



OFX Feedback: ACCC Issues Paper for the Inquiry into Foreign Currency Conversion Services

22 October 2018



1. OFX welcomes the ACCC examination of the pricing of foreign currency conversion services in Australia and the consultation being undertaken as part of the evaluation of competition in the sector.
2. The Inquiry's terms of reference cover diverse and important aspects of pricing competition in the provision of foreign currency conversion services.
3. OFX believes it is important that consumers are aware that they do have a number of alternatives when it comes to choosing an international money transfer provider. In 2016 OFX commissioned a consumer survey of 1,000 Australians which found that over 50% did not know there were foreign currency conversion and transfer options that were cheaper than those provided by the large Australian banks¹.

Who we are

4. We are an international payments firm specialising in supporting consumers and businesses who value a seamless digital experience at a competitive price; with a personal, "always on" support team.
5. In the past five years, the pace of change has radically accelerated. We believe this is driven by 3 core areas which are shaping the future of our industry and changing our competitive landscape:
 - technology-enabled innovation,
 - changing customer behaviours, and
 - increasing regulatory support and intervention.
6. Customer service is an OFX strength which differentiates us from most others in this market. Our Net Promoter Score is in the excellent range. OFX continues to enjoy strong advocacy in all markets with ease of use and the quality and availability of support services being highly appreciated.
7. Our target clients are a mix of consumers (individuals) and corporates (all forms), with 53% of our transactions coming from Consumers, and 47% coming from Corporates.
 - Use cases from consumer clients are broad and include transfers for immigration purposes, property investment and travel. They typically trust us with higher value transactions given our regulatory and compliance excellence, our service delivery, and our price.
 - Our corporate clients are predominantly Small and Medium Enterprises (SMEs), and include importers, exporters, online sellers transacting in global currencies, and businesses with growing global interests.

How we operate

8. At the heart of our operating model there are four elements that enable us to deliver our customer value proposition at scale, economically and competitively:
 - I. Online platforms that enable our clients to self-serve (90% of our transactions are booked online through our websites, app or API).

¹ Galaxy Research study completed for OFX in August 2016 on a sample of 1000 Australians nationally aged 20+.

- II. Operation through our proprietary payment network, working with our 16 banking partners around the globe to optimise the costs of processing payments across borders, and using Bank-to-bank transfer as the meta-payment to transfer money (NB: we are not in the business of cash, cheques, cryptocurrencies, wallets, cards).
- III. A strong risk management culture and processes (we have 50 licenses with regulators globally) ensuring stability and security of our customers' money and our investors shareholdings.
- IV. A localised client experience supplemented with knowledgeable human customer support accessible 24/7 around the globe.



Pricing of Foreign Currency Conversion Services: Costs and Margins

9. Delivering on the OFX operating model for our customers, who value both digital simplicity and the trustworthy human touch, drives our cost allocation decisions. OFX continually invests in the following areas to increase its service offering whilst ensuring customer satisfaction:

- customer service (including 24/7 phone support);
- our online self-service platform;
- digital and automation opportunities;
- marketing to potential as well as existing clients; and
- strong risk management systems.

10. At OFX we provide competitive pricing when compared to banks and traditional money service businesses (MSBs) like Western Union and PayPal. As a specialist global money transfer service, OFX delivers savings of, on average, up to 70% compared to the major Australian banks².

² Average savings based on published rates of ANZ, Westpac, NAB and CBA on a single transfer of AUD\$10,000 to USD between 12.6.18 and 12.7.18 excluding weekends. Transaction costs excluded.

Bank rates v. OFX rates



As at 19 October 2018. This amount is calculated using the OFX customer rate compared to the customer rates of the above-mentioned banks, as listed on their official websites.

11. The rate that we provide to our customer is the sum of the interbank rate and a margin calculated by OFX based upon the deal characteristics. The cost to provide our products can vary based on transaction characteristics such as the size of the deal, the currencies being converted, and the cost to acquire and serve our customers. These factors are considered when calculating the margin applied to each transaction.

12. OFX invests in providing exceptional service to our customers, including those that are not actively trading in foreign currency. OFX currently has over 1.2 million registered customers who have access to our website, can review current FX rates, generate quotes, and view past transactions.

13. In the year ended 31 March 2018, the OFX Group provided currency payment services to 161,900 customers and had a turnover of \$21.2bn³. The average margin charged across all our consumer and corporate customers was 56bps (inclusive of any fees charged). This margin has remained consistent (variation of less than 5bps) in recent years.

14. In our experience we have found that consumer and corporate clients who are or wish to use foreign currency and conversion services weigh up a core set of factors; cost, trust & security, ease & simplicity, transparency, speed, expertise⁴. A diverse, transparent and accessible market provides them the information they need to knowledgeably engage and select the right service for their needs.

15. OFX looks forward to engaging with the ACCC as this inquiry progresses.

³ FY18 Full year results investor presentation.

⁴ 2017 research commissioned by OFX to understand clients behaviours and needs across the complete lifecycle of international transfer needs from discovery to transact.