



19 May 2021

Committee Secretary
Parliamentary Joint Committee on Corporations and Financial Services
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Re: Australian Senate Inquiry – mobile payments and digital wallet financial services

Dear Committee,

We refer to the Australian Government Senate Inquiry on mobile payments and digital wallet financial services.

We summarise our feedback below for the committee's consideration in the following brief and frank submission in the context of our particular sector - the remittance sector. This sector has faced **ongoing discrimination and anti-competitive behaviour by Australian banks** under the pretext of unfounded compliance risk and Anti-Money Laundering concerns. This is severely impeding the sectors' ability to function and serve over 2 million Australians who send over \$A 30 Billion overseas to their family every year. COVID-19 has highlighted the importance of remittance services where entire overseas communities can be dependent on direct financial support from family members living in wealthy countries such as Australia. With the level of foreign aid reducing, remittances play a vital role in the global economy accounting for more than 5 times the total world aid budget at approximately \$A 1 Trillion per year.

We reluctantly present this submission not for us but mainly for the many remittance businesses who have now closed due to bank de-risking policies and who no longer have a voice. We know by making this public submission we attract attention and run the risk of losing the support of our current bankers. So far we have been extremely fortunate to have a bank who *does* support our sector and who, to their credit, luckily work with us to ensure the continuance of these vital remittance services. For this we are very grateful.

About mHITS Limited

Our company, mHITS Limited is a multi-award winning Australian FinTech pioneer and industry leader. While we have developed and operated many mobile payment services in Australia and overseas, our main focus is now international mobile remittance via our service *Rocket Remit*. The service specializes in person to person cross-border remittance payments to developing countries to the worlds 2.5B unbanked – people who do not have



access to a bank account. mHITs Limited pioneered international mobile remittance (digital money transfer to mobile phones) and were the first in the world to demonstrate instantaneous cross-border digital remittance to a mobile money account. See www.rocketremit.com.

Discrimination by Australian banks against the remittance sector

mHITs along with every other remittance business in Australia has faced on-going indifference by Australian banks with regard to access to banking services in Australia. All Australian remitters have had one or all of their bank accounts closed by Australian banks. This practice known as *de-risking* commenced following the introduction of the *Anti-Money Laundering and Counter Terrorism Financing Act 2006*. This legislation has been largely miss-interpreted by Australian Banks to mean they cannot support AUSTRAC registered remittance businesses due to compliance and risk concerns. Instead of engaging with the sector and working through issues and create solutions, Australian banks proceeded to close the bank accounts of remitters. This in turn has caused the collapse of the Australian remittance industry sending a significant proportion of financial intelligence information and transaction monitoring and reporting underground.

As a result, a significant (majority) market share of Australian remittance traffic is carried by foreign owned multi-nationals who have global banking partnerships with overseas banks. Local remitters and startups fail to achieve scale before they are de-banked, reducing competition in the Australian market. Some business operate under third party names to avoid account closure by their banks.

The perceived ambiguity created by the *Anti-Money Laundering and Counter Terrorism Financing Act 2006*, the lack of regulatory guidance provided with the introduction of this legislation, and the unwillingness, lack of appetite or lack of courage by Government and legislators to support the remittance industry in bank de-risking, have combined to create a perfect storm which has impacted on the lives of millions of Australians and diaspora for whom remittance essential in supporting family and community overseas.

Our company mHITs Limited and our remittance service Rocket Remit, has been impacted by bank de-risking with all of our bank accounts closed except for one account for which the closure was reversed. To this day we do not understand why we were able to do this and others were not. Despite these hurdles, our company has remained resilient and continues to grow and expand but is still hampered by secondary compliance over-reach outlined below in this submission.

Indifference and compliance over-reach – transfers to our own bank account are blocked

Without access to a bank account, Australian remittance businesses are excluded from participating in the financial system. We have direct evidence that banks are continuing to block remitters from access to the Australian financial system. On a weekly and sometimes daily basis our customers are **physically blocked from performing a bank transfer to our own bank account**. Electronic transfer attempts are reversed or blocked from processing altogether. We have seen this behavior has been evidenced by all major Australian banks. When customers have contacted their bank, they are told they are not permitted to transfer funds to us because



we are a SCAM. In some cases they are permanently prevented from sending funds to our account. To be able to use our service, customers are forced to withdraw funds in cash and deposit them in our account directly. We assert that the compliance function within these banks is poorly understood. We assert there is a lack of quality training, skills and understanding of the correct interpretation and application of compliance functions within these institutions. Compliance does not mean automatic policing or judgement. Compliance is largely a monitoring function with mandatory reporting obligations. We believe banks are under resourced in their respective compliance departments. In our experience, many compliance officers and analysts do not appear to properly understand the difference between a genuine use case and fraud or are unwilling to put the work in to analyze these cases properly.

Possibly due to recent high-profile fines by major Australian banks, instead of managing risk by working together with customers and industry, banks have reduced their risk appetite with the effect of excluding whole customer segments. These high profile compliance fines were not for compliance breaches by the customers of the bank, rather they were largely due to poor internal mandatory reporting and compliance procedures.

Because compliance and risk management functions have a disproportionately high level of veto power within a bank, when compliance powers are miss-used or over-reach occurs, it has very damaging flow-on consequences to bank customers.

This low-risk appetite of banks has unintended consequences manifesting in market failure. When market failure occurs, we expect Government and regulators to step in and assist and work to resolve these failures. We expect Government and regulators to act on behalf of citizens whom they serve. Instead, for more than 10 years, the problem is perceived as too difficult effecting only a minority so is not addressed.

Banks and regulators falsely claim there is sufficient competition to combat de-risking

A false argument made by banks and regulators is there is sufficient market competition to combat bank de-risking – customers can go to another bank. Well no they cannot. There is **zero appetite** to bank remittance businesses by Australian banks. Today, a new remittance business cannot open a bank account in Australia. Banks will claim the cost of managing a remittance business is too high given the risk they present. This is again incorrect – AUSTRAC confirm there is no legislative flow on risk by a bank who provides banking services to a remittance business who is registered with AUSTRAC and compliant with relevant AML/CTF legislation. The common claim that a bank must *know their customers' customer* is also incorrect. If this were true, banks would be unable to bank other regulated industries such as lawyers, share traders, brokers, real-estate agents, accountants, doctors etc.

Notably, large Australian remitters with significant transfer volumes are also de-banked.

In order to function, remitters operate either as a cash-only business, operate via overseas payment gateways and subsidiaries, or operate illegally without declaring their business activities to regulators and/or banks.



Ultimately this increases costs which is passed on to customers. Australian remitters either fail to be competitive or simply close.

Banks will also claim that individuals can use them to send money overseas. There are multiple reasons why this is a false claim – access (addressable market size), cost, slow speed, and inconvenience. Most recipients of remittance do not have a bank account in the receiving country. In fact over 2.5 billion people globally do not have access to a bank account (known as the un-banked). These individuals typically rely on over-the-counter cash pick-up services to receive remittances. Secondly, the cost of international bank transfers especially to poorer countries is extremely expensive and transfer speed very slow. This is well documented. In receiving countries, bank branch networks are only present in major urban centres. Most remittances are still sent to individuals in rural areas meaning recipients are required to travel to access funds received through the banking system.

No bargaining power against banks

Access to the Australian financial system is monopolised by banks – they are the gatekeepers. While systems such as the Faster Payments System in Australia claim to allow new entrants into the network, in practice, the regulatory and capital requirements make this possible only for large corporations with deep pockets and strong balance sheets. Access to the Faster Payments System is beyond the reach of almost all remittance businesses. Remittance businesses have no bargaining power against banks with a low-risk appetite who have exited the remittance sector. When the entire banking sector adopts this position which it now has, remitters are excluded from access to the Australian Financial system.

Banks have a special role in society to provide individuals and businesses access to the Australian financial system. This is an important social contract with society. We suspect if bank board members and bank CEOs were themselves senders of remittances and they were prevented from sending money to their family and friends due to bank de-risking, they would take this issue more seriously within their respective organisations.

Australian Remittance and Currency Providers Association (ARCPA) failed to resolve bank de-risking

As a founding member of the ARCPA and former co-chair of this industry organization, I have personally co-authored or contributed to multiple submissions on bank de-risking over many years including submissions to Senate inquiries, Australian Politicians, The World Bank, The United Nations, the Productivity Commission, the ACCC, AUSTRAC and many other NGOs, institutions including the media. I have participated in multiple conferences, roundtables and interviews with stakeholders on de-risking. None of these have resulted in resolving bank de-risking in Australia.

Other Jurisdictions

Notably, while bank de-risking is also occurring in other jurisdictions including the UK, New Zealand and the US, in some countries de-risking is prevented by the regulator. For example, in Malaysia Bank Negara (the Central Bank of Malaysia) will intervene and prevent a bank from shutting the bank account of a remittance business.



Conclusion

Our company mHITs Limited is privately owned by management. This provides us with a level of control, freedom and independence which most of our remittance sector competitors do not have. This allows us to speak freely on issues of conscience and truth which may be otherwise suppressed due to fear or even political correctness. We are speaking up on these matters because many of our industry colleagues cannot. Many are too frightened to speak up for fear that they will lose their jobs, their reputations, their businesses, their investors or their banking facilities. We are speaking up on these matters because it is the right thing to do. We feel we have an obligation to improve our democratic system by speaking up on matters that are hurtful and in-human such that society will improve. We request you consider seriously the issues raised in this submission and take action.

Yours sincerely,

Harold Dimpel
CEO
mHITs Limited

W: www.rocketremit.com



Harold Dimpel Professional Profile

Harold Dimpel is an entrepreneur with experience across a range of industry sectors. For the last 17 years Harold has specialised in mobile payment technology and services through his multi-award winning financial services technology (FinTech) business mHITs Limited.

He is a mobile payment industry pioneer and has a track record of bringing multiple first-to-market, innovative and disruptive services to market in Australian and internationally. Many of these services have received awards for innovation and export excellence.

Harold is a highly resilient entrepreneur founding multiple businesses in his career and has negotiated several successful business exits. He has a track record of achieving the impossible. He is a highly skilled communicator, a strong leader and an excellent team player. He has exceptional analytical and business development skills as well as deep technical and expert domain knowledge based on his background as an Electronics and Communications Engineer. He is an experienced executive with proven track record across multiple roles.

Harold is a founding member and former co-chair of the Australian Remittance and Currency Providers Association (ARCPA), the first such industry body to represent the International Money Transfer sector (Remittance) in the world. The ARCPA advocates on behalf of the Remittance industry in Australia to improve compliance and education within the sector. The ARCPA contributes and provides input to regulation and management of the sector with on-going and regular dialog with regulators, banks, Government and other industry bodies.

Harold has authored Senate and other Government submissions on the payments and Remittance sectors and has contributed for many years to payment system regulation in Australia. He has presented at local and international conferences on payment innovation and technology.

Harold has a strong social conscience, impeccable ethics and integrity, and respect for equality, cultural diversity and individual freedoms. He has a strong belief in the idea that every individual has the right to be the best they can be and contribute to the society they live in. He has demonstrated courage, loyalty, honesty, flexibility and a commitment through to completion of actions and is prepared to speak out on issues. These qualities and personal philosophy have made him a respected and popular standout among his peers.

Harold is highly experienced in application of lean-methodologies. As an operator of a financial services business, he has strong AML/CTF compliance experience and an understanding of banking practices, risk analysis, payment technologies and navigating payment legislation across a number of jurisdictions.

He is a mentor and investor. He is professionally connected to the payments and banking industry in Australia and is deeply connected and respected by the local business community in the ACT where he lives.



Public Profile

<https://www.linkedin.com/in/harolddimpel/>

Other references

Rocket Remit customer website

www.rocketremit.com

mHITS Limited corporate website

www.mhitslimited.com

Australian Remittance and Currency Providers Association (ARCPA)

www.arcpa.org.au