

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

REVIEW OF THE FOUR MAJOR BANKS (THIRD REPORT)

Westpac Banking Corporation

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Mr THISTLETHWAITE: Why has it been more expensive with Australian banks compared to other international banks? In this article they compare that \$10,000 transaction. They say you and Commonwealth charge \$610, while German banks like Deutsche Bank charge 50 euros to convert 10,000 euros, which is a 0.3 per cent mark up, and a US bank would charge about 3 per cent. Our banks are charging 6.1 per cent.

Mr Hartzler: I'd have to take that on notice to understand—

Mr THISTLETHWAITE: It's double what the rest of the world is doing.

Mr Hartzler: I don't know whether that is an apples-to-apples comparison. We are happy to take that on notice and have a look at it.

Answer: It is difficult to validate the comparisons offered in the article or raised by the Committee.

Total price is a factor of FX margin and/or FX fee. There are many variables that could influence the total price of an FX payment including:

- Liquidity and market conditions
- Volume of transaction and frequency of customer activity
- Destination of payment
- Local market competition
- Costs related to:
 - fees paid to third parties involved in the execution of the transaction (such as clearing & settlement fees)
 - risks and expenses incurred by Westpac in providing the service (may include sales, trading, external research, infrastructure and support)
- Service
 - Quality and quantity of service differs between banks and payment providers

- Pricing may differ between Online and Branch services (cost to serve may impact price)
- Pricing may differ between services (Standard payments v LitePay – purposely designed for smaller payments and offering lower margins and fees than our standard payment service)
- Security
 - Bank systems offer a greater level of security for payments (including investigation and retrieval support for payment issues)
 - Many non-bank providers utilise traditional banking services as part of their proposition

It should be noted, every bank or provider has the ability to set their price independently, whilst ensuring they meet their obligations to treat customers honestly, fairly and professionally.

For Westpac, we publish our pricing (applicable FX rate and fee) on our public website.

All documents are complete with disclaimers which clearly inform our customers of the potential for prices to change.

Additionally all customers are clearly presented with the applicable fee and FX exchange rate for all transactions at time of sale (and prior to accepting sale).

Customers transact with Westpac on an offer/acceptance basis only.

As mentioned above, Westpac has also introduced different methods for FX payments to provide variety and choice for our customers. This includes LitePay which allows Westpac customers to send up to AUD 3,000 per day overseas to 19 European countries, the UK, India and the Philippines with low fees of \$5-\$8 and at a lower FX rate than standard international payments.