

RETAIL DEPOSITS INQUIRY

SUBMISSION TO THE AUSTRALIAN COMPETITION AND
CONSUMER COMMISSION

9 JUNE 2023



EXECUTIVE SUMMARY

1. ANZ welcomes the opportunity to comment on the Australian Competition and Consumer Commission's (**ACCC**) Issues Paper for its inquiry into the market for the supply of retail deposit products (**Inquiry**). ANZ looks forward to participating in the Inquiry.
2. We acknowledge that our participation will include providing data and information so the ACCC can examine how ANZ competes to provide retail deposit products, and how that competition is reflected in customer outcomes. In that context, this submission comments on broader trends and dynamics in the supply of retail deposit products in Australia. There are three important dynamics ANZ wishes to draw out.
3. First, in assessing how deposit products are shaped by competition, it is important to have regard to the three key functions of those products: a store of value; a means of investment; and a mode of payment. These functions are also reflected in the factors which are important to customers when choosing a deposit product, including utility, price, brand, trust and security.
4. Second, recent developments have intensified the competition ANZ faces across all elements of its deposit offering (price and non-price), particularly developments which have occurred, or accelerated, since the Productivity Commission's 2018 report on Competition in the Australian Financial System (**PC Report**). In particular:
 - (a) **Technological innovations** are both driving, and putting pressure on banks to meet, rising customer expectations as to the accessibility and functionality of deposit products. Customers increasingly prefer to use digital tools that offer safe, immediate and convenient options to access, send, receive and monitor their money. ANZ continues to innovate to respond to customer preferences; it has made significant investments in technology to meet these changing needs, differentiate ANZ from its competitors, and deliver on our strategy to improve our customers' financial wellbeing.
 - (b) **New platforms and services are enabling customer switching** between retail deposit products and banks. Innovations in payment services, such as the New Payments Platform (**NPP**) and PayID, have made it easier than ever for customers to move funds between accounts. The Consumer Data Right (**CDR**) is designed to further reduce barriers to switching by making it easier for customers to move their data and compare products to find one that better meets their needs.
 - (c) **Policy settings and digital banking trends have reduced barriers to entry and expansion** in the supply of deposit products, including by new, online-only banks ('neobanks').

5. Third, ANZ's decisions about interest rates for its deposit products are made having regard to a range of factors, and are not solely linked to movements in the Reserve Bank of Australia's cash rate target. For example, the role of deposits as an important source of funding means ANZ (and other banks) must consider broader funding and liquidity requirements when making pricing decisions.

1. The role of deposits for customers and the economy

A. The key functions of deposit products – store of value, mode of payment, and investment

6. The ACCC's Issues Paper correctly observes that "*retail deposit products enable consumers to safely store their money, receive and make payments (from their own funds) and receive interest on their savings.*"¹ This captures the three key functions of deposit products for retail customers: a store of value; a mode of payment; and a form of investment.
7. In its Inquiry, we encourage the ACCC to explore how these functions of deposit products are shaped by competitive dynamics, regulation and innovation. For example:
 - (a) **As a store of value** – deposits offer a safe way for retail customers to store their money with Authorised Deposit-Taking Institutions (**ADIs**). The safety of deposits is supported by the prudential standards to which ADIs are subject and other regulatory schemes which seek to provide protection and confidence for depositors (see section 2C below). Beyond deposit products, 'Stored-Value Facilities' such as pre-paid cards and digital wallets allow customers to store funds for the purpose of making future payments, and are available from non-ADIs.
 - (b) **As a mode of payment** – the payment functionality of deposit products has been transformed in recent years by innovative payment services. These innovations include the digital wallet solutions of large technology companies (such as Google, Apple and Samsung). ANZ and other banks have invested to integrate these innovations with their deposit offerings (see section 2A below). Retail customers can also use other payment methods such as credit cards (although this involves using credit rather than the customer's own money).
 - (c) **As a form of investment** – interest payments on retail deposit products, particularly savings and term deposits, are a source of income for many customers. Beyond deposit products, retail customers have other investment options to earn a return on their money (such as shares, property and corporate bonds), which are available from a wide range of licensed financial services providers.

¹ Issues Paper, page 3.

8. Finally, deposits have a broader, fundamental role in the economy – they enable banks to obtain funds to support lending activities (see section 3A below).

B. The factors that are important to customers when choosing a deposit product – utility, price, brand/trust and security

9. The market for the supply of retail deposit products in Australia is intensely competitive. ANZ and other banks compete vigorously to attract customers to open deposit accounts, to retain deposits from those customers, and to grow customers' broader banking relationship. In this competitive environment, ANZ's approach is informed by its broader strategy to improve the financial wellbeing and sustainability of customers through excellent services, tools and insights that engage and retain them, and help positively change their behaviour.
10. As the Issues Paper observes, banks compete on a range of elements of their deposit offering, including on price and non-price elements such as quality of service, accessibility, convenience, and technology. In ANZ's experience, factors that are important to customers when choosing a deposit product include:
 - (d) The **'utility' of the product**, including product specific features and the associated services offered by the bank. The utility of an account includes how easy it is to access funds, the sophistication of associated digital channels such as mobile applications and internet banking, and the payment methods available to customers, including interoperability with mobile payment platforms such as Apple Pay, Samsung Pay and Google Pay;
 - (e) **Price**, including the rate of interest offered to the customer, and fees charged to the customer for using the account (for example, whether a monthly account fee applies, or whether there are fees for certain transactions such as transfers of funds overseas); and
 - (f) **Brand, trust, and security**. A customer's perception of their bank's ability to keep their money safe (and their expectations of security standards to protect against fraud, errors and scams) is an important consideration.
11. The weight that customers place on each of these factors will vary with the financial objectives of a customer. For example, customers who want to use a deposit to store their funds securely and with an adequate return will be more interest rate sensitive. Customers can obviously hold multiple financial objectives and may seek multiple deposit accounts to meet those objectives. As such, while there are differences in utility and interest rates across different types of deposit products, it is common for customers to have more than one deposit product, as discussed further below.
12. ANZ faces strong competition across each of the price and non-price elements listed above.

2. Recent developments have intensified competition for deposits

13. Technological advancements, new platforms and services, and policy settings have intensified competition to supply retail deposit products in Australia. Many of these developments have occurred, or accelerated, since the PC Report in 2018.

A. Technological advancements are driving competition, and reflecting rising customer expectations

14. ANZ agrees with the ACCC that "*[p]roductive investment and innovation can result in widespread improvements in consumer outcomes and are both an indicator and desirable outcome of effective competition*".²
15. Over the past few years, technological advancements have made it easier for customers to open deposit accounts, and to access, track and move their funds across different products and banks.
16. Examples of recent technological advancements improving the utility of transaction and savings accounts include:
 - (a) **Digital applications and online banking features** which allow customers to access budgeting tools, set savings goals, and track and manage their expenses. For example, the ANZ Plus proposition, launched in March 2022, includes a savings account ("ANZ Save") that allows customers to set up and track up to 99 savings goals via the ANZ Plus app. There are also other tools on ANZ Plus which help a customer to understand their financial position better, and to save more, such as real-time spending insights. Outside of ANZ Plus, ANZ customers can access a number of spending insight tools including the "Your Money" report and ANZ Spendi.³
 - (b) **Interoperability with new payment technologies**, including digital wallet solutions (such as Apple Pay, Google Pay and Samsung Pay), enabling payments to be made from transaction accounts (one type of deposit account) using smartphones and wearables. Collectively, digital wallet solutions are now a major driver of retail payment activity, and are provided by all major banks and many smaller banks.

² Issues Paper, page 8.

³ The "Your Money" report, available via internet banking on the ANZ App, allows customers to track monthly or annual spending activity and shows a breakdown of spending by different categories and merchants. Similarly, ANZ Spendi is available on the ANZ App and allows customers to set a daily budget and track daily spending activity. See ANZ website: <https://www.anz.com.au/personal/bank-accounts/tips-and-guides/spend-habits/track-your-spend/>; and <https://www.anz.com.au/ways-to-bank/more/yourmoneyreport/>.

- (c) **The NPP**, which facilitates near real-time payments and transfers between bank accounts. The NPP has made it easier for customers to move funds between deposit accounts held with different banks.
 - (d) **PayID**, which allows NPP payments to be made between deposit accounts using a customer's email address or phone number, rather than BSB and account number.⁴
 - (e) **The PAYTo service**, which is being progressively rolled out, and allows customers to view, authorise and manage NPP payment agreements with businesses and merchants using their BSB and account number or PayID.⁵
 - (f) **More digital self-service options** for customers, including account opening and identity verification processes, meaning a customer can open a new deposit account, with a bank they have not previously banked with, in a matter of minutes.⁶
17. These advancements reflect, and have enabled, a decisive shift in customer preferences toward digital channels (and away from physical channels and payment methods, like branches and cash).⁷ Customers increasingly expect that they can conduct their banking and transactions from their phone, instantly and safely. This shift is driving financial institutions to focus on digital technologies and capabilities. Put simply – investment in technology and innovation has become essential to compete effectively and meet rising customer expectations.
18. In this environment, as a traditional bank, ANZ's investments in digital offerings and technology have been critical to ensuring that our broader retail offering, including deposit products, remain relevant and valuable to customers, and in enabling us to differentiate our services and attract customers.
19. ANZ Plus is part of ANZ's multi-year plan to provide modern, digital first products and services for ANZ customers, and significantly better systems and processes for ANZ. ANZ Plus currently includes a "save and transact" digital first deposit proposition, which consists of a mobile banking app, an everyday transaction account, a savings account with multiple savings goals and access to coaches who can provide product support via an in-app chat function and over-the-phone. The ANZ Plus app aims to support customers' financial wellbeing and make managing money easy, allowing customers to self-serve in most instances.⁸

⁴ See PayID: <https://payid.com.au/>.

⁵ See PayTo: <https://payto.com.au/>.

⁶ See, for example, ANZ website: <https://www.anz.com.au/personal/bank-accounts/open-account/>.

⁷ See RBA Payments System Board Annual Report 2022, Chapter 2 (the Evolving Retail Payments Landscape) for trends in the increasing share of transactions made electronically: <https://www.rba.gov.au/publications/annual-reports/psb/2022/pdf/psb-annual-report-2022.pdf>.

⁸ See ANZ website: <https://www.anz.com.au/plus/>.

20. ANZ has also invested heavily in cyber security, fraud and scams protection technology and expert teams.⁹ This is becoming increasingly important given the accelerating shift to digital banking and the increasing sophistication of actors which seek to target customers and the bank for financial gain. For example, customers now have enhanced card controls, enabling them to restrict online, overseas and gambling transactions using ANZ's mobile applications.

B. Changes in the market have made it easier for customers to switch providers and multi-bank

21. Customers can easily open accounts with their existing or a new bank, subject to meeting 'Know Your Customer' ('KYC') requirements. Once an account is open, customers can move their funds between deposit products, except for term deposits.¹⁰ Further, it is common for retail customers to hold multiple deposit products, either with a single bank or across different banks, and customers are able to move their funds between these products when it suits them – for example, to take advantage of particularly favourable interest rates, or special introductory rates, on savings accounts or term deposits, or to move funds between transaction and savings accounts.

22. A number of the technological advancements described in section B above are reducing barriers to customers switching accounts between different banks, or maintaining accounts at multiple banks ('multi-banking'). For example, the NPP enables near-real time transfers between deposit accounts held with different banks, and PayID reduces the effort in switching transaction accounts by allowing customers to nominate their PayID rather than a bank account number.

23. In addition, Open Banking, part of the CDR reforms, is designed to further reduce barriers to switching by allowing customers to share account and transaction data with accredited third parties.¹¹ ANZ became an accredited data recipient in March 2023 and the first use case will be targeted around ANZ Plus home loan customers.

24. In addition to the recent developments above, customer switching also continues to be facilitated by services offered by ANZ and other banks. ANZ offers a "switching service" to customers interested in switching to an ANZ retail deposit product.¹² The switching service allows customers to provide ANZ with authority to switch all regular payments from their previous account with another bank to their new ANZ account, or request that ANZ provide a

⁹ See ANZ website: [https://www.anz.com.au/security/account-protection/#:~:text=Fraud%20detection%20system,access%20to%20prevent%20further%20fraud](https://www.anz.com.au/security/account-protection/#:~:text=Fraud%20detection%20system,access%20to%20prevent%20further%20fraud;); and <https://www.anz.com.au/plus/support/security/protecting-your-money-data/>.

¹⁰ For term deposits, notice periods can apply and there can be fee and interest consequences associated with early withdrawals.

¹¹ *Competition and Consumer (Consumer Data Right) Rules 2020 (Cth)*, rule 1.3.

¹² Information about this service is published on ANZ's website: <https://www.anz.com.au/personal/bank-accounts/switch/>. Other banks provide a similar service: [CBA website](#), [Westpac website](#), [ING website](#), [Bendigo and Adelaide Bank website](#), [Suncorp Bank website](#), [BOQ website](#), [Heritage Bank website](#) and [HSBC website](#).

list of the customer's regular payments. Customers can then provide specific instructions to ANZ about which of the regular payments should be switched from their existing account to their new ANZ account. This service reduces the administrative burden of switching direct debits and other regular payments to a new retail deposit product, and significantly reduces the time incurred by customers to switch accounts.

C. Recent developments have lowered barriers to entry and expansion

25. The market for retail deposit products in Australia is dynamic. ANZ has seen entry and expansion by a range of providers, particularly those who have effectively deployed new technology.
26. In ANZ's view, there are two key developments which are facilitating entry and expansion by new entrants in the supply of deposit products: regulatory and policy settings; and the growing importance of digital channels.

(i) Regulatory and policy settings

27. There are regulatory and policy settings which assist new entrants in the retail deposit market to overcome barriers associated with a lack of brand presence.
28. ANZ agrees with the ACCC that recent changes to the ADI licensing framework have reduced regulatory barriers to entry. As the ACCC notes in its Issues Paper, the introduction of the Restricted ADI pathway in 2018 has provided a way for smaller entrants to commence holding deposits while they are still developing the resources and capabilities to become fully licensed (i.e. unrestricted).¹³
29. The Restricted ADI pathway imposes limits on the value of deposits that Restricted ADIs are permitted to hold.¹⁴ The purpose of these restrictions is to ensure depositors are protected, and these limits enable customer trust in Restricted ADIs as safe and secure even without an established brand presence.
30. ANZ also agrees with the ACCC's observation in its Issues Paper that the protection afforded by the Financial Claims Scheme (**FCS**) is a "*defining feature of retail products*".¹⁵ The FCS provides customers of all ADIs with the reassurance that their deposits will be protected and helps new entrants to compete effectively with established banks. Under the FCS, the Commonwealth provides a guarantee to account holders for up to \$250,000 in the event an ADI fails (covering all ADIs incorporated in Australia, including banks, building societies and

¹³ Issues Paper, page 5.

¹⁴ Restricted ADIs are subject to a deposit limit of \$250,000 on the aggregate balance of all protected accounts held by an individual account holder, and a deposit limit of \$2 million on the aggregate balance of all protected accounts. See APRA Information Paper, ADI Licensing: Restricted ADI Framework, 4 May 2018 at paragraph 3.3.6: <https://www.apra.gov.au/sites/default/files/information-paper-adi-licensing-restricted-adi-framework-20180504.pdf>.

¹⁵ Issues Paper, page 3.

credit unions).¹⁶ This means that customers with deposits of less than \$250,000 can be confident that they will not lose their deposit when they use any ADI, irrespective of the size, history or brand of the ADI.

(ii) The growing importance of digital channels

31. With the improved digital technology described above, and accelerated by the impacts of COVID-19, there is less demand for in-person banking services, such as branch and ATM services. For example, survey data published by the Australian Banking Association in May 2023 found that, among major banks, the number of in-person branch interactions had declined by 46% from FY2019 to FY2022, while online and app interactions had increased by 26% over the same period.¹⁷
32. Since 2016/2017, the 'major banks' and other traditional banks (that is, banks that offer a broad range of traditional banking services and maintain extensive physical branch networks) have lost market share in retail deposits to modern competitors. The major banks' national share of household deposits declined from 80% in 2016 to 73% in April 2023.¹⁸ In comparison, banks like Macquarie and ING have grown their deposit portfolios with limited or no branch networks. For example, according to APRA statistics, Macquarie Bank has achieved rapid growth in its national share of household deposits (from 0.81% in 2016 to 4.07% in April 2023).¹⁹
33. In addition, neobanks have launched deposit products. These online-only banks benefit from the opportunity to adopt modern and scalable technology from entry, unencumbered by the legacy platforms of traditional banks. While the Issues Paper notes that some neobanks have recently exited the market (Xinja and Volt), other neobanks are continuing to offer deposit products or are taking steps to do so. For example, in May 2023, Alex Bank expanded its deposit offering to include term deposit products, after moving from a Restricted ADI licence to an unrestricted ADI licence in December 2022.²⁰ Another neobank, In1Bank, also moved to an unrestricted licence in May 2023, having initially obtained a Restricted ADI licence in December 2019.²¹ In1Bank is yet to make products generally available, but has announced its intention

¹⁶ APRA, Financial Claims Scheme: <https://www.apra.gov.au/financial-claims-scheme-0>.

¹⁷ Australian Banking Association, *Bank on It: Customer Trends 2023* (May 2023), page 13: <https://www.ausbanking.org.au/wp-content/uploads/2023/06/Bank-On-It-%E2%80%93-Customer-Trends-2023.pdf>; See also Australian Banking Association, *Almost 40% leave wallets at home as mobile phone and smartwatch payments soar* (12 May 2023): <https://www.ausbanking.org.au/almost-40-leave-wallets-at-home/>.

¹⁸ APRA, monthly authorised deposit-taking institution statistics, April 2023 statistics: <https://www.apra.gov.au/monthly-authorised-deposit-taking-institution-statistics>.

¹⁹ APRA, monthly authorised deposit-taking institution statistics, April 2023 statistics: <https://www.apra.gov.au/monthly-authorised-deposit-taking-institution-statistics>.

²⁰ See APRA, *APRA grants new authorised deposit-taking institution licence to Alex Bank* (21 December 2022): <https://www.apra.gov.au/news-and-publications/apra-grants-new-authorised-deposit-taking-institution-licence-to-alex-bank>; and Temenos, *Australian Digital Bank, Alex Bank Goes Live with Term Deposits on Temenos Banking Cloud* (11 May 2023): <https://www.temenos.com/news/2023/05/11/australian-digital-bank-alex-bank-goes-live-with-term-deposits-on-temenos-banking-cloud/>.

²¹ See APRA, *APRA amends authorised deposit-taking institution licence for In1bank Ltd (in1bank) to remove restrictions* (25 May 2023): <https://www.apra.gov.au/news-and-publications/apra-amends-authorised-deposit-taking-institution-licence-for-in1bank-ltd>.

to offer digital banking products to individuals using "*leading, proven, agile and cloud-native technology without the legacy issues faced by traditional banks*".²² These examples underscore the ongoing potential for new entry and expansion by digital banks.

34. The recent launch of a white-labelled savings account by Apple in the United States provides further support for the growing importance of digital channels more generally and the ability of a new entrant to effectively compete for deposits without a physical footprint.²³ In the first four days following the launch of the savings account, Apple had reportedly secured approximately US\$990 million in deposits.²⁴

D. Reduction and elimination of bank fees

35. Price competition has also led to the reduction or elimination of many fees. RBA data indicates that, over the past 20 years, the ratio of fees to deposits has decreased from just over 0.5% to near zero.²⁵ Although there are fees applicable to ANZ retail deposit accounts, account service fees do not apply to many products. ANZ Plus is designed as a low-fee proposition and does not charge any monthly account service fee.²⁶ Some accounts offer waivers for monthly account service fees to customers who meet certain conditions. For example, the \$5 monthly account service fee on the ANZ Access Advantage Account is waived if the customer either deposits \$2,000 per month or applies based on various eligibility criteria.²⁷

3. Interest rate changes are driven by a range of factors

36. ANZ acknowledges that the ACCC will gather detailed information from ANZ and other banks to examine how they respond to changes in the cash rate target when setting interest rates on retail deposit products, and what those responses indicate about competition in retail deposit markets.
37. By way of context for those detailed inquiries, ANZ addresses two overarching issues below. First, deposits are one of a number of funding sources used by ANZ and other banks to support lending activities, which means that recent developments in the relative price and availability of those sources have intensified competition to secure deposits. Second, ANZ

²² See in1bank website: <https://www.in1bank.com.au/>.

²³ See Apple, *Apple Card's new high-yield Savings account is now available, offering a 4.15 percent APY* (17 April 2023): <https://www.apple.com/newsroom/2023/04/apple-cards-new-high-yield-savings-account-is-now-available-offering-a-4-point-15-percent-apy/>.

²⁴ See Forbes, *Apple's New Savings Account Draws Nearly \$1 Billion In Deposits In First Four Days* (1 May 2023): <https://www.forbes.com/sites/emilymason/2023/05/01/apples-new-savings-account-draws-nearly-1-billion-in-deposits-in-the-first-four-days/?sh=5e56539f4e4a>.

²⁵ RBA, *Bank Fees in Australia* (March 2023), Graph 2: <https://www.rba.gov.au/publications/bulletin/2020/jun/bank-fees-in-australia.html>.

²⁶ See ANZ website: <https://www.anz.com.au/plus/interest-fees/>.

²⁷ See ANZ, *Personal Banking Account Fees and Charges* (1 June 2023): <https://www.anz.com.au/content/dam/anzcomau/documents/pdf/personal-account-fees-charges.pdf>.

considers a range of factors when setting deposit interest rates, which means that the timing and amount of interest rates changes are not solely determined by changes in the cash rate target.

A. Deposits as a source of funding

38. ANZ is funded from a combination of shareholders' equity, customer liabilities (including deposits) and wholesale funding. ANZ manages funding and liquidity risk by ensuring that it has a well-diversified funding base, with the appropriate amount, tenor and composition of funding, to meet its prudential obligations and appropriately fund its lending activities.²⁸
39. Retail deposits are an important part of a well-diversified funding base, including because they are deemed a relatively 'stable' source of funds based on current market practice and regulatory settings (including the high proportion covered by the FCS). This means that retail deposits are regarded as less likely to be withdrawn in periods of financial stress (compared generally, for example, to deposits from institutional investors or short-term wholesale debt). This is reflected in the way that retail deposits are classified under prudential liquidity requirements, which require banks to hold a minimum level of stable funding against certain assets and activities.²⁹
40. Given there are different funding sources available to ANZ and other banks, banks' incentives to grow deposit volumes is influenced by the price and availability of funding from alternative sources. Currently, for example, a key driver of competition among banks to secure deposits as a source of funding is the increasing cost of new wholesale funding, which is attributable to factors including:
 - (a) higher levels of uncertainty in global economic and monetary conditions, including due to the impact of persistent inflation and higher cash rates (which is not specific to ANZ or Australian banks but a global development); and
 - (b) the expiry of the Term Funding Facility (**TFF**), which is expected to further increase the cost of wholesale funding over the next 12 months as ~\$188 billion of TFF funding is repaid, reducing liquidity in the financial system.³⁰ Although ANZ's reliance on the TFF has been modest, the TFF has been a source of low-cost funding for banks. The expiry of the

²⁸ See pages 61 and 103 of ANZ's recent 2023 Half Year Results presentation, released on 5 May 2023, for further details of ANZ's funding mix: <https://www.anz.com/content/dam/anzcom/shareholder/2023-half-year-results-presentation-and-investor-discussion-pack.pdf>

²⁹ See APRA Prudential Standard APS 210 Liquidity: <https://www.apra.gov.au/sites/default/files/APS%2520210%2520FINAL.pdf>.

³⁰ The TFF closed to new drawdowns on 30 June 2021, and will expire over 2023 and 2024. The last possible maturity date for TFF funds is 30 June 2024. See RBA website, *Term Funding Facility to Support the Australian Economy*: <https://www.rba.gov.au/mkt-operations/term-funding-facility/overview.html#:~:text=The%20facility%20has%20two%20objectives,year%20Australian%20Government%20bond%20yields.>

TFF is likely to drive increased demand for retail deposits as banks seek to replace that funding with other sources.

41. These recent changes in wholesale funding markets are driving competition among banks to attract deposits to support lending, including competition on the pricing of savings and term deposit products.

B. There are a number of drivers of pricing decisions, including funding considerations

42. ANZ's decisions to change (or maintain) interest rates for deposit products are not solely determined by the amount and timing of changes in the cash rate target. Instead, when ANZ makes decisions on the pricing of deposit products (including decisions both as to interest rates and fees), it considers a number of factors, in particular:
 - (a) **ANZ's business performance, including in relation to funding requirements.** For example, given the importance of deposits as a source of funding, discussed in section 2A above, ANZ sets a portfolio-wide funding target for deposits, which is correlated to forecast lending across lending products, including home loans, credit cards and commercial loans. ANZ's performance against that target is monitored internally.
 - (b) **The 'utility' of the product,** as discussed in section 1A above.
 - (c) **The competitive landscape.** That is, the prices offered by competitors to the extent those prices are advertised, and the features and utility of competing products.
43. There is no fixed weighting given to the factors considered by ANZ in setting rates of deposit products.
44. A change to the RBA's cash rate target will prompt ANZ to consider whether to change the interest rates for ANZ's deposit products. This is because the target cash rate affects the cost of funds. However, the other factors above are also relevant to deposit pricing decisions.
45. In the case of term deposits, interest rates are influenced by the term structure of the interest rates – i.e. the rate is fixed for the term, and a higher interest rate is typically offered to attract a customer to fix the deposit for the term. The interest rates for term deposits therefore need to take account of ANZ's forecast of future changes in costs across the tenor of the term deposit, not just the costs now, as ANZ will be committed to pay that rate for the term.
46. ANZ acknowledges that the ACCC will be examining how interest rates (and rate changes) differ between different types of products – both across deposit products, and in comparison to home loan products. In making these comparisons, ANZ encourages the ACCC to take a

holistic view of the full suite of products offered by ANZ to help customers save for, and buy, a home, and the different customer needs that those products are designed to meet.

47. ANZ's deposit product suite includes (among other accounts) the ANZ Save and transaction accounts, ANZ Access Advantage (a transaction account), ANZ Online Saver and ANZ Progress Saver (two types of savings account), and a number of term deposits with different interest rates depending on the duration of the term. These products are designed to meet different customer needs and, as explained above, customers can, and often do, acquire and hold multiple products at the same time or switch between deposit products when their needs change.
48. The ANZ Plus proposition, in particular, is a core part of the foundation of ANZ's future business, reflected in ANZ's ongoing work to enhance and expand that proposition, and promote its benefits to both existing and potential ANZ deposit customers. The competition ANZ faces in attracting customers to ANZ Plus is also reflected in rate-setting. Since its launch on 23 March 2022, the ANZ Save account on the ANZ Plus proposition (if the balance is less than \$250,000) has consistently had one of the highest interest rates in the market. Between 4 May 2022 and 5 June 2023, ANZ has raised the interest rate on that account by 4% (to 4.5% p.a.), while the cash rate target rose 3.75% over the same period.
49. We look forward to providing the ACCC with more detailed information about our processes for setting interest rates, across our suite of products, throughout this Inquiry.

C. Conclusion

50. ANZ appreciates that the funding and pricing dynamics discussed above will be a core focus for the Inquiry, together with the recent trends in the supply of deposit products discussed in section 1 of this submission. ANZ looks forward to assisting the ACCC throughout the course of its Inquiry, as it explores and reports on these important issues.