

The BIG Opportunity with International Money Transfers



Summary of Findings

47%

Financial Advisors received 1-10 enquiries on international money transfers from their clients in the past 3 years.

53%

Financial Advisors believe international money transfer services a value-add to clients.

71%

“Trusted Adviser” Status - Financial Advisers

Financial Advisors believe it could increase professional standing with clients.

\$21B

Australia personal international transfer flows 2021, Source: ACCC

\$9.64B

Annual- Serviceable Addressable Market, Financial Advice

\$100M

**Annual Savings if just
10% of Australians
receiving financial
advice are referred to
an international
transfer provider**

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Outline

Problem

Australian consumers and SME pay too much in bank fees and spreads using traditional banks.

Opportuntiy

Financial Advisors are well placed to benefit from increased client engagement, client satisfaction and professional status.

Hypothesis

Raising Financial Advice industry awareness on international money transfers will have a positive impact for consumers.

International Money Transfer

Electronic transfer of money to an overseas recipient involving a foreign currency (FX) exchange transaction.

Defining the International Transfer PROBLEM



More Education Required

Consumer Market

- Australians clients pay too much in bank fees and spreads using traditional banks.
- Banks charge too much money with invisible exchange rate spreads (~ 5.00%+) and have no incentive to change.
- Australian consumer knowledge is low, only formative guidance available online.
- Lack of education from Government, ACCC and Consumer Groups.
- Limited market awareness and access for clients to low cost, fast international transfer services by alternate FX providers.

The adviser market is well positioned to facilitate change, but:

- Financial Advisers are "Under the Pump" with recent events including RC, FASEA and increased administration burdens, plus
- International transfers appear to sit outside mainstream advice service propositions.
- Other concerns include integration with current reporting "Platforms" systems used, and ASIC compliance with FX advice.

**Reviewing two currencies
(US & UK)
consumers using Big4
Banks could have
collectively saved
AUD150 Million
– ACCC Report**

SME Market Pain

Transactional Banking

Whilst this report has a focus on the Financial Advice industry, it is worth noting many of the problems identified for consumers with international transfers also exist in the SME market.

A recent report by East & Partners on the SME business market highlights:

- The highly competitive middle market exhibiting greater demand for cross border payment functionality, multi-currency and international transaction banking support.

Source: ([SME Transaction Banking](#))

The potential for better outcomes with international transfers in the SME market is substantial.

Accountants highlight opportunity in SME market

Researching this report we spoke with several integrated financial services firms, providing services in both Accounting and Financial Advice to clients. Accountants identified benefits for private clients, and also pointed out there was most likely an equal need with SME clients for better international transfer services.

“We have several clients who I would have thought setup a process for international transfers many years ago, and this process was using the bank. It is quite likely this process hasn’t changed. There is every possibility of saving these clients \$30k and upwards per year, and in doing so justify our fees vs the savings”

Principal, Accounting Firm

In short the responses and available market data (limited) indicate more awareness in the Accounting sector, and increased education would have a beneficial impact on the Australian SME market.

**SME
Transactional
Banking**

**Cumulative
“Big Four” market
share is at 76%**

Client Needs are Unique

Bank Charges are Prohibitive

Prices in Australia are high by global standards and International Transfers are a significant outlay for Australians with an estimated AUD21 billion in personal IMTs sent from Australia each year.

World Bank

The average cost of remitting funds from Australia was 7.22 per cent in Q1 2021. Global IMT's reached US\$658B in 2020.

G20 National Remittance Plan

The Australian Government supports the G20's alignment with the 2030 Agenda for Sustainable Development, including the target under Sustainable Development Goal 10 to reduce the cost of remittance transfers to less than 3 per cent and eliminate corridors with costs higher than 5 per cent by 2030 – G20

The concentration of the banking sector in Australia creates challenges for competition across a range of financial services, including in regard to the market for international money transfer services (IMT).

In 2020, there were over 7.6 million migrants living in Australia, meaning 29.8% of the population were born overseas. (Note: FX transfer margins to small country currencies can be very high, up to 10%. Pacific nations in particular are vulnerable.)

Transfer Costs are extreme to some emerging market currencies.

ACCC Report - Foreign currency conversion services inquiry

This is the report of the ACCC's inquiry into the supply of foreign currency conversion services (FX services) in Australia. It highlights important competition and consumer issues and makes recommendations to address them.

In October 2018 the then Treasurer approved the ACCC holding an inquiry into the supply of FX services in Australia. The final report for the inquiry was released on 2 September 2019 and focused primarily on International Money Transfer suppliers.

The ACCC's Foreign currency exchange services inquiry report, released in September 2019, found many Australian consumers were paying too much for FX services. ACCC Chair Rod Sims noted at the time that, "shopping around could save Australian consumers hundreds of millions of dollars each year".

The report found that for just two currencies, US dollars and UK pounds, individual consumers who used the big four banks to send international money transfers could have collectively saved about AUD150 million if they had instead used a lower priced international transfer supplier.

ACCC Website - Buying & sending foreign money

"Our foreign currency conversion services inquiry found the big four banks are consistently more expensive than other suppliers for foreign cash and international money transfers."

ACCC - De-banking

The ACCC's inquiry also found that non-bank remittance services had been denied access to bank services or found their access under threat (known as de-banking). The ACCC considered de-banking a threat to competition in the supply of remittance services.

**“shopping around
could save Australian
consumers hundreds
of millions of dollars
each year”**

ACCC Chair – Rod Sims

US\$658B
Global IMT's 2020
World Bank

New Technology offers better service to Clients

Sector Disruptors

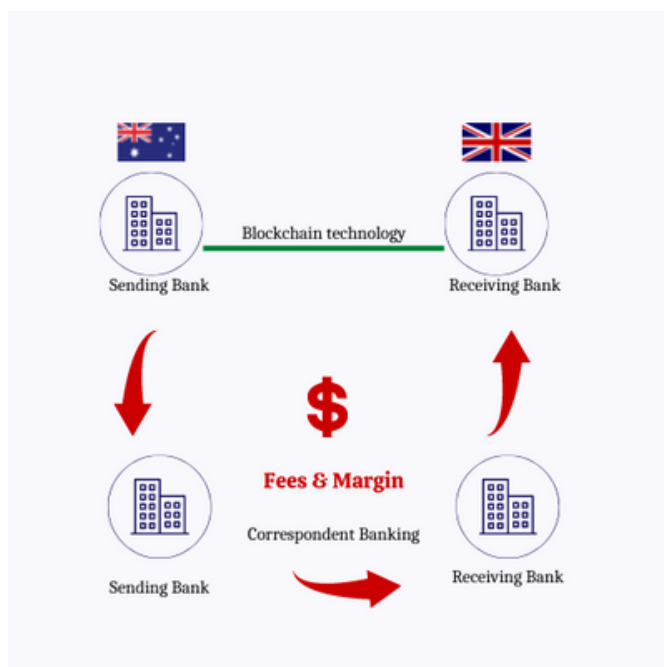
ripple New Value: [Crypto Trends in Business & Beyond](#)
“Portfolios, Payments and Capital”

Institutions see the most value in crypto for two primary uses:
1) for portfolio management (including hedging against inflation,
hedging against other asset types, asset appreciation, etc.) and,
2) for payments, at nearly the same rate of response

In the case of payments specifically this could be due to a lack of
recognition related to the full costs, which we know from talking to
customers is in fact a massive pain point, in fact often the most
important pain point from their perspective”

Blockchain vs. Correspondent Banking

By cutting out the middlemen in the correspondent banking system,
blockchain -powered payments increase speed and reduce costs for
providers and clients.



Sources:

ACCC Report Summary
ACCC Final Report
ACCC Website - Buying & sending foreign money
G20 National Remittance Plan - Australia 2021
World Bank – Personal Remittances
Ripple - Crypto Trends in Business & Beyond

7.22%

The average cost of
remitting funds from
Australia in Q1 2021.

World Bank

(Includes emerging market currencies)

APPROACH

Finding Solutions



Understanding Financial Advice Industry Attitudes



10.7m

**Australians
seeking
Financial Advice**
ASIC

Why the Financial Advice industry:

- Financial Advisors are a key engagement point with consumers in Australia for personal financial matters.
- The Financial Advice Industry is projected to provide 41% of Australians advice in the coming years. (Source: ASIC).
- The industry is well placed to educate, raise awareness and advise clients on international transfer services.

Three part process:

Leadership Consultation
Advice Industry Captains

Survey

A Broad based Financial Advice Industry survey was distributed online to 2000 advice market participants.

Pilot Program & Proof of Concept

A leading boutique HNW Financial Planning firm provides International Money Transfer as service to clients.

Leadership Consultation

July-September 2022.

Opinion was sought in reference to Financial Advisors provision of international transfer advice to clients, and the working hypothesis; Raising Financial Advice industry awareness on international money transfers will have a positive impact for Consumers.

Ten leaders in Financial Advice & Accounting (Private Clients) were asked for their opinion and feedback. Although a small subset of the market, the response thematic was very consistent.

Are you aware of Advisors providing a service/referral or guidance to clients on international transfer services?

Have you had any enquiries or questions from Advisors about international transfer services over the past few years?

Do you consider Advisors offering international transfer as a service to clients a value-add, and benefit to enhance client relationships?

Summary of key responses:

Low Demand from Financial Advisors

- a. Knowledge of existing Advisors offering as a service or referring clients was low. Limited to very few.
- b. Queries from Advisors to Licensee or Management. Limited.

Yes a Value-Add

Understood the link to enhanced client relationships and value-add to clients, particularly for the HNWI sector. Although, fairly non-committal on whether or not the service should be included in a service proposition.

Agree - Hypothesis

Immediately identifiable and obvious benefit to clients.

Barriers – Corporate Objectives

- ×AFSL Compliance Risk focus soaking up resources
- ×Post-Covid – return to BAU for AFSL's
- ×Profitability and Efficiency focus – with rising costs to Advisors
- ×Technology Integration focus

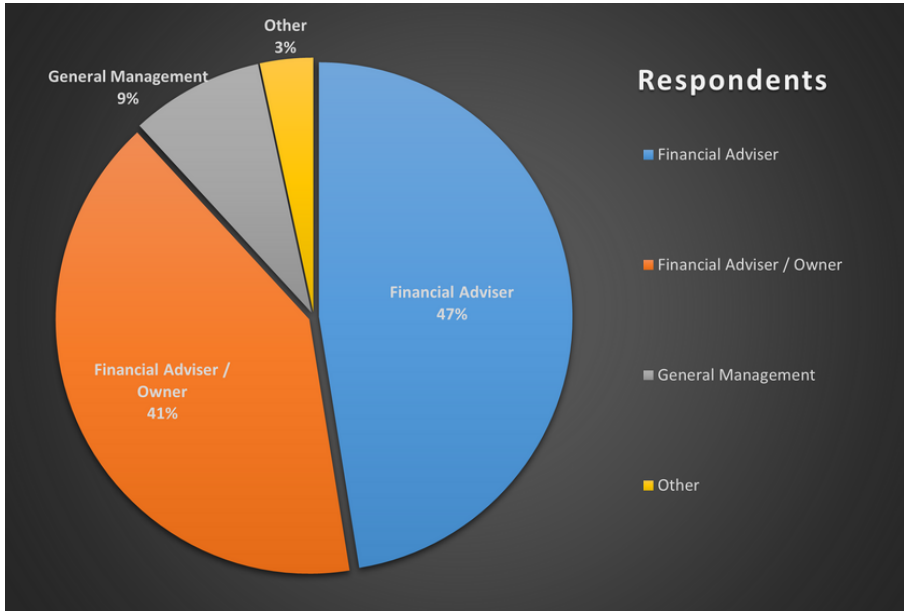
Observations:

Although a clear link to client benefits and Advisors enhancing relationships was observed, as of yet Advisor demand has not been evident.

Advice Market Survey

Respondents

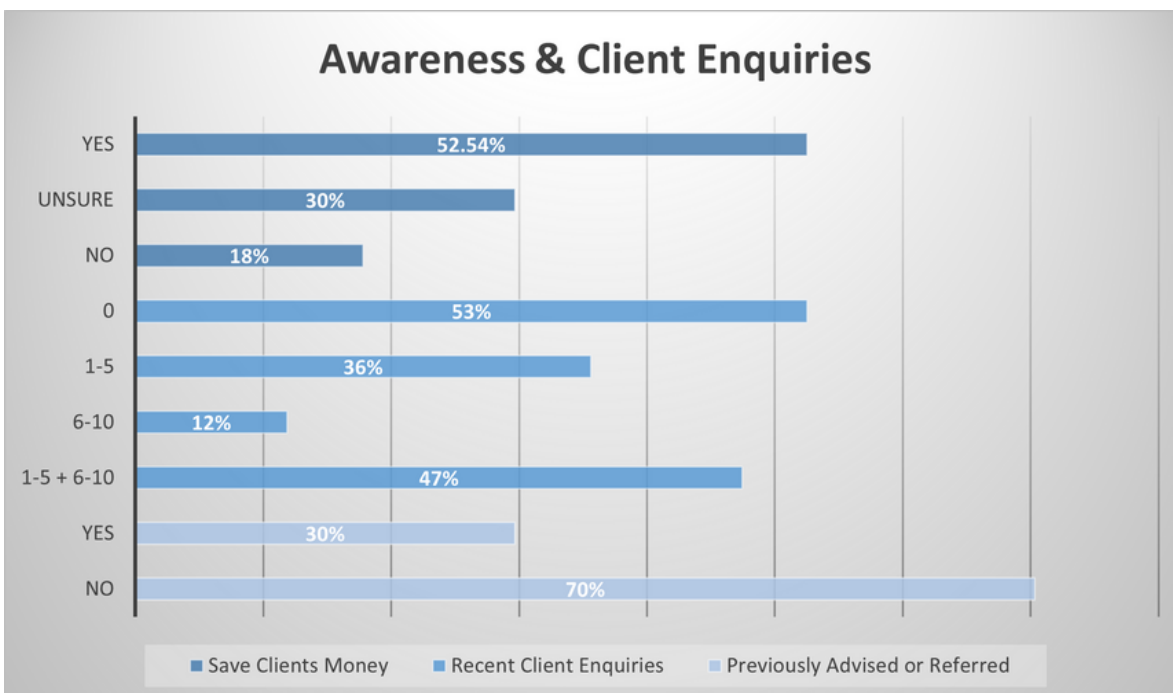
Online Financial Advice Industry survey.



Awareness & Client Demand

Respondents were asked:

- If they believed clients would save money using an online international transfer service provider instead of banks?
- How many times clients have enquired about international transfer services in the past 3 years?
- If they have previously advised a client or referred them to an international transfer service provider?

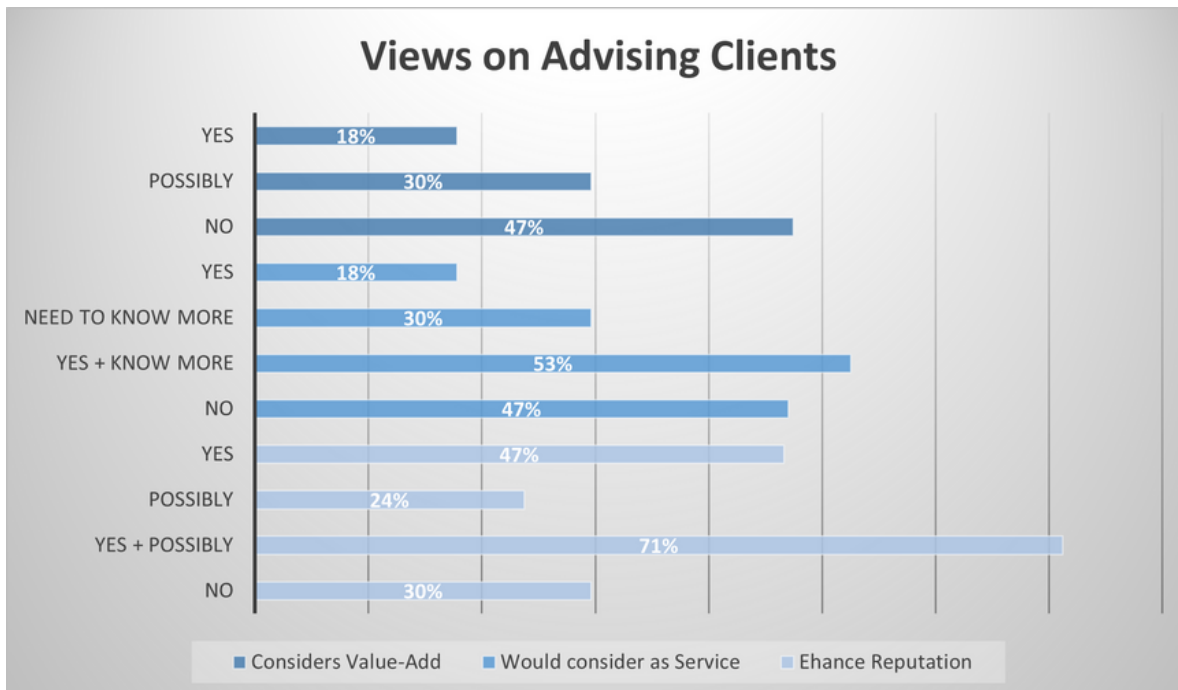


Advice Market Survey

Advising Clients & Value-Add to Relationships

Respondents were asked whether they:

- Would consider providing international transfers as a service to clients?
- They believe advising clients on international transfers a value-add service for Advisors?
- Believed advising clients on international transfers could enhance their status as a "Trusted Advisor".



Survey Take-aways

Save Clients Money - 18% No, 30% Unsure:

Demonstrates a lack of awareness relative to bank costs vs international transfer services

Client Demand 47%:

Have received client enquiries in the past three years

Provide as Service 53%:

Answered yes, or would consider providing as a service

Reputation 71%:

Answered yes, or believed it would possibly enhance Advisors "Trusted Advisor" status

Pilot Program

Proof of Concept

A mid-sized privately held Financial Planning firm with a focus on HNW Private Clients, included international transfers as a service to clients with an online 'white label' company branded portal for Advisors and Clients to access.

- a.) Clients can access online portal directly and transact
- b.) Advisors can access and transact on behalf of clients (Clients listed in Address Book for Advisors)
- c.) Reconciliations of client transactions downloaded via portal
- d.) Fixed low cost Foreign Exchange rates and no fees for all clients attached to Advisors / Firms account
- e.) Real time tracking of process – funds within 24 hours. (Often immediate)

- Pilot Operational; 3 years
- Number of Advisors involved: 10
- Volume of transactions: \$300 Million
- Estimated client savings vs Bank: \$4.5 Million

Assessment of savings, conservatively - 1.5% total margin

"They (international transfer service) have cleverly combined ground breaking technologies and a fresh, innovative approach to an age old transactional service. There are so many benefits that flow from this high tech approach –

Their team have brought Private Bank style service to our clients. This transforms and elevates the client experience and is in complete harmony with how we endeavour to deal with our clients."

Managing Partner
Private Wealth Advisors

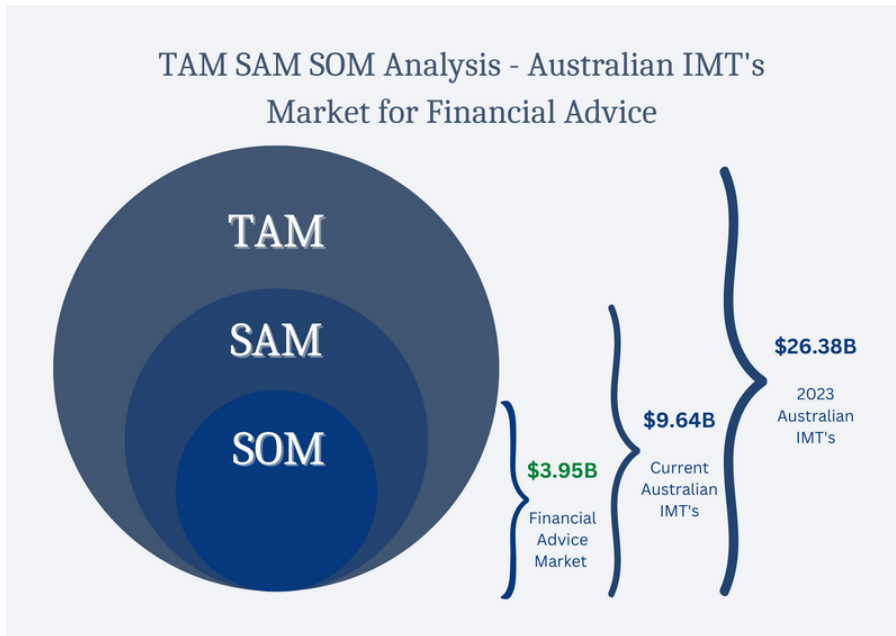
**HNW Advice
Practice**

**Saves Clients
\$4.5 Million**

The Big OPPORTUNITY



Financial Advisers well placed to benefit



\$21B

**Australian
International
Transfers 2021**
ASIC

Total Addressable Market (TAM) - \$26.38B

Transfers into and out of Australia. Assessed from ACCC report outflows \$21B and the three year running average of 26% comparative inflows. (World Bank)

Serviceable Addressable Market (SAM) - \$9.64B

World Bank 2019 Personal Remittances \$13.77B (received & paid – pre Covid) less percentage of migrant population 30% (Source: Australian Bureau of Statistics)

It is apparent a large proportion of the migrant population send regular small payments to family members in the country of origin. This percentage (30%) of micro payments has been subtracted.

Serviceable Obtainable Market (SOM) - \$3.95B Annually

Assessed using SAM \$9.64B x Australians seeking personal Financial Advice 41%. **ASIC's Report, Financial advice: What consumers really think**, surveyed more than 2,500 Australians - with 41% of Australians looking to get personal advice from an adviser.

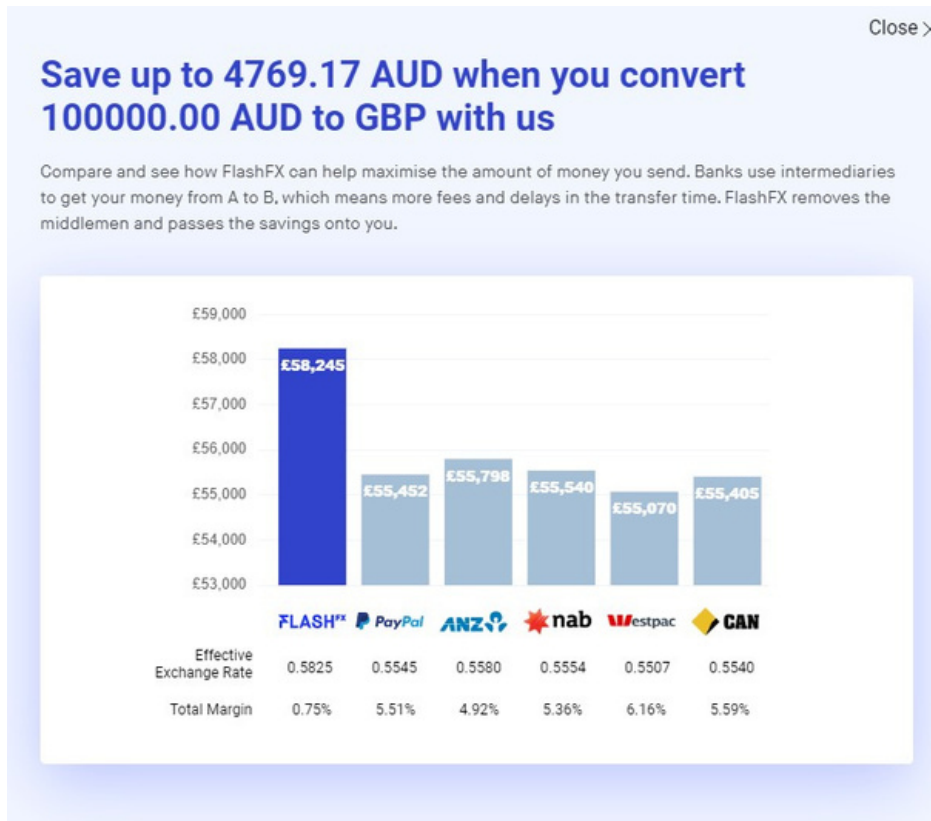
- Note: Professional advice from Accountants and Trustees excluded from SOM assessment.

Banks vs International Transfer Providers

When making this comparison it is important to look at the entire cost or **total margin**, not just the foreign exchange (interbank spread) rate offered. In addition to wider spreads on the interbank rate, banks will also charge administration fees and this typically takes place at both ends (read, receiving bank also charges fees).

In this illustration we wish to transfer \$100,000 to a UK bank account to arrive in GBP currency. Online international transfer provider FlashFX has been used for the purposes of the comparison.

Comparison effective date: 20th September 2022



Total Margin

- 5.5% Average Bank
- 0.75% International transfer provider

Note: The larger the transaction the lower the total margin for Banks. Although in most comparisons the difference will remain at minimum around 3-5%.

No Contest

4.75%

Potential Savings
Using Transfer
Provider -
FlashFX

Financial Advisers benefit when Clients do better

Client Pain Points

Visibility: Limited visibility into the total costs and timing of payments

Traceability: No traceability when the payment will actually arrive

Speed: Settlements slowed by transfers through correspondent banks

Cost: Very expensive foreign exchange spreads and fees

Summary of Adviser Benefits

- Expand advisory offering
- Build deeper engagement & increase touchpoints
- Enhance "Trusted Adviser" status
- Unlock Value - Happy Clients!
- Broaden asset management capability
- Potential increased FUA
- Increased client satisfaction = referrals

Client conversations

How and Where to discuss international transfers?

Some interactions may arise from client disclosure, such as overseas investments, business or property ownership, or inheritance from a relative.

On annual review of a client's position with regards to deposits on account or investments, Advisors may uncover international assets or business interests.

Simply call and ask whether clients have a regular or one off need for international transfer, for personal or business reasons.(i.e., kids living abroad)

Engagement Points

Total Client Assets
Portfolio Allocation
Global Investments
All Income Sources
Deposits on Account
Estate Planning

Where to from here ANALYSIS

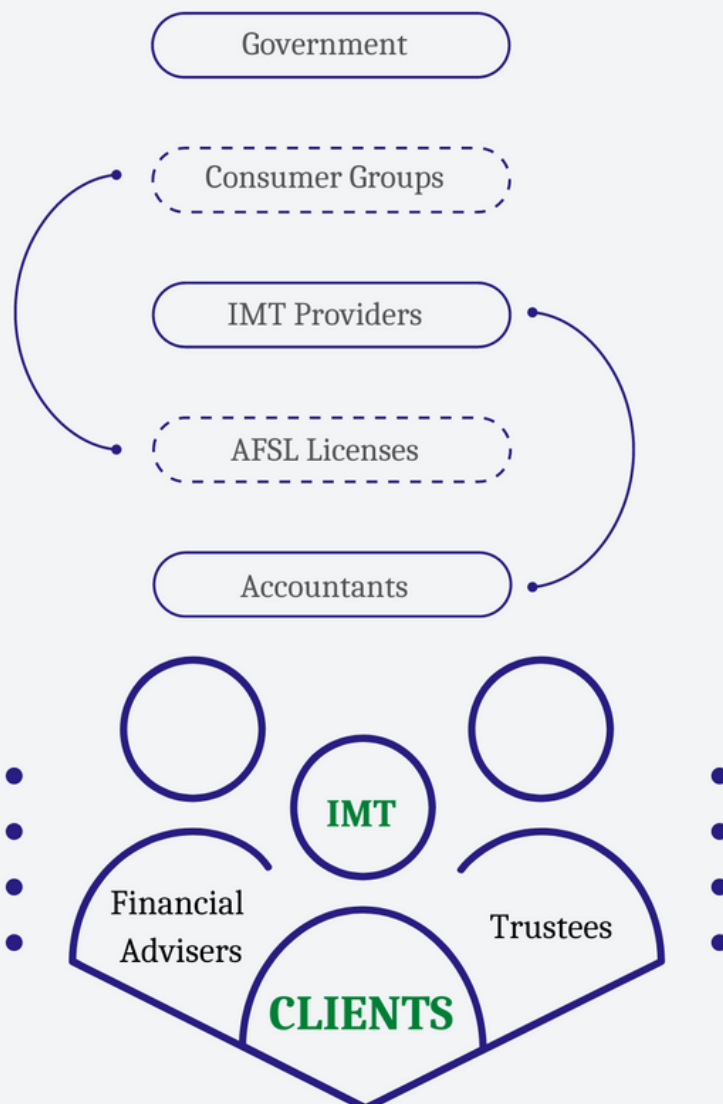


Better Solutions available not Widely adopted

Higher education levels and raising awareness to the broader consumer market will undoubtedly benefit consumers.

Various market participants have a role to play that will have a positive impact for international transfer clients.

- Government
- Consumer Groups
- IMT Industry
- Accountants
- Trustees
- AFSL Licenses and Advice Practice Service Providers
- Financial Advisers



Advisers need Services & Support to assist clients

Financial Advice Industry focus

Client Demand for Services

An obvious link can be identified between client demand/enquiries to Advisors (47%), and better outcomes for clients.

International Transfer as a Service and Reputation

A clear association is evident between Financial Advisors willingness to provide International Transfer as a service (53%) and perceived enhanced status (71%) with clients.

Financial Advisors Awareness limited

The peak body of professionals providing financial education and advice to clients in Australia lacks awareness on the benefits to clients of international transfer providers. Survey results indicate 48% either said no or were unsure clients would save money.

Obtainable Market & Savings

SAM assessment \$9.64Billion

Our assessment of the addressable market indicates an abundant opportunity for Financial Advisors to positively impact clients.

The 80/20 Rule

This suggests if the Financial Advice industry serviced the top 20% clients using international transfer services (x SAM) with an average saving of just 2.5% per transaction, client savings would reach \$48 Million per annum.

41% of Australians seeking financial advice.

If 1 in 10 Australian clients receiving financial advice are referred to an international transfer provider, annual savings would reach \$98.75 Million.

Repeated over a 10 year period this figure will surpass \$1 Billion.

Note: For the purpose of these assessments we have stripped out the 30% migrant population known to send regular small remittances to their country of origin. We believe this to be more representative of affluent and HNW clients seeking advice in Australia.

Conclusion

Increased Awareness and Education in the Financial Advice Industry, combined with Tools and Resources will benefit Clients & Financial Advisors.

Client demand is evident - service is lacking

To conclude we have re-visited the working hypothesis:

"Raising Financial Advice industry awareness will have a positive impact for international money transfer consumers."

This can be achieved with 4 key elements:

- Buy-In required at the AFSL Licensee / Corporate Leadership Level
- Greater Services & Support provided to Financial Advisers by International Transfer providers
- Integrated Solutions with Financial Adviser workflows
- Financial Advisers' active engagement as a service

**Education
&
Industry
Buy-In
are Key**

Important notice:

The information in this report is for general guidance only and may contain generalisations. You should obtain professional advice if you have any specific concern.

Recruit 2 Advice has made every reasonable effort to provide current and accurate information, but it does not make any guarantees regarding the accuracy, currency or completeness of that information. Parties who wish to rely on the information in this report must check this information for currency and accuracy.

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Consultant to the Financial Planning and Advice sector since 1998.

Available to provide comment on market demand, resource availability, competitive influences and management strategy. A consistent focus has since been maintained in this sector with a demonstrable record of success supporting and assisting the development and growth of client businesses.



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