

# Cross-border payments in euro: reducing bank charges

2001/0174(COD) - 02/12/2003 - Follow-up document

The Commission has published a consultative document concerning a New Legal Framework for Payments in the Internal Market (Consultative Document). Regulation 2560/2001/EC on cross-border payments in euro has contributed to a considerable reduction in the price for cross-border payments in the Internal Market and has provided an incentive for the payment industry to modernise their EU-wide payment infrastructures. This has been an important step in the process of achieving a Single Payment Area for noncash payments in the Internal Market, which does not exist despite of the introduction of the euro. However, further progress needs to be made, as technical and legal barriers still prevent EU citizens, companies and payment services providers from reaping the full benefits of a truly integrated area for non-cash payments. The Communication's aim is to consult all interested parties on the general objectives and principles that should govern the modernisation and simplification of the regulatory framework applying to retail payment services in the Internal Market. This consultation should lead to the Commission presenting appropriate proposals for a New Legal Framework for Payments. The Communication deals with a whole range of issues on which the Commission seeks views by 31 January 2004. The main issues discussed in the Communication can be summarised under the following general objectives:

- 1) Increasing efficiency and competition The consultation paper sets out options for ensuring that payment providers licensed in one Member State can operate in the others. As a result of different national regulations, this is not currently always the case. Especially new emerging payment techniques (e.g. electronic payments and payments via mobile phones, known as e- and m- payments) are addressed. It also looks at ways of removing legal barriers to cross-border direct debits, which would allow people to pay for example utility bills or magazine subscriptions in one Member State through a direct debit set up via a bank in another.
- 2) Clarifying and improving rights for users of payment systems : the document identifies the areas below as possibly requiring further action at EU level, subject to further consultation:
  - defining the information that payment providers must make available to customers;
  - shortening the maximum execution time for payment orders from the current six days (under the Cross-Border Credit Transfers Directive) to three days;
  - regulating the use of "value dates", which by delaying the crediting of accounts can act as hidden charges;
  - establishing the liability of payment service providers towards merchants or their customers when transactions fail for technical reasons, are incorrectly executed or are unauthorised;
  - clarifying the conditions under which customers can revoke payment orders;
  - establishing adequate procedures for dispute resolution.The document assesses proposals for "portable" bank account numbers, so that customers could keep their account number if they changed banks, just as they can keep their mobile phone number if they change phone company. It concludes that this is unlikely to be practicable in the short term. It does, however, propose other measures to increase customer mobility, including ensuring that banks provide full information when a customer opens an account on any charges that will be applied if he or she closes it.
- 3) Improving payment security and protection against fraud : this document asks for comments on the feasibility of setting up a single phone number (3-digit) useable anywhere in the EU to block lost or stolen credit or payment cards "Card Stop Europe". It raises also some questions relating to the relationship between data protection and fraud prevention in the field of payments. It proposes setting out minimum safeguards that payment providers must put in place to combat fraud and hacking and asks for views on addressing possible breakdowns in payment networks. It calls for reflection on EU-wide rules on the validity and verification of digital signatures. It also points to the need for clear definition, applicable EU-wide, of the information that payment service providers must disclose to national authorities on the originators of transactions, in order to combat money laundering and terrorism. In some technical areas, such as evaluation of the security of payment instruments, the automatisisation and standardisation of procedures and the interoperability of infrastructure, the Commission urges the payment industry to make progress, without excluding the possibility of legislation in the longer term if that progress proves insufficient. As regards the nature of a future legal instrument, the EU legislator can adopt

regulations and directives and the Commission can adopt recommendations. The Commission can also promote co-regulation and encourage self-regulation by market participants. The question of one or several legal instruments needs to be addressed (e.g. a regulation complemented by some nonbinding rules in the form of recommendations). EU legislation could, in addition, be adopted by the Council and European Parliament or by the European Central Bank within its Treaty powers.