



**Electronic Money
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Mr Ralf Jacob

Head of Unit,
DG FISMA D3 – Retail Financial Services and Payments,
European Commission

12 June 2018

Dear Mr Jacob,

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

The Electronic Money Association is the trade body for electronic money issuers and also caters for PIs offering innovative payment service providers (PSPs). Our members include leading global payments and technology businesses, representing online payments, prepaid card-based products, and those employing mobile payment solutions. For your reference, a complete list of EMA members is given overleaf.

In general, the EMA supports greater transparency, but not price regulation. In this context, the EMA proposes to support the Commission's proposals for increased price disclosure requirements. We do not support the proposals to expand Regulation 924/2009 to cover cross-border transactions outside the Eurozone, nor the temporary price cap on currency conversion charges. These constitute significant pricing interventions where there is no evidence of a market failure to justify a regulatory intervention of this scale. In many cases the market is already finding solutions through innovative new FinTech entrants who can better cater to the needs of consumers.

Please find our response below.

Yours sincerely,

Dr Thaer Sabri

Chief Executive

Electronic Money Association.

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

I. Article 1, subparagraphs 1 & 2: Extending the requirement for PSPs to charge no more for a cross-border payment into or out of a non-euro Member State than for a domestic payment of the same value in the official currency of that Member State.

The extension of Regulation 924/2009 to cross-border transactions involving non-Euro currencies will be damaging to both the payments market and its consumers.

1. Over the past 5 years, a niche and highly competitive market for currency conversion and cross-border transfers has evolved, allowing new and innovative PSPs to develop in competition with banks. They are able to take advantage of scale in order to reduce costs. Comparison tools can provide consumers with information on the cheapest way to transfer funds cross-border; and innovative technical solutions that reduce the administrative or structural cost of transfers have been put in place. Rather than introducing price controls in the internal market, the focus could be on initiatives that strengthen competition, such as improving consumer understanding of the terms under which cross-border services are provided. Innovative PSPs can then compete for consumers by offering lower, more transparent pricing, and greater convenience for cross-border transfers.
2. Regulating the price of currency conversion is likely to be detrimental to consumers, as it would diminish the business proposition for new and innovative businesses - that have already been able to drive down the cost of cross-border transfers through competition. Once price controls are imposed, there is little to drive innovation in product development, in efficiency and in the creation of tailored and targeted offerings.
3. The proposal to introduce an interim price cap is also not proportionate; price intervention is an extreme response to the current arrangements, which are increasingly subject to competition in the market place. Price regulation requires adequate evidence to justify such a significant regulatory intervention. In the case of cross-border transfers, there is little evidence of market failure. The number of operators is high, it is also growing, pricing is increasingly transparent, and consumers are using an increasingly wide variety of providers to transfer funds. Controlling price by way of regulation is known to reduce the number of market entrants and long-term investment. Instead, encouraging an open competitive market will create a more robust competitive landscape, increase innovation and add consumer value. We are not convinced that all alternatives have been exhausted, and that price intervention is the only remaining tool that is available to the regulator. Until that is the case, price control cannot be regarded as a proportionate response.

4. Extending the equivalence of fees from non-euro national currency domestic transactions to EURO cross border transactions is an over simplification of the economics of the relative payment systems. Domestic price points and product features may be significantly different to those of cross border payments in EURO, and the values of individual transactions will be significantly different. The proposal to impose price equivalence on the two systems ignores this divergence in functionality, objectives, purpose, and transaction values.
5. There is a risk that price controls result in a constriction of the market as the economics of serving certain parts of the economy become increasingly untenable. The proposal for price control is resisted, and we suggest the Commission consider keeping a close watch on the market, and encouraging greater competition, innovation and enhanced transparency for users.

2. Article 1, Subparagraph 3: EBA to draft RTS setting out requirements for transparency and price comparability for currency conversion practices, including a temporary cap on the charges applied to currency conversion.

1. We note that the proposed cap would apply to all currency conversion services. We believe this is an excessive measure that is not warranted by current conditions, and is likely to be challenging to calibrate. We are not supportive of the cap in as an interim measure.
2. There appears to be increasing reliance on the EBA resolving contentious legislative or market facing issues. These should in our opinion be subject to the full rigour of parliamentary and trilogue scrutiny. Specifically, the extent and means of disclosure of information, as well as the imposition of a fee cap should be a matter for full discussion as part of the legislative process, and not addressed by the EBA. The consultation process to which the EBA is subject is helpful, but is not a substitute for the legislative framework that includes parliamentary scrutiny.
3. Whilst we support proposals to require increased transparency of currency conversion charges, we do not support the imposition of the charge cap. Cost disclosure improvements will reduce prices more sustainably than a pricing intervention, and some simplified form of this would be a more suitable interim measure.
4. There is additional concern that the fee cap will set a level of expectation in the market that will suggest to users that higher fees (once the cap is removed) are excessive in value, even when they reflect commercial risks or price volatility. A reconsideration of the merits of the cap are proposed, and greater involvement by the legislative institutions.
5. We are however supportive of price transparency, and believe that this is likely to increase competition as consumers become better aware of the total cost of an exchange transaction. It is also likely to increase consumer value and consequently have a positive wider impact in the market.
6. Currency conversion services at ATMs enable the withdrawal of cash in a local currency, and are often used by consumers as an alternative to the exchange being undertaken by their own issuing bank or financial institution. Revenue from such transactions supports the provision of

independent ATM networks, and care should be taken in any intervention that may impact the ability of providers to support such services.

7. We agree that there are improvements in transparency to be made, so that consumers can make informed judgements on the relative value offered by third party currency conversion service providers, in comparison with the alternative bank or card scheme conversion offered to the user as part of their payment product. There is for example little indication of the value of the variable fee embedded in the exchange rate, and the total cost of the transaction is seldom disclosed to the consumer. Customers should be able to compare at an ATM, for example a DCC offering and a payment product's own exchange offering, enabling the user to an informed choice before proceeding with either.
8. PSD2 currency conversion obligations (see Article 59) are currently directed at parties that may be outside of the scope of PSD2 regulation. We would encourage the Commission to ensure the requirements on currency conversion services and service providers are enforceable.
9. Finally, there will also be a need to address the impact of transparency obligations on regular payments initiated by or through the payee, such as direct debit payments. The means of disclosure will need to be adapted or calibrated to ensure such payments remain viable.

List of EMA members as of June 2018:

[Advanced Payment Solutions Ltd](#)
[Airbnb Inc](#)
[Allegro Group](#)
[American Express](#)
[Azimo Limited](#)
[Bitstamp](#)
[BlaBla Connect UK Ltd](#)
[Blackhawk Network Ltd](#)
[Boku Inc](#)
[CashFlows](#)
[Citadel Commerce UK Ltd](#)
[Clearsettle](#)
[Coinbase](#)
[Corner Banca SA](#)
[Ebanx](#)
[eBay Sarl](#)
[Euronet Worldwide Inc](#)
[Facebook Payments International Ltd](#)
[First Rate Exchange Services](#)
[Flex-e-card](#)
[Flywire](#)
[GoCardless Ltd](#)
[Google Payment Ltd](#)
[IDT Financial Services Limited](#)
[Imagor SA](#)
[Intuit Inc.](#)
[Ixaris Systems Ltd](#)
[Merpay Ltd.](#)
[MuchBetter](#)
[Nvayo Limited](#)
[One Money Mail Ltd](#)

[Optal](#)
[Park Card Services Limited](#)
[Paybase Limited](#)
[Payoneer](#)
[PayPal Europe Ltd](#)
[PayPoint Plc](#)
[Paysafe Group](#)
[PPRO Financial Ltd](#)
[PrePay Solutions](#)
[R. Raphael & Sons plc](#)
[Remitly](#)
[SafeCharge UK Limited](#)
[Securiclick Limited](#)
[Skrill Limited](#)
[Starpay Global Ltd.](#)
[Stripe](#)
[Syspay Ltd](#)
[Transact Payments Limited](#)
[Transact24 \(UK\) Ltd](#)
[TransferWise Ltd](#)
[TrueLayer Limited](#)
[Trustly Group AB](#)
[Uber BV](#)
[Valitor](#)
[Vitesse PSP Ltd](#)
[Viva Payments SA](#)
[Wave Crest Holdings Ltd](#)
[Wirecard AG](#)
[Wirex Limited](#)
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