

To: Mr Stephen Palethorpe
Committee Secretary
Parliamentary Joint Committee on Law Enforcement

By email
le.committee@aph.gov.au

17 June 2014

Dear Mr Palethorpe,

RE: Inquiry into Financial Related Crime

Thank you for accepting our late submission to the Parliamentary Joint Committee on Law Enforcement's inquiry into financial related crime.

We are a group of remittance providers that have significant operations in Australia in terms of providing remittance services to our customers and remittance networks to our affiliates. We appreciate the opportunity to provide the Parliamentary Joint Committee on Law Enforcement with our submission.

We are in the process of forming an association for the remittance industry with the object of promoting the interests of the industry. We wish to contribute to the elimination of financial crime within the remittance services we provide, and assist in providing intelligence to regulatory and law enforcement agencies.

The remittance sector is required to apply for registration with AUSTRAC on the Remittance Sector Register. As part of the application process, we must obtain inter alia national police checks for the applicant's key personnel. Furthermore, the registration needs to be renewed every three years.

The industry is also regulated by AUSTRAC following registration. Examples of our regulatory requirements to AUSTRAC include but are not limited to: submission of annual AML/CTF compliance report, conducting customer due diligence, and reporting of international funds transfer instructions (IFTIs), suspicious matters (SMRs) and threshold transactions (TTRs).

Our submission relates to paragraphs (5), (6), (10) and (11) of the Inquiry Terms of Reference.

(5) In relation to identity fraud—credit card fraud in particular

Counterfeit identifications

We are concerned with the increase in the prevalence of counterfeit identifications, particularly non-Australian identification, which poses a challenge to our customer onboarding procedure as we may be unable to verify an identification which appears to be counterfeit. We are aware of the Document Verification Service from the Attorney-General's Department and other similar services from the private sector. However we understand these services do not have a large adoption and the associated costs involved are high. To assist in the elimination of identity fraud, we submit that there needs to be a service to verify foreign identification.

(6) The operation and effectiveness of Commonwealth legislation, administrative arrangements and law enforcement strategies

Intelligence value of transaction reports

We submit that the quality of reports submitted to AUSTRAC by reporting entities should be evaluated and rated by AUSTRAC and made available to reporting entities upon request. This should also be accompanied with feedback and information sharing with AUSTRAC about the intelligence value of the reports submitted. An increase in dialogue and information exchange with AUSTRAC assists reporting entities to further develop their risk-based approach to due diligence. For example, AUSTRAC could evaluate the suspicious matter reports submitted by a reporting entity and provide a scaled rating on the quality of the reports submitted accompanied by recommendations for improvement.

(10) The need for any legislative or administrative reform

Secrecy and Access

We have noticed an increase in the number of government agency requests for information received relating to information held by AUSTRAC which is derived from the reports submitted by reporting entities. We support inter-governmental agency cooperation and information sharing to the extent that the protection of the person's privacy is upheld.

We submit that the AML/CTF Act be amended so that government agencies, in particular law enforcement agencies are expressly required to adhere to a prescribed form of notice when requesting for information from reporting entities in such situations. The AML/CTF Act should be further amended to expressly set a prescribed procedure for requesting such information. This allows for a reporting entity to properly assist the government agency and also to ensure that a customer's information is not wrongfully disclosed.

We further submit that the current 'tipping-off' requirements prevents reporting entities that are not within a Designated Business Group (DBG) from sharing suspicious matter information to improve risk and fraud detection. Currently, only reporting entities within the same DBG can share such information without committing a tipping-off offence. We submit that the information sharing aspect of the DBG concept should be extended to apply to suspicious matter information between all reporting entities.

Sharing intelligence to combat financial crime

We have noticed the increased efforts of law enforcement and other agencies to share information with individual remitters on the trends and patterns used by criminals to launder money through remittances.

We submit that there should be a combined and programmatic forum for law enforcement and other agencies and the remittance sector to share information on trends and patterns to the sector to enable the sector to factor this into its risk assessment and processes.

(11) Any related matters

Financial inclusion to be expressly included in AML/CTF regime

The current regulatory environment requires banks and other financial institutions to impose stricter risk-based rules than as required by legislation to mitigate ML/TF risk. As there is a perception amongst banks that the remittance sector poses a high ML/TF risk, many banks have taken unprecedented steps to de-bank the remittance sector resulting in many registered remittance providers having their bank accounts closed in the last 12-24 months.

Unfortunately, Australian banks are not communicating with money remitters or explaining their decisions or where there is communication, there is limited information and very limited options to work on alternatives to mitigate the perceived risks. We are aware that Australian banks have some concerns about the remittance industry and that there is a perception of high risk. However, we feel strongly that a more constructive approach may be to work with us and/or remitter account holders to better mitigate the risks and enable this important service to continue.

This is a barrier to industry and enforcement agency efforts to tackle ML/TF within the sector as regulated money transfer operators rely on banks to operate settlement accounts to hold funds for and on behalf of the consumers using their service. Thus, de-banking leads to an increase in informal remittance transactions that do not fall under proper regulatory supervision – transactions go ‘underground’ and the associated information and intelligence is lost. Furthermore, the de-banking of businesses operating within the remittance sector under a duly regulated network results in reduced competition within the market which is detrimental to the consumers using these services.

We submit that banks and other financial institutions should be satisfied that the appropriate due diligence is conducted when a remittance provider is registered on the Remittance Sector Register. The regime should also be amended so that the due diligence conducted when affiliates of remittance network providers are registered, is considered by banks and other financial institutions when assessing the ML/TF risk of that business as a bank customer. This permits banks and other financial institutions to bank customers from the remittance sector whilst still taking an appropriate risk-based approach as recommended by FATF as registration with AUSTRAC provides for a duly regulated and supervised remittance sector. Additionally, it allows for businesses to continue operating within the remittance sector as part of a duly regulated network as they are able to settle with their network provider.

We welcome further dialogue on our comments and the matters raised. We take the opportunity to express our interest to appear before the Joint Committee at the public hearing. Please do not hesitate to contact Dianne Nguyen at [redacted] or Crispin Yuen at [redacted].

Yours sincerely,

Ruditono Verdy, Director, Bamboo Exchange

James Fernandez, Head of Compliance, Currency Exchange Services Australia-Fast Cash

Dianne Nguyen, Director and Compliance Officer, Eastern & Allied Pty Ltd

Narasimhan S Parthasarathy, Country Head, Lotus Forex (Asia Pacific) Pty Ltd

Ramanathan Karuppiah, Managing Director, Remittances and Money Exchange Pty Ltd

Crispin Yuen, Head of Compliance, Australia & New Zealand, Ria Financial Services Australia Pty Ltd

Nitu Roy, Compliance Officer, UAE Exchange Australia Pty Ltd