



December 1, 2021

The Honorable Rohit Chopra
Director
Consumer Financial Protection Bureau
1700 G Street, NW
Washington, DC 20552

Re: Promoting Transparency & Empowering Consumers in International Payments

Dear Director Chopra,

The Financial Technology Association (FTA) appreciates the opportunity to raise an important policy issue and propose a solution that can benefit and empower millions of individuals in the United States and abroad who engage in international (cross-border) payments transactions. Consumers and small businesses are often unaware of the costs involved when sending or spending money abroad, in part due to a lack of clear disclosure on the exchange rate they are paying to convert from US dollars into a foreign currency, or vice versa. The solution to this problem is simple: the CFPB and Congress should consider pro-consumer changes to the “Remittance Rule” and price disclosure standards in order to eliminate hidden fees and ensure consumers have complete information to make informed decisions.

The FTA is a nonprofit trade organization representing some of the world’s leading technology-centered financial services companies. We focus on informing tomorrow’s regulations, policy frameworks, and public understanding to safeguard consumers and advance the development of trusted, digital financial markets and services.¹ This letter and our proposal are in-line with this mission and can help ensure better financial choice and outcomes for millions of impacted individuals.

More specifically, recent research revealed that American consumers and small businesses were charged \$16.3 billion in fees when sending or spending money abroad in 2019,² and more than half of those fees (\$8.7 billion) were hidden in exchange rate markups that are commonly not clearly presented to users of payments services. Furthermore, only 18% of consumers correctly identified that there were fees baked into the exchange rate they were offered when sending money abroad. This opacity impacts migrant workers, small businesses, service members, people buying property abroad, foreign exchange students,

¹ FIN. TECH. ASS’N, www.ftassociation.org (last visited Dec. 1, 2021). The FTA’s members include Afterpay, Betterment, BlueVine, Brex, Carta, Figure, Klarna, Marqeta, MX, Nium, Plaid, Ribbit Capital, Sezzle, Stripe, Truework, Wise, Zest AI, and Zip.

² Capital Economics (commissioned by Wise), *Estimating the scale of foreign exchange transaction fees in the U.S.* (2020), available at https://wise.com/documents/Public_Research_and_Survey_-_US_Hidden_Fees.pdf.



vacationers, and others, who do not understand the “hidden fees” they are being charged. Indeed, despite baking economic profits into inflated exchange rates, providers will commonly refer to such offerings as being “no fee.”

Other governments around the world are already focused on helping consumers better understand the costs of international payments. Last year, new rules went into effect within the European Union to eliminate hidden exchange rate markups.³ The United Kingdom has commissioned research into the behavioral economics of transparent pricing. The Australian government issued a report on the lack of transparent pricing in international payments.⁴ And, the United Nations and World Bank recently convened a Global Remittance Task Force that recommended governments adopt “total cost” pricing (upfront fees plus exchange rate margin) to help bring down the costs of remittances.⁵ The United States should follow suit.

The simple fix to this disclosure and transparency issue is to require banks and international payments providers to include the exchange rate markup in the presentation of any fees charged on a product. With increased awareness of fees (or “total cost”), consumers are more likely to choose an option that best serves cost considerations, thereby putting downward pressure on global remittance prices. In the U.S., the CFPB can update its Remittance Rule to require disclosures to show the “total cost” that includes both exchange rate margin and upfront fees. The exchange rate shown to consumers would derive from an active mid-market rate published by an independent source or government entity.

We appreciate your consideration of this issue and would welcome the opportunity to engage further on potential solutions. We strongly believe in a consumer-centric future of finance predicated on fairness and transparency and are excited to do our part.

Sincerely,

A handwritten signature in black ink that reads "Penny Lee".

Penny Lee

CEO

Financial Technology Association

³ European Commission, *A better deal for consumers: Commission welcomes agreement on cheaper cross-border payments and fairer currency conversions* (Dec. 19, 2019), available at https://ec.europa.eu/commission/presscorner/detail/en/IP_18_6856.

⁴ Australian Competition & Consumer Commission, *Foreign currency conversion services inquiry* (July 2019), available at https://www.accc.gov.au/system/files/Foreign%20currency%20conversion%20services%20inquiry%20-%20final%20report_0.PDF.

⁵ Global Forum on Remittances, Investment and Development (GFRID), *Blueprint For Action* (2020), available at <https://gfrid.org/covid-19/blueprint-for-action/>.