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Bank fees: what's fair?

It is a fact of life that banks charge for their services, and rightly so. But as regulatory changes filter through, are they charging too much? And how do corporate treasurers know if they are getting a fair deal?

The Corporate View

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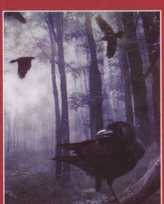

Risk Management

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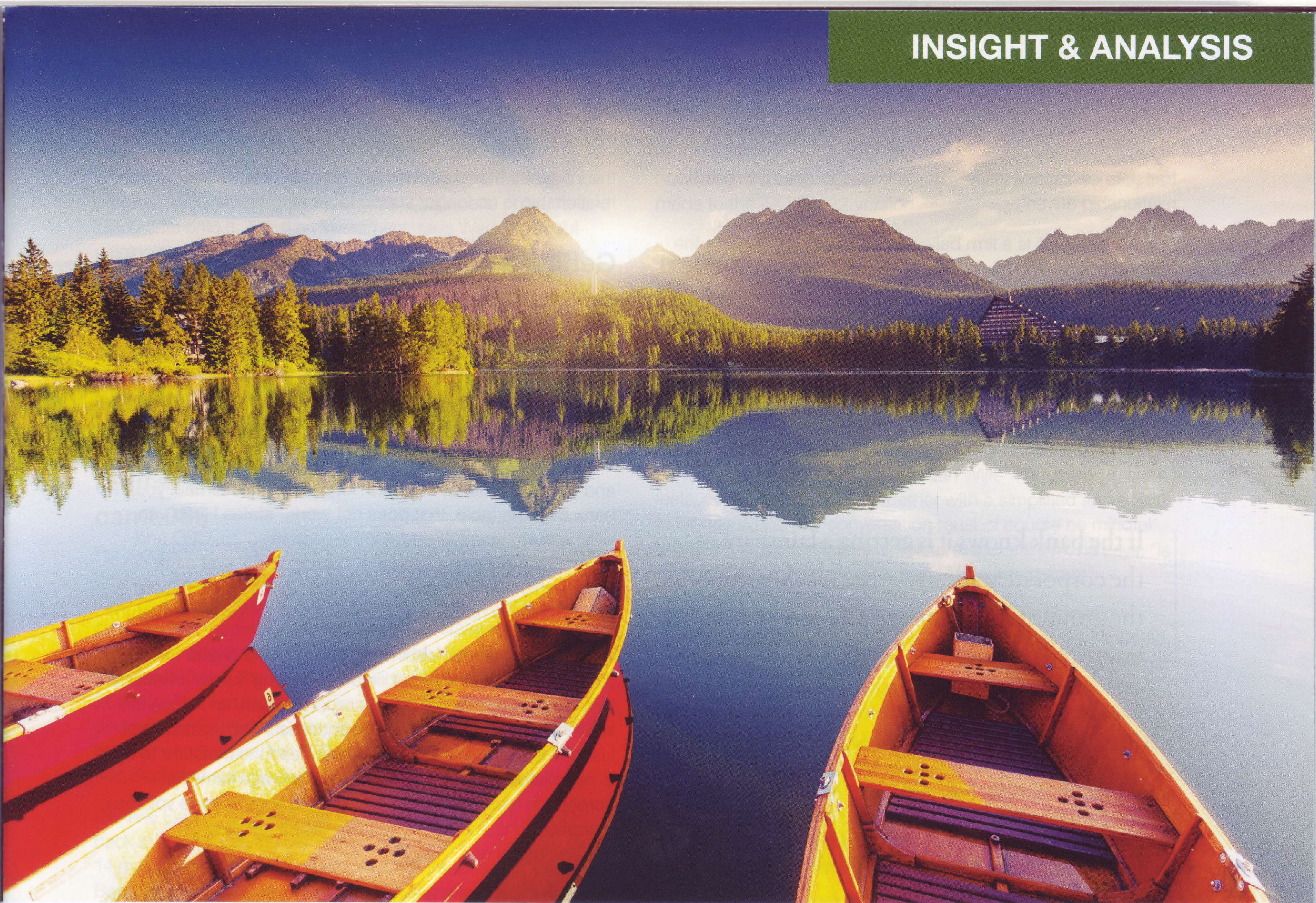

Grabbing the bill by the horns

It is right that banks charge for their services – but are they charging too much and how do corporate treasurers know if they are getting a fair deal? Treasury Today looks at bank billing and some of the ways in which treasurers can assess their total spend.

The means by which banks generate profit has in the past few years been forensically analysed and some of the outcomes have made for rather depressing reading. But whilst some may say the raft of regulation they now face in response to their more creative practices are of their own doing, it should be acceptable for banks to generate profitable revenues from the products and services they provide to customers. "Banks should, however, clearly and transparently communicate the fees and conditions under which these will be levied," says Dinesh Krishnan, MD of Global Product Development for financial technology firm, Zafin. "Customers should also be guided towards using the most appropriate products and channels."

In preparing this article it is interesting to note that several banks declined the opportunity to comment (the help offered by Bank of America Merrill Lynch and SEB is therefore that much more appreciated). Whilst this apparent reluctance is not indicative of anything in particular, it does suggest that, for whatever reason, the topic of fees remains a sensitive subject for some banks.

Fee levels are affected by a combination of external and internal factors. External factors include significant components like the markets and countries in which banks operate, local banking models and customs, the prevailing regulatory framework, competitor activity, customer expectations, and technological advances. "Internal factors can, in part, then be considered as a reflection of how banks manage the external factors and translate these into product and pricing propositions for their clients," notes Krishnan. Banks offering differentiated fee propositions will base decisions on such factors as customer segment or type, geography, committed balances, breadth of customer relationship across products and lines of business, longevity of relationship and the volume of business.

However, according to Bruce Meuli, Global Business Solutions Executive, Global Transaction Services, EMEA, Bank of America Merrill Lynch (BofAML), "fairness is in the eye of the beholder". Whilst this is absolutely true of almost any transaction, he acknowledges that 'fairness' can also