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COMMISSION STAFF WORKING DOCUMENT

addressed to the European Parliament and to the Council on the impact of Regulation (EC) No 2560/2001 on bank charges for national payments

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1. EXECUTIVE SUMMARY

The Regulation on cross-border euro payments (No 2560/2001) gives EU consumers a guarantee that when they make a payment in euro to an account in another Member State, it will cost the same as it would to make a payment within their own Member State. So, where it is free to make a domestic payment, it should also be free to make a cross-border payment. Consumers need only provide the International Bank Account Number (IBAN) and Bank Identifier Code (BIC) of the person they are transferring the money to. As of 1 January 2006, the Regulation applies to payments of up to EUR 50 000.

Prior to the Regulation, charges for cross-border euro payments were often excessive, with a EUR 100 transfer costing the consumer on average EUR 24. This evaluation report shows that charges for cross-border euro payments have reduced significantly since the introduction of the Regulation, with a EUR 100 transfer now costing on average under EUR 2.50. It then concentrates on the European banking industry's concern that charges for 'national' payments within Member States would have to rise in order to subsidise the higher cost of cross-border euro payments. The report's main conclusion is that the savings that EU consumers are now experiencing when making cross-border euro payments, in general, have not directly led to any substantial increase in charges for 'national' payments. Moreover, the Regulation has provided banks with an incentive to develop and invest more in an EU-wide payments infrastructure, which in the longer term should help to reduce costs for all consumers and all payments – domestic as well as cross-border.

In a wider context, the Regulation has also proved to be an important step towards the creation of the Single Euro Payment Area (SEPA), which aims to make all cross-border euro payments as easy, fast and secure as 'national' payments. The Payment Services Directive (PSD), which is currently before the European Parliament and Council for adoption, is designed to bring down existing regulatory barriers to help make SEPA possible, and will naturally have a range of practical consequences on the Regulation. With this in mind, the Commission plans to produce a full review and evaluation of the Regulation mid-2007, together with proposals for improvements where necessary.

2. BACKGROUND INFORMATION

Prior to the introduction of the euro, there was to some extent the belief amongst consumers that the high costs for cross-border payments were associated with the exchange rate differentials. After the introduction of the euro and the disappearance of exchange rates between the 12 euro area countries, the real prices of cross-border payments could no longer be hidden. These prices were seen as excessive for both consumers and businesses. They also hampered the smooth functioning of the Internal Market.

Against this background, on 25 July 2001[1], the Commission made a proposal for Regulation (EC) No 2560/2001 of the European Parliament and of the Council on cross-border payments in euro (hereinafter referred to as the "Regulation 2560"). Regulation 2560 was adopted on 19 December 2001 and entered into force on 22 December 2001.

The principle objectives of Regulation 2560 were the following:

– first and foremost, to reduce the undue charges levied for cross-border payments. It was therefore decided to equalise the price of cross-border payments made in euro up to EUR 12 500 (for card payments and cash withdrawals as from 1 July 2002 and for credit transfers as from 1 July 2003) and the price for identical national payments in euro within the Member State (Article 3), so that charges paid for cross-border payments in euro were the same as charges for a national payment. As of 1 January 2006, the threshold was increased to EUR 50 000;

– to act as a driver for the financial services industry to make the necessary changes in existing cross-border payment infrastructures as part of the integration of European financial markets;

– to heighten the need for significant efficiency improvements with regard to cost, speed and quality of cross-border payments in euro by using 'Straight-Through Processing' (STP) as the most efficient service delivery channel;

– to facilitate the execution of cross-border payments through the use of the International Bank Account Number (IBAN) and Bank Identifier Code (BIC) for automated processing of cross-border credit transfers;

– to apply the principle of transparent charges for cross-border payments in order to allow customers to assess easily the cost of a cross-border payment before its processing (Article 4);

– to remove all national reporting obligations for balance-of-payment statistics for cross-border payments up to EUR 12 500 and remove any national obligations as to the minimum information to be provided concerning the beneficiary which prevent automation of payment execution (Article 6).

Regulation 2560 does not affect the possibility for institutions to offer a broad range of fees for different payment services, provided that this does not discriminate between cross-border and national euro payments. The basic principle of the Regulation is non-discrimination between fees for national and cross-border euro payments in relation to both electronic payments[2] (since July 2002) and credit transfers[3] (since July 2003).

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[1] http://ec.europa.eu/internal_market/payments/crossborder/archive_en.htm#draft

[2] Defined as "Cross-border electronic payment transactions being the cross-border transfers of funds effected by means of an electronic payment instrument, other than those ordered and executed by institutions; cross-border cash withdrawals by means of an electronic payment instrument and the loading (and unloading) of an electronic money instrument at cash dispensing machines and ATMs at the premises of the issuer or an institution under contract to accept the payment instrument."

[3] Defined as "Cross-border credit transfers being transaction carried out on the initiative of an originator via an institution or its branch in one Member State, with a view to making an amount of money available to a beneficiary at an institution or its branch in another Member State; the originator and the beneficiary may be one and the same person."

3. REVIEW CLAUSE

Article 8 (Review Clause) of Regulation 2560 requires the Commission to prepare a report on its application (hereinafter referred to as the "evaluation report"):

> “Not later than 1 July 2004, the Commission shall submit to the European Parliament and to the Council a report on the application of this Regulation, in particular on:
>
> – changes in cross-border payment system infrastructures;
>
> – the advisability of improving consumer services by strengthening the conditions of competition in the provision of cross-border payment services;
>
> – the impact of the application of this Regulation on charges levied for payments made within a Member State;
>
> – the advisability of increasing the amount provided for in Article 6(1) to EUR 50 000 as from 1 January 2006, taking into account any consequences for undertakings.
>
> This report shall be accompanied, where appropriate, by proposals for amendments.”

The Commission decided to postpone the publication of the report in order to be in a position to make a more solid and extensive analysis of the impact of the Regulation. Mid-2004 would have been too early in order to do so. As a first step, this report deals mainly with the third indent of the above-mentioned Review Clause, the impact of the application of Regulation 2560 on charges levied for payments made within a Member State. It also assesses to what extent the Regulation has achieved its main aim, namely to reduce the cost of cross-border charges.

Other aspects will be evaluated at a later stage. More time is needed for the Commission to gather information on the functioning of Regulation 2560 from complaints it has received and questionnaires it has sent out. The Payment Services Directive (PSD)[4] is also currently being discussed by the Council and European Parliament under the co-decision procedure. The PSD aims to introduce more competition into the payments market which should help keep prices down. This will have several practical consequences on the functioning of Regulation 2560[5]. Modifications to Regulation 2560 should thus be determined only once the Directive has been adopted.

In line with its commitment to better regulation, the Commission intends to undertake a comprehensive evaluation and analysis of the impact Regulation 2560 in its entirety, in order to examine its ongoing applicability and whether any specific amendments beyond the aspects raised in Article 8 are required. For the reasons set out above this can be done only at a later date. The full evaluation report should be available by mid-2007.

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4 "Proposal for a Directive of the European Parliament and of the Council on payment services in the internal market and amending Directives 97/7/EC, 2000/12/EC and 2002/65/EC" presented by the Commission on 1 December 2005, COM (2005) 603 final.

5 For example, the new Payment Service Directive proposes to make the use of the "SHARE" option at all national and cross-border payment transactions obligatory (see footnote 18).

Nevertheless, sufficient information does exist to enable the Commission to report on whether Regulation 2560 has provoked an increase in national prices for payment services. At the time of the introduction of Regulation 2560 the banking industry argued that national prices would have to rise to subsidise cross-border payments, if Regulation 2560 were to cap the price that could be charged – even though the number of cross-border payments was small in comparison to national payments.

Taking into account that there might be a higher impact on prices for payments in the Member States using the euro as a national currency, the geographic scope of this report is limited to the 12 euro area countries.

This report sets out an assessment of changes in customer charges for national payments in euro using the following payments types: credit transfers, purchases by card and ATM[6] cash withdrawals via payment cards. Even though the basic principle of Regulation 2560 applies also for the merchant service charges, the report does not make any conclusion as to assess whether the application of Regulation 2560 has exerted any influence on these. The Commission Services will carefully look at these issues during the whole evaluation of Regulation 2560, taking into account the conclusions of DG Competition's report on Sector Inquiry of competition in the payment sector in this respect.

4. DESCRIPTION OF THE REVIEW PROCESS

The evaluation process of Regulation 2560 has involved a number of different elements, including a consultation of the relevant stakeholders. The Commission services published a consultative document on Regulation 2560[7] which was based on a questionnaire and a study on the impact of Regulation 2560[8]. These documents have been examined in detail within all the relevant consultative committees[9] of the Commission.

5. PROBLEMS ENCOUNTERED IN APPLICATION OF REGULATION 2560

Before examining the impact of the introduction of Regulation 2560, it is important to understand some of the key issues which have had to be addressed in the framework of its implementation.

Regulation 2560 covers payments within the EU. Thus the scope is not limited only to the euro area as has incorrectly been stated by some non-euro area countries. It applies when a payment is made in euro between two EU countries.

When the account of the originator (or of the recipient) is not in euro, the bank of the originator (or of the recipient) may charge an exchange fee (currency conversion) in addition

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6 Automated Teller Machine (ATM). Electromechanical self-service terminal which may be either a mono-function cash dispenser or a multi-function automated teller machine capable of dispensing cash and which may offer additional facilities such as deposits, transaction enquiry, printed statement, account to account transfer, bill payment, PIN change or cheque book order passbook, printing, bill payment, statement printing.

7 http://ec.europa.eu/internal_market/payments/docs/reg-2001-2560/report_final-2005_10_19.pdf

8 http://ec.europa.eu/internal_market/payments/docs/reg-2001-2560/impact_en.pdf

9 PSMG (Payment Systems Market Group) and PSGEG (Payment Systems Government Expert Group).

to the service fee for the transfer. Exchange fee operations are not covered by this Regulation and the banks are free to determine the charges for such operations.

When the provisions on credit transfers entered into force on 1 July 2003, the Commission received a substantial number of complaints about the different charging options used by banks. These are known as "OUR", "BEN" and "SHARE", and are codes which have been introduced to translate into inter-bank “standards” the different options proposed to customers for the sharing of charges levied to the originator and/or the beneficiary of a credit transfer. The codes are the following:

- all charges are borne by the originator ("OUR");
- all charges are borne by the beneficiary ("BEN");
- charges are shared between the originator and the beneficiary ("SHARE").

These codes are mainly used for cross-border credit transfers, for which banks generally offer some or all of these options. These standard instructions are also integrated into the SWIFT rules and used worldwide.

The principle of equality of charges in Regulation 2560 states that charges at both ends of the credit transfer (i.e. for the originator and for the beneficiary) have to be the same as corresponding national ones. If several modalities of credit transfers exist at national level, the charges levied for cross-border credit transfers have to be the same as for the corresponding modality at national level. When the modality proposed to consumers for cross-border transfers do not exist at national level, the charges for such service cannot differ from those of the service with the most similar modalities at national level. The practice shows that the use of "OUR", "BEN" and "SHARE" differs between banks. As regards national credit transfers, banks generally execute them by default as "national SHARE". Most banks automatically execute "SHARE" as the "default" option also for cross-border payments. More rarely, some banks offer their customers the possibility of choosing between "OUR", "BEN" and "SHARE", sometimes even when such a choice is not given for domestic payments.

To avoid any misunderstanding in this respect, it should be stressed that the use of all three options ("OUR", "BEN", "SHARE") is covered by Regulation 2560. There is no rule in Community law giving preference to one over the other. This subject has caused considerable confusion in the past even though it was covered in the Interpretative Note of the Commission Services on practical implementation of Article 3 of Regulation 2560[10]. It is hoped that the above explanation will avoid future misunderstandings.

It is for this reason amongst others that the recently proposed Payment Services Directive (PSD) addresses this issue by proposing to make the use of "SHARE" for all national and cross-border payment transactions obligatory. Thus, one idea to be considered as part of the ongoing Commission Services evaluation of the application of Regulation 2560 will depend on the results of negotiations on the PSD in the Council and European Parliament.

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[10] http://ec.europa.eu/internal_market/payments/docs/reg-2001-2560/reg-2001-2560-article3_en.pdf
This Interpretative Note shall be read without prejudice to the definitive interpretation of European Court of Justice.

The Commission will also take into account complaints it has received concerning the incorrect application of Regulation 2560 and will consider proposing amendments to try to solve the specific problems raised.

Scope of the review process

This evaluation report seeks to compare bank charges levied for national payments made in euro within a Member State before and after the coming into force of Regulation 2560 and try to isolate any influence Regulation 2560 may have had. In particular, it examines whether the obligation to charge the same fee for cross-border transactions as for domestic ones has increased domestic charges. The report also looks at the question of whether charges for cross-border payment transactions have become cheaper.

The report covers credit transfers on the one hand and purchases and ATM cash withdrawals via payment cards on the other, with a value up to EUR 12 500. The geographic scope of the study is the 12 euro area countries.

6. IMPACT ON CHARGES FOR CREDIT TRANSFERS IN EURO CROSS-BORDER

In order to monitor integration in payments services and assess the progress of a European payments market, the Commission has over the years undertaken several surveys on the costs of **cross-border credit transfers** within the Community[11].

Table 1 provides an overview of the main results of the surveys. The last study published before the entry into force of the provision on credit transfers was in March 2003. At that time, the average cost was around EUR 17.60. Given that the charges for national and cross-border payments in euro are equalised under Regulation 2560, it appears logical that the cost of cross-border payments has fallen in all Member States since the introduction of Regulation 2560.

11 http://ec.europa.eu/internal_market/payments/crossborder/archive_en.htm#pricestudy2001

Table 1: Cross-border credit transfers: cost in euro of transferring EUR 100

	Study 1993 EU12 (rank)	**Study 1994** EU12 (rank)	**Study 1999** EU11 (rank)	**Study 2001** EU11 (rank)	**Study 2001** EU15 (rank)	**Study March 2003** EU15 (rank)	**Situation in 2005**
Sample size	1048 transfers of 100 Ecu	1048 transfers of 100 Ecu	352 transfers of EUR 100	352 transfers of EUR 100	1480 transfers of EUR 100	1480 transfers of EUR 100	No sample[12]
Belgium (BE)	23.93 (7)	23.06 (5)	13.37 (4)	11.87 (3)	12.84 (3)	14.26 (5)	0.15
Germany (DE)	19.57 (3)	26.16 (6)	13.78 (5)	11.93 (4)	14.73 (4)	10.56 (2)	1
Greece (EL)	27.23 (8)	32.78 (9)	–	–	47.33 (12)	31.09 (12)	12
Spain (ES)	21.10 (5)	22.04 (54)	20.50 (9)	20.56 (9)	24.65 (7)	19.78 (9)	4
France (FR)	34.79 (10)	33.01 (10)	16.88 (6)	18.06 (7)	25.41 (8)	22.62 (11)	3.4
Ireland (IE)	23.04 (6)	27.13 (8)	25.98 (10)	25.04 (10)	36.08 (11)	22.24 (10)	0.38
Italy (IT)	19.79 (4)	20.88 (3)	18.28 (7)	19.74 (8)	28.61 (10)	16.71 (6)	3.5
Luxembourg (LU)	16.84 (1)	15.75 (1)	8.91 (1)	9.58 (1)	9.79 (1)	9.89 (1)	0.75
Netherlands (NL)	17.69 (2)	18.84 (2)	10.00 (2)	11.45 (2)	12.11 (2)	11.11 (3)	0
Austria (AT)	–	–	10.61 (3)	17.40 (6)	22.27 (6)	11.19 (4)	0.6
Portugal (PT)	34.37 (9)	26.75 (7)	29.68 (11)	31.04 (11)	28.08 (9)	18.12 (7)	1.75
Finland (FI)	–	–	20.11 (8)	14.36 (5)	21.26 (5)	18.71 (8)	2
Average	**23.84**	**24.64**	**17.10**	**17.37**	**23.60**	**17.19**	**2.46**

Using the figures of Table 1, we can conclude that the costs of transferring EUR 100 cross border have gone down dramatically since the introduction of Regulation 2560 in BE, DE, IE, LU, NL, AT and FI. IE showed the largest decrease of cost from EUR 22.24 in 2003 to 0.38 in 2005. This constitutes a decrease of more than 98%.

12 Commission services' own calculations based on selected figures from the September 2005 Retail Banking Research (RBR) studies. Further information on the analysis and findings can be found on the Commission's website http://ec.europa.eu/internal_market/payments/crossborder/index_en.htm#studies

Nevertheless, there are some Member States in which the charges for cross-border transactions are still high, even though they have significantly decreased since the application of Regulation 2560 (EL, ES, FR and IT).

Overall the Regulation has clearly reached its main aim, namely to reduce the costs of cross-border credit transfers for consumers and businesses.

7. IMPACT ON CHARGES FOR PAYMENTS MADE WITHIN A MEMBER STATE

As stated above, when Regulation 2560 was adopted, concerns were raised that the Regulation could lead to an increase in the charges for a payment made within a particular Member State, as banks could increase the costs of national payments to offset the reduced revenues from cross-border payments.

In order to examine this issue in more detail, the Commission tendered a study on the impact of Regulation 2560 on bank charges for national payments.[13] This study has been available on the Commission internet site since September 2005 with the invitation to all stakeholders to comment on it[14]. The vast majority of the comments received confirmed the main findings of the study. Determining the precise reasons for the changes in prices is a difficult task. Indeed, banks across Europe have developed more sophisticated and differentiated price strategies since the adoption of Regulation 2560. Another difficulty in analysing the impact of Regulation 2560 is to attribute developments to its adoption rather than other developments, such as technical progress. Moreover, differences in pricing structures between Member States mean that international comparisons are uncertain.

The following conclusions can nevertheless be drawn.

7.1 Domestic credit transfers

Charges for domestic euro credit transfers have remained largely unchanged in half of the euro area countries since 2001 (BE, DE, IE, NL, AT and FI).

At the same time, there have been some increases in credit transfer charges in ES, IT and LU. However, it does not appear that Regulation 2560 is the only contributing factor as there appears to be a general trend of banks increasing their fees for non-STP (Straight-Through Processing) transactions – i.e. those requiring manual intervention or paper-based processing.

This has been part of the attempt by banks to switch to automatic, electronically initiated payments, which are of lower cost. At the same time, some banks have gone in the opposite direction by going from non-transparent prices (e.g. artificially low interest rates on credit balances) to transparent cost-based pricing.

While providing a general indication of the trends, these statistics should be treated with a degree of caution. The increased use of differentiated pricing, together with different national pricing structures, means that international comparisons are difficult. For example,

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13 Further information on the analysis and findings can be found in "Study of the Impact of Regulation 2560/2001 on Bank Charges for National Payments", Retail Banking Research Ltd., September 2005.

14 http://ec.europa.eu/internal_market/payments/crossborder/index_en.htm#studies

some banks charge bundled account fees which include a number of “free” transactions (DE, LU and AT).

The results are summarised in Table 2.

Table 2: Evolution of Typical Domestic Credit Transfer Charges, 2001–2005 (EUR)[15]

Country	Typical Sender Charges		Observations
	2001	**2005**	
Belgium (BE)	0.00–0.25	0.00–0.30	No charge for internet based transfers
Germany (DE)	0.00–2.00	0.00–2.00	Service included in basic account packages fee
Greece (EL)	Min. 5.58	Min. 12.00	Increase in min. fee unrelated to the Regulation
Spain (ES)	2.52–28.10	3.18–29.10	Charges proportional to value of transfers
France (FR)	2.30–3.50	2.85–3.90	Increase in charges for non-electronic transfers
Ireland (IE)	0.00–0.76	0.00–0.76	Changes require approval by regulator
Italy (IT)	0.25–4.00	2.00–5.00	Average cost for internet based transfer is EUR 0.90
Luxembourg (LU)	0.00	0.00–1.50	6–12 free transfers typically allowed each month
Netherlands (NL)	0.00	0.00	Business customers are charged
Austria (AT)	0.00–1.20	0.00–1.20	10–20 free transfers typically allowed each month
Portugal (PT)	0.00–1.50	0.00–3.50	Increase in charge for paper-based transfers
Finland (FI)	0.00–4.00	0.00–4.00	No charge for internet-based transfers

The table above shows that the current charges and commercial practices regarding national credit transfers in euro vary significantly between the 12 euro area countries. It is evident that transactions are cheaper, or in some cases "free" of charge for consumers, which use more cost-efficient service delivery channels. BE, DE, NL and FI are the only countries where private customers will not be charged for making "STP"[16] credit transfer in euro using internet or telephone banking. Business customers will typically always pay a transaction fee.

15 Further information on the analysis and findings can be found in "Study of the Impact of Regulation 2560/2001 on Bank Charges for National Payments", Retail Banking Research Ltd., September 2005.

16 Straight-Through Processing.

In contrast, customers who opt for using a less cost-efficient service solution requiring manual intervention of the banks are charged with higher fees than internet-based services (FR and PT).

Customers in EL, ES, FR and IT pay the highest charges for making national credit transfers. In ES, the charges are proportionate to the value of the amount transacted.

In some Member States, the banks charge bundled account fees, which include a number of free transactions (DE, LU and AT). In one Member State (IE), changes require approval by the national regulator.

7.2 Domestic payment card transactions

According to research, cardholder charges relating to card transactions for buying goods and services at the point of sale (POS) have not changed and are, in general, free across all Member States. At the same time, whereas transaction fees appear unaltered, annual fees for cardholders have, according to research, risen. In some cases, this is in excess of the rate of inflation. Moreover, while some banks provide a basic debit card as part of the service, others have introduced annual fees.

The results are summarised in Table 3.

Table 3: Evolution of Typical Cardholder Charges, 2001–2005 (EUR)[17]

Country	Typical Transaction Fees[18]		Typical Annual Charges[19]	
	2001	2005	2001	2005
Belgium (BE)	0	0	4.12–61.97	6.00–61.97
Germany (DE)	0	0	0.00–30.00	0.00–30.00
Greece (EL)	0	0	0.00–35.00	0.00–33.00
Spain (ES)	0	0	7.89–17.71	10.21–21.35
France (FR)	0	0	29.00–120.00	32.00–128.00
Ireland (IE)	0	0	0.00–48.05	10.00–59.05
Italy (IT)	0	0	0.00–31.00	0.00–31.00
Luxembourg (LU)	0	0	9.92–15.00	11.00–15.00
Netherlands (NL)	0	0	0.00–50.00	0.00–55.00
Austria (AT)	0	0	0.00–40.00	0.00–40.00
Portugal (PT)	0	0	2.50–65.00	3.12–75.00
Finland (FI)	0	0	0.00–51.60	0.00–67.00

17 Further information on the analysis and findings can be found in "Study of the Impact of Regulation 2560/2001 on Bank Charges for National Payments", Retail Banking Research Ltd., September 2005.

18 Direct transaction charges incurred by cardholders when making purchases using debit, credit or charge cards.

19 Annual cardholder's fees for debit, credit and charge cards – credit/charge cards may include insurance coverage. Charges at the lower end of the range are generally linked to debit cards, charges at the higher end to credit cards.

We can conclude from the table above that, in general, the charges relating to card purchases at POS have not changed since introduction of Regulation 2560 in July 2002 and are free of charge across the Member States. However, a number of banks in the euro area countries have introduced or increased annual fees for cards[20] (ES, FR, IE, IT, LU, PT and FI).

7.3 Domestic ATM cash withdrawals

It appears that no fees exist for making withdrawals from ATMs from cardholder's banks ("on-us" transactions)[21], except in Ireland. In contrast, in at least 50% of euro area countries (BE, ES, FR, IT, LU and FI), "not-on-us" charges on customers using another bank's or network's ATM have been introduced or have increased since the implementation of Regulation 2560. The study concludes that there is some evidence therefore to indicate a relationship between the increase/introduction of these charges ("not-on-us" customer charges for ATM cash withdrawals) and Regulation 2560. Some banks indicated that Regulation 2560 has forced them either to abandon fees for cross-border cash withdrawals (expensive due to the size of interchange fees and increasing volume of transactions) or to introduce similar fees for national transactions.[22]

The results are summarised in Table 4.

Table 4: Evolution of Typical ATM Charges for "not-on-us" transactions using a debit card, 2001–2005 (EUR)[23]

Country	Typical ATM Charges		Observations
	2001	2005	
Belgium (BE)	0.00–0.07[24]	0.00–0.10	EUR 0.10 "not-on-us" fee seen as a result of the Regulation, among other reasons(desire of banks to promote electronic payments in preference to the use of cash)
Germany (DE)	0.00[25]–4.50[26]	0.00–4.25	Convergence of fees may be linked to the Regulation
Greece (EL)	1%[27]	1% (0.84–2.94)	Changes in "not-on-us" fees unrelated to the Regulation

[20] Annual cardholder fees for debit, credit and charge cards – credit/charge cards may include insurance coverage.

[21] "on-us" transactions are defined as to be where a bank or banking group services the acquiring and issuing parties at the same time through its specific in-house or outsourced processing centre, or processing partners (ATM belongs to the same cardholder's bank).

[22] Some banks argue that the offering the cross-border cash withdrawals in order to ensure compliance with the Regulation 2560 is not economically feasible, due to high interchange fees and increasing volume of transactions.

[23] Further information on the analysis and findings can be found in "Study of the Impact of Regulation 2560/2001 on Bank Charges for National Payments", Retail Banking Research Ltd., September 2005.

[24] Maximum fee for "not-on-us" transactions. However, the "not-on-us" transactions are not charged by the majority of the banks.

[25] "on-us" transactions and "not-on-us" transactions – other bank, same network.

[26] 2002 data: "not-on-us" transactions – other bank, other network.

[27] "not-on-us": other bank, same network; customer charges for ATM withdrawals has been set at 1% of the amount withdrawn since 2001.

Spain (ES)	0.00–2.98[28]	0.00–3.45	Increase in "not-on-us" fees linked to the Regulation
France (FR)	0.00–0.78[29]	0.00–1.00	"Not-on-us" charges generalised since 2002
Ireland (IE)	0.15–0.40[30]	0.15–0.40	Under certain account conditions there is no fee, such as keeping more than EUR 500 in the account, or if drawn on special accounts which have their own charges
Italy (IT)	1.55–2.20[31]	1.75–2.20	Increase in average "not-on-us" charges may be linked to the Regulation, among other reasons (investment in EMV and security)
Luxembourg (LU)	0.75–3.00[32]	0.75–3.00[33]	"Not-on-us" fees introduced as a result of the Regulation
Netherlands (NL)	0.00	0.00	No change since the introduction of the Regulation
Austria (AT)	0.00	0.00[34]	No change since the introduction of the Regulation
Portugal (PT)	0.00	0.00	No change since the introduction of the Regulation
Finland (FI)	0.00	0.00	2002 "not-on-us" fee may have been due to the Regulation[35]. Current withdrawal fees are no different than they were in 2001, before the introduction of the Regulation

It is evident that since the introduction of Regulation 2560 there are, in general, no customer charges for making cash withdrawals at ATMs, provided a debit card is used for "on-us" transactions (except Ireland), but charges will always incur when a credit card is used for a cash withdrawal.

However, in six euro area countries, an increase of "not-on-us" customer charges for ATM withdrawals (BE, ES, FR, IT and LU) can be seen. There is some evidence that some of this increase may have been influenced by Regulation 2560 or other factors, such as investment in the EMV (Europay, MasterCard and Visa) standard and security of payment cards, or an attempt of the bank to promote electronic payment instruments in preference to the use of cash.

28 Maximum fee for "not-on-us" transactions. There is a variety of different charges depending on the use of a debit or credit card and the use of the same or another network.

29 Practically all French banks now charge for withdrawals at other banks' ATM, with one exception. However, most bank currently allow customers to make a certain number of "not-on-us" cash withdrawals per moth free of charge.

30 "on-us" transactions and "not-on-us": other bank, same network.

31 "not-on-us": other bank, same network and other network.

32 Fees shown are standard and may vary according to the account package (number of free withdrawals each month).

33 "not-on-us" transactions fee introduced July 2002; "not-on-us": other bank when debit card is used (there are different fees for withdrawals with a credit card).

34 The customers are not generally charged at the ATM, there may be levied a usage fee for including the item on the customer's bank statement ("Buchungszeile") of EUR 0.04-0.07.

35 Some banks introduced fees for "not-on-us" debit card withdrawals in 2002 – these were abolished in 2004.

8. CONCLUSIONS

The Commission services are of the view that the evidence gathered during the course of the review process establishes that Regulation 2560 has brought about a huge decrease of charges for cross-border payments in euro without provoking significant increases on charges for national payments.

Regulation 2560 provided an incentive for the payments industry to modernise its EU-wide payment infrastructure. It therefore represented an important step towards creating a Single Euro Payment Area (SEPA) for non-cash payments in the Internal Market.

The obligation to apply the same charges to national and cross-border payments has created the need for the banking industry to develop an EU-wide infrastructure in order to cut the costs for cross-border payments. In this regard, the adoption by the European Payments Council of rule books for credit transfers and direct debit schemes as well as a framework for debit card payments is a major achievement.

Whilst being a first significant step towards the achievement of SEPA, Regulation 2560 was followed by other measures, which are currently under way. These mainly include a proposal for a Payment Services Directive, whose objective is to establish a harmonised set of rules applicable to the provision of payment services in the EU.

Furthermore, one of the aims of the Payment Service Directive, which is currently before the Council and European Parliament for adoption, is to introduce new competition into the payments market. This should help to keep prices down and will have a range of practical consequences on the functioning of Regulation 2560.

As explained above, the Commission will issue this full review and evaluation of Regulation 2560 by mid-2007. Any follow-up for future modification of Regulation 2560 would be determined by this review, and by the final text of the Payment Service Directive, as well as by the outcomes of the industry–led initiatives to create SEPA.