SUBMISSION TO THE SENATE INQUIRY INTO MATTERS RELATING TO CREDIT CARDS INTEREST RATES

August 2015

CONTENTS

SUMMARY

1. ANZ welcomes the opportunity to contribute to the Standing Committee on Economics Inquiry on Credit card interest rates. The Inquiry has been asked to report on the difference between cash rates and credit card interest rates with reference to credit provider costs including credit risk and defaults, loyalty programs, consumer protection measures, costs to consumers, the impact of competition and responsible lending laws.

2. Continual innovation in the payments industry means that consumers in Australia now have more choice than ever in how they pay for goods and services and manage their money. There is an extensive range of credit card products and also newer electronic payment options including scheme supported debit, PayPal, BPay and direct transfers.

3. Consumers choose to use credit cards as a payment option because of the services they offer such as interest free days, fraud protection, rewards points and the ability to make international and online transactions.

4. The credit card market in Australia is highly competitive with 80 institutions offering over 250 products[1], with differential pricing and benefits. The process of applying for and switching between credit cards is simple and continually improving as providers improve their service offerings.

5. Competition in the credit card market has increased as changes in regulatory requirements have made it easier for new non-bank entrants and there have been significant technology advances in the payments industry.

6. Analysis on the difference between credit card rates and the RBA cash rate has focused on the headline interest rates published by the RBA for standard rate cards, both 'full service' and 'low rate' cards.[2] These headline rates are not indicative of the actual interest paid by customers on credit card balances. The true effective interest rate – that is, the gross interest charged as a percentage of balances outstanding – paid on credit card balances in aggregate is much lower than the 'full service' standard card rate published by the RBA.

7. Interest rate movements on unsecured credit products must take account of through-the-cycle loss rates and the underlying economic factors driving reductions in cash rates (e.g. unemployment).

8. Consumer behaviour is also changing as credit card customers increasingly shifting spend to debit cards, paying down balances and taking advantage of reduced interest offers like promotional balance transfers. These changes in behaviour have the combined effect of reducing the total amount of interest bearing debt in the Australian credit card market and lowering the net effective interest rate that credit card providers receive on the lending they provide.

9. There is a smaller pool of credit card debt in the market and that debt is less costly to consumers. This has coincided with consumer expectations of greater security and card benefits.

10. There are three parts to credit card pricing: interest rates, annual fees and other fees for functionality such as cash advances or foreign currency transactions. These pricing elements

[1] Credit Card Finder, 30 July 2015.
[2] RBA Statistical Table, F05.

are not increasing, as has widely been purported; rather they are in in decline or have been static for a number of years.

11. On the other hand, the costs of providing credit card services are rising, despite reductions in the RBA Cash Rate. Funding costs are less than 25 per cent of total costs.

12. Credit card customers in Australia benefit from a strong regulatory environment designed to ensure customers are able to compare products and pricing and make well informed decisions about credit cards. ANZ has tools and calculators on its website to assist customers to match a credit card offering to their needs, compare credit cards and assess balance transfer offers.

13. With the introduction of the *National Consumer Credit Protection Amendment Act* in 2011, ANZ, unlike many of our peers, also extended new ‘payment hierarchy’ rules to existing customers. Regulations only required these rules to be applied to new accounts. These protections ensure that all customers benefit from paying down the highest interest portion of their balances first.

14. ANZ recognises that improved consumer education and information will reduce the risk that consumers will make decisions that lead to poor financial outcomes, including financial hardship. ANZ runs Australia’s largest financial education programs MoneyMinded and Saver Plus in partnership with Government and community organisations. The programs have a demonstrated track record of improving the basic budgeting, saving and money management skills of lower income participants, including use of credit cards

A. CONSUMER PAYMENTS IN AUSTRALIA

The Australian payments industry

1. Australian consumers benefit from more ways to pay than ever before. While traditional forms of payment such as cash and cheques remain available, new forms of payment such as scheme supported debit cards, mobile transfers and new entrants like PayPal offer customers an array of payment choices in addition to credit cards.

2. ANZ and other banks have made large scale investments in payment technology including contactless acceptance (near field communication or NFC) and mobile payments. We also invest heavily in payment innovation including the support of industry-wide initiatives such as the New Payments Platform (NPP). ANZ continues to operate a large network of branches and ATMs for customers who choose to use cash or cheques.

3. With continuing innovation in the payments industry, consumers are altering their payment behaviour. Notably there has been an increase in the use of debit cards. Scheme supported debit cards are accepted online and overseas providing customers with an alternative to credit cards. Figures 1 and 2 show that debit card use has grown at nearly double the rate of credit card usage since 2007, both by number and value of transactions.

Figure 1, Growth in number debit and credit card transactions (Australia Total)

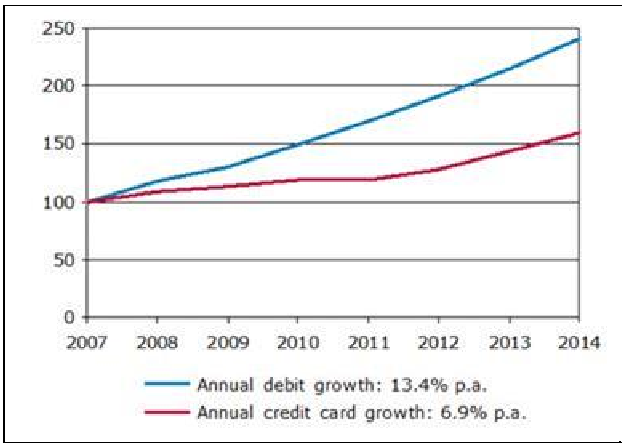
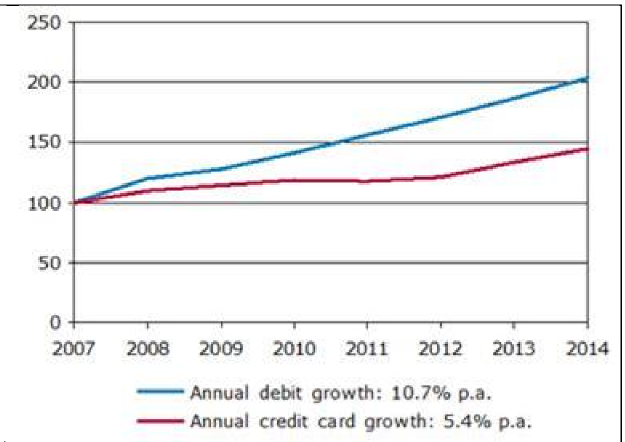


Figure 2, Growth in value of debit and credit card transactions (Australia Total)



Source: RBA Statistics Table C01 and C05

4. Customers are increasingly using new digital payment options. ANZ now has over 1.4 million customers using our goMoney mobile application and the number of payments made through mobile devices has been growing at over 25 per cent each year.

Competition and customer choice in the Australian credit card market

5. Australian consumers who choose to use credit cards as a payment mechanism now have more choice than ever of both provider and product. There is clear evidence of robust competition in the credit card market in Australia with hundreds of card products available from over 80 different issuers. Issuers include not only local banks, but also credit unions, global issuers, including HSBC and Citibank, and non-banks like Coles and Woolworths.

6. Recent changes made by APRA removed the requirement for credit card issuers to be Authorised Deposit-taking Institutions (ADIs) making it easier for non-bank providers to enter the market. The credit card segment is the one of the most contested markets in the Australian finance industry. Greater competition in the credit card market can be expected to deliver better products and more choice for consumers.

7. ANZ has online tools and calculators to help consumers choose the right card for their circumstances, understand credit card statements and manage their credit appropriately. Comparison websites assist consumers make informed decisions about a credit card to suit their needs and how best to use it.

8. ANZ also filters and rejects on average 35 per cent of potential applicants and, where consumers apply for an unsuitable card, looks to suggest a more appropriate card option. The Financial System Inquiry final report recommends introducing comprehensive credit reporting (CCR). This should further improve outcomes for consumers by reducing the likelihood of loan defaults and improving credit decisions across the system.

9. ANZ and other banks are subject to a high degree of scrutiny from regulators. A range of consumer protection measures are in place to help equip consumers to make appropriate decisions about their finances and use of credit cards. These protections include:

    - The mandatory provision of standard Key fact Sheets allowing customers to easily compare rates and fees across products
    - Providing a customer with tailored information about how long it will take to pay off card balances and the total interest that may be charged. There is also a phone number given on each statement for customers to speak to their card issuer about options to better manage their card
    - Regulation and standards around advertising and promotions is designed to ensure customers are fully informed of the interest rates and fees on their product and the conditions of any promotional offer presented.

Benefits of credit cards for consumers and merchants

10. Credit card users value the bundle of services cards provide including convenience, interest free days, security, fraud protection, insurance, use internationally, and rewards programs. Merchants benefit from the reduced cost of handling and managing cash. Many consumers choose not to use credit cards. The ABA notes in its submission that 40 per cent of Australian adults have a credit card.

11. ANZ consumer credit card customers benefit from up to 44 or 55 days interest free on credit card purchases. During this period, customers are not charged interest but are, in effect, borrowing from ANZ with no interest cost, provided they pay their card off in full at the end of the period. This facility means credit cards can be used by consumers and small businesses as a substitute for unsecured loans to fund working capital.

12. All ANZ’s credit cards are designed first as a payment vehicle to facilitate customer purchases. ANZ and our partner payment schemes invest substantial amounts in security and fraud prevention to keep our customers money safe and provide surety for payments. These fraud protections reduce customer liability and help to ensure customers are protected against fraud.

13. The cost of fraud protection is increasing. ANZ has seen credit card fraud costs increase by over 100 per cent over the last four years, in part due to the increasing popularity (value) of online and overseas purchases. Figure 3 shows that the total annual cost of fraud related to credit cards, charge and scheme debit cards in Australia is now over $350 million[3] and grew by nearly 25 per cent in 2014.

Figure 3, Scheme Credit, Charge and Debit Card Fraud in Australia

	2011	2012	2013	2014
Lost/Stolen	$15.8M	$22.8M	$29.6M	$30.0
Never Received	$3.2M	$7.2M	$7.8M	$7.0
Fraudulent Application	$1.1M	$3.5M	$1.5M	$1.2
Counterfeit/Skimming	$58.7M	$27.7M	$22.5M	$25.1
Card Not Present	$198.1M	$183.1	$210.4M	$299.6
Other	$2.2M	$1.1M	$1.2M	$0.9
TOTAL	$279.1M	$245.4M	$273M	$363.7
% of Card Fraud Overseas	62%	55%	55%	64%
Card Fraud in Australia on International Cards	$67.8M	$46.2M	$49.7M	$57.3
Of which: Counterfeit/Skimming	$17.1M	$11.9M	$11.7M	$9.3
Card Not Present	$43.3M	$29.6M	$34.2M	$44.7

Source: MWE Consulting, Australian Payments Clearing Association
Note: Card not present transactions are those where the merchant accepts the credit card as payment when the customer is not physically at their premises; typically online, recurring payment or phone based transactions.

14. Customers and merchants have benefited from the developments and investments made in payment systems transformation, driven by the credit card industry. Electronic payments and innovations such as chip-and-pin technology, contactless payments and mobile functionality make it easier for customers to pay and for merchants to accept payments, along with the reduced administration and cost associated with handling cash.

15. Many ANZ credit cards also offer various forms of insurance including purchase protection, overseas medical and dental insurance and transport accident cover.

16. Those cards offering rewards provide customers with additional benefits. Across ANZ rewards cards, over 60 per cent of customers do not generally pay interest on their card purchases.

Ease of customer switching

17. Competition in the market and the focus on attracting new customers means it is straight forward for consumers to change credit card providers. On request, ANZ closes a customer's credit card and can assist with transfer of recurring payments. When ANZ acquires new customers, we perform standard credit assessment checks. The process for new customers, from application to an active card, is generally less than a week. Closing an account can be done on the same day.

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[3] Australian Payments Clearing Association

18. Customers who choose to shop around for a suitable card can benefit from generous acquisition offers, including rewards points or the ability to transfer existing balances to an interest free facility for a set period of time. Current balance transfer offers in the market offer up to 24 months interest free on balances, giving customers the flexibility and time to reduce their credit card debt.

19. In ANZ's experience most customers use balance transfers as designed, to reduce interest payments and repay their credit card debt. On average, at the end of a balance transfer period, approximately 70 per cent of customers either pay off their balance in full or transfer it to another provider.[4]

20. Evidence suggests customers find it easy to switch credit card products and many do so frequently. Credit cards are the most switched banking product. During 2014 over 1.2 million[5] new credit cards accounts were opened Australia, while the net new credit card accounts in market were only 207,000[6]. This would suggest that close to one million customers change or add a new credit card provider each year (approximately eight per cent of all credit card customers).

21. Further co-operation between providers on dealing with direct debits and recurring transactions may be possible but is likely to be at a significant cost to industry to build the necessary infrastructure. Credit card schemes operate technology on a global scale ensuring infrastructure investment is spread across a large number of customers and transactions. As a relatively small market, implementing "card number portability" in Australia would result in significant industry costs.

22. Past experience suggests that when services of this type are made available to customers, there is low uptake. For example, ANZ has offered a service for customers to change their direct debit arrangements when opening a new savings account. Less than half of one per cent of customers opening a new savings account have taken up this service.

[4] ANZ data.
[5] Argus ACE Benchmarking Studies.
[6] RBA Statistics Table C1 – Credit and charge card statistics. Series ID CCCCSNA.

B. CREDIT CARD INTEREST RATES

Card usage and cost to customers

23. Credit card users pay an annual fee, interest charges on outstanding balances, and fees for things like cash advances or foreign currency transactions. There are currently at least 12 zero fee cards offered in the market. Customers can therefore have a credit card and pay no fees or charges if they pay their balance off each cycle. ANZ currently offers a low fee card at $30 per annum.

24. Annual fees for cards offered in the Australian market currently range from $0 to upwards of $1000, while interest rates range from approximately 5 per cent to around 22 per cent for most products. In a competitive market, ANZ believes it is for product providers to create compelling value propositions for customers with different combinations of pricing and benefits. With appropriate regulatory safeguards and information to assist consumers, customers are then able to make informed decisions about which products to hold and how to use them.

25. Currently, nearly 50 per cent of ANZ customers do not pay interest on their credit cards. We have seen a steady decline in the number of customers paying interest as a result of

    i. payment hierarchy rule changes (see paragraphs 49-51) and

    ii. an increasing number of customers taking advantage of zero rate balance transfer offers.

    Of those customers who do pay interest, the highest proportion use Low Rate Cards, which currently have an interest rate of 13.49 per cent per annum on purchases.

Effective credit card interest rates

26. This inquiry has been asked to examine the difference between cash rates and credit card interest rates. Some argue that credit card interest rates should have fallen as the Reserve Bank cash rate was reduced.

27. Analysis on the difference between credit card rates and the RBA cash rate has focused on the headline interest rates published by the RBA for standard rate cards, both 'full service' and 'low rate' cards.[7] These headline rates are not indicative of the actual interest paid on credit card balances. The true effective interest rate – that is, the gross interest charged as a percentage of balances outstanding[8] – paid on credit card balances in aggregate is much lower than the 'full service' standard card rate published by the RBA.

28. As shown in Figure 4 below, the effective industry interest rate has trended down since 2011. There is less interest bearing debit in the credit card market and that debt is cheaper to service. There is little relationship between the effective credit card interest rate and the RBA reported standard rate. Reasons for the divergence include:

    i. Around 50 per cent of credit card customers repay their outstanding balance each month, effectively paying zero interest and enjoying the benefit of interest free periods of up to 55 days

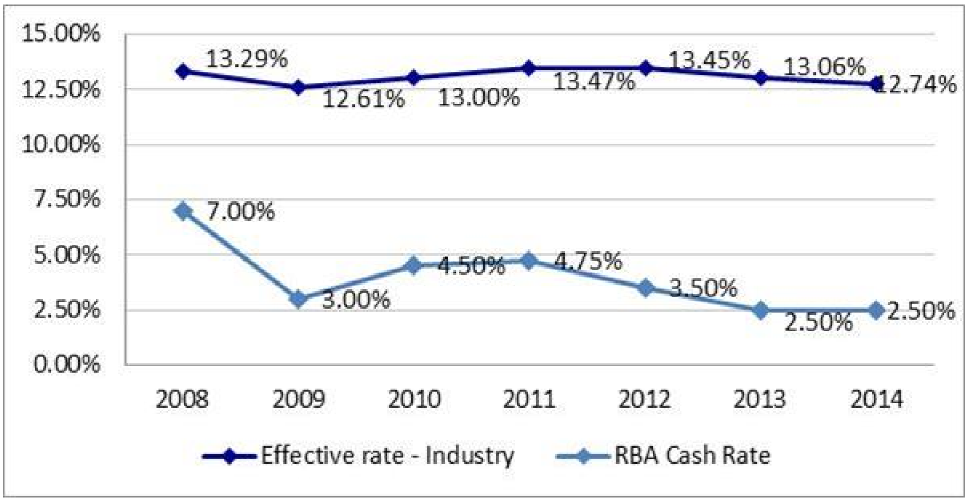
[7] RBA Statistical Table, F05.

[8] Effective rate = Gross interest charged as % balances outstanding (total interest / average assets over 12 months ending 30 Sep each year). RBA Cash rate taken following the September RBA meeting each year.

ii. A major focus of competition in the market is based on balance transfers. This means an increasing proportion of customers pay no interest on their credit card balances. ANZ for example currently offers a 16 month interest free period on balances transferred to its platinum card (2 per cent balance transfer fee).

iii. The standard interest rate reported by the RBA generally represented the higher end of the market, attracting higher benefits.

Figure 4, Australian credit card industry effective interest rates & RBA Cash Rate



Source: Argus ACE Benchmarking Studies, Reserve Bank of Australia

Changing industry dynamics are discussed further below.

Unsecured lending and credit card risk

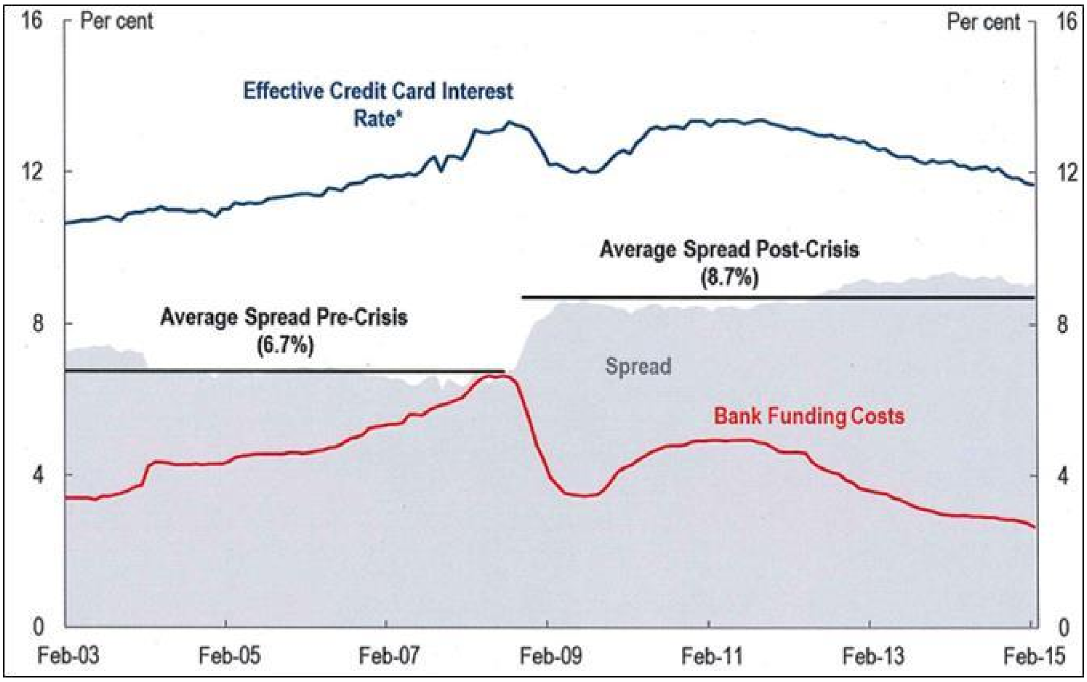
29. As a form of unsecured lending, credit cards are fundamentally different from other forms of lending such as mortgages. Credit card lenders do not have direct recourse to an asset in the event of default. Higher risk is borne by the lender with the need to maintain substantial provisions. Interest rates form part of the pricing mechanism to offset that increased risk.

30. This risk dynamic is well recognised by the both banks and regulators as evidenced by the risk weights applied to credit card limits (APRA defined). While recent increases in mortgage lending requirements increased risk weights to 25 per cent to account for the potential risk borne by banks, the risk weights applied to credit card balances is significantly higher at over 40 per cent.

31. There was a repricing of risk in unsecured lending and credit card industry that occurred in 2008-09. Treasury has noted in a brief to the Treasurer in March this year, released under freedom of information laws, that there has been an average increase in spread of 2 per cent following the GFC (see Figure 5).[9]

[9] Treasury Ministerial Brief on Credit Card Interest Rates, 25 March 2015. See treasury.gov.au under 'Freedom of Information'

Figure 5, Australian credit card spreads pre and post financial crisis

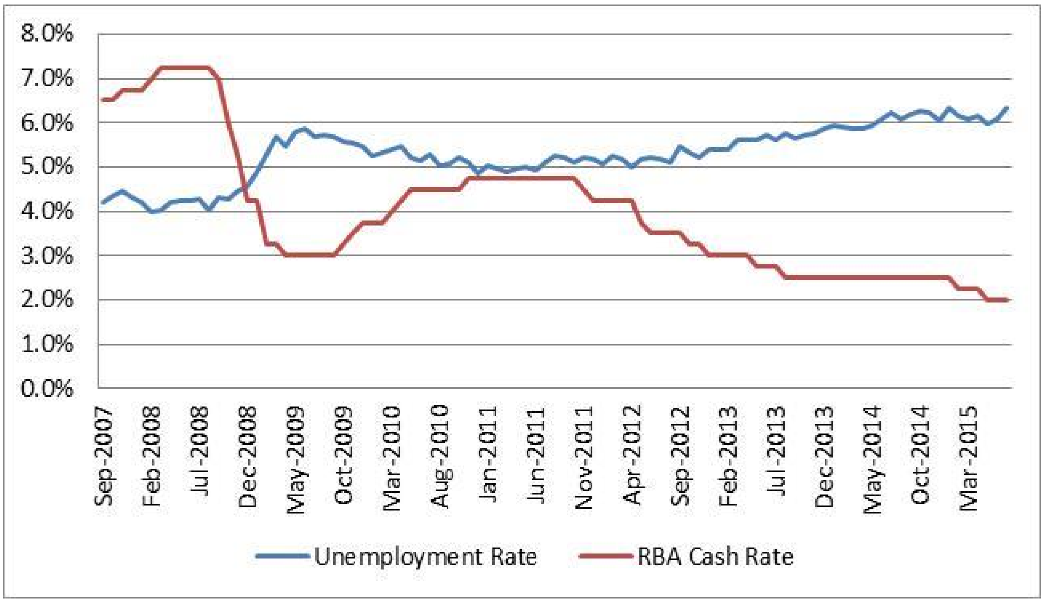


Source: Treasury Ministerial Brief – Supporting materials, 25 March 2015. Prepared for the Treasurer of Australia.

32. In unsecured lending it is imperative that risk is managed over the economic cycle. ANZ continuously evaluates our card interest rate positioning in relation to anticipated portfolio risk and competitor pricing.

33. Changes in the RBA cash interest rate are made with the intention of intervening in the economy to stimulate borrowing and growth (declining rates), or to increase the cost of borrowing thus dampening economic growth (increasing rates). A fall in interest rates, by definition, is symptomatic of an economy that is or is likely to be performing below capacity. Increases in unemployment, a reduction in hours worked and declines in consumer and business sentiment are often symptomatic of an underperforming economy, and indicate additional risk of default in credit card portfolios. The change in spread in recent years is consistent with these trends.

Figure 6, Unemployment and RBA Cash Rate (Australia)



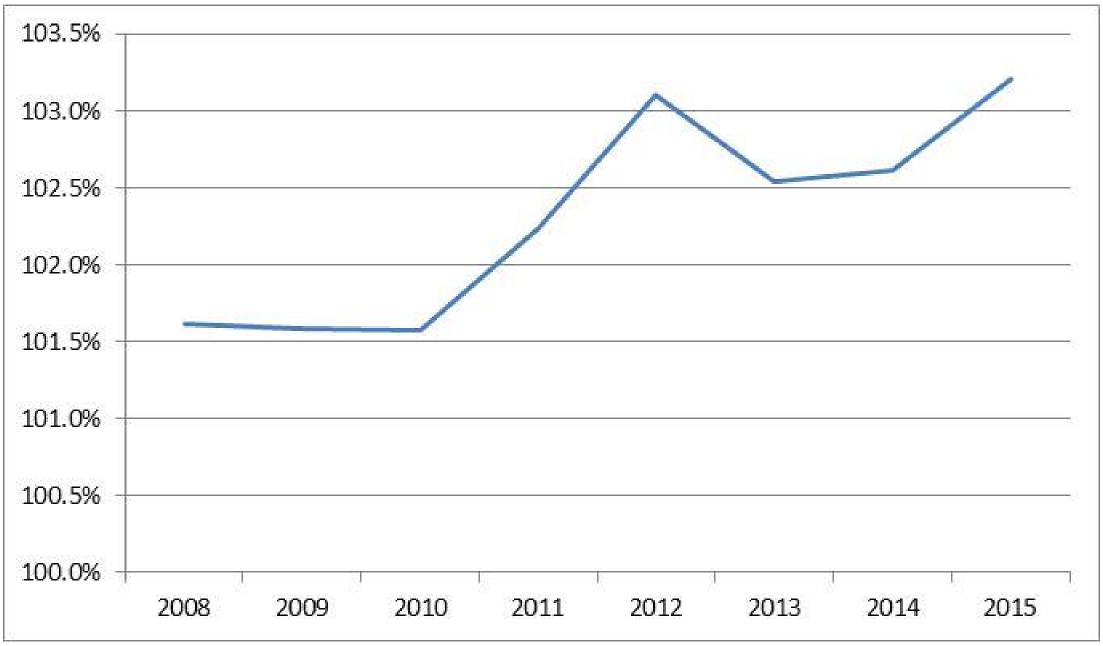
Source: Australian Bureau of Statistics, Reserve Bank of Australia

34. As a prudent lender, ANZ needs to carefully consider how the effect of increased unsecured lending will affect individual customers and their capacity to repay, and therefore the risk in our portfolio, especially when considering through the cycle performance of our full portfolio of customers.

35. When evaluating the credit of individual borrowers ANZ needs to consider the customers' ability to repay at not only the current level of interest rates but also at rates that are higher than today.

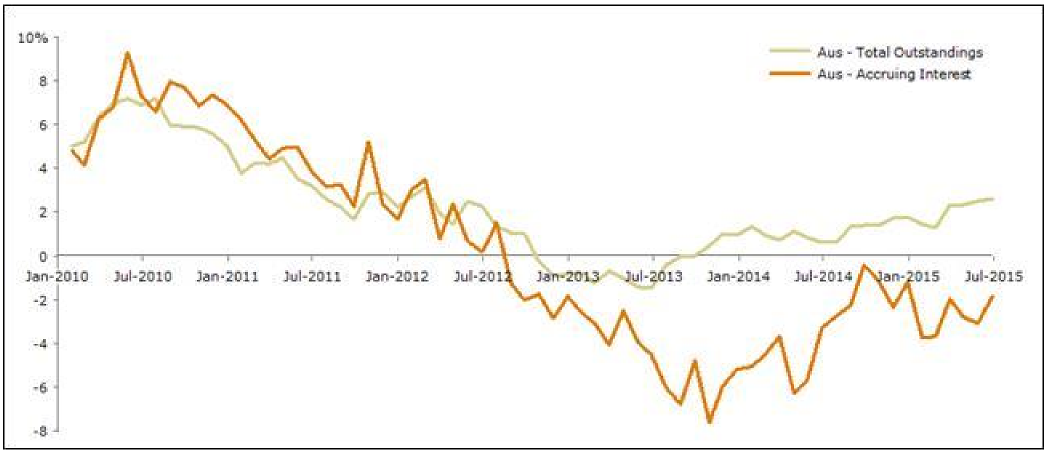
36. Australian consumers are reducing the amount of interest they pay on their cards through the systematic repayment of interest bearing balances and through taking advantage of the multiple low-or-no interest rate balance transfer offers available. More and more customers are choosing to limit and manage their credit card balances, to reduce the interest paid on balances.

Figure 7, Average annual credit card repayment rates



Source: RBA Statistics – Table C1 Credit and Charge Card Statistics

Figure 8, Year over year percentage change in credit card balances

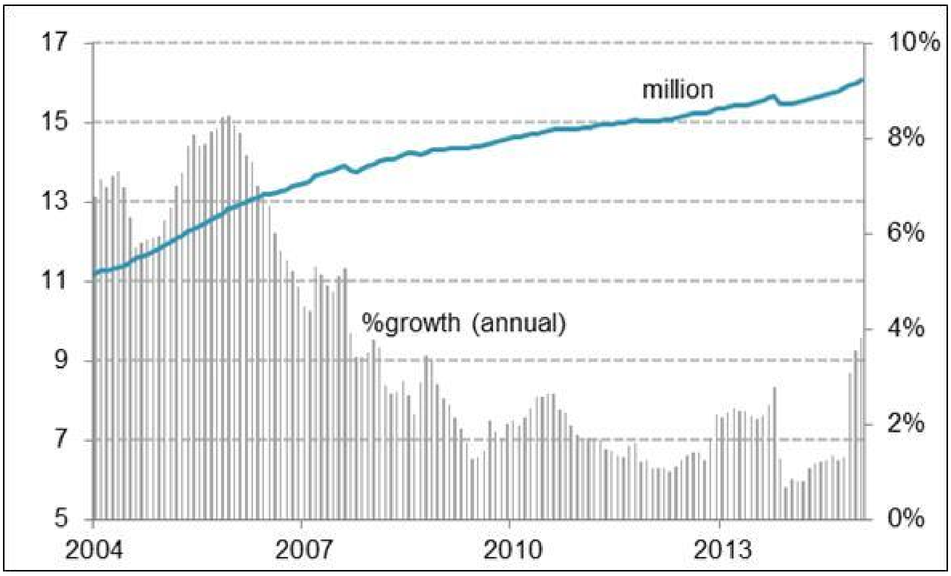


AUD$B	Jan-10	Jan-11	Jan-12	Jan-13	Jan-14	Jan-15
Aus - Total	46.2	47.9	49.2	50.0	49.1	49.3
Aus Accruing interest	33.8	35.8	36.9	36.0	35.0	34.1
% of balances accruing interest	73.1%	74.7%	75.0%	72.0%	71.3%	69.1%

Source: RBA Statistics – Table C1 Credit and Charge Card Statistics

37. These dynamics have occurred despite a continual increase in both the number of credit cards used in the market and the total spend made on those cards. It is clear that consumers are better managing their credit cards and consumer debt, increasingly using credit cards to their benefit while proactively managing their costs.

Figure 9, Number of credit card accounts



Source: Australian Bankers' Association, Reserve Bank of Australia

Credit card costs

38. Commentary on credit card interest rates and many of the submissions made to this inquiry have focused on changes in the RBA cash rate and its relationship to headline credit card rates. It has been noted that as the cash rate (as a proxy for bank funding costs) falls, so to should credit card interest rates. ANZ believes this relationship is widely misunderstood.

39. The true business cost associated with the provision of credit cards is significantly higher and more diverse than simply the cost of funds underlying the provision of credit.

40. Credit card cost information is commercially sensitive, however industry benchmarking provided by Argus Information and Advisory Services ('Argus') provides a view of credit card operating costs across the industry. Argus is a leading international provider of analytics, information and solutions to consumer banks.

41. Table 1 below shows the operating cost structure for the provision of credit cards at selected banks including ANZ. This data set does not account of all bank costs associated with credit cards, as paragraph 43 explains. Table 1 indicates:

- Funding costs are about 35 per cent of total credit card operating costs. While RBA rates influence funding costs, funding must also take into account credit risk, and liquidity characteristics of credit card financing
- Credit management and fraud comprise around 30 per cent of costs. These costs include credit related losses, consumer protection and protection against fraud
- Rewards and product benefits are around 27 per cent. These include scheme administration, points reward, discounts and travel insurance
- Scheme fees are around nine per cent. Banks pay for services such as infrastructure, processing, settlement, foreign exchange services and customer service and support.

Table 1, Credit card operating cost structure (12 months to September 2014)

Funding costs	34.6%
Credit management and fraud	29.9%
Scheme fees and transaction costs	8.7%
Rewards and product benefits	26.7%
TOTAL	100.0%

Source: Argus

42. These operating costs do not include material additional costs of providing credit card services, in particular:

    i. the capital investment associated with technology and regulatory requirements

    ii. maintenance of the branch network, contact centre and online channels to service customers

    iii. the significant investment in research and intellectual property required to manage a complex business of this nature

    iv. the cost of premises and office space for personnel

    v. marketing and promotional costs (including the costs to produce required regulatory disclosures and customer information), and

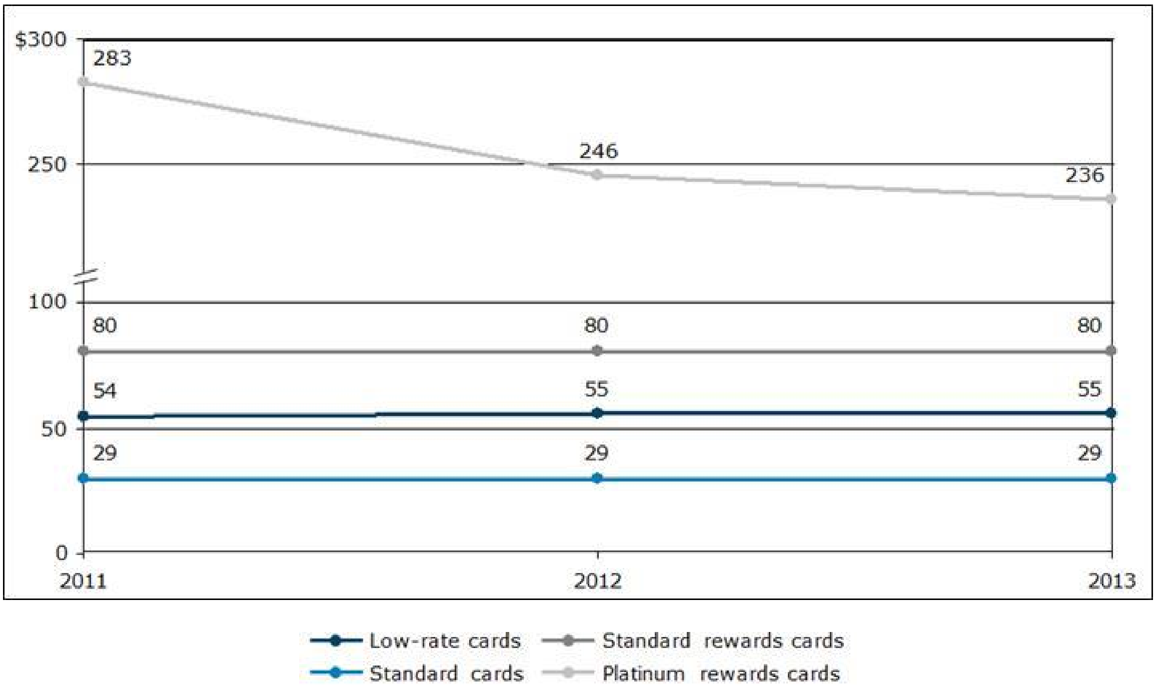
    vi. the costs associated with innovation and new product development.

    These costs represent a substantial portion of the total costs; as such funding costs are well below 25 per cent of total costs.

43. The total cost of providing credit cards is increasing over time, despite reductions in the RBA cash rate. Each of these elements of the price of a credit card (annual fee, interest on balances and additional fees) has been static or falling, not rising as has been widely purported.

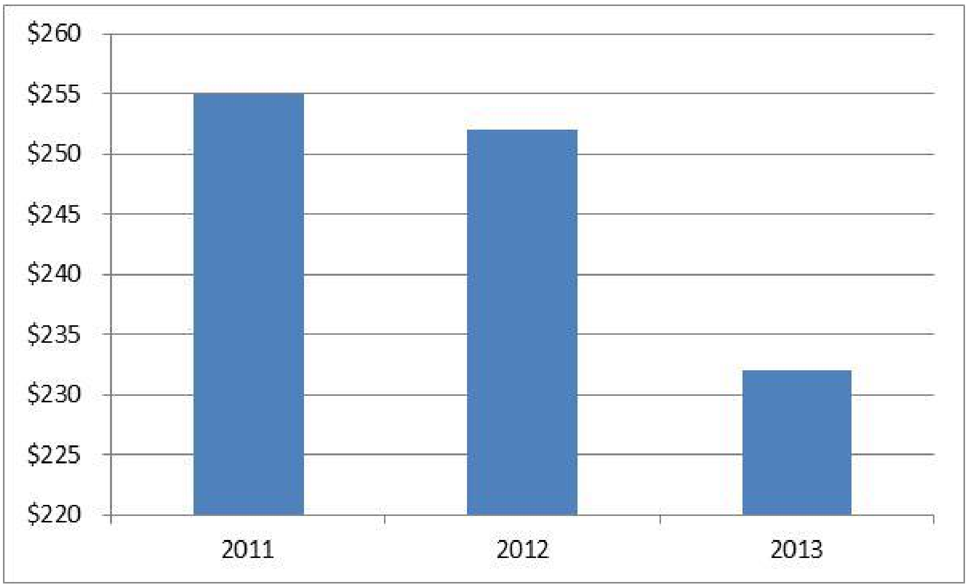
44. Figure 4 above details the fall in effective credit card interest rates over time. Figures 10 and 11 show that credit card annual fees have been static since 2011, while additional fees have been in decline. The latest available industry data from the RBA is from 2013. ANZ's experience is that these trends have continued.

Figure 10, Annual credit card fees to cardholders ($)



Source: Reserve Bank of Australia

Figure 11, Australian credit card industry exception fees from households ($millions)



Source: Reserve Bank of Australia

C. RESPONSIBLE LENDING AND CONSUMER PROTECTION

Consumer protections

45. ANZ's Customer Charter commits us to providing customers with secure and easy to understand banking products, access to specialist advice to help customers reach their financial goals, and support if things go wrong, including if customers experience financial hardship.

46. Banks and credit card providers are subject to a high level of regulation and oversight. ANZ takes its role as a responsible lender seriously and complies with all required regulation to ensure consumer capacity to pay and protect the bank from undesired levels of risk.

47. To assist customers to better manage their credit card payments there have been numerous regulations and protections introduced in recent years, notably the *National Consumer Credit Protection Act* (2009) and Amendment (2011). Consumer protections include the provision of explicit detail on the fees and interest charged and written notice of changes in rates and charges, ensuring customers can easily compare across products.

48. The 2011 amendment, NCCP2, went further in requiring 'Minimum Repayment Warnings' on the first page of credit card statements. This gives consumers valuable information about interest charges and repayments which can help them better understand the cost of interest payments on their cards. This has been successful in reducing balances paying interest and over time is expected to continue

49. ANZ has taken proactive and voluntary steps to protect consumers. When NCCP2 was introduced, ANZ increased credit card minimum repayments from $10 to $25. Unlike many of our peers, ANZ also extended new 'payment hierarchy' rules to existing customers (regulations only required these rules to be applied to new accounts). These protections ensure that all customers benefit from paying down the highest interest portion of their balances first.

50. This extension of payment hierarchy rules to all customers was a voluntary step taken by ANZ for the benefit of our customers. The application of these rules across ANZ's full set of customers has resulted in consumers paying significantly less interest on credit card purchases and balances, and a decline in revenue for ANZ.

Proactive customer management

51. ANZ is bound by responsible lending obligations and works to ensure our customers have the right card for their needs, can pay for their credit, and understand the financial implications of their decisions. As noted above, ANZ allocates payments to the highest interest paying balance.

52. ANZ is a market leader in working with customers to find financial solutions that best suit their needs. Since 2011 we have conducted over 3.5 million A-Z reviews where our specialists work with customers to explore their needs and goals and suggest practical steps to improve their finances. During these reviews, where appropriate, ANZ will work with our customers to find the most appropriate credit card product based on their financial circumstances and needs.

53. In a recent initiative in select ANZ Brisbane branches we worked with customers with available savings to assist them pay what is owed on their credit card. This program will be reviewed and options for expansion considered. We also seek to move customers to fixed term payment vehicles (personal loans) where appropriate.

Managing hardship and improving financial literacy

54. ANZ has a well-defined hardship process. We provide customers experiencing financial hardship with straight forward information about their options and discuss ways to minimise the level of interest paid on current debt, and fixed payment plans or other solutions that may help them. ANZ also typically offers relief in the event of natural disasters, such as floods and bushfires, and for other events beyond customers' control.

55. ANZ is also an industry leader in financial literacy programs. MoneyMinded and Saver Plus are Australia's largest, longest running money management and savings programs run in partnership with the Australian Government and community sector organisations. The programs aim to improve the basic budgeting, saving and money management skills of lower income participants, helping them to learn to live within their means, increase their savings and assets, manage credit and debt, and plan for the future.

56. The most recent evaluation by RMIT University of the impacts of the Saver Plus program shows that for 41 per cent of people who did Saver Plus, their household debt decreased and that overall, for 85 per cent of participants debt either decreased or stayed the same.[10] Over 34,000 Australians are estimated to have participated in the MoneyMinded program in the past year and around 330,000 people have completed the program since its inception in 2003.

D. ATM FEES

57. ANZ operates a network of around 2,600 ATMs which are free to use for all ANZ customers.

58. ATM Direct Charge fees for cardholders from another institution using ANZ ATMs are $2 fee for withdrawals and balance inquiries. This fee has not changed since the 2009 RBA mandate and introduction of direct charging for ATMs.

59. ATM usage rates continue to decline as customers increasingly withdraw cash at point of sale through EFTPOS, transfer between accounts using mobile/internet banking, and use credit and debit cards to make tap and go payments using contactless (NFC) technology. ANZ total ATM transaction volumes have been falling at approximately 7 per cent per annum in recent years to around 130 million transactions each year. Retailers offering fee-free 'cash out' through EFTPOS reduce their physical cash holding and therefore cash clearance and transit costs.

60. There are increasing costs associated with maintaining this channel as ANZ has invested to improve ATM security (e.g. technology against skimming and other fraud) and invest in further innovation (e.g. deploying and maintaining ATMs that use near field communication (NFC) and added functionality ATMs used by small businesses too).

61. The decrease in use of ATMs and increasing fixed costs associated with deploying and maintaining machines means the cost per transaction through this channel is increasing.

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[10] RMIT University, February 2015, *Saver Plus: A Decade of Impact*, p. 34