EUROCHAMBRES POSITION ON DIFFICULTIES IN OPENING BUSINESS BANK ACCOUNTS ABROAD
Eurochambres position on difficulties in opening business bank accounts abroad

Access to bank accounts is crucial for EU businesses, but hurdles persist, especially in a cross-border context. While acknowledging the discretion afforded by banks in establishing business clients’ acceptance policies, Eurochambres calls for more flexibility in risk aversiveness practices and for a reduction in the complexities associated with opening and maintaining business bank accounts across different member states. These changes aim to foster a more integrated and efficient European single market.

1. Executive summary

Most businesses based in the European Union regularly rely on bank financing to address their payments and liquidity needs. As such, a robust banking system that enables companies to open and maintain bank accounts is crucial for the success of the single market.

In a landscape of increasing cross-border trade, bank accounts are an essential part of making business and the ability to open and manage them in another member state eliminates significant barriers, enhances liquidity and transparency and smoothens financial transactions. It also fosters economic integration and allows business to potentially expand their operations beyond domestic markets, increasing their competitiveness and growth potential.

However, the chamber network is aware of the significant difficulties associated with businesses trying to open and maintain bank accounts in another member state.

Regulatory differences between countries, varying compliance requirements which are often more impactful on specific sectors, and the complexity of anti-money laundering and countering the financing of terrorism (AML/CFT) regulations can create substantial administrative burdens. Moreover, the lack of harmonised Know Your Customer (KYC) processes often leads to duplicative efforts, causing delays and increasing costs for businesses.

On the other hand, overcoming these challenges presents substantial opportunities. Simplified cross-border banking processes for foreign businesses can enhance competition, market efficiency, reduce transaction costs, and improve cash flow management.

Financial institutions that offer streamlined, compliant, and user-friendly banking services to foreign companies can attract a larger entrepreneurial base, thereby boosting their market share. Thus, the evolution of a cohesive banking framework that supports cross-border business activities is not just advantageous but essential for economic growth and integration within the EU.

Introducing a basic banking service would provide companies with essential financial operations like payment transactions, transfers, and cash management options. These are crucial for business operations and payment obligations to suppliers, public entities, and other parties.
2. Why the chamber network considers this issue relevant

The chamber network welcomes the initiative of the European Commission’s Single Market Enforcement Task Force (SMET) to explore and reflect on the difficulties faced by foreign businesses when trying to open and maintain bank accounts in another member state.

Chambers of commerce and industry have identified this as a significant barrier to cross-border economic activities and call for urgent attention. The obstruction against foreign entrepreneurs from trading cross-borders due to national banks’ refusal to open transactional accounts for them happens regularly e.g. in Slovenia, Latvia, Malta, Belgium, France, Germany, Sweden, Bulgaria or Denmark. Without clear justifications, banks often create compliance challenges for businesses looking to expand in the single market and often leads to increased legal costs and operational complexities. Not having an open account can be considered an existential threat for any business.

Specific challenges for businesses when trying to open a bank account:

- The disparity in digital administrative requirements creates an uneven playing field for businesses wanting to operate in a different country. For instance, in the case of Denmark, almost all business applications must use an electronic identity (MitID) which foreign companies do not always easily receive.
- Information required by banks for foreign investors are stricter and more challenging vis-à-vis local economic operators, with additional data requested regarding a minimum, non-negligible turnover, commercial development, or even requiring the presence of the executive director to report to the bank in person. Failure to fulfil these requirements could result in the account not being opened.
- Banking authorities highlight the legal framework governing payment services in various countries, emphasising the full compliance with EU legislation and the obligations of banks in preventing money laundering and terrorist financing, (AML/CFT) pushing for stricter risk assessments of customers and business relationships. However, AML checks that are carried out may last for several weeks and the scope of checks can be difficult to predict. Arbitrary rejections are possible. These have inadvertently created hurdles for foreign investors interested in opening bank accounts.
- It is also important to mention that due to the rapid changes in the financial sector there is still not sufficient understanding of the practical application of a risk-based approach regarding AML even in the case of low-risk clients or specific client groups.
- Unofficial feedback given by banks links these difficulties with concerns regarding potential tax evasion by foreign entrepreneurs.

When it comes to holding bank accounts, SMEs/startups often face difficulties with banking institutions and even potential termination, often with relatively short notice periods, for instance in Luxembourg, Latvia, Malta, France, or Hungary. It also seems that the stringent requirements for AML checks are causing banks to remove smaller customers from their business portfolio.

- Although banks can freely choose to enter or end business relationships as stated in their terms and conditions, frequent refusals raise questions, particularly due to banks’ internal policy divergences. Transferring a bank account to another bank can be challenging and time-consuming for companies because of different customer verification requirements mandated by prudential rules. For instance:
  - a company in Latvia already holding an account with a local bank, sought to open an additional account with another bank. After submitting the application,
the bank informed that the process might take up to three months, accompanied by a hefty fee of 700 EUR. However, a month later, the company was informed by the account manager about the bank’s decision not to proceed with opening the account, without providing any rationale for the decision.

- A company established in Latvia for over two decades faced rejection when applying for a current account with a bank. The refusal stemmed from the bank’s demand for detailed information regarding the origin of funds used to increase the company’s share capital two decades prior – an inquiry the company was unable to fulfill.

- During routine transactions, businesses transferring money to different bank accounts can encounter issues, especially when these are related to social security, pension funds, or for tax purposes. Examples:
  - a German employer with an office in Denmark who does not have or who will not be allocated a tax number or MitID cannot apply for sick pay for employees who qualify as long-term sick.
  - In the case of Spain, payments to the Spanish social security authorities may only be made from a Spanish account as is the case sometimes with payments of general order. For a refund under the plastic tax introduced in 2023, only a check cashable at a Spanish bank will be issued. Reimbursement to a foreign account is not possible.
  - Swedish banks seem to suggest foreign companies to close their bank accounts if the turnover is too low. They also cancel credit cards, for no clear reason, making it more difficult for foreign companies to operate locally.

- Some French banks review their portfolio positions and, after a certain period of time, close the accounts when the companies’ turnover is not high enough.

3. Summary of Eurochambres’ main messages/recommendations

- Easy access to a bank account is essential to any business offering goods and/or services within the EU. However, companies seeking even the most basic bank services typically face obstacles especially in a cross-border context. Traditional banks seem to prioritise existing customers over new applicants, and larger businesses over smaller ones. The difficulties that SMEs face in meeting banks’ requirements for opening and maintaining bank accounts should not be underestimated.

- While acknowledging the discretion afforded by banks in establishing customer acceptance policies, Eurochambres believes that enhancing communication between banks and their business clients on how to strengthen collaboration is crucial. This effort should be made both at the national and EU levels.

- Chambers also believe that banks may need to revise their risk averseness practices, in full compliance with EU legislation and ECB requirements, and increase their knowledge on emerging economic sectors which tend to have a strong cross-border dynamism.

- Fintech solutions may provide a temporary response to ensure the continuation of operations but they cannot be considered as a replacement for a conventional bank account, especially for early-stage businesses.

- When it comes specifically to AML/CFT, the chamber network recommends the implementation of standard protocols that include providing more reasoning in cases of cooperation refusal, the elimination of automatic payment blocks after a company has submitted all relevant transaction documents to the bank, and the exploration of
potential incentives for entities with a demonstrated history of business integrity.

- European information portals, compliance databases and hubs with clear guidance and recommendations for both banks and companies interested in opening a business account in another member state would be very useful. National competent authorities and central banks could complement this effort by removing unnecessary red tape and bureaucracy.

- Differences in the digital infrastructure, software and digital preparedness across the EU also pose challenges for businesses, leading to an unequal competitive landscape. The EU must guarantee that freedom of establishment and freedom to provide goods and services is respected and that digital tools used by member states are flexible and streamlined enough to allow foreign companies to access local markets.

- The European Commission should also investigate whether current prudential and other regulatory requirements (e.g. linked to credit risk) are a contributing factor for these difficulties.

- Eurochambres calls for establishing the right to open a basic banking service for companies and other business professionals to address the difficulties faced by entrepreneurs in opening a bank account, especially cross border.
  - Member states could draw inspiration from the Belgian system introduced in 2003 for individuals and extended to businesses in 2021. The introduction of a basic banking service would allow for a basket of financial services to include, at minimum, the execution of payment transactions, including fund transfers, direct debits, payment transactions using payment instruments, transfers, and cash withdrawals or deposits to an account. Most of these operations are essential for daily business management and ensure the payment of suppliers, public administrations, and landlords, in the case of rent payments.
Eurochambres – the association of European chambers of commerce and industry – represents more than 20 million businesses through its members and a network of 1700 regional and local chambers across Europe. Eurochambres is the leading voice for the broad business community at EU level, building on chambers’ strong connections with the grass roots economy and their hands-on support to entrepreneurs. Chambers’ member businesses – over 93% of which are SMEs – employ over 120 million people.

Previous positions can be found here: https://bit.ly/ECHPositions

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