Background

Australia places a high priority on facilitating remittances. Australia is committed to reducing the cost of transferring remittances to five per cent, as agreed by G20 leaders at the 2014 Brisbane Summit. Our remittance actions aim to enhance competition and enable consumers to send money in a safe and cost effective way from Australia to, and within, key countries in our region. Many people in Australia including temporary workers, permanent migrants, and citizens regularly remit money to support family in their country of origin. An estimated 28 per cent of Australia’s resident population are born overseas.

Remittances are an important source of financing for development with the potential to catalyse development and significantly impact on poverty alleviation. An estimated AUD 21 billion in remittances is sent from Australia a year globally, more than five times the amount of Australia’s Official Development Assistance of AUD 4 billion (2015-16 estimates). The largest recipients of remittances sent from Australia to developing countries in our region are China, India and Vietnam. Remittances to Pacific Island countries from Australia have greater impact however, contributing to 24 per cent of GDP in Tonga and 20 per cent of GDP in Samoa.

Since 2011, Australia’s average cost of transferring remittances has fallen by 38 per cent from 14.8 to 9.2 per cent. The Australian Government will work to further reduce our costs to ensure we are well placed to achieve G20 leaders commitment to reduce remittance costs to five per cent. Australia’s remittance plan focuses on three priority areas: increasing market competitiveness; harnessing technologies, and enhancing transparency. Australia’s actions on remittances aim to balance global and domestic trends, and G20 priorities to increase economic growth and financial stability. The Australian Government will review this plan annually to support global commitments on remittances, and accommodate for emerging trends and technological innovations.

2014 Call to Action on Remittances

As part of Australia’s 2014 G20 Call to Action on remittances, the Australian Government increased transparency, competition, consumer literacy and facilitated remittances through aid investments, including remittance price comparison websites and the Seasonal Workers Program (SWP). The SWP allows Pacific Island participants to undertake work in Australia and send remittances home, which can amount to six times the average annual income of most Pacific Island countries. In response to the emerging trend of heightened anti-money laundering and counter-terrorism financing (AML/CTF) regulations, the Australian Government commenced engagement with global standard setting bodies and domestic authorities to review the impact of Australia’s AML/CTF legislation on remittances.
1. Increase Remittance Market Competitiveness

a. Australia recognises the importance of competition in the remittance market to keep costs low. Australia also understands that a proportionate approach to AML/CTF regulations is necessary to sustain a competitive remittance sector. In 2015, the Australian Government finalised a statutory review of legislation regulating remittances (AML/CTF Act 2006) which considers recommendations from the Financial Action Task Force and mutual evaluation of Australia’s AML/CTF regime. In 2016, the government will monitor the impact of the review recommendations and updated regime on all reporting entities, including money transfer operators (MTO).

b. The Australian Government is examining further measures to encourage greater MTO participation. Lowering the cost of market entry and consumer protection needs to be balanced with managing money laundering and terrorism financing risk. Australia’s AML/CTF regulator Australian Transaction Reports and Analysis Centre (AUSTRAC) is considering options to improve guidance to increase MTO understanding of regulatory requirements and registration processes, and support new MTO to enter the remittance sector. AUSTRAC has streamlined advice in its consolidated regulatory and compliance guide (September 2014), which outlines the regulatory process. AUSTRAC will continue to engage with industry to update and simplify this guide. The guide will be reviewed regularly, and the remittance sector will be consulted.

c. The Australian Government actively engages all industry stakeholders in the remittances sector on proportionate approaches to AML/CTF regulations. A Working Group on Remittance Account Closures was established in December 2014, comprising representatives of the government, Australian Bankers’ Association and remittances sector. The Working Group will continue to meet regularly. A key part of the Working Group is “to identify AML/CTF and sanctions risks that exist in the remittance sector, and measures that could be implemented domestically to mitigate these risks.”

d. The Australian Government will focus on facilitating increased consumer access to remittance services. By amending documentation requirements by MTO, more consumers will be able to use formal remittance services. Currently, the electronic safe harbour provisions require senders to meet three identity verification checks – name; address; and date of birth or transaction history. From 2015, consumers will benefit by only having to meet two checks – name; and address, date of birth or transaction history.

2. Improve Financial System Infrastructure and Pursue Policies Conducive to Harnessing Emerging Technologies

a. Australia recognises the potential impact technology can have to facilitate remittance flows. In 2015, the Australian Government commissioned a scoping study on technological and innovative solutions appropriate to the
Australian remittance context. The objective of the study is to identify solutions to facilitate remittances from Australia to countries in our region, and to enhance financial inclusion. Recommendations of the study will be considered for implementation in 2016.

b. The Australian Government is incentivising micro, small and medium enterprises to facilitate formal financial products and services in ASEAN markets through the Shaping Inclusive Finance Transformations (SHIFT) program. This includes the establishment of a challenge fund mechanism to incentivise innovations in financial products, which will include remittance services. Implemented by the United Nations Capital Development Fund, one of SHIFT’s objectives is to improve financial products and services to encourage the use of formal and regulated remittance channels.

c. The Australian Government is harnessing emerging technologies to support low-cost remittance transfers and enhance financial inclusion in the Pacific. Through the Pacific Financial Inclusion Program (PFIP), Australia continues to support Pacific Island governments to simplify the know-your-customer (identification) process and enable low-income people to open bank accounts. PFIP is funded by Australia, the European Union, and New Zealand. In 2016, the Australian Government will explore opportunities to further improve ways to facilitate remittances in the Pacific.

3. Discourage Taxes on Migrant Remittance Transfers

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

4. Improve Transparency and Consumer Protection of Remittance Transfers

a. The Australian Government continues to prioritise increasing transparency of remittance costs. Transparency initiatives funded by the Australian aid program include the Send Money Pacific remittance comparison website, which has contributed to reducing remittance costs from Australia to the Pacific.

b. The Australian Government is working with service providers to enhance financial and remittances literacy. In 2015, the government reviewed its Onshore Humanitarian Orientation Program, open to all humanitarian migrants new to Australia. As an outcome of the review, the government updated the program to include comprehensive learning on remittance and financial services available in Australia.

Australia’s remittance plan focuses on facilitating remittance flows to developing countries in our region. More than three quarters of remittance transfers to developing countries from Australia are to Asia (see chart 1). Remittances from Australia also account for a large share of total remittances in many developing countries, in particular the Pacific Island countries (see chart 2). Australia is
committed to exploring innovative measures to reduce remittance costs, accelerate financial inclusion and catalyse greater investment in developing countries.

Chart 1. Share of remittances sent from Australia to developing countries by region

![Pie chart showing regions and percentages of remittances](image)


Chart 2. Remittances sent from Australia to developing countries as a share of total country remittances (%)

![Bar chart showing remittances](image)