GPFI Global Partnership for Financial Inclusion

G20 National Remittances Plan

Australia 2024

Biennial Update (2023)

G20 NATIONAL REMITTANCES PLAN

AUSTRALIA 2024

Call to Action on Remittances

Recognising the essential role of remittances in advancing inclusive and sustainable development, the Australian Government remains committed to supporting accessible and affordable remittance flows and continues to pursue this through: increasing market competitiveness; harnessing new and emerging technologies; enhancing transparency; supporting institutional capacity and encouraging supportive regulatory environments.

Australia 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% and eliminate corridors with costs higher than 5% by 2030.

Australia's National Remittance Plan objectives

Australia's National Remittance Plan aims to enable people in Australia to send money in a safe and cost-effective way from Australia to countries in our region. This is particularly important for high remittance-dependent countries in our region, including Pacific island countries that have strong links to Australia through labour mobility and diaspora communities.

Australia also recognises the importance of remittances, as a sub-category of person-to-person cross-border payments in the international economic landscape, including the support they provide for domestic industry and the secondary benefits they offer through spending that reaches other parts of the Australian economy.

In 2022, USD 6.546 billion in remittances were sent from Australia, making it among the 25 largest remittance-sending countries in the world. Australia's remittances represented 1.4% of total global remittances in 2022. Since 2000, remittances from Australia have grown faster than the global average (World Bank 2024). In terms of emerging and developing countries in our region, China, India, Vietnam, and the Philippines are the largest recipients of remittances sent from Australia. Remittances also contribute substantially to the economies of Pacific island countries, with remittances from Australia making large contributions to national income in Tonga, Samoa, Vanuatu, and Fiji.

Gender equality and remittances

Remittance flows and expenditure patterns can be highly gendered. Australia acknowledges the relevance of the targets under Sustainable Development Goal 5 to give women equal rights to economic resources and access to financial services, and to enhance the use of enabling technology to promote women's economic empowerment.

Current State of the Market for International Remittances

The Table below details Australia's remittance flows from 2018 to 2022:

Australia remittance flows (US$ billion)

	2018	2019	2020	2021	2022
Outflows	7.27	7.44	4.42	3.81	6.55
Inflows	1.87	1.76	1.20	0.94	1.31

Source: World Bank, 2024 data

Of foreign currency sent overseas from Australia, the most common is US dollar (24.3%), followed by the Euro (13.8%) and British Pound Sterling (12.7%) (ACCC data). Australian consumers primarily send money overseas to support their family and friends.

The cost of remittance services has decreased since 2019

Data collected by the Australian Competition and Consumer Commission (ACCC) indicates that the cost of international money transfers (IMTs) has decreased since 2019. Australia's decline in the cost of IMTs has been faster than the broader global decline. Australia's four largest banking institutions generally provide the most expensive IMT services, followed by traditional IMT suppliers. Fintechs are typically the lowest cost IMT providers. Across most providers, the cost of both an AUD 250 and AUD 10,000 IMT to the US decreased between 2019 and 2024.

The choice of an IMT supplier and the timing of the transfer impact the total cost of an IMT. Fees tend to make up a larger proportion of lower value transactions, while a larger FX margin greatly impacts higher value transactions. Weekend transfers can also be more expensive, with consumers charged either an extra fee or a worse FX margin.

Consumers can benefit from considering which type of supplier best suits their needs when they are transferring, particularly if lowest cost is their biggest consideration. Consumers are increasingly choosing Fintechs over large banks for IMTs. The IMT market share of Australia's four largest banks has consequently dropped from 76% in 2016 to 39% in 2024.

Australia is now below the average cost to remit from G20 countries

While the cost of IMTs from Australia have decreased, they nonetheless remain above the G20 target of 3%. However, Australia is now below the average cost to remit from G20 countries and is the 5th cheapest of the 13 nations in the G20 that are reported on.

Profile of Australian consumers using IMT services

According to ACCC data, Australian IMT consumers: primarily send money to friends and family overseas; are more likely to be from a culturally and linguistically diverse background than the national average; and have higher education levels than the national average.

Competition in the market

Remittance services in Australia are available through banks, remittance service providers, and other mobile and digital service providers, including Fintechs. Some financial institutions decline, withdraw or limit banking services to remittance service providers (known as de-banking), which may have the effect of limiting competition.

Responding to de-banking

In 2022, Australia's Council of Financial Regulators, AUSTRAC, ACCC and Attorney-General's Department published four recommendations to respond to de-banking in Australia. These recommendations related to the collection of de-banking data, the introduction of transparency and fairness measures, the provision of guidance, and capability uplift. Recognising the seriousness of de-banking, the Australian Government published a response to these proposals in 2023, and will work closely with regulators, banks and affected sectors (including remittance service providers), to ensure that the implementation of agreed upon recommendations is effective and achievable.

In 2024, AUSTRAC published updated guidance on providing financial services to customers that financial institutions assess to be higher risk, including remittance service providers. The guidance outlines the role of financial institutions in promoting financial inclusion, steps to manage money laundering and terrorist financing (ML/TF) risks in line with the risk-based approach to anti-money laundering and counter-terrorism financing (AML/CTF) and the importance of transparency between both parties in the business relationship to mitigate and manage ML/TF risks.

Regulation in the market

Australia's Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF) Regime

Remittance service providers are currently reporting entities for the purposes of AML/CTF regime. Remittance service providers must be registered and enrolled with AUSTRAC and are listed on the Remittance Sector Register. This register contains non-bank entities.

As reporting entities under Australia's AML/CTF regime, banks providing remittance services have obligations to: develop an AML/CTF program, carry out customer identification and verification, keep records, and report certain transactions (including suspicious matters, threshold transactions for physical currency of AU$10,000 or more, and international funds transfer instructions). AUSTRAC has developed comprehensive core and industry specific guidance to assist businesses to meet these obligations.

Reforms to extend the 'travel rule' to remittance service providers

The Australian Government is progressing proposed reforms to Australia's AML/CTF regime. Part of the reforms would extend the 'travel rule' obligation to remittance service providers. The 'travel rule' is a Financial Action Task Force requirement to include information about a payer and payee with transfers of value. Currently, only financial institutions are subject to this obligation. Extending the 'travel rule' would provide greater end-to-end transparency of international value transfers, such as those provided by remittance service providers.

Extension of Australian Financial Services (AFS) licensing to remittance service providers

A number of remittance providers will also soon be subject to Australian Financial Services (AFS) licensing and associated regulatory obligations for the first time as a result of upcoming Australian payments reforms. The Australian Securities and Investments Commission assesses applications for AFS licences as part of its role as regulator of the financial services industry under the *Corporations Act 2001* and has a role in administering the ongoing legislative obligations that apply to AFS licensees and their representatives. As part of the reforms, the Australian Government is intending to require entities that perform certain payment functions to hold an AFS licence authorising the provision of financial services in relation to those payment functions. This will include entities that perform cross border payment services and will therefore require remittance service providers to hold an AFS licence or operate as an authorised representative of a licensee.

Payment infrastructure

Bank-intermediated account-to-account payments are currently reliant on the correspondent banking network to process international money transfers to and from Australia. Domestic payment systems in Australia are not currently linked with payment systems in other jurisdictions. Some global non-bank digital remittance suppliers seek to bypass correspondent banking networks by maintaining bank accounts and local currency in each jurisdiction. International card schemes process cross-border card payments (and a small amount of money transfers) using their international card network and operations.

Integrating payment infrastructure

Integrating payment infrastructure across borders remains a challenge, with issues arising through various channels such as a lack of alignment in governance and other considerations such as data frameworks and AML/CFT measures. There are currently no comprehensive globally agreed standards that govern the oversight of the payments system. The current access requirements set by operators of payment systems in Australia typically favour authorised deposit-taking institutions (ADIs), which are subject to prudential regulation by APRA. Non-ADI payment service providers are not eligible to become direct participants in the New Payments Platform (Australia's domestic fast payments system) and are subject to additional conditions in a number of other payment systems. AML/CTF obligations also apply to these users if they provide an electronic funds transfer service, a remittance service, or card issuing service.

Access to financial services

There is widespread access to regulated remittance service providers in Australia, including digital platforms. Persons in Australia also have access to transaction accounts with financial institutions, where small monthly account fees typically apply. To open an account, or to access a remittance service, individuals must satisfy the businesses' 'know your customer' (KYC) procedures. The business must carry out identification and verification procedures to be reasonably satisfied that the individual is who they claim to be. The KYC procedures the business uses must be based on the level of ML/TF risk that different customers pose.

2023-2025 Country Plan for Reducing Remittance Transfer Costs

The Australian Government remains committed to supporting accessible, reliable and affordable remittance flows, and is pursuing this through: increasing market competitiveness; harnessing new and emerging technologies; enhancing transparency; and encouraging supportive regulatory environments.

Commitment to G20 targets for cross-border payments

Australia has endorsed the G20 Roadmap on enhancing cross-border payments and is contributing to this international initiative. It is committed to the G20 Roadmap global targets for improving the cost, speed, accessibility, and transparency of cross-border payments.

2023 Strategic Plan for Australia's Payment System

Cross-border payments sit at the heart of international trade and global economic activity and are vital for Australians to stay connected and support family and friends overseas. On 7 June 2023, Australia released its new Strategic Plan for Australia's Payment System, which outlines our commitment to meeting the G20 targets and the next steps in achieving these objectives. Measures set out in the strategy include setting regulation that aligns with other jurisdictions, promoting innovation with the arrival of the NPP International Payments Business Service and continuing to progress towards adopting ISO20022 data standards. Australia's significant investment in the NPP (New Payments Platform) to date is a key step towards creating more efficient, accessible, and affordable pathway for Australians sending money to family and friends abroad.

Commitment to digitalisation of remittances in the Pacific

Australia has been supporting work on the digitalisation of remittances in the Pacific. The average cost of remittances in the Pacific is among the highest in the world, averaging 9.1% in comparison with the global average of 6.25%, and more than triple the target agreed in the UN of 3%. There is high variability of remittance costs between Pacific island countries and between remittance providers. Research shows there are a number of factors considered by remitters when choosing a provider, including speed, cost, and ease of access.

More work is required to improve our understanding of what is impeding the use of the lower cost remittance providers in the Pacific. Digitising remittance transactions can play a role in decreasing the costs of remittances in the Pacific. However, the needs of remitters and recipients need to be considered in any intervention.

Pacific Banking Forum

On 8 to 9 July 2024, Australia and the United States co-hosted the Pacific Banking Forum to address the withdrawal of correspondent banking relationships (particularly for US dollar transactions) from the Pacific. At the Pacific Banking Forum, Australia renewed its commitment to supporting Pacific island countries on banking challenges in order to strengthen Pacific connectivity to the global financial system. This includes continuing to work with the World Bank and Asian Development Bank to reduce the barriers to financial inclusion. This work will help address some of the underlying challenges in the Pacific that inflate costs and risks for banks and their customers, including for remittances.

At the Pacific Banking Forum, the Australian Government announced commitments for:

- $2.9 million to the World Bank to support the development of inclusive and secure digital identity infrastructure across Pacific island Countries.
- $1.7 million to the Asian Development Bank to enhance regional compliance with anti-money laundering and counter terrorism financing requirements.
- $1.7 million for the Attorney General's Department to assist with criminal justice and law enforcement capacity in the region.

Empowering Migrants through Pacific Remittances ($1.5m DFAT, 2021 to 2025)

The Department of Foreign Affairs and Trade is supporting Send Money Pacific, a remittance price comparison website and mobile app, co-funded with the New Zealand Ministry of Foreign Affairs and Trade. It allows users to compare the cost and speed of sending remittances from Australia and New Zealand to 11 countries (Cook Islands, Fiji, Kiribati, Niue, Papua New Guinea, Samoa, Solomon Islands, Timor-Leste, Tonga, Tuvalu, and Vanuatu). Send Money Pacific also produces complementary educational videos targeted towards the seasonal worker programs in Australia and New Zealand and provides information on how to use the comparison app and what factors to consider when sending money to the Pacific. These products promote financial and digital literacy and educate remitters about lower-cost options in the market, encouraging increased competition and better value for money for consumers.

Send Money Pacific aims to increase price transparency of remittance costs, awareness of different services available in Australia and New Zealand and enable people to make informed decisions that minimise cost and maximise the value of remitting to Pacific island countries.

Pacific Payments and Trade Program – World Bank

DFAT has funded the World Bank's Pacific Payments and Trade Program, which is focused on expanding digital payments in the Pacific, improving remittance systems, and reducing the time and cost of trade transactions. Within the scope of the remittance work, the project seeks to pilot and replicate solutions to improve financial literacy and awareness of remittance solutions, to reduce the costs associated with digital payments, and to expand the market for digital payments in the Pacific.

Electronic payments in Australia's trade policy and agreements

Australia continues to promote the interoperability of electronic payment infrastructures. Electronic payments enable secure, convenient transactions between buyers and sellers regardless of their physical location or currency. Australia supports the development of efficient, safe, and secure cross-border electronic payments through fostering the use of international standards and encouraging innovation and competition in electronic payments services.

E-payments in the Australia-Singapore Digital Economy Agreement

The Australia-Singapore Digital Economy Agreement contains high quality commitments in this area, which aim to create an enabling environment for electronic payments and that promotes safety, efficiency, trust, and security in electronic payment systems.

Monitoring, reporting and best practice guidance by the Australian Competition and Consumer Commission (ACCC)

The ACCC's monitoring and reporting of remittances has contributed to the Australian Government's response to the 2020 G20 Roadmap. In relation to price transparency the G20 target requires the disclosure of the total transaction cost, showing all relevant charges, including sending and receiving fees including those of any intermediaries, exchange rate and currency conversion charges. The ACCC's Best Practice Guidance currently aligns with the disclosures required in the price transparency target in the G20 Roadmap. The G20 Roadmap also contains other transparency measures, including expected time to deliver funds, tracking of payment status, and terms of service.

G20 targets

The G20 targets apply to both outgoing and incoming remittances in Australia. However many barriers and delays may be due to the recipient or correspondent banks overseas that are outside the scope of the ACCC's Best Practice Guidance. Transparency measures can help mitigate these barriers for consumers where Australian suppliers can disclose where issues may occur. The G20 Roadmap sets a transfer speed target of 75% of remittance and retail payments to provide availability of funds for the recipient within one hour of payment initiation and for the remainder to be available within one business day, by end-2027.

Price competition

Most relevant to the ACCC's assessment of price competition is the G20's global target to reduce the average transaction cost to no more than 1% for retail payments and no more than 3% for remittances by 2030. The G20's distinction between retail payments and remittances depends on the corridor the money is being sent. The G20 Roadmap defines remittances as 'low value/high volume (in similar fashion to many transactions in the retail category) and primarily (though not exclusively) to receivers in emerging market and developing economies (EMDEs)'. This means remittances to places with advanced economies like the US or the UK would fall under the 1% target.

A further aspect of the targets is for no individual payment corridors to have a cost higher than 3% for advanced economies and 5% for EMDEs. This is relevant to remittances to higher cost corridors, like those to Pacific island nations, which face particular challenges when it comes to the cost and availability of remittance services.