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November 2018

ARCPA submission to the ACCC Inquiry into Foreign Currency Conversion Services

ARCPA response to ACCC Issues Paper released 2 October 2018 and subsequent meetings and discussions.

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ARCPA
AUSTRALIAN REMITTANCE AND CURRENCY PROVIDERS ASSOCIATION

ARCPA submission to the ACCC Inquiry into Foreign Currency Conversion Services

1 Executive summary

This submission is prepared by the Australian Remittance and Currency Providers Association (**ARCPA**). The ARCPA represents the Remittance industry in Australia and was formed in October 2014.

ARCPA represents non-bank remittance (money transfer) and currency exchange providers in Australia that are regulated by AUSTRAC. ARCPA was formed in response to the de-banking of remittance provider bank accounts and as a result, has a small membership – this membership has decreased after the closure of many bank accounts but is growing again. Please see appended to this submission, the ARCPA Whitepaper on de-risking for a detailed overview on that issue.

This submission is made in response to the ACCC Issues Paper released 2 October 2018 and the meetings held between the ARCPA and the ACCC in October and November.

From these meetings, we understand that the key areas of focus are around transparency of pricing and transparency for both remittance and currency exchange services, and transparency of service costs associated with remittance. As ARCPA does not have banks as its members, it will not comment on the foreign currency conversion services provided by banks including credit cards and travel money cards.

Our initial response to the inquiry issues paper and the focus on transparency as mentioned above is as follows:

- Remittance & Currency Exchange – we believe that most ARCPA members and most providers who are independent providers are operating transparently with customers and offer services where customers see value. If they did not, they would not have a recurring customer base.
- Remittance & Currency Exchange – the presence of comparison sites, referral and rating services works to provide independent means of supporting those providers and models that customers trust and value.
- Remittance – the bank channel where SWIFT is used and the beneficiary does not receive the full amount, is one area where transparency could be improved either through the communication that fees could be deducted OR the remittance provider to cover the amount of the deduction.
- Currency exchange - we believe that transparency could be improved by confirming the if there are any fees/charges/commissions charged in addition to the exchange rate for the currency being purchased or sold and the word “fee” used to denote the fee, taking away the term “commission”.

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2 REMITTANCE

The remittance industry – bank channel

The ARCPA believes there is an issue concerning unknown charges incurred by the recipient of funds and that this is a characteristic limited to those transactions received via the banking channel.

Within this channel there are two methods by which funds are generally received:

1) via a known/local/direct receiving partner bank/network; or
2) via SWIFT (which includes transfers where the remittance provider is a bank as well as non-bank remittance providers who use the SWIFT system to send money to the recipient's account.

ARCPA remittance providers mostly operate within method 1) allowing them to have end-to-end visibility of their whole ecosystem as a result of partnerships with banks (directly or via a network) that transmits the full amount to be received by the recipient. This means all costs are known at the time of doing the transaction and therefore the recipient amount is known.

Bank costs may be absorbed by the remittance provider or factored into the transaction fee or beneficiary receive amount. Also, as most ARCPA remittance providers often specialise in specific corridors, they usually have specific relationships with receiving banks in these corridors.

Under method 2), ARCPA understand that this method is less transparent and more exposed to beneficiary fees when the remittance provider (in this case, mainly banks) do not consume/cover these fees or inform the customer there is a chance they will be fees charged. The SWIFT system is an open system – there is no strict sender bank – recipient bank relationship. As the sending remittance provider (likely a bank) is unlikely to have full end-to-end visibility on the entire transaction and does not have a relationship with the receiving bank, there is a high probability that third-party charges are applied by intermediary banks that neither the sending or receiving bank may be aware of.

3 Remittance: Issue 1 - the pricing of foreign currency conversion services

The ARCPA believes the remittance market is functioning well with a range of remittance providers offering competitive pricing and a range of service choices to customers.

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Not all remittance corridors are the same

The ARCPA does not believe there should be one standard model for remittance pricing nor should there be a benchmark or comparison rate. What may work for some corridors (countries) may not work for all. This is also partly due to the complexity of the service provision and foreign exchange in some corridors.

The most common model for pricing is:

- To charge a fee – this can be flat, a percentage of the sending amount or can be based on a scale.
- To apply an exchange rate

There are various models that a remittance provider can apply to charge this. The fee and the exchange rate margin will generally cover the costs charged to the remittance provider by the service provider as well as other overhead costs we will outline further in this submission. The fee and exchange rate model is entirely up to the remittance provider and is often driven by the competitive landscape and the service provider that the remittance provider uses. Some exceptions apply:

For example, in some corridors the addition of a remittance fee is not permitted due to central bank policies. In these markets, remittance providers are usually paid a rebate by the central bank directly. Alternatively, there may be currency liquidity issues and the central many will incentivise inward flows by manipulating exchange rates. Conversely funds flows may also be restricted by central banks.

Models not universally supported by customers: Interbank (market) rate + % fee model

The ARCPA believes that the “Interbank + % fee model” as a standard for pricing all remittance services does not resonate with consumers in the market as it is not the standard industry convention that normal transacting consumers are used to and understand, and in our view and experience could add to further confusion to the consumer.

This model usually uses an Interbank (“market”) rate for the exchange rate plus an additional fee which may be fixed but normally a % based on the amount sent.

The ARCPA believes this model may sound attractive because it provides a competitive-sounding FX rate. This is then also used to differentiate the operator of this model in the market to appear to be more transparent.

However, in practice the experience of ARCPA is that this type of pricing model simply confuses the customer by exposing them to the true retail margins of operating a remittance service. This artificially distorts pricing in the market. Once exposed to the expectation of an interbank rate as the headline FX rate for a retail transaction, customers then expect all independent retail remitters to provide market exchange rates but also offer the already reduced fixed fees and margins.

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This is commercially unsustainable. To remain competitive, operators would need to reduce margins in to a race to the bottom as competition drives pricing below cost. This will eventually lead to cost cutting and potentially a reduction in AML/CTF compliance obligations including transaction monitoring, screening, reporting etc. This is a serious concern. The complete list of AML/CTF regulatory obligations required are outlined below.

Furthermore, the ARCPA has first-hand member experience where attempted use of this model has failed in the market. An attempt by one member to use this pricing model failed to resonate with customers. While it provided a competitive FX rate, the transaction exposed the true magnitude of the FX fee margin which was understandably significantly larger than the competitors advertised fees. Even though the net throughput and receiver currency payout represented a better offer, customers failed to make the mental comparison with competitor services. The operator has since dropped this model.

The Interbank rate is not a retail rate

The Interbank rate (also known as the mid-market rate) is fictitious – created to reflect a reference midpoint for the market to measure a currency pair's exchange rates – no remittance provider can purchase currency at this rate. It is akin to the interest rate set by the RBA – all lenders must add a margin to it in practice to provide a retail rate to the customer.

This approach is also problematic for several reasons:

- Does not uniformly scale across many exotic currency pairs – while an Interbank rate + % margin may work for high volume pairs such as AUD/USD, AUD/EUR, AUD GBP etc, it does not translate in practice to less traded exotic pairs.
- These exotics are those currencies that are largely relied on by diaspora families for financial support in home countries. Exotics must perform currency pivots (often need to be purchased in USD before it can be purchased) to settle and this can introduce greater costs and therefore greater margins.
- Customers do not understand what and how the Interbank rate works – public interbank rates available online confuse consumers because it gives the impression this a rate directly accessible by consumers for remittance transactions which incorrect.
- The model is confusing for customers – they need to be educated about the model and perform a second mental calculation in their head to compare with offers in the market.

Market pricing model does not make sense for remittance comparison

The ARCPA believes the use of such a model does not make sense for remittance customers. What is of primary importance to customers is the AUD send currency amount and the beneficiary amount on the receiver side in the receiver currency. The

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total cost then becomes the thing to compare between remittance providers if you are looking at cost alone.

This is the most honest method of price comparison. Notably only a few comparison websites understand this such as www.sendmoneyasia.org (now www.saverasia.com) and www.sendmoneypacific.org).

Existing pricing approaches automatically create recurring customers

The convention for most remittance providers is to quote AUD send amount and beneficiary currency receive amount, with fees (if any) with an FX rate displayed. The growing emergence of “rate calculators” on many remittance provider websites has created a transparency standard. Customers can enter the AUD send or beneficiary currency receive amount and all fees are transparently displayed including the FX rate.

Remittance is usually a recurring customer transaction. If a remittance provider makes false claims on their exchange rate or beneficiary receive amount, customers will not use them again. In this way, transparency and honesty in pricing is self-enforcing – dishonest remitters will eventually lose customers and credibility in the market. This is the market working properly.

Likewise, as the market is recurring proving pricing that is not competitive or easy to understand will result in customers not using the service.

As most customers send remittance regularly, most will therefore know what a competitive rate is for their corridor. Novice customers new or unfamiliar to the remittance process may not be as educated and therefore may not research and compare other offers in the market. We encourage customers to do research on fees and exchange rates and reviews to determine which provider and services are appropriate for them.

There are also more than half a dozen online comparison services for remittance providers.

Trust versus value

Core to a remittance providers’ business is gaining the trust of a customer. Banks lead this category. Customers who choose to use a bank to send remittance pay for the trust in higher fees. Non-bank remittance providers generally have lower fees and faster and personalised service and provide more value to the customer.

Price is not everything

Price is not the only factor for customers choosing one service over another. There may be a false assumption by the ACCC issues paper that lower fees or more transparent pricing will automatically benefit consumers. The ARCPA knows that

members customers choose one service over another for a variety of non-financial reasons. This could be for one or more of the following:

- Remittance provider supports service to their country and particular beneficiary location e.g. via delivery to a village/town
- Remittance providers offer deep knowledge on the corridor and particular level of convenience to both the sender and receiver
- Senders may not trust a particular channel e.g. may not trust online sending channel/credit card payment etc.
- Senders may prefer to deal with a person face-to-face due to a perceived higher level of trust and being able to work with someone that may know that specific corridor/language better
- Sender may prefer one channel over another e.g. home delivery of cash

Pricing versus speed

Regular remittance customers will determine their own value in the services they choose. For some customers, speed is important, for others speed is not.
Speed of remittance is ambiguously presented by some remittance providers. Some remittance providers offer "fast" transfers to some corridors and channels only but fail to communicate this transparently to the customer. Conversely, some remittance providers fail to effectively convey the value of speed to customers. Again, a remittance provider who does not keep their commitment of speed will lose the customer for their recurring remittance.

Generally, speed costs more due to the additional costs in this model (see below). However, not all operators will pass this cost on to customers, offering it as a differentiating feature in the market.

Other factors influence the retail exchange rate and choice of remittance provider.

These include but may not be limited to:

- Competition
- Pricing models for specific corridors
- New channels
- Speed of transfer
- Convenience of transfer
- De-banking
- Liquidity of a particular currency pair
- Time of year and special events

4 Remittance: Issue 2 - Costs to supply foreign currency conversion services

There are multiple components which make up the cost of providing a money transfer service. Aside from general business, retail/online overheads, a number of

specific costs in relation to remittance not present in other retail business are outlined below.

Not directly comparable with retail

Remittance is not a simple business. It cannot be directly compared with regular retail business.

A regular retail business is not required to onboard and vet a new customer, verify their ID, interview them about why they are making the transaction and what their transaction will be used for. A regular retailer will not need to then screen their name against multiple watchlists (including Sanctions, Politically Exposed Persons etc), monitor their every subsequent transaction with scrutiny and then go on to report every transaction to government. Furthermore, a regular retailer does not need to have their wholesale product pricing displayed for customers to see and scrutinise, and then reverse engineer their retail margin.

Costs associated with different operating models

While different remittance operating models will have different transaction cost components, all remittance providers will have common compliance costs.

Direct transaction related costs

For many remittance providers money can be thought of as physical inventory. Unlike banks and some bank-based remittance providers which are not strictly holding funds (they switch/move/facilitate movement of funds), most remittance providers are required to maintain some level of currency holding in either on or all of the sending currency, receiving currency or an intermediate pivot or settlement currency (such as USD) – also known as prefunding.
Some models do not incur all of these costs elements such as sender-receiver matching remittance services. These models may not physically move funds from sender to recipient jurisdictions but rather match fully or partially the funds but will still need to move them locally.

Direct transaction related cost elements can be broken down into the following:

- Cost of funds
- Prefunding
- FX exposure – where there is prefunding and the exchange rate moves or there is a time gap between the time the transaction is released and the time the funds are collected from the customer
- Partner commissions
- Borrowing costs for prefunding
- De-banking
- Other costs

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Cost of funds
Any movement of money even domestically incurs a cost. To receive funds from a customer whether it be in cash, online, EFTPOS, credit card etc there is a cost. This varies depending on the payment method and the amount. Typical range may be 0.5 – 2% of the amount.

Prefunding
Some remittance providers are required to lodge funds in advance of the transaction with a receiving partner (receiving bank, cash pay-out network, mobile money provider, etc). This introduces a cost possibly incurred from the physical transfer of funds to the receiving market partner or simply due to the opportunity cost (loss) of holding cash. Typical range may be 0.5 – 1% of the amount.

FX Exposure
The conversion of send currency to the recipient currency incurs a cost regardless of the method. This conversion is usually made at wholesale rates and is typically in the range of 0.5 - 3% of the amount depending on the currency pair. Where additional pivot currencies are required e.g. third-party settlement currency, an additional cost will apply.

Partner Commissions
Depending upon the channel and model, this component may not apply. This is a cost that the remittance provider pays their service provider partner in the receiving market. It could be the cash-payout network operator, a correspondent bank or a mobile money operator. The cost depends on the channel and model. Typical range may be 1 – 2% of the amount or it may be a fixed amount per transaction or it may be a combination of both. Some receiving partners even require full knowledge and disclosure of the sender fee.

Borrowing costs for prefunding
If prefunding is required, in order to facilitate real-time pay-out in the receiving market, some remitters may elect to borrow funds to ensure sufficient liquidity. This may be via bank overdraft, venture debt, convertible note or another financial instrument. Rates for borrowing would reflect standard commercial terms. This is real cost for some remittance providers and does not apply for some sender-receiver matching remittance services where no physical funds transfers occur e.g. Hawala or digital-Hawala equivalent.

De-banking costs
Some remittance operators including some ARCPA members are unable to secure banking facilities. These operators must use alternative options for collection of customer funds, transfer and disbursement of funds using cash transit service providers. The additional cost for these services is estimated at between 1 – 3% of the transaction amount.

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Regulatory and Compliance Costs

Unlike other retail industries, remittance is a highly-regulated sector with significant regulatory compliance overheads unique to the sector. This includes AML/CTF, Sanctions and Privacy compliance.

AML/CTF
This includes new customer onboarding, customer identification and verification. Also included are ongoing reporting obligations (AUSTRAC) and ongoing customer due diligence and monitoring. This component requires staff training and ongoing education.

Sanctions
This includes screening of customers against multiple watchlists and reporting where necessary. Screening is typically performed at customer onboarding, for all transactions, and as part of ongoing customer due diligence.

Privacy
Given the number of customer and personal records obtained, compliance with this is important for the obligations under the Privacy Act but to also ensure discretion of customer data.

Other: fraud and scams
Online fraud is higher for remittance than other retail due to the fast movement and high liquidity of funds. ID theft coupled with organised money laundering (phishing) remains a large vulnerability particularly within the online remittance sector. Data on this category is not readily reported, and so limited information on this cost is available. An online remittance provider has additional monitoring and fraud detection processes and overheads. If funds are unrecoverable, this cost can be significant because the whole transaction amount may be lost here – representing potentially hundreds or even thousands of dollars per transaction.

General Business Overheads

Depending on the model, a remittance provider will have regular business overheads including, rent, staff, marketing, administration, general training costs, etc.

5 Remittance: Issue 3 – the nature and extent of competition between suppliers

The ARCPA believes within its members which are primarily non-bank remittance provider there is strong competition in the market and choice for consumers. Despite a significant reduction in the number of registered remittance providers in the last 5 years due to de-banking, while reduced, we believe there is still sufficient choice of remittance providers, money transfer channel/method and transparency in the market.

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We note that this competition ranges across a number of models from local over-the-counter regulated remittance operators as well as local and overseas based online providers. Each model and channel has its own set of challenges in terms of gaining customer trust, educating the customer and gaining customer loyalty.

We also highlight that in Australia, that according to recent information from AUSTRAC provided to the ARCPA, the number of active Australian registered Independent Remitters and Remittance Network Providers is over 600 entities. This is in contrast to other jurisdictions such as Malaysia and Singapore which have significantly fewer remittance operators each with less than 100 registered entities. This would suggest the Australian market has healthy competition.

The ARCPA acknowledges that the barrier to entry for new entrants to the sector is mixed. There are no licencing or capital requirements for AUSTRAC registration however there are high compliance requirements to manage. This may reduce the number of new entrants to the sector. Despite this, and notwithstanding the costs outlined in the previous sections, anyone with a clean police record and a commitment to meeting compliance obligations can theoretically commence a remittance operation – this is very different to other jurisdictions where licence fees apply and minimum capital requirements must be met. Despite this and the loss of some members due to de-banking over the last 5 years, the ARCPA continues to receive regular membership inquiries from new entrants.

The ARCPA notes that consumers have a choice in which provider they select. While there are significant customer onboarding and compliance overheads for new entrants, the costs associated with this is borne by the remittance provider and not the consumer. There is therefore no barrier to a customer switching or churning from one provider to another. Customer loyalty must be earned by the remittance provider.

Remittance operates on a transaction-by-transaction basis. There are no contracts or restrictions binding one customer to a particular remittance provider. There is certainty no convention of this in the market.

Customers are free to select whom they believe offers the best service in the market for their needs at the time.

We acknowledge that some new entrants are exploring new remittance models and channels including new pricing models. The ARCPA welcomes these new entrants but would remind all non-ARCPA member remittance providers of their AML/CTF obligations. In particular new customer KYC and onboarding processes may be weaker in an effort to provide a “simpler and faster” user experience. Because not all new entrants engage with the ARCPA nor are required to become ARCPA members, the ARCPA has limited visibility on some new remittance models. ARCPA also notes that remittance providers that provide services to Australian consumers that have no geographical link to Australia are not required to be registered with AUSTRAC nor comply with AUSTRAC’s AML/CTF obligations.

6 Remittance: Issue 4 - How prices are communicated and factors limiting the ability of consumers to effectively compare prices

The ARCPA believes the market is working effectively, offering customers choice of providers depending on the value proposition of a particular remittance providers. Remittance is complex. The ARCPA believes lack of financial literacy by some customers, particularly novice customers or customers who use remittance services infrequently and do not thoroughly research other market offers, may contribute to a false perception that the industry is not transparent and/or charges high fees.

The ARCPA also believes that some remittance models due to their physical architecture are more prone to uncertainty in the cost structure and therefore a lack of transparency in fees and charges.
Some models (bank-to-bank remittance using SWIFT) are prone to third-party charges to the beneficiary. Once solution may be increased education to the consumer.

We believe that some operators are highlighting what they believe is a perceived lack of transparency of fees and charges to differentiate themselves in the market.

We believe that most ARCPA members and most remittance providers who are independent remittance providers are operating transparently with customers. If they did not, they would not have a recurring customer base.
The presence of comparison sites, referral and rating services works to provide independent means of supporting those remittance providers and models that customers trust and value.

7 CURRENCY EXCHANGE

The currency exchange industry

Many remittance providers also offer currency exchange services but there are also many businesses and offer currency exchange services solely.

We do not have data on how many currency exchange providers operate in Australia but all providers are required to be enrolled AUSTRAC to provide the services.

The industry is made up of many independent providers, large networks with many branches as well as banks. The business is much more simple and straightforward than remittance and a parallel can drawn to that of retail environment with some key differences.

There are similarities (and differences) that exist between the models and costs between the remittance and currency exchange industries – the following outlines these:

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The similarities:

- Competition between providers is aggressive and rates offered to customers are very competitive with lots of providers beating prices quoted by others.
- The common model is for there to be a fee (flat or percentage) and the exchange rate that is applied
- The direct and indirect costs are similar
- De-banking has also impacted this sector although the sector is perceived to be less risky than remittance

The differences:

- The provider must at least have a physical presence to provide the consumer with the currency they have purchased.
- The fee is consistent across the currencies – i.e. if there is no fee, a flat fee or a percentage, it will be charged consistently across the currencies purchased
- There are two rates – a rate for the consumer to buy the currency, and a rate to sell the currency

8 Currency Exchange: Issue 1 – the pricing of foreign currency exchange services

The ARCPA believes the currency exchange market is functioning well with a range of currency exchange providers offering competitive pricing.

Pricing model consistent across industry

The common model is for there to be a fee (flat or percentage) and the exchange rate that is applied.

Unlike the remittance sector this pricing model is an industry standard. The key difference is where the customer is charged a fee and if they are, if it is a flat amount or a percentage of the transaction amount.

The Interbank rate is not a retail rate

Similar to remittance the Interbank rate reflects a reference midpoint for the market to measure a currency pair’s exchange rates – no currency exchange provider can purchase currency at this rate

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Cost of currency stock varies by currency and availability

Generally speaking, the currencies that are more frequently traded AUD/USD, AUD/EUR, AUD GBP etc have a lower cost margin than the exotics. Hence the margin is not consistent across the currencies.

In addition to this, some currencies are harder to acquire in Australia due to suppliers having access to limited stock due to lower demand or high purchase prices.

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9 Currency Exchange: Issue 2 - Costs to supply foreign currency exchange services

There are multiple components which make us the cost of providing currency exchange services. Aside from general business, retail/online overheads, a number of specific costs in relation to currency exchange not present in other retail business are outlined below.

Not directly comparable with retail

Currency Exchange is not as simple as a normal retail business.

A regular retail business is not required to onboard and vet a new customer, verify their ID, interview them about why they are making the transaction and what their transaction will be used for. A regular retailer will not need to then screen their name against multiple watchlists (including Sanctions, Politically Exposed Persons etc), monitor their every subsequent transaction with scrutiny and then go on to report every transaction to government. All currency exchange providers have common compliance costs.

Direct transaction related costs

For currency exchange providers, foreign currency is physical inventory that must be held in stock in order to sell. In the competitive landscape in which currency providers operate, the provider must have stock before they can sell it – models where the customer must order first and then have the provider purchase the stock from a wholesaler often sees customers going to competitor businesses.

Direct transaction related cost elements can be broken down into the following:

- Cost of funds
- Cost of stock
- FX exposure of stock held
- Borrowing costs for purchasing stock
- De-banking
- Other costs

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Cost of funds
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Cost of stock
This is the inventory held of currency.

FX Exposure of Stock Held
This is the exposure of inventory held of currency which is subject to changing rates, by the minute. Stock purchased at a certain rate can be valued a different rate creating an exposure for the provider.

Borrowing costs for purchasing stock
The purchase of stock required in order to facilitate sale of currency in real-time – in order to do this, currency providers may elect to borrow funds to ensure sufficient stock holding. This may be via bank overdraft, venture debt, convertible note or another financial instrument. Rates for borrowing would reflect standard commercial terms. This is real cost for some currency exchange providers.

De-banking costs
Some currency exchange providers including some ARCPA members are unable to secure banking facilities. These operators must use alternative options for collection of customer funds, transfer and disbursement of funds using cash transit service providers. The additional cost for these services is estimated at between 0.5% – 3% of the transaction amount.

Regulatory and Compliance Costs

Unlike other retail industries, currency exchange is a highly-regulated sector with significant regulatory compliance overheads unique to the sector. This includes AML/CTF, Sanctions and Privacy compliance.

AML/CTF
This includes new customer onboarding, customer identification and verification. Also included are reporting obligations (AUSTRAC) and ongoing customer due diligence and monitoring. This component requires staff training and ongoing education.

Sanctions
This includes screening of customers against multiple watchlists and reporting where necessary. Screening is typically performed at customer onboarding, for all transactions, and as part of ongoing customer due diligence.

Privacy
Given the number of customer and personal records obtained, compliance with this is important for the obligations under the Privacy Act but to ensure discretion of customer data.

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Other: counterfeit
The industry is exposed to the risk of counterfeit notes – to ensure customers are being sold notes that are no counterfeit, currency exchange providers must purchase counterfeit counting machines and have a reporting process to inform the AFP should counterfeit notes be detected.

General Business Overheads

Currency exchange providers will have regular business overheads including, rent, staff, marketing, administration, general training costs, etc.

10 Currency Exchange: Issue 3 – the nature and extent of competition between suppliers

The ARCPA believes within its members there is strong competition in the market and choice for consumers.

We do not know how many currency exchange providers there are but AUSTRAC would have this information. We do know from anecdotal and industry feedback that there are many providers. We suggest that the Australian market has healthy competition.

The ARCPA acknowledges that the barrier to entry for new entrants to the sector is mixed. There are no licencing or capital requirements making it low to enter the sector. However there are high compliance requirements to manage. This may reduce the number of new entrants to the sector however anyone with a clean police record and a commitment to meeting compliance obligations can theoretically commence a currency exchange operation – this is very different to other jurisdictions.

11 Currency Exchange: Issue 4 - How prices are communicated and factors limiting the ability of consumers to effectively compare prices

The ARCPA believes the market is working effectively, offering customers choice of providers for a product that largely acts like a commodity.

The ARCPA believes lack of financial literacy by some customers may contribute to a false perception that the industry is not transparent and/or charges high fees.

The communication of fees and rates are often done for at least the major currencies using a rate board. Given how many currencies are offered it is not often practical for the currency exchange provider to display all rates.

The common practice is for the customer to request a rate to purchase a particular currency or the AUD amount for particular amount of currency. Upon agreement of this rate and any fees, the transaction takes place. If the consumer does not agree

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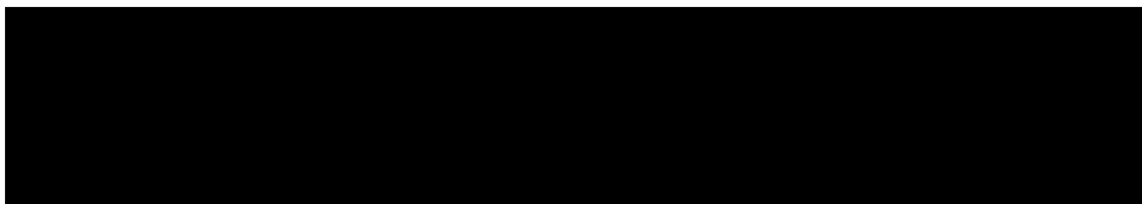
with the rate or the fees (if any), the consumer if not obliged to proceed with the transaction.

The presence of comparison sites, referral and rating services works to provide independent means of supporting those currency providers that customers trust and value. We have found that those currency providers with rates or fees that are not competitive often receive bad feedback.

We recommend the use of the word fees to denote the fee charged, if any, and that "commission" which is commonly used but can be confusing as commission, should be removed from usage so there is one consistent way to consider the fee.

For further information please contact ARCPA info@arcpa.org.au

Submission Author:



Australian Remittance and Currency Providers Association Ltd.
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Schedule 1

ARCPA Whitepaper on de-banking

Refer to the ARCPA document originally published in 2014 in response to de-banking in Australia:

https://www.dropbox.com/s/u5gmmp9pum3o5ws/ARCPA_WhitePaper_Version2_2014-12-09.pdf?dl=0

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Schedule 2

ARCPA submission to Productivity Commission Inquiry into Consumer Protection in the Banking Insurance and Financial Sector

Refer to the ARCPA document originally published in 2017:

https://www.dropbox.com/s/m6ur4k08m07ga38/ARCPA_Submission_Consumer_Protection_in_the_Banking_Insurance_and_Financial_Sector_06-03-17A_FINAL.pdf?dl=0