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*Exchange rate charges*

It is a nice question whether it is better to have standardised charges for certain banking services, which runs the risk that the standard charges will be set at a higher rate than the customers think reasonable, or whether to allow free competition in the setting of charges, which runs the risk that some banks in some countries, especially where they have a local monopoly, will set the rates even higher. By a local monopoly, we mean the exclusive right to operate exchange rate services in a port or airport or motorway service station, where there may be no immediate alternative to the payment of exorbitant charges. Even where there is no local monopoly, national practices (which may or may not technically be "concerted practices") may hit the consumer. In Belgium, for example, it is usual for the banks' profit on currency exchanges to be made solely on the difference between the buying and the selling prices of the different currencies. In Britain, there is almost always a commission on the transaction as well, though the differences between buying and selling prices may be narrower.

In the past, the Commission has tended to accept the need for standardised charges in certain areas of banking, notably in the charges for the use of a Eurocard. But it is taking a more challenging line in the matter of charges for currency exchanges in the so-called "euro-zone" (that is, the eleven Member States - all the Member States except Denmark, Greece, Sweden and the United Kingdom, - which are participants in the single currency system). The Commission has warned 17 banks in Germany and 15 banks in the Netherlands that it has evidence of a breach of European Union anti-trust rules concerning the setting of charges for exchanging euro-zone currencies. The statements of objections issued to Commerzbank, Dresdner Bank and Fortis, among others, follow similar steps against financial institutions in four other euro-zone countries.

Shortly after the introduction of Europe's single currency, the euro, in January 1999, the European Commission received consumer complaints alleging that banks had collectively fixed charges to exchange euro-zone currencies. The Commission's investigation, based on surprise inspections at a number of banks and on replies to questionnaires sent to most euro-zone banks, has showed that banks and national associations may have colluded to keep the commissions at a high level or to control their decrease. In July, the Commission also sent similar statements of objections to 110 banks and banking associations in Belgium, Finland, Portugal and Ireland. The Competition Commissioner, Mario Monti, said that this cartel investigation was one of his top priorities. "Banks are free to set the level of charges for exchanging currencies, but they cannot get together to fix those charges. This would be an infringement of competition rules." ■