Cross-border payments and currency conversion charges

In March 2018, the European Commission made a proposal for a regulation to review Regulation (EC) No 924/2009 on cross-border payments. It would lower the charges for cross-border payments in euros, and bring more transparency regarding currency-conversion fees. The Parliament and Council reached a negotiated agreement, which is scheduled to be voted by Parliament at first reading during the February plenary session.

Background
Since the introduction of the euro, the EU has adopted various pieces of legislation to reduce the cost of cross-border transactions, including a set of single euro payments area (SEPA) standards, and the Payment Services Directives. Nevertheless, cross-border euro payments involving non-euro-area Member States are still subject to high fees. Furthermore, when paying with a card or making a withdrawal from a cash machine (ATM) in an EU country which uses a currency other than the euro, it is almost impossible to know in advance exactly how much it is going to cost.

European Commission proposal
On 28 March 2018, the Commission adopted a proposal for a regulation amending Regulation (EC) No 924/2009. The proposed regulation would align the charges for cross-border transactions denominated in euros to the charges applied for domestic payments in the national currency. In practice, the main benefit of this change will be a reduction, to a much lower level, of charges in non-euro countries. The proposal would also increase the transparency of currency conversion for card payments and ATM withdrawals made in a country with a different currency than that linked to the card.

European Parliament position
On 5 November 2018, the European Parliament’s Committee on Economic and Monetary Affairs (ECON) adopted its report on the proposal. It welcomed the legislative proposal while calling for a number of changes. Following interinstitutional (trilogue) meetings, a provisional agreement was reached between the Parliament and Council negotiators on 11 December 2018. The charges for cross-border payments in euros will be considerably reduced. As regards currency conversion charges for card payments and ATM withdrawals, the amended text aims to increase transparency through the obligation to disclose the applicable charges – by displaying the difference between the total amount of the transaction in the currency of the payer’s account and the amount resulting from the application of the latest available reference exchange rate communicated by the European Central Bank. This increased transparency would apply not only to card payments and ATM operations, which offer a rate at the ATM or point of sale, but also to any transaction made through a bank and requiring a currency conversion. The agreed text was endorsed in the Council on 19 December 2018 and approved in the ECON committee meeting of 10 January 2019. It now needs to be approved by Parliament, and is due to be voted during the February plenary session.

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