

**Consultative Document
on the Application of Regulation 2560/2001 on cross-border Payments in euro
ABN AMRO response**

ABN AMRO welcomes the opportunity given by the European Commission to provide comments on the consultative document on the application of Regulation 2560/2001. We understand that the aim of this document is to give us the opportunity to give feedback on the information the Commission has collected as a result of an earlier consultation. The below response below complements our previous comments.

ABN AMRO believes that once the New Legal Framework and SEPA come into place, the European Commission should await the competition that comes from a level playing field and should by 2008 be willing and ready to withdraw the Regulation 2560/2001. This would allow the market forces to decide on prices.

1. Problems encountered in the implementation

Question 1.1 Geographic scope

- Stakeholders are asked for each question in this consultative document, to provide information on state of play as regards payments in SEK.
ABN AMRO response
All answers apply to SEK payments too.
- Stakeholders should in particular indicate any differentiation in the treatment of euro and SEK cross-border payments (electronic payments and credit transfers).
ABN AMRO response
ABN AMRO's interpretation of the extension of the Regulation's application to SEK payments is the following: "Payments in SEK towards members of the EEA are processed against the same fee as payments in SEK processed in that country".

Question 1.2 Provisions on Credit Transfers

- Stakeholders are asked whether issues relating to the use of different cost options for transfers in euro have been resolved.
ABN AMRO response
As far as we are aware there are no issue related to the use of different cost options for transfers in euro.
- Do banks continue to ask consumers whether they wanted to pay all the charges (OUR) or share the charges (SHARE), the customer usually said pay all (OUR)?
ABN AMRO response
*In the Netherlands, for domestic payments, no cost option exists (If one should compare it, it should be SHARE). Customers are informed about the fact that the full principle amount is transferred and that domestic pricing applies.
For International payments delivered via electronic banking or internet, default is SHARE, however other categories (BEN and OUR) are offered to the payer (to properly process payments outside the EU). When creating an international payment, the remitter is always informed that for a payment in the EU to fall under the Regulation, SHARE is mandatory.*
- Do other problems in this field exist?
ABN AMRO response
As far as we are aware of, there are no other issues which exist in this field.
- Are consumers aware of their rights in this area?
ABN AMRO response
We believe that customers are aware of their rights. ABN AMRO is regularly informing its clients on the Regulation and its impact via a multitude of channels such as brochures, special mailings,

websites, client meetings, call centres, etc. (e.g. latest information given on the increase in threshold up to EUR 50,000).

- Do stakeholders believe that Regulation (EC) No 2560/2001 should be amended to avoid any artificial circumvention of the Regulation in addition to what is foreseen in the New Legal Framework and thus resolve the problem described above?

ABN AMRO response

ABN AMRO believes that once the New Legal Framework comes into place, the European Commission should await the competition that comes from a level playing field and should by 2008 be willing and ready to withdraw Regulation (EC) 2560/2001.

2. Direct impact of Regulation 2560/2001

Question 2.1 Impact on charges for payments made cross-border

- Stakeholders are asked to provide their views on whether prices are equalized or whether problems still exist. In the latter case, stakeholders are asked to provide additional information as to exactly why prices may not be equalised. Copies of any further studies/surveys that may have been undertaken at the national level are also welcome.

ABN AMRO response

Domestic pricing applies for payments which fall under the Regulation. We believe that prices have equalised.

- Stakeholders are asked to provide their views on whether the prices for cross-border transfers have fallen. Copies of any further studies/surveys that may have been undertaken at the national level are also welcome.

ABN AMRO response

Prices for cross border credit transfers that fall under the Regulation 2560/2001 have fallen. Prices for cross border credit transfers that do not fall under the Regulation 2560/2001 have more or less remained the same. We did not conduct any additional surveys on a national level.

- Stakeholders are asked to provide information on charges for cross-border payments (electronic payments and credit transfers) above EUR 12 500 and to compare them to charges below the threshold.

ABN AMRO response

The pricing in European countries will vary depending on countries, services offered, client types, etc therefore it is not possible to come up with a generic pricing comparison. However EU compliant payments are in line with the pricing for domestic transactions. Non-EU compliant international transactions are generally priced at a higher level as they carry higher risk and are often more complex and might not be executed end-to-end STP. Moreover, there is no threshold that applies.

Question 2.2 Impact on consumer awareness

- Have all the Regulation's requirements on the provision of consumer information been implemented?
- Does the Regulation create any inconsistencies with other legislation in this respect?
- Do stakeholders have any other comments on the provision of information in this respect?

ABN AMRO response

ABN AMRO is informing their clients via a multitude of channels on the Regulation and its impact on a regular basis. The channel varies per client segment.

To our knowledge, the Regulation does not create inconsistencies with other legislation.

We believe the Commission has a role to communicate these regulations and its benefits to clients and consumers in the EU and as such stimulate the use of EU Regulation payments.

- Are consumers aware of the scope and/or detail of the Regulation? If not, where is information lacking?

ABN AMRO response

As mentioned above, since customers are informed via a multitude of channels, we believe they are aware of the scope of the Regulation. Clients are informed about the EU regulation on a regular basis, and we continue to inform clients about the regulation (e.g. increase in threshold up to EUR 50,000).

- Do stakeholders have any other comments on consumer understanding of the Regulation?
ABN AMRO response
An idea that the European Commission might consider is awareness raising campaigns for consumers around those topics.
- Have the Regulation requirements (Articles 4(1) and (2)) been fully integrated into national law?
ABN AMRO response
The 'Wet grensoverschrijdende betaaldiensten' (Law concerning cross border payment services) has been changed due to Regulation nr 2560/2001. Articles 4(1) and (2) of the Regulation have been fully integrated into this law.
- Do consumers have the required information to make informed decisions?
ABN AMRO response
ABN AMRO has been and is continuously informing its clients on the Regulation via a multitude of channels. All account holding clients have got their IBAN and this is printed standard on their paper statements. Further information is available through the ABN AMRO website and dedicated client service teams. In our opinion consumers have the required information to make an informed decision.
- Are consumers aware of the Regulation and its scope? If not, what actions could be undertaken to make consumers more aware?
ABN AMRO response
Consumers have been made aware of the scope of the Regulation through ABN AMRO media and receive updates when appropriate (e.g. with regards to increased threshold up to EUR 50,000).
- Is there widespread use of IBAN and BIC codes? Are consumers aware of their IBAN/BIC and what they are used for?
ABN AMRO response
IBAN and BIC are widespread. ABN AMRO has supplied all their customers with IBAN in those countries where IBAN exist and where they have branches. Clients have been informed that BIC and IBAN are required for more efficient processing and with the changes coming up per 01/01/2006 (EPC) re the mandatory use of IBAN and BIC, the emphasis has been put on the use of those even more.
- Are IBAN and BIC the still correct standards to be used in this respect?
ABN AMRO response
We believe that IBAN and BIC are indeed the correct standards to be used in this respect.

Question 2.3 Impact on Reporting obligations

- **Are reporting obligations still in force** for cross-border transfers below EUR 12 500?
ABN AMRO response
In certain countries regulatory reporting still applies to cross-border transfers under EUR 12,500. At the same time, we have seen that some countries are adapting their reporting regulations in line with the EU Regulation threshold (e.g. Belgium) or have done away with it (e.g. Denmark). In the Netherlands, reporting obligation by banks is not applicable. The Dutch Central Bank (DNB) and the CBS (Central Bureau for Statistics) appoint 5000 companies and the DNB will collect the data directly from the specific group of companies. ABN AMRO, being a cross border bank would like to stress that it is imperative that all Member States move towards the new reporting limit of EUR 50 000 and standardise the conditions for reporting across all Member States where reporting is required today. However in the interest of SEPA moving forward, the aim should be that all reporting requirements should be abolished (as it is currently the practice in the UK and NL). It is our opinion that if the aim is to reduce the costs associated with cross border payments than removal of artificial thresholds should be expedited. For a bank like ABN AMRO operating on a cross border basis, the requirement of reporting in those markets where we are present becomes cumbersome and results in additional cost hurdles over and above a domestic transaction today.
- Has there been a change in transfer **behaviour** since the implementation of the Regulation? In particular, are consumers reducing the size of their transactions to below the EUR 12 500 threshold in order to reduce charges?
ABN AMRO response
We have not seen a trend in clients breaking up their payments to match EU compliant threshold.

At this moment, the Commission is reviewing the different options for resolving the inconsistencies between article 3 and 6 and is examining two possible alternatives:

- Member States change their systems of collection of data and remove the reporting obligations between EUR 12 500 and EUR 50 000 in order to place banks in those countries on an equal footing with those of the countries which do not have this reporting obligation;
- No agreement on the development of systems is reached. An amendment of the Regulation in order to create a level playing field and bring articles 3 and 6 in line with each other by raising the threshold to EUR 50 000.

Stakeholders are asked:

- Will the system for systematic reporting by banks between EUR 12 500 and EUR 50 000 be altered in 2006? Should **changes in the Regulation** be required, what would be a suitable timeframe? Would an increase in the threshold create any inconsistencies with other legislation in this respect?

ABN AMRO response

ABN AMRO supports the idea of creating consistency by bringing Articles 3 and 6 in line. We believe that systematic reporting requirements should be adjusted in the appropriate countries (e.g. Italy, Spain) but not necessary through a change of the Regulation.

As mentioned above ABN AMRO is of the opinion that in the interest of SEPA moving forward, the aim should be that all reporting requirements should be abolished as is currently the practice in the UK and NL).

- Are there any national obligations which prevent automation of payment execution?

ABN AMRO response

In certain countries CBR reporting will make that payments cannot be STP end-to-end due to the way local authorities require the reporting to take place.

Question 2.4 Impact on payments infrastructures

- Stakeholders are asked to comment on whether issues relating to the development of payment infrastructures should continue to be dealt with in the context of the **New Legal Framework and self-regulation** as is currently the case.

ABN AMRO response

According to ABN AMRO the development of payment infrastructures should continue to be dealt with in the context of the New Legal framework and self-regulation.

- Stakeholders are asked to identify the key area where problems exist to establish a **pan-European payments infrastructure** and their view on how these can be overcome.

ABN AMRO response

In our view is it not clear how the New Legal Framework is dealing with the issue of difference of resident and non resident accounts, which may cause problems to establish a pan-European payment infrastructure.

3. Indirect impact of Regulation 2560/2001

Question 3.1 Impact on charges for payments made within a Member State

- Stakeholders are asked to provide their views on the impact of Regulation (EC) No 2560/2001 on the **price of national credit transfers**, the **price of national payment card purchases** and the **price of national ATM cash withdrawals**. Do stakeholders agree with the results of the study? If not, please provide additional information.

ABN AMRO response

In the Netherlands the prices for national transfers, payment card purchases and ATM cash withdrawals did not change significantly except for inflation correction. In the Netherlands the commercial clients (businesses) are charged, consumers are not.

In Western Europe in general we have not seen a downward trend in the prices of national credit transfers. In Western European countries (non NL) we do not offer ATM withdrawals and national payment card purchased as part of our standard offering.

ABN AMRO shares the findings shown in table 3.

Question 3.2 Impact on the functioning of the Internal Market

- Stakeholders are asked to provide their views as to whether the reliability and speed of cross-border transfers has developed since the adoption of Regulation (EC) No 2560/2001. Detailed evidence to support stakeholder views in this area is appreciated.

ABN AMRO response

EBA STEP 2 is a reliable channel and as a result of CREDEURO the account of the beneficiary is credited within 3 days. Therefore ABN AMRO believes that the Regulation has a positive impact on reliability and speed in those countries that had a longer cycle before the regulation came into place.

4. Other issues

Question 4.1 Product scope

- Stakeholders are asked to provide their views on the exclusion of **cheques** from the scope of Regulation (EC) No 2560/2001.

ABN AMRO response

ABN AMRO believes that the Regulation should not apply for cheques. In the Netherlands, domestic cheques are not a payment method and international cheques are not commonly used. In the EU this line of business is rapidly declining. This payment method has a higher risk and it is difficult to automate the cheque process.

- Stakeholders are asked to provide input as to whether the scope of Regulation (EC) No 2560/2001 should be expanded to cover other payments instruments such as **direct debits**.

ABN AMRO response

ABN AMRO believes that direct debits should not be included. We believe that it is difficult at this time to provide input, as the international direct debit does not exist yet. The international direct debit will be delivered as part of the SEPA deliverables in 2008 (the next version of the EDD Rulebook will be available in March 2006). It is unclear whether the domestic Dutch direct debit can be considered as corresponding or not.

Question 4.2 Competition

- Stakeholders are asked to provide comments on the **conclusions of the RBR study** on cross-border credit transfers, payments cards, and ATM cash withdrawal networks.

ABN AMRO response

We believe that the conclusions of the RBR study are more to be seen as a compilation of facts mixed with views rather than conclusions. In this respect, the 'Impact' document forgets to mention that most Banks (ABN AMRO and others) in the Netherlands actually removed fees that existed for cross border payment card usage at POS and ATM. The study does not comprehensively answer the question if conditions of competition are strengthened, if consumer service is improved or if the Regulation had a positive overall effect.

Question 4.3 Enforcement: sanctions, authorities and redress

- Stakeholders are asked to provide information on the **sanctions schemes** available in their Member States.

ABN AMRO response

Non-observance of the 'Wet grensoverschrijdende betaaldiensten' is defined as an economic offence (article 1(4) of the 'Wet op de economische delicten'). The maximum penalty is a custody for a period of 6 months, a 'taakstraf' which is a criminal judgement in which an assignment or task has been given to the offender or a fine of the 4th category (11,250 EUR).

Question 4.4 Review clause

- Stakeholders are requested to provide their views on the insertion of a revised review clause, in particular: When should the legislation be reviewed (2010 in line with SEPA objectives)? Should the specific issues highlighted under the Article 8 be re-examined in the future? Should more/less issues be covered? If yes, which issues?

ABN AMRO response

ABN AMRO agrees with a review in 2010 to allow for SEPA direct debit to deliver from 2008 onwards.