



## **Response to Consultative Document on Regulation 2560 – Irish Banking Response**

### **9.1.1**

The adoption of the Regulation by Sweden for SEK has not impacted us in Ireland as our domestic comparator for a SEK payment is a foreign currency cross border transfer.

### **9.1.2**

Banks are sending out payments with “SHA” only. On the incoming side some payments are being received with charges “OUR” and “BEN” and this may be causing some difficulty as many banks have configured their payment systems to recognise “SHA” only in order to apply the regulated pricing. The banks are caught between a regulation that is silent on the charging option and a “Scheme” –Credeuro- that requires “SHA” as the only permitted charging option.

If customers want to continue to use “OUR” and “BEN” charging options it needs to be clear that the Regulation does not apply to these. The latest draft of the NLF means that for payments up to €50,000 that customers will no longer have the option to choose “OUR” or “BEN” charging options.

### **9.1.3**

It appears to be.

### **9.2.1**

Prices have equalised although there the potential exists for minor breaches in respect of received payments when the payments do not follow the Credeuro format.

In Ireland the prices for cross border regulated payments have definitely fallen see the following sample table from one of the major local banks:

<b><u>Payment Type/Initiation</u></b>	<b><u>Reg € Payment</u></b>	<b><u>Non-Reg € Payment</u></b>
Standard Electronic	€0.00	€15.00
Standard Paper	€0.75	€20.00
Urgent Electronic	€12.70	€22.50
Urgent Paper	€25.00	€32.00

### **9.2.2**

The Regulation's provisions on the provision of consumer information have been implemented.

The Regulation prices national and cross-border payments at the same price even though Directive 97/5 imposes more onerous duties on the banks in respect of providing the customers with information both pre and post the making of a cross border payment.

No, bank customers are probably unaware that the Regulation imposes a legal obligation on them to include their BIC and IBAN details on their invoices. The Financial Regulator and the banking industry need to adopt a more active role in promoting BIC and IBAN with the consumer.

### **9.2.3 & 4**

Not an issue in Ireland

### **9.3.1**

No impact. Prices were unaffected by the regulation.

### **9.3.2**

No apparent change at present.

### **9.4.1**

Cheques should remain outside the scope.

The Regulation should not be expanded to cover other payment instruments such as direct debits. The infrastructure for cross border direct debits does not exist as yet and the market should be permitted to determine the charges for what is a new product.

### **9.4.2**

In relation to the RBR study, the banks' choice of network is largely determined by economic factors such as costs, sunk costs (cost of existing infrastructure), ease of implementation, functionality e.g single payment versus bulk payments and reachability. The need for a further study is not necessary.

Economics will drive banks to seek out the most effective network for them.

The report correctly identifies the internal costs within the banks as the core cost for them in payment processing. Regulation 2560 has distorted the market in that banks are now handling a lot of their cross border payments at a loss and are trying to reduce their costs for handling these payments.

Whilst the Regulation has stimulated the development of the PEACH and European SEPA Scheme Rulebooks, it must be recognised that national and cross border CTs are often not directly comparable. The application of comparative pricing should be implemented based on similar modalities between the national and cross border CT. For instance the amount of information required to be input to effect a cross border CT even within the EU is usually greater than that required to process a national CT. The availability, in 2008, of a SEPA compliant scheme for national and cross border CTs using the same modalities should eliminate some of the problems in this area. However, the pricing for payments in such schemes may increase for some banks and decrease in other banks depending on their ability to manage the costs associated with the data capture element of their payment traffic.

#### **9.4.3**

In Ireland the potential enforcer of this legislation would be the Financial Regulator. The pricing aspect of the regulation is easily enforced as the Financial Regulator must be notified of and approve the banks pricing schedules. The Financial Regulator should be able to enforce the issue to customers of BIC and IBAN by the banks. However, the legal requirement for companies to provide their BIC and IBAN details on their invoices is more difficult to enforce and may need to be addressed in an information awareness campaign.

#### **9.4.4**

A review by the end of 2008, following the introduction of the proposed SEPA Scheme Rulebooks might be appropriate.