

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

REVIEW OF THE FOUR MAJOR BANKS AND OTHER FINANCIAL INSTITUTIONS

Commonwealth Bank of Australia

CBA53QON:

Dr LEIGH: I asked you at the last hearing about the way in which you report the costs of international transactions, and the fact that at the moment your website still offers a flat fee and a formula through which you calculate the exchange rate spread, but not the simple, transparent pricing you'd get from a provider like TransferWise. They would say, 'If you want to move \$1,000 overseas, it will cost you \$27.' You undertook to provide me with more information, but none of that information went to the transparency of fees and the full fee transparency that's provided by others. Given that these fees are often paid by pretty vulnerable Australians—think about taxi drivers working extra shifts in order to send some money back to Fiji—could you undertake to move to full fee transparency?

Mr Comyn: I'd need to first make sure I completely understand what you mean by full fee transparency, but I have no objection to transparency in this particular area. I don't have the information in front of me that we provided for you, but I'm happy to follow that up. I know that we have reduced by, I think, two percentage points some of the foreign exchange fees that go out specifically to the Pacific islands—you mentioned Fiji. We're conscious this has been an area where we've certainly tried to provide greater transparency. There have been a number of different fee reductions and changes to make sure that our rates are competitive. As you probably appreciate, the volumes at the moment around foreign exchange and notes is greatly reduced.

Dr LEIGH: Full fee transparency is not hard. It just says: if I want to move \$1,000, what's the total cost? That's flat fees plus exchange-rate spread. Surely you could provide that?

Mr Comyn: I'm very happy to take that on notice. If we can't, I would need a good reason to explain why we can't. I suspect it may have something to do with the arrangements that might be at the other end with the correspondent bank or wherever we're sending it to, unless we can't accurately estimate what those fees and charges might be. But I'm happy to look into it, as I said.

Answer:

CBA provides a foreign exchange calculator on its website, which allows customers to enter a value in the currency they are wanting to transfer and convert from. The calculator then provides the amount

that will be returned in the chosen currency, as well as the fee that CBA will charge.

As CBA transfers funds through a global correspondent banking network, the bank or banks facilitating the international money transfer (IMT) may deduct fees from the amount being transferred, details of which are not known upfront.

Other (usually non-bank) providers in the market operate outside the global correspondent banking system. They facilitate payments within a network of their own accounts across national jurisdictions. These company-specific networks are smaller, meaning their reach is limited relative to those offered by CBA (i.e. some reach less than half the 200 countries CBA is able to transfer money to on behalf of customers).

We will continue to make improvements to our IMT service offering, and regularly review fees and charges to ensure we provide value to our customers and remain competitive. Recently, CBA reduced its outbound IMT FX margins by 1.5 per cent for all Pacific Island currencies.