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Subject:	Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on cross-border payments in the Union (codification) - Opinion of the European Economic and Social Committee

Delegations will find attached the opinion of the European Economic and Social Committee regarding the above mentioned proposal.



INT/914
Cross-border payments/Codification

OPINION

European Economic and Social Committee

Proposal for a Regulation of the European Parliament and of the Council on cross-border payments in the Union (codification)
[COM(2020) 323 final - 2020/0145 (COD)]

Rapporteur: **Gonçalo LOBO XAVIER**

Consultation	European Parliament, 23/07/2020 Council, 15/10/2020
Legal basis	Article 114(1) of Treaty on the Functioning of the European Union
Section responsible	Single Market, Production and Consumption
Adopted in section	10/11/2020
Adopted at plenary	03/12/2020
Plenary session No	556
Outcome of vote (for/against/abstentions)	241/2/6

1. Conclusions and recommendations

1.1 The European Economic and Social Committee (EESC) welcomes the Commission proposal on cross-border payments in the Union aimed at lowering the costs for cross-border payments in euros and at bringing more transparency regarding currency conversion fees.

1.2 The EESC endorses the fact that the Commission should analyse further possibilities – and the technical feasibility of those possibilities – of extending the equal charges rule to all Union currencies and of further improving the transparency and comparability of currency conversion charges. Extending the equal charges rule to all Union currencies would go even further in deepening the internal market and would avoid any discrimination against citizens living outside the euro area and who might, for example, initiate a cross-border transaction in a currency different from the euro.

1.3 Concerning the submission and covering period of this report aimed at evaluating several aspects of the impact of the proposal for a Regulation, the EESC agrees with the fact that it should be submitted on 19 April 2022 at the latest and cover at least the period from 15 December 2019 to 19 October 2021.

1.4 In the spirit of codification and given that the European Parliament, the Council and the Commission have agreed, by an interinstitutional agreement dated 20 December 1994, that an accelerated procedure may be used for the fast-track adoption of codification instruments (since no changes of substance may be made to the instruments affected by codification), the EESC fully endorses 20 April 2021 as the date of entering into force of the current Regulation.

2. The Commission proposal

2.1 In the context of a people's Europe, the Commission puts the emphasis on simplifying and clarifying the law of the Union in order to make it clearer and more accessible to citizens. This objective cannot be achieved if numerous provisions that have been amended several times, often quite substantially, remain scattered, so that they must be sought partly in the original instrument and partly in later amending ones. Considerable research work, comparing many different instruments, is thus needed to identify the current rules. For this reason, a codification of rules that have frequently been amended is also essential if the law is to be clear and transparent[1].

2.2 The purpose of the current Commission proposal, COM(2020) 323 final, is to undertake a codification of 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. Regulation (EC) No 924/2009 has been amended by Regulation (EU)

1 COM(2020) 323 final.

No 260/2012 of the European Parliament and of the Council and subsequently by Regulation (EU) No 2019/518 of the European Parliament and of the Council[2].

2.3 The new Regulation will supersede the various acts incorporated in it; the current proposal fully preserves the content of the acts being codified and hence does no more than bring them together with only such formal amendments as are required by the codification exercise itself[3].

3. General comments

3.1 Cross-border payments are crucial for the integration of the EU economy, and play an important role in ensuring that citizens and enterprises from all EU Member States enjoy the same rights offered by the single market[4]. In fact, payments are a key element of the single market which encompasses the free movement of goods, persons, services and capital. As stated in the Commission staff working document *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 charge*[5], "High cross-border payment costs are creating barriers to the single market – effective barriers to cross-border activities of households (buying goods/services in another currency zone) and enterprises (using suppliers located abroad, reaching clients in another currency zone) (…). High costs of cross-border payments also create two categories of payment services users: those in the euro-area who are able to reach, with their payments, a majority of EU citizens and businesses at very low costs, and those in non-euro countries who can only reach a small number of people and businesses with low-cost payments. In order to address those two concerns, legislative action at EU level is the most effective response, and it is in line with the objectives of the Treaties".

3.2 Since the introduction of the euro, the EU has conducted several initiatives aimed at reducing the cost of cross border transactions[6]. Over time, legislation related to cross-border payments has progressed through different steps which aimed at lowering the costs for citizens and enterprises within the euro area. However, as stated in the Commission staff working document mentioned above[7], "cross-border euro payments originating from non-euro area countries as well as cross-border non-euro payments, whatever the country of origin or destination, have not followed the same trend when it comes to the level of fees paid by payment services users".

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2 Idem.

3 Ibidem.

4 See EP Briefing *Cross-border euro transfers and currency conversions – A step forward in favour of the single market*. https://www.europarl.europa.eu/RegData/etudes/BRIE/2018/628291/EPRS_BRI(2018)628291_EN.pdf

5 See https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CONSIL%3AST_7844_2018_ADD_1&from=FR

6 See for example SEPA Regulation (EU) No 260/2012, which introduced a set of standards for euro transactions (SEPA credit transfers, SEPA direct debits), or the Payment Services Directives which increased the transparency of fees and allowed new players to enter the market.

7 See https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CONSIL%3AST_7844_2018_ADD_1&from=FR

3.3 The current Commission proposal represents yet another step in the direction of lowering the operational costs. It amends Regulation (EC) No 924/2009 with the aim of:

a) lowering the costs for cross-border payments in euros: in other words, the price of intra-EU cross-border-payment transactions in euros should not be different from that of domestic transactions made in the national currency of the Member States. Member States which do not have the euro as their national currency can decide to extend the application of the current Regulation to their national currency (opt-in), provided they notify the Commission accordingly;
b) bringing more transparency regarding currency-conversion fees, in order to protect consumers against excessive charges for currency conversion services and ensure that they are given the information they need to choose the best currency conversion option[8].

3.4 Both actions proposed by the Commission would represent a step forward in providing equal opportunities to SMEs everywhere in Europe, unlocking the potential of the single market[9]. SMEs located in the euro area would get potentially higher demand from consumers and enterprises based in non-euro Member States (where high fees for cross-border payments constitute a significant barrier). In turn, SMEs based in non-euro area Member States would have lower-cost access to 360 million citizens (potential clients) and 16 million euro area enterprises (clients and providers). Hence, they would be able to compete better on the EU market[10]. Another expected impact is the promotion of greater equality between European citizens concerning access to low-cost cross-border payments.

4. Specific comments

4.1 Regulation (EC) No 924/2009 on cross-border payments equalised, across the EU, the fees for intra-EU cross border euro payments with the fees for domestic euro payments (that is to say for transactions within the same Member State). EU Member States outside the euro area may decide to extend the application of the current Regulation to their national currency, provided they notify the Commission accordingly.

4.2 Even though the Regulation proposal constitutes an important step towards deepening of the internal market, it would be worth reflecting on the possibility of extending the equal charges rule to all Union currencies, as mentioned in recital 12. In fact, situations can be seen where some banks located in Member States outside the euro area charge between EUR 15 and 30 for a cross-border transaction of an amount equivalent to EUR 100.

4.3 Extending the equal charges rule to all Union currencies would be beneficial for consumers of financial services who would be equally treated, independently of the Member State or the currency in which they make a cross-border transaction. Extending the equal charges rule to all Union currencies would be an even more ambitious step, since it would imply that payment

8 See https://www.europarl.europa.eu/RegData/etudes/BRIE/2018/628291/EPRS_BRI(2018)628291_EN.pdf

9 Idem.

10 See https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CONSIL%3AST_7844_2018_ADD_1&from=FR

service providers align their fees for all cross-border transactions between EU countries in whatever EU currency with domestic transactions, including transactions in currencies that are not the ones of the sending or receiving country. Payment services users would certainly benefit from such an option, but it would imply significant costs for payment service providers, among others in terms of infrastructure[11].

4.4 The European Commission should definitely reflect further on this possibility, analysing the benefits and costs for all the stakeholders.

4.5 The EESC believes that, in a future revision of the regulation, it would be relevant to clarify the situation of fees on account incomes, to further reflect on the information to be provided to customers prior to the initiation of a payment order, and to explicitly mention the moment when electronic notification should be sent and with which frequency.

Brussels, 3 December 2020

Christa Schweng
The president of the European Economic and Social Committee

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11 See https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CONSIL%3AST_7844_2018_ADD_1&from=FR