

2015 STAR RATINGS REPORT



International Money Transfers





International Money Transfers

November 2015

Foreword

Australians send around \$2 billion overseas every year, according to the World Bank. This is a small proportion of the total though, a staggering \$440 billion is sent from around the world to the developing nations that need it most. With this in mind, the importance of a cost-effective and secure money transfer system cannot be underestimated.

When exchanging many thousands of dollars into a foreign currency, in most cases the exchange rate is the biggest hit to your transfer. And we've seen some currency volatility across the globe this year, what with the declining Chinese economy and continuing economic struggle in Europe. Even our own Aussie dollar has been falling.

Then you have to remember the other costs involved in making a transfer, including transfer fees, receiving fees, and even fees to ask the bank whether the money got through!

This is why it's so important to shop around before making a transfer, or it could seriously hurt your wallet. CANSTAR provides you with a shortlist of the ADI international money transfer offerings in Australia and identifies those that are offering outstanding value. This year, our third year of analysing international money transfers, we assessed what's on offer with 15 providers.



Mitchell Watson
Research Manager



What are international money transfers?

An international money transfer is – as the name suggests – where you transfer money to a different country. In 2014, Australians sent \$2.29 billion overseas in the form of remittances, [according to the World Bank](#).

International money transfers are popular for both large and small amounts. The World Bank now estimates that

remittances will slow down [in 2015](#), with \$586 billion in total to be sent, of which \$440 billion will be sent to developing nations. The total sent is expected to rise to \$610 billion in 2016 and \$636 billion in 2017. This is still more than the \$440 billion sent in total [in 2011](#), which included \$325 billion sent to developing nations.

The growing number of international money transfers being made has hatched a brood of companies that exchange and transfer money between countries. These companies charge a variety of fees for this service, so it's important to shop around for the best deal. Read on to find out which companies we've rated highly for their services.

Who uses international money transfers?



People send money overseas for different purposes, from infrequent small amounts to larger daily amounts including:

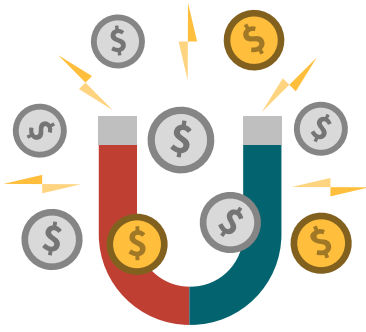
- Sending gifts to family and friends for Christmas or birthdays.
- Retailers buying and importing goods from another country to sell here.
- Companies sending large amounts of money overseas for daily trading activities.
- Sending money to support their child while they're participating in an overseas exchange program as part of their studies.
- Workers living overseas and sending money home to take care of their family while they're away.
- People moving overseas temporarily or permanently.

Different Methods For Transferring money

Different transfer methods are available in the market. While a couple of institutions offer one method, others offer a combination. A majority of institutions that CANSTAR has rated allow you to do online transfers, in-store at a branch, or via your mobile device. ANZ was a stand-out in allowing you to transfer money by speaking to someone over the phone.

Institution	Via Phone	Online	In Branch	Mobile
ANZ	Yes	Yes	Yes	Yes
Arab Bank	No	No	Yes	No
Bank of Sydney	No	Yes	Yes	Yes
Bank of Melbourne	No	Yes	Yes	Yes
BankSA	No	Yes	Yes	Yes
Bankwest	No	Yes	Yes	No
Bendigo Bank	No	Yes	Yes	No
Citibank	No	Yes	Yes	Yes
CommBank	No	Yes	Yes	Yes
Delphi Bank	No	No	Yes	No
HSBC	No	Yes	Yes	Yes
NAB	No	Yes	Yes	Yes
St George	No	Yes	Yes	Yes
Suncorp	No	Yes	Yes	No
Westpac	No	Yes	Yes	Yes

Source: Canstar International Money Transfer Ratings, 2015



WHAT ARE THE FEES?

When you transfer money internationally it's important to know what potential fees you might be charged. The main fees to be aware of are:

- **Sending fee:** This is known by many names, but it is essentially a fee charged to send the money through

the institution to an overseas bank account.

- **Receiving fee:** A fee charged to receive funds from overseas into your nominated local bank account.
- **Cancellation fee:** If you need to cancel the transfer for any reason, some institutions will charge you a penalty fee.
- **Amendment fee:** If you need to change the payment details for a transfer, some institutions will charge you a penalty fee.
- **Enquiry fee:** If you need to follow up with your bank to make sure that the funds actually got to your intended recipient, some institutions will charge you a fee for the service of checking.

Overall, the global average cost to send an amount of \$200 has remained around

8% in 2014, [according to the World Bank](#). The highest average cost of 12% was found in Sub-Saharan Africa.

Other Fees

An extra fee to look out for is the **third party institution fee**, which is charged to send money from the transfer institution to the recipient's banking institution. For example, if you're sending the money through your account at Citibank, and the other person is with a different bank, your institution may charge you a fee. But if you're both with Citibank, no worries, no fee!

The cost of this fee varies between institutions. You should do your research and inquire about how much institutions charge before signing up to make a transfer through them.

THE HIDDEN COSTS

It's important to understand that the exchange rate is the hidden cost of transferring money overseas and is often where the currency suppliers make most of their money. These costs arise from the margin that has been applied and built into the currency broker's quoted exchange rate on top of the true exchange rate. This margin can vary considerably between banks and foreign exchange brokers, so when transferring many thousands of dollars into a foreign currency it pays to shop around. As an example, the table below shows the average exchange rates for the 15 Authorised Deposit-taking Institutions (ADIs) in our rating, captured over four weeks and then averaged. This is compared with the RBA headline rate averaged over the same period to

Currency	Average RBA (Headline Rate)	Average Quoted Rate from Institution (Selling Rate)	Difference	Margin (%)
EUR	0.6566	0.6257	-0.0309	1.52
GBP	0.4690	0.4462	-0.0228	2.13
USD	0.7302	0.7004	-0.0299	1.37
CHF	0.7092	0.6723	-0.0370	1.41
HKD	5.6606	5.4345	-0.2260	0.18
INR	47.4671	45.3167	-2.1504	0.02
JPY	90.0429	85.9871	-4.0558	0.01
NZD	1.1150	1.0708	-0.0441	0.90
SGD	1.0201	0.9734	-0.0468	0.98

NB: The RBA apply the mid-points of buying and selling rates as the published/headline exchange rate. Margin rounded to 2 decimal points. The exchange rates for the 15 institutions in our rating are captured over 4 weeks and then averaged over the prescribed period (3 August 2015 to 28 August 2015).

show the difference between quoted rates and the rates eventually applied to consumer's international money transfers.



There have been some changes over the past 12 months, most notably for the US dollar, Hong Kong dollar, Indian Rupee and Japanese Yen.

The table below outlines a comparison of the headline rate from 2014 to 2015 where rates were taken as at the 9th of October. The headline rates published are mainly reference to the mid-points of buying and selling rates quoted on the day. Therefore from the consumer's view these rates are normally higher than the actual selling rates and lower than the actual buying rates quoted by foreign exchange dealers.

Currency	RBA (Headline Rate) 2014	RBA (Headline Rate) 2015	Difference (%)	Difference on a \$10,000 transfer
EUR	0.6967	0.6455	0.05	512 Euro
GBP	0.5486	0.4740	0.07	746 GBP
USD	0.8883	0.7284	0.16	1,599 USD
CHF	0.8443	0.7036	0.14	1,407 CHF
HKD	6.8893	5.6452	1.24	12,441 HKD
INR	54.23	47.22	7.01	70,100 INR
JPY	95.83	87.39	8.44	84,400 JPY
NZD	1.1175	1.0907	0.03	268 NZD
SGD	1.1270	1.0204	0.11	1,066 SGD

NB: The RBA apply the mid-points of buying and selling rates as the published/headline exchange rate.

The \$ Cost to Send Money Internationally

As mentioned earlier, the exchange rate can be the real killer when it comes to money transfers; the table below outlines the cost of exchanging \$100,000 at the highest exchange rate and at the lowest exchange rate of the companies assessed for this ratings report, within the specified timeframe.



Currency	Highest Quoted Rate (Selling Rate)	Lowest Quoted Rate (Selling Rate)	Difference on a \$100,000 transfer
EUR	0.64809	0.61793	3,016 Euro
GBP	0.46174	0.43915	2,259 GBP
USD	0.72090	0.69085	3,005 USD
CHF	0.69941	0.66028	3,914 CHF
HKD	5.58604	0.53294	505,310 HKD
INR	46.65613	44.37320	228,293 INR
JPY	88.79375	85.05250	374,125 JPY
NZD	1.08575	1.06234	2,341 NZD
SGD	1.00181	0.96204	3,978 SGD

NB: The exchange rates for the 15 institutions in our rating are captured over 4 weeks and then averaged over the prescribed period (3 August 2015 to 28 August 2015).

Similarly the minimum, maximum and average fees of international money transfer providers assessed are outlined below.

	Transfer fee		Cancellation fee	Amendment fee	Enquiry fee
	Online	Branch			
Minimum	\$15.00	\$20.00	\$0.00	\$0.00	\$0.00
Maximum	\$30.00	\$35.00	\$30.00	\$35.00	\$30.00
Average	\$21.38	\$28.67	\$21.67	\$28.67	\$22.00



Hot tip: A little bit of homework goes a long way when it comes to exchange rates and transfer fees, so you should compare your shortlist of institutions before picking one. Every institution costs something, but you can make sure that more of your money goes where it should – to your recipient, not your institution.

WHO OFFERS OUTSTANDING VALUE?

CANSTAR congratulates this year's two five-star winners!

For the third year in a row, both **Citibank** and **HSBC** have come up on top.

Citibank

Why they received an Outstanding Value rating:

Citibank is one of world's largest financial services organisations and is the largest international bank in Australia. Through their extensive global presence, Citibank has been able to provide consumers with a wide range of foreign currency options at competitive exchange rates.



Just as in the previous ratings, Citibank was again the leader in price in 2015. They previously offered the highest average exchange rate across all currencies, and in 2015 they offered the highest exchange rates across eight of the nine currencies we considered with a low average transfer fee of \$25.

The table below outlines Citibank's performance against the market.

Currency	Citibank Average Rate	Minimum Rate of Market	Average Rate of Market
CHF	0.6994	0.6603	0.6723
EUR	0.6481	0.6179	0.6257
GBP	0.4617	0.4391	0.4462
HKD	5.5860	5.3294	5.4345
INR	46.6561	44.3732	45.3167
JPY	88.7938	85.0525	85.9871
NZD	1.0853	1.0623	1.0708
SGD	1.0018	0.0962	0.09734
USD	0.7209	0.6908	0.7004

**Average rates were captured during period of review from 3 August 2015 to 28 August 2015*

The true cost of transferring money comes from the exchange rates themselves rather than the transfer fee, and Citibank's superior exchange rates make them a clear winner.

Citibank offers the following key features of note:

- You can make your transfer online, at a branch, and via mobile devices.
- Direct payment to Citibank happens in real-time (another institution takes 72 hours).
- Citibank does not charge a fee when you cancel a transfer, enquire about the status of payments, or when a transfer is returned or rejected.
- There are currently 18 currencies available for transfer.



International Money Transfers

HSBC

Due to their strong combination of price and features, HSBC has maintained their position at the top this year. They offered the highest average exchange rate for New Zealand Dollars and the second highest rate across most of the other currencies including Japanese Yen and British Pound.



Below is a table which outlines HSBC's performance against the market.

Currency	HSBC Average Rate	Minimum Rate of Market	Average Rate of Market
CHF	0.6905	0.6603	0.6723
EUR	0.6411	0.6179	0.6257
GBP	0.4569	0.4391	0.4462
HKD	5.5149	5.3294	5.4345
INR	45.7321	44.3732	45.3167
JPY	87.7274	85.0525	85.9871
NZD	1.0857	1.0623	1.0708
SGD	0.9917	0.962	0.9734
USD	0.7153	0.6908	0.7004

**Average rates were captured during period of review from 3 August 2015 to 28 August 2015*

HSBC offers the following key features to note:

- You can make your transfer online, at a branch, and via mobile devices.
- Direct payment to and from HSBC happens instantaneously in real-time (another institution takes 72 hours).
- There are 15 currencies available for transfer.
- How to guides are available for consumers' information – and if they don't have the answers, consumers can speak with live online help.

Canstar congratulates both 2015 five star rated providers.



METHODOLOGY

INTERNATIONAL MONEY TRANSFERS

What is the CANSTAR *International Money Transfers star ratings*?

CANSTAR International Money Transfer star ratings is a sophisticated and unique ratings methodology that compares both Cost and Features to undertake a money transfer to an overseas account. CANSTAR star ratings represent a shortlist of financial providers, enabling consumers to narrow their search to providers that have been reviewed, assessed and ranked.

What types of providers are evaluated by CANSTAR *International Money Transfers star ratings*?

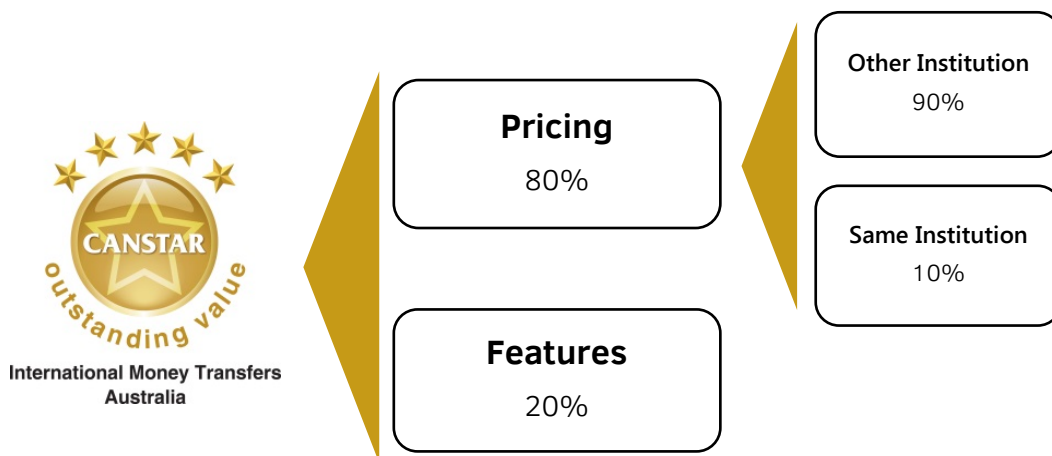
Within the International Money Transfers star ratings, only Australian Authorised Deposit Taking Institutions (ADIs) are considered.

How are the 'stars' calculated?

Each provider reviewed for the CANSTAR International Money Transfer *star ratings* is awarded points for its comparative pricing and for the array of positive features attached to the product. These features include the availability of facilities, coverage on currencies and consumer resources available. Points are aggregated to achieve a Pricing score (P) and a Feature score (F).

To arrive at the total score CANSTAR applies a weight (w) against the Pricing and Feature scores. This weight will reflect the relative importance of either costs or features in determining the best product. This method can be summarised as:

$$\text{TOTAL SCORE (T)} = \text{PRICING (P)} + \text{FEATURES SCORE (F)}$$



Pricing Score

The pricing score is made up of the Transaction Scenarios. The Transaction Scenario is used to take into account the financial outcome of making an international payment or transfer across a number of currencies. The scenarios are broken into two components, transferring money to a different institution and transferring money to the same institution.

Note: Should the provider not have an international presence, their standard international fee structure is used for the same institution.

Transaction Scenario

When exchanging many thousands of dollars into a foreign currency, in most cases, the margin that the issuer has built into the exchange rate is the largest part of the overall cost of the transaction compared to the relatively small direct transfer fee charged. To find the overall cost of transferring money internationally, the transaction scenario calculations will consider the exchange rate and the cost to make the transfer. Our calculations are based off 500 hypothetical scenarios with an average transfer amount of \$15,000.

These costs are benchmarked against a hypothetical cheapest product in the market – one which does not incur transfer fees with the best average exchange rate observed in the market in our survey period. Method for calculation the Net Cost:

1. Calculate the Net Foreign Currency after the costs and exchange rates have been applied.
2. Calculate the benchmark Net Foreign Currency by converting each exchange with the best exchange rate across all currencies.
3. Calculate the Net Cost of the transfer compared to the benchmark.

Net Cost: Benchmark Net FX – Institution Net FX

4. A score is calculated based on the Net Cost for each currency, with the lowest cost product receiving the highest score. The scores for each currency are then combined into a total Pricing Score. The weight that each currency is given as a proportion of the total score is shown in the table below.

Currency	Weight
United States Dollar	30%
British Pound	15%
New Zealand Dollar	15%
Euro	15%
Indian Rupee	5%
Japanese Yen	5%
Singapore Dollar	5%
Hong Kong Dollar	5%
Swiss Franc	5%

Feature Score

The feature component takes into account over 70 product features and allocated points. These product features are grouped into 4 different categories with weights given to each relevant area. The following table outlines the weightings of each of the feature categories per profile:

Category	Weight
International Payment Facilities	40%
Fees and Charges	20%
Currency Information	20%
Top Tier Currencies Available	60%
2 nd Tier Currencies Available	20%
Total Currencies	10%
Rate Information	10%
Customer Service, Tools and Education	20%

Does CANSTAR rate all products available in the market?

We endeavour to include the majority of product providers in the market and to compare the product features most relevant to consumers in our ratings. However, this process is not always possible and it may be that not every product in the market is included in the rating nor every feature compared that is relevant to you.

How often are all the products reviewed for rating purposes?

All ratings are fully recalculated every twelve months based on the latest features offered by each institution. All awards are recalculated every year based on the latest ratings. CANSTAR also monitors rate changes on an ongoing basis.

Does CANSTAR rate other product areas?

CANSTAR researches, compares and rates the suite of banking and insurance products listed below. These star ratings use similar methodologies to guarantee quality, consistency and transparency. Results are freely available to consumers who use the star ratings as a guide to product excellence. The use of similar star ratings logos also builds consumer recognition of quality products across all categories. Please access the CANSTAR website at www.canstar.com.au if you would like to view the latest star ratings reports of interest.

- Account based pensions
- Agribusiness
- Business banking
- Business life insurance
- Car insurance
- Credit cards
- Deposit accounts
- Direct life insurance
- First home buyer
- Health insurance
- Home & contents
- Home loans
- Landlord insurance
- Life insurance
- Managed investments
- Margin lending
- Online share trading
- Package banking
- Personal loans
- Pet insurance
- Reward programs
- SMSF loans
- Superannuation
- Term deposits
- Travel insurance
- Travel money cards
- Youth banking



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International Money Transfers

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International Money Transfers

Company	Exchange Rate Set	Online Transfer Fee (\$)*	Branch Transfer Fee (\$)*	Direct Account Payment Delivery Time (hrs)*	Phone Helpline	US Dollar (USD)	Euro (EUR)	British Pound (GBP)	New Zealand Dollar (NZD)	Indian Rupee (INR)	Japanese Yen (JPY)	Currency Calculator
★★★★★ "Outstanding Value"												
Citibank	Daily	25	25	72	✗	✓	✓	✓	✓	✓	✓	✗
HSBC	Real-time	20	25	72	✗	✓	✓	✓	✓	✓	✓	✗
★★★★												
ANZ	Daily	18	32	48	✓	✓	✓	✓	✓	✓	✓	✓
Arab Bank	Daily	N/A	20	72	✗	✓	✓	✓	✓	✗	✗	✗
Bankwest	Daily	20	35	72	✗	✓	✓	✓	✓	✓	✓	✓
Suncorp	Daily	20	30	48	✗	✓	✓	✓	✓	✓	✓	✓
★★★												
Bank of Melbourne	Daily	20	32	72	✓	✓	✓	✓	✓	✓	✓	✓
Bank of Sydney	Daily	15	20	72	✗	✓	✓	✓	✓	✗	✗	✓
Bank SA	Daily	20	32	72	✓	✓	✓	✓	✓	✓	✓	✓
Bendigo Bank	Daily	30	30	48	✗	✓	✓	✓	✓	✓	✓	✓
CommBank	Daily	22	30	48	✗	✓	✓	✓	✓	✓	✓	✓
Delphi Bank	Daily	N/A	25	48	✗	✓	✓	✓	✗	✗	✗	✗
St George	Daily	20	32	72	✓	✓	✓	✓	✓	✗	✓	✓
Westpac	Daily	20	32	48	✓	✓	✓	✓	✓	✓	✓	✓
★★												
nab	Daily	22	30	72	✗	✓	✓	✓	✓	✓	✓	✓