

EPC'S COMMENTS ON AND RESPONSES TO THE EUROPEAN COMMISSION'S GREEN PAPER ON RETAIL FINANCIAL SERVICES (COM(2015) 630)

The EPC welcomes the opportunity offered by the European Commission to participate in a public consultation on its Green Paper on retail financial services published on 10 December 2015 (hereafter referred to as "the Green Paper").

I. General comments

The EPC would like to make a few general comments on a number of considerations expressed by the European Commission in the Green Paper.

The EPC supports the European Commission's overall objective of "creating a true European market for retail financial services". However, the Green Paper does not appear to recognise all the achievements of the payments industry over the last 12 years or so in harmonising payments in Europe (development of and migration to pan-European euro payment instruments (SEPA Credit Transfer, SEPA Direct Debit), card standardisation) and complying with new European payment legislation's requirements.

Title - "Better products": it would be interesting to understand the European Commission's definition of and measurement tool and methodology for the quality of products and why the current retail financial product offering would not be considered to be "good enough". Such an assessment in a market economy should be left to the market (in particular end-users) and the free play of competition.

Section 1 – 1st paragraph: it would be most interesting and instructive to see the analysis and understand the reasons supporting the European Commission's statement that air travel is an example of "a well-developed Single Market".;

Section 2 – 2.1 – 1st paragraph and last paragraph of p.8: referring back to the air travel example quoted at the beginning of the "Green Paper" is there a demonstration of a higher concentration of service providers in the retail financial sector in comparison with the air travel sector deemed to be an example of "a well-developed Single Market"?

Section 2 – 2.1 – penultimate paragraph of p.9: the reference to the "portability of bank account numbers" as a possible option is a concern given that the EPC is not aware of the existence of any feasibility, impact or cost and benefit analysis supporting such an option in particular at pan-European level.

Section 2 – 2.2 – last paragraph: the EPC is on the one hand developing an SCT Instant scheme with the involvement of stakeholders and on the other hand facilitating a dialogue between stakeholders in the area of P2P mobile payments focusing on the conversion of mobile phone numbers into IBANs across Europe.

Section 3 – 3.1 – p.15: the Payment Services Directive in particular has clearly defined PSPs' obligations regarding the transparency of fees and foreign exchange conversion rates; furthermore there is a choice of payment means to transfer money



within Europe. Any potential issue would therefore be of a compliance nature and would not require any additional legislation.

Final comment: the "Green Paper" seems to rely to a large extent on anecdotal evidence; this needs to be complemented with thorough analysis and rigorous quantitative research as the basis for public policy or any legislative initiative.

II. Responses to some of the questions

Question 2:

- main barriers for PSPs : language, different regulatory requirements often resulting from diverging national implementation of EU legislation, business case, access to information
- main barriers for consumers: language, trust, uncertainty, continued "IBAN discrimination"

Question 7:

- "IBAN discrimination" as well as - in the cards domain - "abusive surcharging" and non-compliant currency conversion at the point of sale (the so-called "dynamic currency conversion") are frequent examples of imperfect enforcement of existing EU payments legislation with a direct adverse impact on European consumers

Question 11:

- given that the Payment Accounts Directive is currently being implemented (with its transposition deadline being September 2016) and a report by the European Commission on its application and potential review is due by September 2019, it appears premature to consider any further action in the area of comparability and account switching

Question 12:

- what is meant by "excessive"? this is a subjective and unsubstantiated concept or statement
- what is key is compliance with applicable legislation (e.g. the Payment Accounts Directive and the Payment Accounts Directive) as well as competition among payment instruments and PSPs
- compliance monitoring and complaint handling are responsibilities entrusted by the Payment Services Directive and the Payment Accounts Directive to Member States' competent authorities

Question 13:

- the Payment Services Directive stipulates the necessary obligations with respect to disclosure of currency conversion which PSPs need to comply with
- compliance monitoring by Member States' competent authorities should also cover the so-called "dynamic currency conversion" situations

Question 14:

- any potential discrimination issue from a payments perspective seems to lie with the end-users, mainly due to "inertia", public administrations' rules and practices as well as risk management policies (cross-border sales appearing more risky to the provider)
- an example of such discriminatory behaviour is the so-called "IBAN discrimination"; in this case Member States' competent public authorities



should monitor and ensure compliance with article 9 of the SEPA Regulation including by entities belonging to the public sector

Question 17:

- in the area of payments the effective implementation of existing and new legislation (including the monitoring of their compliance) should be the first priority
- the effectiveness of such legislation (e.g. the Payment Accounts Directive, the Card Interchange Fee Regulation and the revised Payment Services Directive ("PSD2")) should be assessed in a second stage based on sufficient experience; deadlines for such reviews are typically set in these Regulations and Directives
- any further EU level action is therefore unnecessary at this stage
- however, the only area where legislative/regulatory clarity and harmonisation may be needed is the so-called "virtual" or "crypto currencies"

Question 22:

- harmonised legislative and regulatory framework across Europe with minimal or no national "flavours" or "gold-plating"
- technology-neutral legislation and regulation
- level playing field among all actors (both incumbents and newcomers including new global players)
- maintaining an innovation-friendly environment should be an overarching public policy objective including proper risk and investment reward conditions

Question 24:

- an essential precondition is a stable, certain and harmonised legal and regulatory framework across Europe
- a risk-based, principle-based and technology-neutral legislative and regulatory approach is also critical