of the European Union
No. Cion doc.:	SWD(2018) 85 final
Subject:	COMMISSION STAFF WORKING DOCUMENT EXECUTIVE SUMMARY OF THE IMPACT ASSESSMENT Accompanying the document Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EC) No 924/2009 as regards certain charges on cross-border payments in the Union and currency conversion charges

Delegations will find attached document SWD(2018) 85 final.

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COMMISSION STAFF WORKING DOCUMENT

EXECUTIVE SUMMARY OF THE IMPACT ASSESSMENT

Accompanying the document

Proposal for a Regulation of the European Parliament and of the Council

amending Regulation (EC) No 924/2009 as regards certain charges on cross-border payments in the Union and currency conversion charges

{COM(2018) 163 final} - {SWD(2018) 84 final}

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Executive Summary Sheet

Impact assessment of amending Regulation (EC) 924/2009 to reduce the costs of cross-border in the Community

A. Need for action

Why? What is the problem being addressed?

High costs of cross-border payments (6% of all EU payments) are an impediment to the completion of the Single Market. The problem has been tackled for Eurozone countries where cross-border and domestic euro transactions cost the same. By contrast, cross-border payments in currencies other than the euro, or in euro from non-euro countries, are subject to high fees creating a two-tier society of payment services users in the EU: the vast majority who enjoy the benefits of the Single Euro Payments Area, and a minority living in comparatively small currency areas with high costs for all their cross-border transactions. These high costs reflect low volumes and a lack of modern infrastructures in the case of currencies other than the euro, but also a lack of competitive and regulatory pressure on payment services providers to pass on the low costs of euro transactions to users in non-euro countries.

What is this initiative expected to achieve?

The objective of this initiative is to reduce the fees for cross-border payments across the EU and thus to contribute to a better integration of all EU citizens and businesses into the EU economy. This is to be achieved through an alignment of fees charged for cross-border transactions with those applying to domestic transactions, while ensuring that this does not result in increased fees for other services. In addition, whenever a currency conversion takes place in a cross-border transaction, transparency of charges and, where relevant, comparability of options should be ensured for payment services users.

What is the value added of action at the EU level?

Non-euro Member States could take the required action themselves, and this is foreseen as options in Regulation 924/2009. However, only one Member State ever did so, and there are no signs of others following this example. Nor is the problem likely to be resolved in the foreseeable future by non-euro countries joining the Eurozone, as had been expected when the principles of Regulation 924/2009 had first been introduced in 2001. The scenario for eliminating barriers in the Single Market linked to cross-border transaction costs thus has not materialised. Action at EU level is therefore necessary.

B. Solutions

What legislative and non-legislative policy options have been considered? Is there a preferred choice or not? Why?

As the absence of EU legislation has failed to resolve the problem, four policy alternatives were considered, all of them extending the principle of equalising the costs of domestic transactions in the national currency and costs for cross-border transaction:
(1) in the national currency;
(2) in the national currency **and** in euro;
(3) in euro **only**;
(4) in any currency of EU Member States, regardless of where they take place.
Option 3 is efficient as modern infrastructures for cross-border payments in euro are available to all payment services providers also in non-euro countries. The majority of cross-border transactions in non-euro countries are in euro, so option 3 would cover a large share of cross-border transactions. As euro transactions are cheap, there would be a low risk of increased fees for domestic transactions to

cross-subsidise expensive cross-border transactions in non-euro currencies. Option 3 is also consistent with the longer-term goal of having the euro as common currency for all Member States. Acceptance of this option by stakeholders would also be higher than for any other option.

Who supports which option?

Payment services providers would favour a status quo, but would regard option 3 as the most acceptable one, should there be a legislative initiative. For payment services users, options 2 and 4 could be more beneficial, provided that payment services providers don't raise other prices (account management fees, currency conversion fees) to cross-subsidise expensive non-euro cross-border transactions. The European Parliament might prefer more transactions to be included in the scope, while Member States can be expected to favour option 3, given that they did not voluntarily implement options 1 and 2, as foreseen in the current Regulation 924/2009.

C. Impacts of the preferred option

What are the benefits of the preferred option (if any, otherwise main ones)?

Average prices for cross-border euro transactions in non-euro countries are currently estimated at € 8 for a credit transfer, € 0.40 for a card payment and € 2.30 for a cash withdrawal. The preferred option would bring these prices down to those for domestic local currency transactions averaging € 1, € 0 and € 0.63 respectively. Assuming that the share of euro transactions in total cross-border transactions will not decline, payment services users could be expected to save 900 million per year. They would also benefit from more transparent and less complex fee structures which may lead to increased competition. The lower costs of cross-border transactions would foster deeper economic integration of the EU and, as a result, a more productive and competitive economy. There could also be political benefits, as this initiative would be citizen-friendly in a similar way as the roaming regulation in telecoms, albeit with a lesser impact on citizens' lives.

What are the costs of the preferred option (if any, otherwise main ones)?

Payment services providers would lose an amount of revenues that matches the savings realised by users, but these losses may be mitigated in the longer run by increased transaction volumes. Additional costs to public authorities (supervisors) linked to the enforcement of the Regulation would be marginal.

How will businesses, SMEs and micro-enterprises be affected?

SMEs in the euro area can expect higher demand from non-euro area Member States where high fees for cross-border payments are a significant barrier. SMEs in non-euro Member States will be able to reach all EU residents and businesses with low-cost payments, instead of the population of their home country only. Thus, they will be in a better position to compete in the Single Market. The smallest SMEs will benefit most, as they cannot negotiate the fees they pay for cross-border payments.

Will there be significant impacts on national budgets and administrations?

No significant impact is foreseen on national budgets and administrations.

Will there be other significant impacts?

Payment services providers will see their revenue decrease upon implementation and as a counter-measure, currency conversion costs could be used by payment services providers to recoup the revenue losses as these costs are less known by payment services users and not transparent enough for payment services users to measure them. The Payment Services Directive already imposes transparency requirements that should be further detailed to be more effective. Considering the very technical dimension of currency conversion in a fast evolving environment, the European Banking Authority shall be tasked with defining Regulatory Technical Standards to better frame currency conversion practices.

D. Follow up
When will the policy be reviewed?
The policy should be reviewed after three years to check whether payment service providers have tried to recoup lost revenues by raising other prices and whether more transactions should be brought within the scope of the Regulation.