

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

REVIEW OF AUSTRALIA'S FOUR MAJOR BANKS

Australia and New Zealand Banking Group Limited (ANZ)

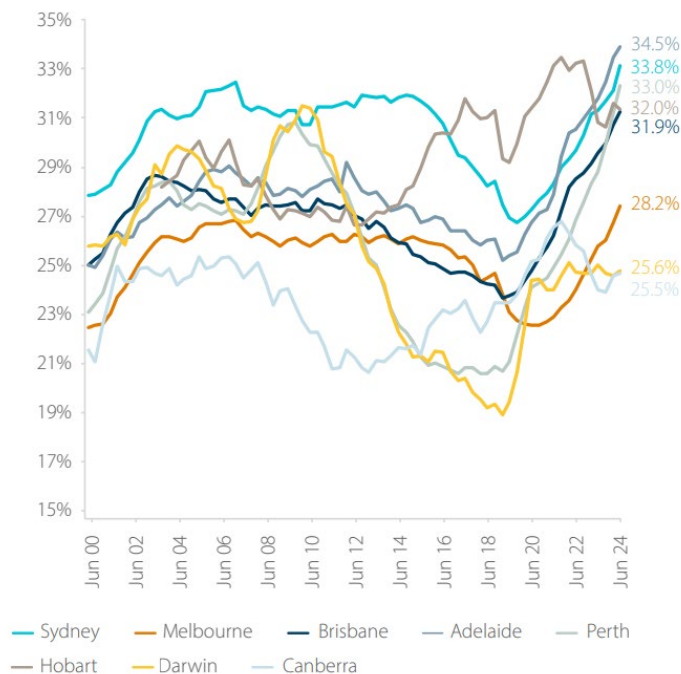
Ms Lawrence: Is that something you get complaints around—that the tellers themselves are not accepting cash when a customer walks in— (p. 46 Proof Committee Hansard)

Answer: In the 12 months to 31 August 2024, there were 90 complaints from customers regarding needing to use an ATM to deposit cash due to tellers not accepting cash.

Ms Lawrence: Were you able to look at your data of shifts in the amount that rent has increased? Is that something you can pick up as well? Westpac gave some numbers—sorry, NAB gave some numbers this morning. Is that something where you can also see a shift in the rent payments and the increases? (p.48 Proof Committee Hansard)

Answer: The September 2024 [ANZ CoreLogic Housing Affordability Report](#) provides data on rental affordability, in addition to insights on the trends and drivers of housing affordability across Australia.¹ The report shows that the portion of income required to service new rents continued to rise through to June 2024 across most capital cities.

Portion of income required to service new rents



Source: ANU, CoreLogic

¹ ANZ CoreLogic Housing Affordability Report, page 17.

Ms Lawrence: So, if it's possible, can you actually look at whether rent has increased because of the interest rates, the value of that property and the mortgage that they're holding or is it opportunism? (p. 49 Proof Committee Hansard)

Answer: We are unable to ascribe causation between rental increases and increases in mortgage rates or property values because of the range of factors that contribute to rental prices. These include demand factors and costs to investors like taxes and interest rates.

The September [ANZ CoreLogic Housing Affordability Report](#) does, however, provide data driven insights on current discrepancies between affordability for current homeowners and buyers and rental affordability.

For example, data shows that despite an improvement in affordability for homeowners and potential buyers in Melbourne, one of the only cities where affordability for homeowners has improved, rental affordability continued to deteriorate in June.² Average annual rent growth in the past three years stands at 8.4% in Melbourne, well above average annual rent growth through the 2010s (2.4%).³

Chair: I'm interested in the extent to which you've undertaken analysis of how much, for example, elderly customers—but also potentially others—might end up relying upon family members or friends to do their banking for them or basically be a person who helps them with their banking. (p. 58 Proof Committee Hansard)

Answer: We interact with customers in various ways when we close a branch including:

- ANZ's customer care team proactively reach out to customers who are more likely to need help with alternative ways to bank following a branch closure including customers who are over 65 or have used the branch at least twice in the last 6 months.
- The team will speak with customers to understand how they're using the branch and then suggest alternative ways to bank – including helping customers set up on digital if they would like to. We ensure these customers have details for our Customer Care team who are there to assist with any queries.
- We also offer in-person information and education sessions to help people get set up and comfortable using digital options and send customers education information that set out very simply how to get set up with phone banking, the app or internet banking – or bank with us in other ways.

² ANZ CoreLogic Housing Affordability Report, ratio of dwelling values to income is outlined on page 14, portion of income required to service rent is outlined on page 17.

³ ANZ CoreLogic Housing Affordability Report, page 6.

While we do not conduct specific analysis regarding customers relying on family and friends to assist with their banking following changes in branch presence, we have not had reports from these interactions of a significant increase in individuals relying on family or friends to do their banking following a branch closure.

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From Ms Tania Lawrence MP:

1. What is the Board's expectation of culture on the Trading Room floor?

The ANZ Board's expectations of culture on the trading room floor are the same as for every other part of the ANZ. The ANZ Board expects a culture in which:

- Customers are treated fairly
- Financial and non-financial risks are identified, escalated and addressed
- Due skill and care is exercised in the performance of roles in accordance with ANZ's Code of Conduct, policies, procedures and applicable laws
- Staff act towards each other, our customers and other stakeholders, in a manner that is consistent with our values, our purpose and expected behaviours
- Speaking-up is encouraged

2. What is the actual reported culture on the Trading Room floor?

ANZ has commissioned an external review of the culture within its Markets business. The scope of this review has been agreed with the ANZ Board and the Australian Prudential Regulation Authority (APRA). This review will examine and report on, among other things, the culture on the trading room floor in Sydney.

3. Has the bank received any complaints about its market conduct and/or code of conduct violations that are related to the current misconduct investigation? If so, when?

Between December 2023 and June 2024 ANZ staff members made complaints regarding workplace behaviour against individuals in the Sydney trading room. As noted by Mr Elliott during his appearance before the Committee on 30 August 2024, ANZ has investigated these complaints and three people have subsequently left the bank.¹

While the Australian Office of Financial Management (AOFM) did not make a complaint to ANZ, it did make inquiries to ANZ after the bond pricing. ANZ responded to those inquiries.²

4. It was reported in the press that the taxpayer stood to lose \$80 million dollars because of ANZ nudging bond futures contract prices down and the bond rate up, forcing the government's borrowing costs higher when it raised \$14 billion in April 2023.

We note Mr Elliott's statement during his appearance before the Committee on 30 August 2024 that "[t]here has been speculation that potential misconduct by ANZ in

¹ The individuals are referenced at page 30 of the Proof Committee Hansard for the House of Representatives Standing Committee on Economics review of the four major banks hearing on 30 August 2024 (Hansard).

² We refer to Mr Elliott's evidence at page 52 Hansard for further context.

connection with this issuance has cost taxpayers; from what I have seen, there is no evidence of this.”³

a. Can you please advise the Committee of the profit that the bank booked on this trade.

The revenue recognised by ANZ for its roles as duration manager and joint lead manager on the \$14 billion issuance and the approximately \$8 billion of risk ANZ was asked to manage on the April 2023 AOFM bond issuance was approximately \$12.6 million. This number does not take account of operating expenses including personnel, and other associated costs including corporate tax, or risk and capital considerations.

b. Please provide profit/loss for one month following this transaction.

We do not have audited accounts for the month of May 2023.

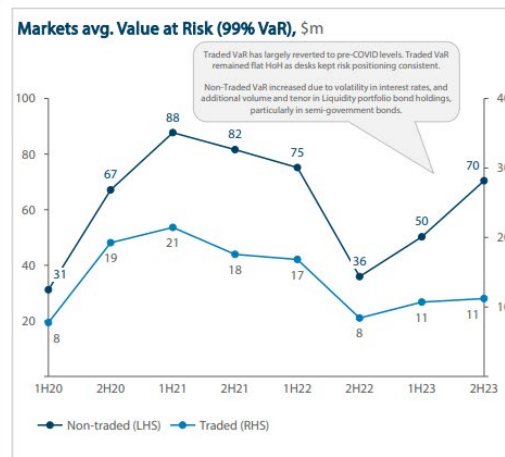
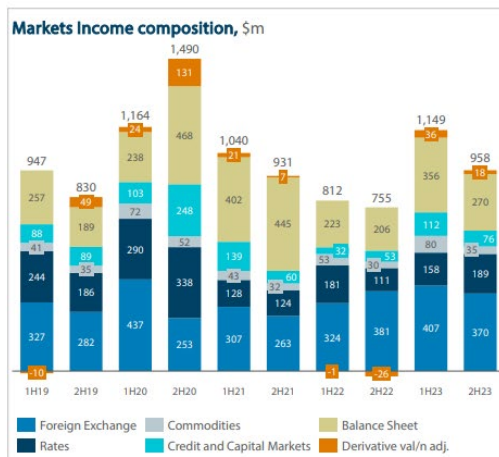
The ANZ Markets business sits within ANZ’s Institutional Division. While we do not publicly report profit or expenses for the ANZ Markets business, we can advise that the total income for 2H23 (the second half of Financial Year 2023 commencing 1 April 2023) for ANZ’s global Markets business was \$958 million as shown in Extract 1 from the ANZ 2023 Full Year Results below. As such, the monthly average income for this period was ~\$159.5 million. This is broadly consistent with monthly income distribution in prior years as shown in Extract 2 from the ANZ 2023 Full Year Results below.

Extract 1 – ANZ 2023 Full Year Results (slide 81)

Note, AOFM joint lead manager revenue is included in the Rates and Credit and Capital Markets components of Markets income.

ANZ 2023 Full Year Results

INSTITUTIONAL - MARKETS INCOME COMPOSITION

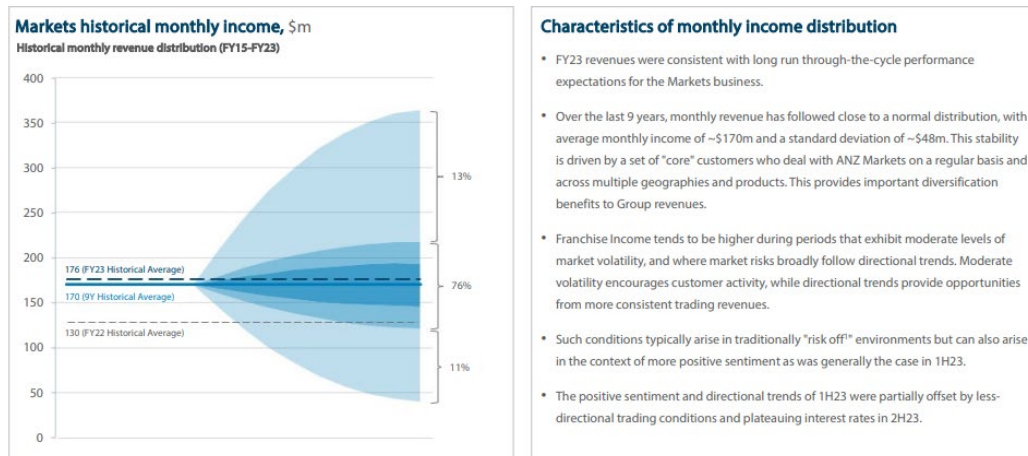


Basis: Continuing Operations including Large / Notable Items

Extract 2 – ANZ 2023 Full Year Results (slide 82)

ANZ 2023 Full Year Results

CONSISTENCY OF MARKETS INCOME



1. A risk-off environment is broadly defined as one where credit spreads widen, risk-free bond yields fall, equities sell off, volatility increases, and USD strengthens

5. Was the AOFM bond trade reviewed by ANZ’s governance/compliance/finance team? If so, did their review approve the deal? Did anyone raise concerns or issues with the trade? If so, what was the nature of their concerns/issue? What action was taken in response?

ANZ’s role in the April 2023 AOFM bond issuance was overseen by ANZ’s desk risk management, risk and compliance teams. No ANZ staff involved in the oversight of ANZ’s role raised any concerns. As noted by Mr Elliott during his appearance before the Committee on 30 August 2024 AOFM made inquiries of ANZ after the bond pricing.⁴ ANZ responded to those inquiries.

6. What failed to change in the management supervision and responsibilities since the Bank Bill Swap Rate (BBSW) incident and Banking Royal Commission that has allowed the same conduct to re-occur?

The ANZ Board has commissioned accountability reviews and an external review to diagnose any broader cultural and control issues. This work, which is ongoing, will consider, among other things, whether there have been any failures in management supervision and responsibilities.

7. Who will be held accountable?

We are investigating the April 2023 AOFM bond issuance with the assistance of external counsel and experts engaged by our external counsel. That work is ongoing. Where we find any evidence of wrongdoing, those involved will be held accountable and action will be taken. The ANZ Board will also lead a process to ensure consequences will be applied to senior executives, both past and present, where appropriate.⁵

⁴ The individuals are referenced at page 32 of Hansard.

⁵ We refer to Mr Elliott’s evidence at pages 33 to 35 and 43 of Hansard for further context.

8. Did any senior executive involved in the management of the markets division leave after ASIC launched its AOFM investigation and if so why?

No senior executive involved in the management of Markets left after ANZ became aware in February 2024 that ASIC had commenced its AOFM investigation. The former senior executive responsible for the management of the Markets business resigned from ANZ with effect from 1 August 2023. The resignation was not connected to the investigation.

9. Please provide a list of ANZ Board Members that were at the bank during the BBSW incident that remain on the Board now.

In 2016 ASIC brought an action against ANZ regarding BBSW-related conduct between 2010 and 2012. As with many ASX listed companies, ANZ Non-Executive Board members generally serve for up to ten years and none of the ANZ Board members from the 2010 to 2012 period remain on the ANZ Board now.

10. What action has the Board taken in relation to the AOFM trade?

The markets related matters are being treated with the utmost seriousness by and have the full attention of the ANZ Board. The ANZ Board has taken measures to ensure appropriate governance of ANZ's response, including appointing its own separate and independent legal counsel, forming a sub-committee with deep financial markets experience, commissioning an external review to diagnose any broader cultural and control issues and commissioning external legal advice on accountability of ANZ employees for the markets related matters. The ANZ Board will also consider whether any Executive Committee member or material risk taker should be held accountable.

11. ANZ is the only bank of the Major Four that did not release its APRA self-assessment report. It's now the only bank that had its penalties increased due to continued misconduct. Will you now release the report? If not, why not?

ANZ has provided APRA with our self-assessment report on governance, culture and accountability. APRA requested the self-assessments on a confidential basis to ensure institutions responded in a way that was full and frank. We have respected that request, as well the fact that people contributed on that basis, and we will continue to do so. ANZ considers it is rightly a matter for APRA to determine if reports provided to it are made public.

12. At the Economics Committee hearing on 30 August 2024, the CEO advised that three conduct matters were being investigated: data misreporting, the trading investigation and the conduct of four individuals who 'broke our code of conduct'.

We read this as introductory wording to the questions that follow and assume this does not require a specific response.

13. What are the names of four traders involved?

ANZ has a significant concern that publicly disclosing the identities of the four individuals may give rise to a real risk of psychological harm to those individuals. In respect of the three individuals who have left ANZ, we are mindful that this may already be a difficult time for them. If their names were to become publicly known this could add to any current emotional strain. In respect of the individual who remains an employee of ANZ, ANZ has a duty of care to ensure their health and safety and to prevent, as far as reasonably practicable, risks of psychological harm. In ANZ's view, disclosing the identity of this individual is inconsistent with this duty.

14. Which of the four have exited?

We refer to our response to question 13 above.

15. Please provide details of the year-end compensation rounds for these exited employees.

The three individuals that left the bank were paid their legal entitlements. They were not paid any bonus for the 2024 financial year and did not retain any deferred remuneration that was granted after the substantiated poor behaviour took place.⁶ Please also refer to our response to question 17 below.

16. Did the Board or its sub-committees approve any bonus payment for the four individuals?

Neither the ANZ Board nor its sub-committees have approved any bonus payment for the 2024 financial year for the four individuals referred to in question 13. Please also refer to our response to question 15 above.

17. Please provide the details of any mutual separation agreement.

In 2024 ANZ entered into mutual separation agreements with two of the four individuals. Under the agreements the individuals were paid their legal entitlements and retained deferred remuneration awarded prior to the date of the substantiated poor behaviour. They were not entitled to a bonus for the 2024 financial year and did not retain any deferred remuneration awarded after the substantiated poor behaviour took place.

18. Of the four individuals, are any involved in the current investigation into the AOFM trade? If so, what are their names?

ASIC has engaged with a number of individuals as part of its current investigation into the April 2023 AOFM bond issuance. We understand that ASIC's investigation is ongoing and it may choose to engage with other individuals. We are also mindful that, as this is ASIC's investigation, it would be inappropriate for ANZ to disclose the identity of any individual ASIC has engaged with.

⁶ We refer to Mr Elliott's evidence at page 35 of Hansard for further context.

19. Of those named and under investigation, does the bank consider it appropriate to enter into separation agreements whilst the investigation remains ongoing?

Nothing in the mutual separation agreements prevents or restricts any individuals or ANZ from engaging with ASIC in relation to its investigations.

20. Were they asked to sign an NDA?

The four individuals referenced by Mr Elliott during his appearance before the Committee on 30 August 2024⁷ have not been asked to sign non-disclosure agreements. The mutual separation agreements entered into with two of the four individuals contain two-way confidentiality provisions which apply to both ANZ and the individuals. These provisions do not prevent or restrict the individuals or ANZ from engaging with ASIC in relation to its investigations.

⁷ The individuals are referenced at pages 33 to 35, 40 and 42 to 44 of Hansard.

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From Committee Chair Dr Daniel Mulino MP:

- 1. Please indicate how many individual cases involving compensation or disputes from the time of the Royal Commission remain unresolved.**

There are three individual cases from the time of the Royal Commission that remain unresolved. These relate to ANZ's former financial planning business.

- 4. How many staff are now eligible for bonus payments above 50% of the base rate? How much have total bonus payments for this cohort increased over the past three years?**

ANZ's home lending staff are not currently eligible for bonus payments above 50% of the base rate.¹ As such, we do not have a relevant cohort of staff. We review our remuneration arrangements and levels in response to market developments and other relevant factors.

From Mr Jerome Laxale MP:

- 1. You co-own Australian Payments Plus (APP). Please describe your co-ownership arrangements in detail, including any history you can provide.**

We are one of APP's 25 shareholders. As a shareholder, we have one vote in a general meeting of the company (like all other shareholders, regardless of the size of shareholding).

The APP Board has 13 Directors, including a representative from ANZ. The Board consists of four independent directors (including the Chair), directors representing each of the four major banks, two directors representing other bank shareholders and three directors representing non-bank shareholders. Each director has one vote on Board decisions.

APP was established in September 2021 following ACCC authorisation for the amalgamation of ownership of BPAY HoldCo, EFTPOS and New Payments Platform Australia (NPPA).

In 2019, the Reserve Bank of Australia's Review of Retail Payments Regulation Issues Paper (published 29 November 2019) noted consolidation of some domestic payment groups should be considered. Following this, an Industry Committee was established made up of 13 shareholders and/or members of BPAY HoldCo, EFTPOS and New Payments Platform Australia. These included ANZ and other major banks.

The Committee unanimously supported the amalgamation proposal as a stronger, unified entity (APP) would reduce costs, increase innovation and

¹ We have targeted this response at home lenders as we understand this group to have been the focus of the Committee's discussion with witnesses at the hearings on 29 and 30 August.

efficiency, and be better able to compete with the growing scale of overseas multinational payment platforms.

Details of the ACCC's consideration of the amalgamation can be found at <https://www.accc.gov.au/public-registers/mergers-registers/merger-authorisations-register/proposed-amalgamation-of-bpay-eftpos-and-nppa>.

2. Does your bank fund APP? If so, how.

We do not fund APP. As a member of different schemes that APP operates, we pay for various services that are supplied to the market by APP.

3. Do you add a margin on fees charged by APP for the use of their scheme? If so, what is it? Please outline per APP product (BPAY, EFTPOS, Osko, etc).

For retail customers, ANZ charges transaction fees in some circumstances. Whether ANZ charges fees, and the amount of the fees, is dependent on the account type and how a customer uses the account. Our fees are not developed by adding a margin on APP scheme pricing.

ANZ business customers are charged fees for making or receiving payments through BPAY and OSKO. These fees reflect the costs ANZ incurs from APP, as well as other ANZ costs such as system costs, fraud prevention and monitoring costs, operational costs to manage misdirected or mistaken payments, the cost of settling the payment with the RBA, and administrative costs.

The amount of the fees charged to customers for OSKO and BPAY services varies. ANZ considers several factors when determining the fees charged to a business customer, including the breadth of the customer relationship, market expectations, the volume of payments made or received by the customer, and the total costs of the service.

4. NAB have switched to opt-out Low Cost Routing (LCR) for new merchants. Will you do the same? If so when? If not, why not?

In 2022, ANZ sold its merchant acquiring business to ANZ Worldline Payment Solutions, a joint venture between ANZ and Worldline, in which ANZ holds a minority interest.

ANZ no longer provides these services to merchants.

5. [Secretariat note: NAB need not answer this question.]

6. In a blended rate environment, does the merchant get the net benefit of LCR, or does it go to you?

We refer to our response to question 4.

7. Why have you not enabled LCR for all merchants?

We refer to our response to question 4.

- 8. Do you have commercial arrangements that would financially have an impact on you, should you enable LCR for all merchants? If so, please outline them.**

Through our interest in the ANZ-Worldline joint venture (see response to question 4), we could be affected if the full enablement of LCR has a financial impact on the joint venture.

For the financial impact of the full enablement of LCR as it relates to the issuing of cards, refer to our response to question 12.

- 9. Do you have a minimum transaction volume or dollar value agreements with the major card providers? If so, what are they?**

We do not have minimum transaction volume or dollar value agreements with major card providers.

- 10. Are you incentivised to issue more Visa/Mastercard products or put more turnover through these schemes? If so, how?**

ANZ currently only issues multi-network debit cards that allow for transactions to be made through the Visa and EFTPOS schemes. ANZ receives incentives from all card schemes for which we issue cards, including Visa and EFTPOS, based on the volume of transactions that are made through the schemes.

- 11. Do Visa/Mastercard debit transactions count towards minimum turnover/volume arrangements?**

We do not have minimum transaction volume or dollar value agreements with major card providers.

The incentives referred to in question 10 include volume-based incentives for Visa debit transactions.

- 12. Would 100% LCR enabled for merchants reduce revenue to your company?**

With respect to the issuing of cards, the take-up of LCR by all merchants could affect ANZ's revenue and could reduce the volume of transactions made through Visa. The nature and scale of this impact would depend on factors including the value of transactions and how customers and merchants choose for transactions to be routed.

- 13. Would 100% LCR enabled for merchants reduce your volume with international card providers?**

See response to question 12.

- 14. What would a reduction in volume with international card providers cost your organisation?**

A reduction in volume of transactions through Visa would reduce incentives that ANZ receives from Visa, and the scheme fees it pays Visa. It would also reduce interchange fees ANZ receives from merchant banks. If there was a corresponding increase in

volume with EFTPOS, there would be an increase in incentives ANZ receives from EFTPOS, and the scheme fees it pays EFTPOS.

15. What is your cost of use of EFTPOS debit on a \$100 transaction?

In its capacity as a card issuer, the scheme fee paid by ANZ on a \$100 EFTPOS transaction is currently 4.5 cents.

16. On that same transaction, what do you charge customers?

We do not charge retail customers for making an EFTPOS debit transaction.

We do not charge Commercial customers fees for making EFTPOS debit transactions on any account except the Statutory Trust Account. EFTPOS transactions on this account incur a \$0.50 fee.

We do not have merchant customers (we refer to our response to question 4).

17. You co-own APP. Is the cost of a \$100 EFTPOS transaction to APP, the same as the cost of a \$1000 EFTPOS transaction to APP?

We do not have visibility of the costs incurred by APP to process an EFTPOS transaction.

18. Do you have an incentive for issuing/volume for EFTPOS debit? If so, what are they?

ANZ receives incentives from all card schemes for which we issue cards, including EFTPOS and Visa, based on the volume of transactions that are made through the schemes.

19. Evidence was given in the Committee hearings that EFTPOS doesn't issue chargebacks. Is this accurate?

This is not accurate. EFTPOS does issue chargebacks.

20. As co-owner of APP, can you please provide me with APP's latest audited annual report and financial statements?

APP has provided us with a copy of their FY23 audited accounts, which are the most recent set of audited accounts available. We attach this.