

15 June 2023

Dr Jim Chalmers MP
Treasurer
PO Box 6022
Parliament House
Canberra ACT 2600

Dear Treasurer,

Enhancing transparency and competition in the market for international payments

We are writing to you to ask you to act to help reduce the costs of international payments which are still far too high in Australia for both consumers and small businesses.

The main driver of these costs is the excessive and undisclosed retail margins on exchange rates used by many international payment providers and money transfer operators. These undisclosed margins on exchange rates are a form of hidden fee - one which is allowed under the current law.

As these margins are not disclosed, there is no price signal to encourage a customer to determine the real cost of an international money transfer (IMT) nor is there a motivation by a customer to shop around for the better deal and bring competitive tension to this market.

The Australian Competition and Consumer Commission (ACCC) has looked into this matter and recommended that, "suppliers...take the necessary steps to inform their customers up-front of the total price of an IMT".

However, the ACCC's guidance on this issue still allows for international payment service providers to include a large, undisclosed retail markup in the foreign exchange rate that they give to their customers.

Without a price signal for customers to make them aware of the true total costs of these payments and to prompt them into seeking a more competitive rate, many customers are paying in excess of 7% per transaction in order to make an international payment - this is far too high.

This is an impost on the cost of living for many families - particularly those who are remitting funds to their families abroad. It is also an impediment to doing business in Australia when a business has an international supply chain or payroll obligations. This cost is borne primarily by families and small and medium enterprises who lack privileged relationships with banks that might provide them with lower margin foreign transaction pricing.

Treasurer, we call on you to act on this issue and mandate through regulation that the **total cost** of an international transaction be **disclosed to the consumer up front and that this disclosure include an expression, in Australian Dollar terms, of the difference between the retail exchange rate offered to the customer and the mid-market or interbank rate.**

It is only through descriptive illustrations of these costs that we can encourage a more competitive market for international payments.

While we are encouraged to see that, per the recent Strategic Plan for Australia's Payments System, Treasury will monitor the impact of the ACCC's work in this space, we encourage you to go further and have Treasury proceed to drafting regulation which can stamp out the practice of hidden fees in this market.

We are, of course, happy to discuss this matter with you and your office directly if you wish and can be contacted through _____ or on _____.

Sincerely,

Mohammad Al-Khafaji
CEO
Federation of Ethnic Community
Councils of Australia



Peter Doukas OAM
President
Ethnic Communities' Council of NSW



Noël Zihabamwe
Founder/Chairperson
African Australian Advocacy Centre



Yeganeh Soltanpour
National President
Council of International Students Australia



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Ema Vueti
President
Pacific Islands Council of Queensland



Shanti Reddy
President
Federation of Indian Associations ACT



Dr Yadu Singh
President
Federation of Indian Associations NSW



Sury Soni
President
Federation of Indian Associations Victoria



Anoop Nannuru
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Federation of India Communities of Queensland



Surinder Jain
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Thomsen Ch'ng
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Michael Kolokossian
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Amelia Hamer
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John Ryan
Chief Education Officer
PayEd



Jonathan Capal
Chief of Global Programs
Saver.Global



Xavier Shay
CEO
Ferocia (Up Banking)



Jack Pinczewski
APAC Government Relations Manager
Wise



Sharon Noh
CEO and Founder
ProSpend



cc: Senator The Hon. Penny Wong, Minister for Foreign Affairs
The Hon. Andrew Giles, Minister for Multiculturalism and Citizenship
The Hon. Pat Conroy, Minister for International Development and the Pacific
The Hon. Dr Andrew Leigh, Assistant Minister for Competition, Charities and Treasury
The Hon. Tim Watts, Assistant Minister for Foreign Affairs
Dr Daniel Mulino, Chair of Standing Committee on Economics