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HAMBURG

# G20 National Remittance Plan 2017 Australia

GPFI
Global Partnership for Financial Inclusion

## COUNTRY PLAN FOR REDUCING REMITTANCE TRANSFER COSTS – AUSTRALIA

## Background

The Australian Government is committed to supporting accessible and affordable remittance flows, and is pursuing this through four areas of focus: increasing market competitiveness; harnessing new and emerging technologies; enhancing transparency; 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 per cent and eliminate corridors with costs higher than 5 per cent by 2030.

Remittance flows and expenditure patterns can be highly gendered, with particular effects on women as recipients traditionally responsible for household wellbeing, but also as migrant remitters themselves. 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.

Recognising the essential role of remittances in advancing inclusive and sustainable development, Australia places a high priority on facilitating remittance transfers. In addition to providing additional domestic resources for development, remittance transfer services also provide a vital entry point for the financially excluded and underserved to broader formal financial services.

The average cost of sending remittances from Australia currently stands at 9.31 per cent[1] (Q2 2017, World Bank), a decrease in over 5 percentage points since the G20 committed to lowering remittance costs in 2011. An estimated AUD21 billion in remittances is sent from Australia a year, more than five times the amount of Australia's Official Development Assistance of AUD3.9 billion (2017-18 estimates). In terms of emerging and developing economies in our region, China, India and Vietnam[2] are the largest recipients of remittances sent from Australia.

Australia's National Remittance Plan (NRP) aims to enable women and men to send money in a safe and cost effective way from Australia to, and within, key countries in the Indo-Pacific region. This is particularly important for high remittance-dependent countries, such as Tonga and Samoa where remittances contribute around 24% and 20% of GDP respectively. Evidence from recent studies has demonstrated these remittances help Pacific islanders establish small businesses, improve local employment opportunities and living conditions, and provide access to education[3].

[1] World Bank, 2017, *Remittance Prices Worldwide.* http://remittanceprices.worldbank.org/en

[2] World Bank, 2015, *Bilateral Remittance Matrix*. http://www.worldbank.org/en/topic/migrationremittancesdiasporaissues/brief/migration-remittances-data

[3] World Bank, 2016, *Pacific Possible*.

## 2014 Call to Action on Remittances

The Australian Government remains committed to delivering on our *2014 G20 Call to Action on Remittances*. Through the implementation of this NRP, Australia will continue to:

- engage with commercial banks and industry to support low-cost remittance transfers to and within the Pacific;
- work with global standard-setting bodies and domestic authorities to ensure anti-money laundering and counter-terrorism financing (AML/CTF) legislation is applied proportionately; and,
- promote remittances by Pacific Islander and Timorese seasonal workers to contribute to development their home countries.

## 2017 Country plan for reducing remittance transfer costs

**1. INCREASE REMITTANCE MARKET COMPETITIVENESS**

a. The Australian Government recognises that a proportionate, risk-based approach to AML/CTF regulation is necessary to sustain a competitive remittance sector and balance Australia's obligations to manage the high money laundering and terrorism financing (ML/TF) risks of the sector globally. A review of Australia's AML/CTF regime was finalised in 2016, containing 84 recommendations to streamline and strengthen the regime, including recommendations that will impact the remittance sector.

   The establishment of a government-industry working group to develop options for strengthening regulatory oversight of remitters under the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (AML/CTF Act) is a key recommendation of the review and will be progressed by the Government in 2017 and 2018. The strengthened regulatory oversight will aim to improve the sector's understanding of its ML/TF risks, enhance the ability of remitters to comply with AML/CTF obligations, better mitigate the risks posed by the sector, and promote financial inclusion.

b. The review also recommended that the AML/CTF regime be simplified and streamlined to improve compliance by reporting entities and generate deregulatory savings for industry. Over the next two years, Government will consult with industry on the proposals to simplify and streamline the regime to ensure they provide clarity and certainty for reporting entities about their obligations.

c. To improve and encourage greater Money Transfer Operator participation in the remittance sector, the Australian Transaction Reports and Analysis Centre (AUSTRAC), in collaboration with industry stakeholders, will develop sector specific guidance on improving and strengthening the sector's compliance with AML/CTF obligations. Where necessary, AUSTRAC will take action on non-compliance in the remittance sector.

d. In 2017, AUSTRAC, supported by the Department of Foreign Affairs and Trade (DFAT), conducted a ML/TF risk assessment of outward remittance flows from Australia to Pacific Island Countries sent through remittance businesses. AUSTRAC and DFAT will continue to explore other activities that support broader Government efforts outlined in this NRP, including specific efforts in the Pacific.

e. Australian banks (ANZ and Westpac) have reduced fees for remittance transfers to the Pacific following consultation with DFAT and the Treasury. The Australian Government will continue to advocate for Australian remittance service providers to put downwards pressure on transfer costs where appropriate. DFAT and the Treasury will also continue to explore partnerships with international organisations to address a range of issues in the remittances sector, including those associated with de-risking.

**2. IMPROVE FINANCIAL SYSTEM INFRASTRUCTURE AND PURSUE POLICIES CONDUCIVE TO HARNESSING EMERGING TECHNOLOGIES.**

a. The Australian Government is considering opportunities to harness new and emerging technologies to support low-cost remittance transfers and enhance financial inclusion in the Pacific. The Government's investment in the Pacific Financial Inclusion Program (PFIP) aims to improve access to financial services for women and men through: support to financial service providers to test and then commercially scale services for mass-market customers; assistance for governments to implement policies that enable financial innovation and inclusion; and financial literacy and consumer protection initiatives. The Australian Government will also continue to explore with PFIP, further opportunities to harness new technologies to facilitate remittance transfers in the Pacific.

b. The Government is committed to supporting the use and application of new and emerging technologies to improve the effectiveness, efficiency and competitiveness of the remittance sector. AUSTRAC has actively engaged with a number of FinTech operators as new models of operation to support the remittance industry are developed. It will also continue to work closely with new and emerging FinTechs to help them consider their AML/CTF risks and understand their obligations as they develop and expand.

c. The Australian Government recognises the value of innovation across government and industry to enable timely access to accurate trusted and secure information. Over the next two years, AUSTRAC, in partnership with industry, will examine opportunities to leverage technology developments and innovative approaches to co-design a solution to ease the regulatory burden of customer due diligence requirements, including for the remittance sector.

d. The Australian Government's investment in the United Nations Capital Development Fund (UNCDF) Shaping Inclusive Finance Transformations (SHIFT) in ASEAN program assists people with low-incomes, particularly women, and micro, small and medium enterprises (MSMEs) to access and use well-regulated and affordable financial services. Over the next two years, DFAT will work with the SHIFT program to explore deeper engagement with the ASEAN Working Committee on Payments and Settlements Systems and other relevant ASEAN engagements to support national and regional policy advocacy on remittances. Australian support will enable the SHIFT program to co-finance innovative financial products and services with the private sector that improve women's access to regulated remittance channels. These investments will be identified through the program's third Challenge Fund window.

## 3. DISCOURAGE TAXES ON MIGRANT REMITTANCE TRANSFERS.

a. The Australian Government will continue to provide goods and services tax exemptions on remittance transfer services.

## 4. IMPROVE TRANSPARENCY AND CONSUMER PROTECTION OF REMITTANCE TRANSFERS.

a. The Australian Government, through DFAT, will continue to support approaches that increase the transparency of remittance costs, including the Send Money Pacific remittance comparison website, which has contributed to reducing the costs of remittance transfers from Australia to the Pacific. DFAT will work with the provider to seek to improve the effectiveness of the website for consumers.

b. Australia will continue to help build the capacity of Timor-Leste and Pacific Island countries participating in the Seasonal Worker Programme to send well-prepared and well-informed workers through the Labour Mobility Assistance Program (LMAP). LMAP also seeks to increase the participation of women and disadvantaged groups. With support from LMAP, workers are provided with pre-departure briefings, which includes training on financial literacy, personal budgeting and the use of banking products to save and remit their incomes. On their return home, workers are encouraged to participate in workshops delivered by LMAP to help them invest the funds they have earned. These workshops are designed to assist workers invest their savings and skills in productive activities, to help diversify their income and build new livelihoods. The new Pacific Labour Facility (PLF) announced on 8 September 2017, will continue to support improved financial literacy, including on remittances, when it commences in July 2018.

c. DFAT is also working to increase women and men migrant worker access to financial services through the Tripartite Action to Enhance the Contribution of Labour Migration to Growth and Development (TRIANGLE) in ASEAN program, delivered through the International Labour Organisation. TRIANGLE in ASEAN aims to ensure the benefits of labour migration are equally realised by women and men migrant workers and to maximise the contribution of labour migration to equitable, inclusive and stable growth in the ASEAN region, including by improving regulation and transparency of remittance service costs. For example, to better understand how financial remittance flows affect livelihoods and living standards in Lao PDR, DFAT is supporting TRIANGLE in ASEAN to undertake research on the knowledge, attitudes and practices of individual remittance recipients, and to implement the findings of this research.