



GPFI

Global Partnership
for Financial Inclusion

G20 National Remittance Plan 2019

Australia

Background

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 is pursuing this through: 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 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 over 30 per cent and around 20 per cent of GDP respectively.

In 2017, USD16.8 billion in remittances were sent from Australia, making it the 11th largest remittance-sending country in the world. In terms of emerging and developing countries in our region, China, India, Viet Nam and the Philippines are the largest recipients of remittances sent from Australia. There were 5,702 active registrations on the Australian Government's Remittance Sector Register of remittance service providers as of 31 August 2019, which indicates the size of Australia's remittance market.

Call to Action on Remittances

The Australian Government remains committed to delivering on our 2014 G20 Call to Action on Remittances, which was as follows:

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 (AML/CTF) legislation on remittance transfers.

2019 Country plan for reducing remittance transfer costs

1. Increase remittance market competitiveness, including through improvements to the regulatory environment

a) The Australian Government, through the Department of Foreign Affairs and Trade (DFAT), will actively engage and pursue partnership opportunities with other government agencies, including the Australian Transaction and Reporting Centre (AUSTRAC), as well as international organisations to support initiatives that aim to strengthen the Australia-Pacific remittance corridor. This support will seek to alleviate regulatory and administrative burdens, enhance compliance outcomes and strengthen risk management to address competition issues arising from de-risking. Support for the

South Pacific Central Bank Governors initiatives on the creation of a know-your-customer (KYC) utility and regionally linked payment and settlement arrangements, and the implementation of the Tonga Ave Pa'anga Pau Voucher pilot in Australia will be priorities for DFAT.

Australia will continue its efforts to bring down the costs of sending remittances through ongoing advocacy with key industry stakeholders. With DFAT support, a Pacific Working Group on Remittances was established in early 2019, to provide a mechanism for humanitarian organisations, industry and Pacific governments to collaborate, and share practices and perspectives to improve the Pacific remittance market. The working group will meet biannually, and its first meeting was held in May 2019.

b) In September 2019 the Australian Government released the Australian Competition and Consumer Commission's (ACCC's) final report on its inquiry into the supply of foreign currency conversion services to consumers and small to medium-sized enterprises in Australia (the Inquiry). The Inquiry examined international money transfer services (IMTs) from Australia to an overseas recipient, foreign cash services, payment cards (credit or debit card) and pre-paid travel money card services. The main focus of the Inquiry was on IMTs. The ACCC made a number of recommendations aimed at supporting competition in the supply of IMTs, which the Australian Government has accepted.

Recommendation to reduce a key barrier to entry and expansion for non-bank suppliers of IMTs

Non-bank IMT suppliers often rely on obtaining banking services from their vertically integrated competitors (banks) to compete for the supply of IMTs. The ACCC found that newer non-bank IMT suppliers have been denied access or find access to bank services under threat. The need to comply with Australia's AML/CTF laws has been a factor in the banks' decisions to withdraw access to banking services for non-bank rivals.

To address this issue, the Australian Government has accepted the ACCC's recommendation to form a working group tasked with consulting on the development of a scheme through which IMT suppliers can address the due diligence requirements of the banks or providers of payment system infrastructure, including in relation to AML/CTF requirements. The Australian Government will establish a taskforce to consult with all relevant stakeholders and report back with further reform options, ensuring that compliance with Australia's AML/CTF laws does not unnecessarily stifle competition. The ACCC will be a member of this taskforce. The ACCC will also monitor non-bank IMT suppliers' access to banking services and payment infrastructure and investigate where the denial or withdrawal of those services raises concerns under Australia's competition and consumer laws.

Recommendations to improve price transparency

Improving price transparency will support price competition by making it easier for consumers to seek out the cheapest suppliers. In order to improve price transparency, the ACCC created best practice guidance directed to IMT suppliers. The guidance specifies that IMT suppliers should: take necessary steps to inform their customer up-front of the total price of an IMT, 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 IMTs. The ACCC will now assess industry's implementation of the best practice guidance and report back to the Australian Government by September 2020 to ensure that action has been taken. If the ACCC finds industry is not complying with these recommendations, or that the implementation of these recommendations has failed to address the concerns that have been identified, the government will consider taking further action.

c) The Australian Government, through AUSTRAC, continues to engage with the remittance sector to assist them to understand and comply with their AML/CTF obligations. This includes providing practical guidance for the sector, and delivering tailored face-to-face training to new and existing remittance businesses. Over the next two years, AUSTRAC will complete a money laundering and terrorism financing (ML/TF) risk assessment for the remittance sector. The aim is to provide a scan of the ML/TF criminal threat environment and the vulnerabilities of the sector. The risk assessments will assist remitters to manage their ML/TF risks and comply with their obligations, and will inform AUSTRAC's industry outreach, education and supervisory activities.

2. Improve financial system infrastructure and pursue policies conducive to supporting innovation and harnessing emerging technologies.

a) Access to payment systems could be used to address the issue of de-banking that affects remittance service providers. The ACCC Inquiry noted that non-bank IMT suppliers could consider accessing payment system infrastructure directly as an alternative to using a bank account.

The Reserve Bank of Australia (RBA) with input from the ACCC has reviewed the functionality of and access requirements for a national payment infrastructure known as the New Payments Platform (NPP). The NPP infrastructure contains significant innovations that are not available through Australia's more established Bulk Electronic Clearing System. For example, the NPP is designed to settle payments in real time and allows payments using payee identification details such as email addresses and phone numbers instead of bank account details. In June 2019, the RBA's review made a number of recommendations aimed at improving equity and ease of direct access to the NPP, including for non-bank IMT suppliers. The RBA, with the assistance of the ACCC, will conduct another review of NPP functionality and access issues starting no later than July 2021. This review could take place earlier if the RBA becomes aware of significant issues or concerns regarding NPP access or functionality.

b) The Australian Government, through AUSTRAC, engages with financial technology (FinTech) operators and also supports regulation technology (RegTech) initiatives by hosting RegTech Techsprints. The Techsprints bring together AUSTRAC, reporting entities and Australian and international RegTech providers to develop technological solutions to assist industry, including the remittance sector, to comply with their AML/CTF obligations such as KYC and conducting ML/TF risk assessments.

AUSTRAC, together with the RBA and DFAT, will assist to progress initiatives that will benefit the conduct of remittance transfers in the Pacific region, including the development of a KYC utility to facilitate the transfer of remittances from Australia and New Zealand to Pacific Island countries.

c) The Government's investment in the Pacific Financial Inclusion Program (PFIP) will continue to advocate with Central Banks in the Pacific to address barriers to facilitating affordable and accessible remittance transfers for women and men. This includes working with industry and Pacific banks to link international remittance platforms directly to bank accounts, integrating mobile money platforms to Vodafone's international money transfer hub, and partnering with the Australia Pacific Training Coalition on financial education initiatives for Pacific labour mobility participants coming to Australia. Building on the success of the Tonga Ave Pa'anga Pau Voucher in New Zealand, PFIP will lend support once the IFC implements Tonga Ave Pa'anga Pau Voucher in Australia under the Australia/New Zealand IFC Pacific Partnership.

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 enterprises, to access and use well-regulated and affordable financial services. This includes strengthening remittance services. SHIFT will continue its support to challenge fund remittance projects in 2019, and will gather learnings and results in 2020 to inform UNCDF's future remittance work. SHIFT will conclude in December 2020.

3. Improve transparency and consumer protection of remittance transfers.

a) Australia is working to increase migrant worker (women and men) 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 Organization. TRIANGLE in ASEAN aims to ensure the benefits of labour migration are equally realised by migrant workers and to maximise the contribution of labour migration to equitable, inclusive and stable growth in ASEAN. This includes improving the regulation and transparency of remittance service costs. Australia is supporting TRIANGLE in ASEAN's development of 'SaverAsia', a web-based remittance cost comparison portal for ASEAN countries that allows migrant workers to compare costs among service providers.

TRIANGLE in ASEAN and its partner, Developing Markets Associates, are considering options for a SaverAsia mobile app. The mobile service will be developed in English and translated into local languages to target migrant workers sending money to Cambodia, Indonesia, Myanmar and the Philippines.

b) Australia will investigate further opportunities to improve transparency and consumer protection of remittance transfers in the Pacific. In June 2019, DFAT commissioned research to better understand the behaviours of Pacific remitters. The research seeks to understand how and why remitters make the choices they do, including factors that drive their decision-making processes. The findings of this research will guide future DFAT support on initiatives that look to improve transparency and consumer protection of remittance transfers.

c) The ACCC report concluded that Australians are paying too much for foreign currency conversion services. The ACCC's inquiry made recommendations to improve price transparency and measures to help consumers assess their options, in order to help consumers look for the best prices. In addition, the ACCC:

- has published a Guide for Consumers which contains information and advice for consumers about using the Inquiry services, including IMTs. A web version of the Guide for Consumers is at: <https://www.accc.gov.au/consumers/health-home-travel/buying-sending-foreign-money>. This Guide is also published on the Australian Securities and Investments Commission's MoneySmart website: <https://www.moneysmart.gov.au/life-events-and-you/families/sending-money-overseas>
- is planning to commence a targeted campaign in late 2019 to raise awareness of the ACCC's guidance and the practical steps consumers can take to shop around.