[redacted]

From: [redacted]
Sent: Thursday, 4 October 2018 7:09 PM
To: Foreign Exchange and Remittance
Subject: Foreign exchange on trading international shares

The following may be of interest as part of your review into foreign exchange conversion practices. It is not directly related to credit or other card activity , but is related to foreign currency transactions.

I am a customer of the [redacted], a business within the [redacted] group. I recently purchased and sold shares listed on the NY exchange, traded in US$. [redacted] offers the opportunity to buy and sell international shares, with their fees stated as a "foreign exchange conversion spread of between 0.50% to 0.80%. Buy orders also incur an additional 1.5% buffer to protect against currency movements. However the very small print refers you to the FSG PDF. I note that a buffer should not be necessary as the settlement date of the transaction is known and the purchase should be a forward transaction. Eg. T+2.

[redacted] claims that it is not an authorised FX trader and therefore requires all FX to be traded by the [redacted], without giving the client the opportunity to transfer US$ directly to them to meet a purchase obligation, and requires any sale proceeds to be immediately converted to A$ by the [redacted], and not held in US$ to be applied to further purchases. The client becomes a captive FX customer.

The PDF states that "in respect of any foreign currency conversion [redacted] undertakes on your behalf" [redacted] may charge you a spread". That fee is "up to 3% of the transaction consideration value. This amount will be embedded onto the exchange rate quoted to you by [redacted]". The customer is given no choice as to whether to accept of reject the transaction, and no transparency exists in how the rate is established. I also note that the customer is not informed of whether the word "spread" means the spread between the bank buy and sell interbank rate at the time of the trade, or at some other time, or whether it is a charge applied on top of the respective interbank rate, and is applied in addition to or as part of the fee of up to 3%. The use of the word spread is misleading as it has various meanings in the FX and banking markets.

In the transaction no information is given on how the currency exchange rate is established before fees are applied, and no opportunity exists for the customer to determine if the bank acted in the customers best interest. [redacted] has advised me that:

[redacted]

In my view this process makes the transaction completely opaque and prevents me from ensuring that the bank is acting in my best interests. The bank is completely at liberty to charge what ever it likes and I have no opportunity interact in the transaction. This practice also makes no attempt to ensure that the rate charged is not loaded to give the interbank dealer a substantial profit on the internal sale to [redacted] or on the rates traded. Having worked in the FX market, I know that the rate offered to captive inhouse bank clients is the very best business a dealer can have, enabling profits that contribute very nicely to the determination of a trader's bonus. There is no explanation of what margin is charged, or how much it is.

[redacted] pointed out to me that .."At the point of opening your [redacted] international trading account you accepted the terms and conditions for the product, acknowledging that you accessed and read the [redacted] Global Market Trading Product Disclosure Statement and the [redacted] Financial Services Guide which outline more information on our FX service and charges." This is correct however the manner of advertising their foreign share trading services and their overall obligations to act fairly and in a manner within the expectations of the community, led me to believe that they would act transparently and in my best interests. I consider that the method of dealing in foreign currency however lacks any transparency, that the terms used in the PDF and the marketing material make an understanding of the transaction difficult and the fees charged unclear. The fees are not specified and I am required to accept anything they charge. This seems unacceptable.

As an alternative to the [redacted] procedure, I could simply deliver the currency to the [redacted] to settle share purchases from a US$ account held either with them or another institution, and could similarly receive sale proceeds into a nominated US$ account. For your information I propose to close my [redacted] account and trade through another company offering such a service.

[redacted]