

## HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

### REVIEW OF THE FOUR MAJOR BANKS AND OTHER FINANCIAL INSTITUTIONS

#### Bank of Queensland

**BOQ22QW:** Merchant facilities and low cost routing:

**(a)** Do you provide merchant facilities, and if so, to how many customers?

**Answer:** We partner with First Data International which is now known as FiServ. We currently have 6,000 active customers.

**(b)** Would your small and medium business customers save money if they moved to low cost routing, and if so, do you actively encourage customers to switch?

**Answer:** In partnership with FiServ, we were one of the first to market in October 2018 that had developed this functionality. We actively promote low cost routing to all of our customers that we feel is appropriate when the mix of cards is correct, as the product is not always advantageous for all customers.

**(c)** If so, how do you encourage small and medium business customers to switch to low cost routing?

**Answer:** We encourage our customers to utilise low cost routing where it is suitable and we illustrate this to them by a comparison of fees and charges based upon normal routing methods.

**(d)** Do you think all small and medium business customers should be on low cost routing?

**Answer:** Low cost routing is an option available to all of our customers however, the product is not always advantageous for all customers, and their type of business will determine the true value it provides.

**(e)** What are the fee structures for different merchant services available, including low cost routing options?

**Answer:** There are several options that we provide our customers, which depend upon their understanding and knowledge of their own customers, and which include:

- Blended Credit Merchant Service Fee (Meaning that the interchange, scheme fees and commission are bundled into one). For example, a credit Merchant Service Fee (MSF) of 1.00% based upon turnover of credit transaction. EFTPOS Debit Transactions would be priced as per a standard transaction fee of potentially \$0.25 which includes interchange fees.
- Interchange plus margin. A semi-bundled offering, meaning that scheme fees are included within the margin. Therefore that pricing would look similar to interchange (As per Visa and MasterCard) plus a margin of a percentage of the total (eg 0.40%). Debit would be charged in a similar manner to the above.
- Interchange plus margin plus scheme fees. This is a fully transparent pricing solution that is usually utilised by customers that have significant international activity or a complex understanding of the

mechanisms. This option would comprise interchange (at MasterCard and Visa published rates) plus scheme fees (pass through cost from Visa and MasterCard) plus margin to the bank charged as a percentage of the turnover.

- Low cost routing can be included in any of the offerings and would be triggered via debit pricing that is offered and the suitability of the transaction for best price.

**(f)** What is the annual revenue received from total merchant services each year over the past five years?

**Answer:** Net revenue less scheme and interchange fees:

- 2019 - \$2.028m
- 2018 - \$5.103m
- 2017 - \$3.055m
- 2016 - \$2.318m
- 2015 - \$1.518m

**(g)** What is the annual revenue received from small and medium business merchant services over the past decade?

**Answer:** BOQ's merchant customer base is entirely made of SMEs, so the data for this question matches (f) above. Net revenue less scheme and interchange fees:

- 2019 - \$2.028m
- 2018 - \$5.103m
- 2017 - \$3.055m
- 2016 - \$2.318m
- 2015 - \$1.518m
- 2014 - \$4.102m
- 2013 - \$3.547m
- 2012 - \$3.256m
- 2011 - \$4.770m
- 2010 - \$4.575m

**(h)** What number and share (percentage of total) of merchant services for all customers:  
**(i)** use low cost routing?

**Answer:** 500 customers (approximately 8% of total).

**(ii)** provide access to low cost routing?

**Answer:** All of our customers have access to low cost routing.

**(iii)** of those that provide it, default to low cost routing?

**Answer:** All who have it default to it – meaning the terminal will automatically adjust the way in which the transaction is routed based upon the pricing schedule in the software.

**(iv)** require automated software upgrades to access low cost routing, have they been provided, and what is the rollout schedule and deadline where it has not been provided?

**Answer:** We leave this at the discretion of the customer however, upon request, we can enable it over the phone for the customer in a few minutes.

**(v)** require a user requested software upgrade to access low cost routing, and what has been the uptake?

**Answer:** 2,500 customers (roughly 40% of total)

**(vi)** require a hardware upgrade to access low cost routing, and how many remain?

**Answer:** 3,500 customers (roughly 60% of total)

**(vii)** do not provide access to low cost routing?

**Answer:** Zero

**(viii)** and what is the rollout schedule for low cost routing and the deadline where low cost routing has not been provided?

**Answer:** BOQ does not mandate low cost routing. As described previously, it is not always advantageous to the customer.

**(i)** What number and share (percentage of total) of merchant services for small and medium business customers:

**(i)** use low cost routing?

**(ii)** provide access to low cost routing?

**(iii)** of those that provide it, default to low cost routing?

**(iv)** require automated software upgrades to access low cost routing, have they been provided, and what is the rollout schedule and deadline where it has not been provided?

**(v)** require a user requested software upgrade to access low cost routing, and what has been the uptake?

**(vi)** require a hardware upgrade to access low cost routing, and how many remain?

**(vii)** do not provide access to low cost routing?

**(viii)** and what is the rollout schedule for low cost routing and the deadline where low cost routing has not been provided?

**Answer:** See answers to question (h) above. Our merchant customer base fits solely into the SME market and is the primary market that BOQ/Fiserv as a partnership concentrate on in our merchant market.