

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS  
INQUIRY INTO SCHEMES, DIGITAL WALLETS AND INNOVATION IN THE PAYMENTS  
SECTOR

Commonwealth Bank of Australia (CBA)

**QON1: CHAIR**

1. In the bank's risk models, what weight is given to a customer's debt utilisation and repayment consistency compared to their income?
2. Does the bank's internal risk models allow customers to move to lower risk categories - and thus attract lower interest rates - based on demonstrated behaviour, regardless of income level?
3. How much does the bank pay in scheme fees to Visa and Mastercard?
  - a) How much of these fees are rebated each year?
  - b) Does the bank receive volume incentive bonuses as part of its commercial agreements with the schemes?
4. I understand that there are legitimate costs in the payment system associated with interchange fees, such as scam prevention, cyber security infrastructure, and dispute resolution. However, there's limited transparency over the extent to which the major banks profit from what has become essential infrastructure. Has the bank's revenues from fees (less costs) associated with a card transaction increased or decreased in the last 10 years?
5. On average, what margin does the bank price its international payments for consumers?
6. On average, what margin does the bank price its international payments for its bigger business customers?
7. Does the bank price its margins differently for currency routes from AUD to various markets for consumers?
8. How much does the bank charge in terms of fixed fees for these payments for consumers and small businesses?
9. How much revenue does the bank make from consumer international payments? Break this down between card payments and online transfers

**Answer:** 1. In the bank's risk models, what weight is given to a customer's debt utilisation and repayment consistency compared to their income?

In the bank's credit card application scoring models, a range of variables are used. Income and debt utilisation are considered within some segments of the models, however repayment behaviour tends to have more weight.

2. Does the bank's internal risk models allow customers to move to lower risk categories - and thus attract lower interest rates - based on demonstrated behaviour, regardless of income level?

Yes. The credit risk scoring models allow customers to move to lower risk categories regardless of income.

**3. How much does the bank pay in scheme fees to Visa and Mastercard?**

- a) How much of these fees are rebated each year?
- b) Does the bank receive volume incentive bonuses as part of its commercial agreements with the schemes?

This is commercially sensitive information. The details, as appropriate, are reported to the RBA.

**4. I understand that there are legitimate costs in the payment system associated with interchange fees, such as scam prevention, cyber security infrastructure, and dispute resolution. However, there's limited transparency over the extent to which the major banks profit from what has become essential infrastructure. Has the bank's revenues from fees (less costs) associated with a card transaction increased or decreased in the last 10 years?**

On a per transaction basis the CBA's revenues from fees (less costs) associated with a card transaction have decreased in the last 10 years due to:

- Direct and indirect intervention by the RBA to reduce interchange revenue since 2003 through regulation of interchange benchmarks and caps, net compensation rules and least cost routing.
- New and growing costs for banks when processing card transactions including digital wallet fees and the increased costs of cyber security, scams and fraud prevention, and disputes management.

As stated in our submission, as a result, CBA and likely other banks have become loss making on acquiring and domestic issuing (excluding cross-border). The combined effect stresses the banks' ability to support critically important but resource intensive resiliency objectives on a commercially sustainable basis.

**5. On average, what margin does the bank price its international payments for consumers?**

CBA considers this data to be commercially sensitive. Consumers are charged an [international transaction fee](#) of up to 3.5% of transaction value for certain debit and credit cards where the transaction is made in a foreign currency. We note that some cards do not incur a fee.

**6. On average, what margin does the bank price its international payments for its bigger business customers?**

CBA considers this data to be commercially sensitive. Small business and bigger business customers are generally priced at the same rate for making international card payments with very few exceptions.

**7. Does the bank price its margins differently for currency routes from AUD to various markets for consumers?**

International card payments are not priced differently for currency routes to various markets.

**8. How much does the bank charge in terms of fixed fees for these payments for consumers and small businesses?**

Consumers and small businesses are not charged fixed fees for making international card payments.

**9. How much revenue does the bank make from consumer international payments? Break this down between card payments and online transfers**

This data is commercially sensitive and has been provided to the RBA for the Cost Study for the RBA Review of Merchant Costs and Surcharging.

CBA earns revenue from international card transactions through cross-border interchange. Certain card products may also apply an international transaction fee, subject to product terms and any applicable waivers. Interchange revenue contributes to covering the higher operational and network-related costs associated with international payments, including fraud and dispute management, security, tokenisation costs, and card scheme fees. Card schemes may also earn revenue from foreign exchange margin and their treasury functions. CBA does not have specific insight into these revenues.

International online transfers are not primarily used for consumer-based payments to purchase goods or services. Customers tend to use international money transfers for activities like sending money to family and friends overseas, funding holidays or managing international property. Facilitating these payments has different costs and risks for banks relative to card payments. As such we do not consider revenue for international transfers as comparable to card payments. We note that CBA does not charge transfer fees for digital international money transfers that involves currency conversion and absorbs any correspondent bank fees for these transfers.

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**QON2: Mr LAXALE**

1. Who ultimately determines chargeback rules in Australia? Who has oversight over this?
2. Do you assess whether the allocation of dispute cost is balanced?
3. Do you monitor fraud within the chargeback framework? Has it increased/decreased?
4. How do global platforms contribute to dispute resolution costs?
5. Is the current framework fair to small business?
6. Are you aware of "chargeback fraud" impacting small businesses - where small businesses ship goods, then funds are withdrawn from them following a potentially fraudulent chargeback claim?
  - a) If so, have these rates risen or reduced?
  - b) What data do you have of instances of occurrence of above, or similar, phenomenon?
7. What steps are you taking to limit "chargeback fraud"?

**Answer: 1. Who ultimately determines chargeback rules in Australia? Who has oversight over this?**

Chargeback rights are determined by the Schemes (Visa, Mastercard and eftpos) who set and enforce the rules. Individual card issuers and merchant acquirers have contractual obligations to apply the rules.

Chargebacks can only be raised through the scheme portal and the schemes then determine if a chargeback is valid or not. Depending on the scenario, customers may also have other rights for example, under the ePayments code.

There is no regulatory oversight over the schemes' chargeback processes. ASIC has oversight of the ePayments Code. The schemes or AFCA ultimately arbitrate on any disputes.

**2. Do you assess whether the allocation of dispute cost is balanced?**

The cost and liability framework set by the global card schemes is a key factor in the allocation of dispute costs between issuers, acquirers, cardholders and merchants.

CBA has, in public submissions to the RBA, argued that dispute costs should continue to be considered in the cost study that informs interchange

regulation, as they have been historically, as managing disputes is an important indirect service provided by issuing banks to merchants that would otherwise result in merchants bearing these operational costs and write-offs. The RBA has not indicated treatment of these costs at this time.

**3. Do you monitor fraud within the chargeback framework? Has it increased/decreased?**

It is difficult to identify fraud of this nature specifically, however CBA has observed a reduction in overall card fraud levels in recent years as issuers and acquirers have uplifted their fraud detection processes which include early detection and pro-active blocking. Merchants are also able to protect themselves from chargeback fraud by taking up solutions such as 3D Secure which provide stronger customer authentication for eCommerce transactions.

**4. How do global platforms contribute to dispute resolution costs?**

Schemes impose additional fees on acquirers whose merchants incur a high ratio of chargebacks. From CBA's experience these fees are not differentiated by individual merchants. The global platforms such as Amazon, Apple and Meta are the largest source of disputes observed by CBA as a card issuer. While many of them have their own internal disputes processes, bank-led dispute processes are used more frequently by customers. Customers are attracted to the bank-led process as it is typically more streamlined and customer friendly than that offered by most digital platform operators.

Given the scale of disputes originating from these platforms, there is a strong case for these large global platforms to make a better contribution to maintaining the dispute handling system.

**5. Is the current framework fair to small business?**

Acquirers of merchants with higher chargeback to transaction ratios face higher chargeback fees from schemes to encourage merchants to reduce chargebacks and resolve matters with the customer directly for example, by strengthening cardholder authentication, undertaking due diligence on customers who are paying remotely, and having clear and properly disclosed returns policies.

Large global platforms may not attract these fees as, although they have higher overall disputes, their chargeback to transaction ratio is lower because of their scale.

**6. Are you aware of "chargeback fraud" impacting small businesses - where small businesses ship goods, then funds are withdrawn from them following a potentially fraudulent chargeback claim?**

- a) If so, have these rates risen or reduced?
- b) What data do you have of instances of occurrence of above, or similar, phenomenon?

We are aware of cases of chargeback fraud where a good or service is purchased online or over the phone and the customer claims that the transaction was unauthorised. The customer's bank will apply the scheme rules and process the chargeback as required.

The overall rate of chargebacks received by CBA merchants due to customers reporting unauthorised transactions by value have reduced each year from 2023 to 2025.

#### **7. What steps are you taking to limit "chargeback fraud"?**

As a bank we are focused on stopping fraud through prevention measures such as fraud alerts, immediately applying card blocks to avoid additional unauthorised transactions and [education to minimise fraud](#). Small business customers can also opt for an additional layer of security with 3D Secure authentication.

CBA continually considers ways to uplift its fraud prevention solutions, including leveraging emerging technology and partnerships to improve CBA's ability to identify trends in fraudulent behaviour and stop bad actors.