GPFI Global Partnership for Financial Inclusion

G20 National Remittance Plan

Australia 2021

Biennial Update

COUNTRY PLANS FOR REDUCING REMITTANCE TRANSFER COSTS

AUSTRALIA

Background

Country remittances profile

The impact of the COVID-19 pandemic has reinforced the importance of remittances to low and middle-income countries, particularly in the Indo-Pacific region. The Australian Government recognises the role of remittances in supporting economic recovery across the region, advancing inclusive and sustainable development, and alleviating poverty. Australia remains committed to advocating for accessible and affordable remittance flows, and continues to pursue initiatives focused on four priority areas: 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. 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. Australia's National Remittance Plan aims to enable women and men to send money in a safe and cost-effective way.

In net terms Australia sends remittance to the world. Table below details Australia remittance flows from 2018 to 2020:

Australia remittance flows (US$ million)

	2018	2019	2020
Outflows	7,268	7,439	4,302
Inflows	1,861	1,752	1,192

Source: World Bank

Between 2019 and 2020 outward remittance flows from Australia dropped by almost half (42.16 per cent). Some of the fall can be explained by Australia's border closure, which led to a dramatic reduction in working holidaymakers, and temporary skilled migrants. It is also the case that the pandemic has disproportionally affected vulnerable groups including migrants. Outward remittance flows accounted for 0.3 per cent of GDP in 2020. The average cost of remitting funds from Australia was 7.22 per cent in Q1 2021. (World Bank).

In 2020, there were over 7.6 million migrants living in Australia, meaning 29.8% of the population were born overseas. Table below details Australia's migrant stock in volume and as a share of the total population from 2018 to 2020:

Migrants in Australia

	2017-18	2018-19	2019-20
Number of migrants (in millions)	7.3	7.5	7.6
Per cent of population	29%	29.7%	29.8%

Source: Australian Bureau of Statistics.

The largest number of migrants arriving in 2019-20 came from England, India, China, New Zealand, the Philippines and Vietnam. Almost half of Australia's outbound remittances flow to five countries: China (17.3%), India (11.5%), Vietnam (7.0%), the United Kingdom (6.4%) and the Philippines (5.9%) (World Bank).

Competition in the market

The concentration of the banking sector in Australia creates challenges for competition across a range of financial services, including in regard to the market for international money transfer services (IMT). In 2018, the Australian Treasurer directed the Australian Competition and Consumer Commission (ACCC) to undertake an inquiry on foreign currency conversion services. The ACCC's 2019 report concluded that consumers in Australia were paying too much for foreign exchange services. The report made recommendations to improve price transparency and suggested measures to help consumers better assess their options in identifying the best prices available. The ACCC also developed guidance on best practice for providers of foreign currency conversion services.

Remittance services in Australia are available through banks, money transfer operators (MTOs), and other mobile and digital service providers. There were 6,533 active registrations on the Australian Government's Remittance Sector Register of remittance service providers as of 3 October 2021 (up from 5,702 reported in 2019).

Newer non-bank IMT providers have progressively changed the competitive dynamic of the IMT market by offering lower prices and better features than the traditional major Australian banks. In response, the banks have reduced their prices and improved non-price aspects of their services, including improving ease of use and providing faster transfer speeds. The changes are largely focused on digital channels, such as online banking and mobile applications, where newer entrants to the market mostly operate. While the major banks have reduced their prices, they remain significantly more expensive than most IMT providers.

The ACCC's inquiry also found that non-bank remittance services had been denied access to bank services or found their access under threat (known as de-banking). The ACCC considered de-banking a threat to competition in the supply of remittance services. De-banking can be a:

- barrier to entry by preventing a new entrant from providing remittance services because it cannot access banking services or must incur significant costs to look for and obtain alternatives
- barrier to expansion because it increases the costs of non-bank remittance services relative to banks — they must incur potentially high compliance costs to maintain their access to banking services or search costs to look for alternatives, costs the large banks do not face.

The need to comply with Australia's anti-money laundering and counter terrorism financing (AML/CTF) laws has been a factor in the banks' decisions to withdraw access to banking services for non-bank rivals. A Government working group, has been formed to consider de-banking and report back to the Council of Financial Regulators (CFR)[1] with options to address the problem. Relatedly, the ACCC recommended a scheme to address de-banking through which non-bank remittance services can address the due diligence requirements of the banks and operators of payments infrastructure, including in relation to AML/CTF requirements.

To improve price transparency and promote competition in the IMT market, the Australian Government is supporting two web-based remittance cost comparison portals – Send Money Pacific (https://sendmoneypacific.org/) and Saver Asia (www.saverasia.com), which compare prices of remittance services available to a number of Southeast Asian and Pacific Island countries. These initiatives also seek to improve the financial and digital literacy of remittance senders to help them meaningfully engage with remittance services and make informed choices that maximise the value of money they sent to receiving households.

Regulatory environment

In 2019, the ACCC issued best practice guidelines on price transparency for international money transfer operators. The guidance specifies that these providers should take necessary steps to inform their customer up-front of the total price of an international money transfer, including any correspondent banking fees that may occur over the course of transaction; and offer digital tools on their websites to calculate the total price for an international money transfer.

In 2021, the ACCC reviewed 15 prominent remittance service providers, finding that 12 were either adhering to best practice price disclosure or needed to make only minor improvements to achieve best practice. The ACCC continues to work with remittance service providers to advance adherence to the best practice guidance. The Australian Government will continue to assess if further regulatory action is required.

On 17 June 2021, amendments to the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth) (AML/CTF Act) came into effect. This AML/CTF reform program is partially a product of the statutory review of the AML/CTF Act in April 2016 by the Attorney General's Department (Statutory Review). The reforms are also the result of over five years of legislative consultation and review stimulated by criticisms of the AML/CTF Act in the 2015 Mutual Evaluation Report of Australia by the Financial Action Task Force (FATF).

A key focus of the amendments was the creation of safe harbour provisions under the AML/CTF Act to enable one reporting entity to rely on the customer due diligence of another. The amendments expand the circumstances where a reporting entity may rely on third parties' customer due

[1] The CFR is the coordinating body for Australia's main financial regulatory agencies. There are four members: the Australian Prudential Regulation Authority (APRA), the Australian Securities and Investments Commission (ASIC), the Australian Treasury and the Reserve Bank of Australia, which chairs the Council. It is a non-statutory group, without regulatory or policy decision-making powers. Those powers reside with its members. The Council's objectives are to promote stability of the Australian financial system and support effective and efficient regulation by Australia's financial regulatory agencies. In doing so, the Council recognises the benefits of a competitive, efficient and fair financial system.

diligence, reducing the need for multiple instances of customer due diligence, though reporting entities still need to satisfy the record-keeping requirements.

Building on initial work, further collaboration opportunities were identified through an AUSTRAC Pacific Islands Partnership that commenced in 2020 to strengthen the remittance corridors between Australia and Pacific Island countries. The Partnership would assist Pacific Island countries to maintain their assessed low money laundering and terrorism financing (ML/TF) risk status and improve regulatory efficiencies.

Despite AUSTRAC's risk assessment that remittance corridors between Australia and Pacific Island countries are of generally low ML/TF risk, the issue of de-risking[2] continues. Further de-risking has the potential to reduce competition, increase costs to consumers, and lead to financial exclusion and greater exposure to ML/TF risks, particularly where money is transferred through less transparent and unregulated channels.

To prevent, detect and disrupt criminal abuse and exploitation of the financial sector, the AUSTRAC Pacific Island Partnership focuses on enhancing the capabilities of Pacific financial intelligence units (FIUs) and providing greater regional collaboration in identifying and combating ML/TF risks in the Pacific. The Partnership seeks to uplift the capabilities of Pacific FIUs to maintain integrity and trust in the financial systems in the Pacific, enhance economic security and governance, and increase confidence that the Pacific remains a safe destination of the conduct of remittances.

The Partnership also looks to deliver regulatory efficiencies for money transfer operators providing remittance services to the Pacific through tailored guidance, education, outreach and engagement.

Payment infrastructure

Direct access to payment infrastructure in Australia, including the New Payments Platform, currently requires users to be authorised deposit-taking institutions (ADI) licensed and regulated by the Australian Prudential Regulation Authority (APRA).

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.

In August 2021, the Government released the Australian Payments System Review. The review was commissioned by the Government - which recognised that there has been significant changes to the payments ecosystem in recent years. However, the regulatory architecture, which includes a range of regulatory agencies, industry bodies and the government, has remained relatively unchanged for over two decades. The review made 15 recommendations to the government to modernise Australia's payments regulatory architecture, including measures that may improve non-bank

[2] The phenomenon of financial institutions terminating or restricting business relationships with clients or categories of clients in order to avoid rather than manage risk in line with the FATF's risk-based approach.

payment service providers' access to payment systems and banking services. The Government is currently considering these recommendations.

Australian policy and regulatory agencies are contributing to the international Roadmap to enhance cross-border payments, including work to improve existing payment infrastructures – for example, standardising payment messaging practices. The Reserve Bank of Australia is monitoring and contributing to the progress of a major industry-led program to update the messages used in the Australian High Value Clearing System (HVCS) to a new format based on the ISO 20022 standard.

Governance and Risk Management

All remittance service providers in Australia must be registered with the Australian Transaction Reports and Analysis Centre (AUSTRAC). Remittance service providers have obligations under Australia's Anti-Money Laundering and Counter-Terrorism Financing Act 2006 to report suspicious transactions, undertake customer due diligence and report any cash transactions exceeding AUD10,000.

AUSTRAC has developed a remittance providers business toolkit, which includes guidance on managing AML/CTF obligations, customer due diligence, and reporting requirements (see guidance Remittance service providers | AUSTRAC)

Access to financial services

There is widespread access to regulated remittance service providers in Australia, including digital platforms. Migrants 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, migrants require a valid form of identification.

Internationally, Australia is supporting the work of the South Pacific central banks, in conjunction with multilateral development partners and other key stakeholders in the remittance sector, to develop a regional 'know your customer' (KYC) facility in the Pacific. This KYC facility aims to standardise customer due diligence requirements and help MTOs and locally owned Pacific banks meet AML/CTF compliance. Greater information sharing and building regional financial resilience will reduce the risks associated with remittances and strengthen reporting capacity of relevant entities. This work also helps drive financial inclusion and prioritises access to cost-effective remittances for the region.

Australia has worked with the International Finance Corporation and the Tonga Development Bank to expand the New Zealand-Tongan 'Ave Pa'anga Pau remittance voucher pilot to Australia. The Australian pilot was launched in November 2020 and has established a cheaper, faster and safer channel for people living and working in Australia to send money to the Kingdom of Tonga. The cost of a AUD200 transfer through 'Ave Pa'anga Pau is 4.9 per cent, close to half the total average cost across all remittance service providers servicing the Australia-Tonga remittance corridor (World Bank Remittances Prices Worldwide, Q1 2021). As part of efforts to address the high costs of sending remittances to Pacific Island countries, options are being explored to extend the solution to other countries in the region.

Crisis mitigation and prevention (COVID-19)

Critical financial services were included in the list of essential services during the lockdown periods in Australia. The way this applied varied across states and territories. Many remittance services are also attached to an essential business, for example post offices, food or grocery stores and newsagencies.

Call to Action on Remittances

The Australian Government remains committed to delivering on the 2014 G20 Call to Action on Remittances. Australia is engaging with commercial banks and industry associations to support low-cost remittance transfers in its region. Australia is also leveraging its aid initiatives and a seasonal workers program to better prepare workers from the Pacific to invest remittance savings upon return to their home countries. Australia continues to support transparency initiatives, such as remittance price comparison websites. Additionally, Australia is engaging with global standard setting bodies, and its domestic authorities, to review the impact of Australia's anti-money laundering and counter terrorism legislation on remittance transfers.

2021 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. Considering the four challenges identified by the G20 Cross-Border Payments Roadmap: cost, speed, access, and transparency, Australia plans to take the following steps:

Improve the speed of a remittance transaction

- In 2018 the New Payments Platform launched in Australia. The New Payments Platform is infrastructure that enables customers of different banks to make and receive real-time AUD payments in Australia. The platform also has data capabilities, allowing more information to be attached to payments. By early 2023, the New Payments Platform will enable incoming bank-intermediated international payments, which should significantly increase the speed of these transactions. It will also support enhanced payment message and data practices for suppliers, which could contribute to lower costs for some transfers.

Improve transparency for remittance services in your jurisdiction

- Australia will continue to work with remittance service providers to implement ACCC best pratice guidlines. We will assess if further regulation is required.
- Australia continues to support international money transfer price comparison websites for Southeast Asian and Pacific Island countries.
    - Empowering Pacific Migrants through Remittances (EMPR) program aims to increase remittance price transparency from Australia and and New Zealand to the Pacific and raise awareness of the range of remittance services available to Pacific migrants through the Send Money Pacific website. EMPR also seeks to improve the financial and digital literacy of Pacific migrants to empower them to make informed choices when sending money overseas, and through the use of digital remittance platforms.

- In November 2020, the Government supported the launch of the Australian chapter of ‘Ave Pa’anga Pau, a digital remittance voucher product that addresses the high costs of sending remittances from Australia to the Kingdom of Tonga. The Australian pilot, developed by the Tonga Development Bank and supported under Australia’s Pacific Partnership with the International Finance Corporation, expanded on the New Zealand pilot and established a cheaper, faster and safer channel for people living and working in Australia to send money to the Kingdom of Tonga. The cost of a $200 transfer using ‘Ave Pa’anga Pau is 4.9 per cent (World Bank Remittance Prices Worldwide, Q1 2021), almost half the total average cost across all remittance provider servicing the Australian-Tongan remittance corridor. Building on the success of the ‘Ave Pa’anga Pau pilot in Australia, options are being explored to expand this digital remittance product to other Pacific Island countries.

Improve the enabling environment to expand access to national payment system infrastructures by non-bank RSPs and fintechs for the uptake of digital channels for remittances.

- The Australian Government have made a signficant investment toward supporting the private sector to transition to digital processes under the JobMaker Digital Business Plan. This included undertaking a review into the regulatory architecture of Australia’s payments system. The Government is currently assessing the recommendations under this review.
- A Government working group has been formed to consider de-banking and report back to the Council of Financial Regulators with options to address the problem.

Investigate a Know-Your-Customer (KYC) facility for remittances to the South Pacific region

- The Reserve Bank of Australia is working with eight other South Pacific central banks and several multilateral organisations to investigate a possible regional KYC facility that may help support the flow, and potentially also reduce the cost, of low-risk remittances to the South Pacific.[3]

[3] South Pacific Central Bank Governors Committed to Cost Effective Remittances, 20 November 2020