



Under the AML/CTF Act, remittance service providers have a new obligation to register with AUSTRAC. This module outlines these obligations.

Remitters have further responsibilities and obligations as reporting entities. More information can be found in the Reporting Obligations module.

## Objectives

In this module, we will address the following questions:

- What is a remittance service?
- What is alternative remittance?
- What do remittance service providers need to do?

Your key learning objectives will be to respond effectively to each of the questions listed above.

### What is a remittance service?

When money or property is transferred from one location to another (usually between countries), the process is called 'remittance'. A business or individual performing this service for a customer is therefore providing a remittance service.

The *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (AML/CTF Act) uses the terms 'designated remittance arrangement' and 'remittance arrangement' to cover services that arrange the transfer of money or property.

Some remittance services use their own electronic payment system to transmit funds, meaning there is no need to use the formal banking system.

Other remittance services do use the formal banking system to transmit funds. In these instances the remitter often bundles together money from several customers who all wish to send funds to the same destination. The remitter goes to a bank and the funds are sent via telegraphic transfer to the remitter's counterpart in the destination country or region.

## What is alternative remittance?

There are many remittance service providers who use an informal system to transfer funds. These informal systems are usually based along cultural or ethnic structures and have been operating for many centuries.

Alternative remittance systems are based upon trust. Funds can be transferred from one location to another in a manner that is often quicker and cheaper than the formal banking system.

An example of an alternative remittance process is given below:

- A customer places an order with their chosen remitter.
- The remitter transmits the details of this order (the payment instruction) to their overseas agent.
- The agent delivers the funds according to the instruction.

The payment instruction can be transmitted in a variety of ways, including an SMS message, email, fax or telephone call.

### **Example One:**

Dave wants to send \$5,000 to his brother Joe living in Vietnam.

Dave contacts Jill, an alternative remitter in his community and gives her Joe's details in Vietnam and the \$5,000.

Jill contacts her counterpart Fred in Vietnam via SMS. Fred then arranges to have the \$5,000 delivered to Joe.

The alternative remittance service provider and their counterpart arrange to reconcile funds between them by reconciling through a third party at a later date.

### **Example Two:**

Adam's Australian counterpart, Eve, transmits instructions to pay out beneficiaries in Vietnam totalling \$10,000 per week. At the end of the week Eve owes Adam \$10,000.

Adam has a second business importing car parts from Hong Kong to Vietnam.

Adam places an order with his Hong Kong associate for \$10,000 worth of car parts.

The Hong Kong associate ships the car parts and Adam now owes his associate in Hong Kong \$10,000.

Rather than Eve paying Adam \$10,000 and Adam paying his Hong Kong associate \$10,000, Adam asks Eve to settle the debt for him.

The Hong Kong associate sends Eve an invoice for \$10,000 for the car parts. Eve pays the Hong Kong associate the \$10,000 she owes Adam. All debts are now settled.

In ethnic communities these alternative systems are known by different names, including fei ch'ien (flying money), hawala, hundi, chop, chuyen tien, yok song geum and pera padala.

Alternative remittance services are not illegal in Australia. They are a legitimate and widely recognised method of transferring money and they provide a valuable service to countries with no formal banking structures. In addition they are flexible enough to deliver funds in times of war and natural disaster.

## **What do remittance service providers need to do?**

Under the AML/CTF Act, certain providers of remittance services must register with AUSTRAC. The AML/CTF Act calls these 'registrable designated remittance services'.

It is an offence to provide such services without being registered. Remittance service providers who have been reporting to AUSTRAC as 'cash dealers' under the *Financial Transaction Reports Act 1988* must still register in order to continue providing remittance services.

The register is called the Register of Providers of Designated Remittance Services and can be accessed through AUSTRAC Online.

Currently the only types of businesses that are not required to register are:

- authorised deposit-taking institutions (ADIs)
- banks
- building societies
- credit unions

The AML/CTF Rules may specify other entities that are not considered to provide 'designated remittance services' (and therefore do not register with AUSTRAC). Details of any exemptions granted from any provisions of the AML/CTF Act will be published on the AUSTRAC website:

[http://www.austrac.gov.au/exe\\_granted.html](http://www.austrac.gov.au/exe_granted.html).

AUSTRAC has produced a guidance note titled *Register of Providers of Designated Remittance Services* located at: [http://www.austrac.gov.au/guidance\\_notes.html](http://www.austrac.gov.au/guidance_notes.html).

AUSTRAC has also published *Public Legal Interpretation 3 of 2008 – Registration as a provider of registrable designated remittance services*, which provides AUSTRAC's legal interpretation of the legislation and how it affects providers of designated remittance services. This can be viewed at: <http://www.austrac.gov.au/pli.html>.

Registering with AUSTRAC is free. For further information about registering, updating or removal of your details as a remittance service provider, call the AUSTRAC Help Desk on 1300 021 037 or visit: <http://www.austrac.gov.au/online/index.html>.

## Summary

Remittance is when money or property is transferred from one location to another. Remittance service providers must register with AUSTRAC.

## Remittance providers registration quiz

This quiz will test your understanding of remittance providers registration.

### Question 1

Select the single correct response.

Remittance services:

- a) always use their own electronic payment system to transmit funds, meaning there is no need to use the formal banking system
- b) may use their own electronic payment system, or the formal banking system to transmit funds.

### Question 2

Complete the following statement with the most appropriate phrase or phrases.

Alternative remittance systems are:

- a) illegal transfers of money, usually criminal in origin.
- b) based upon trust and do not always issue receipts or keep formal records.

### Question 3

Josh wants to send \$2,000 to his Uncle Scott living in the Philippines. He gives this money to Emily and asks her to send it to Scott. Emily emails her sister Briony in the Philippines and asks her to give Scott \$2,000. Briony gives Scott \$2,000. Emily still has \$2,000 and no money has actually left Australia and arrived in the Philippines.

Has any money been remitted?

- a) No. A debt between Emily and Briony has been created, but no money has been sent. Remittance will occur when Emily and Briony reconcile their debts.
- b) Yes. Although no money has left Australia, the funds have been transferred from Josh to Uncle Scott.

### Question 4

Indicate whether the following statement is True or False.

Remittance service providers who have been reporting to AUSTRAC as 'cash dealers' under the *Financial Transaction Reports Act 1988* are required to register with AUSTRAC in order to continue providing what the AML/CTF Act calls 'registrable designated remittance services'.

## **Answers - Remittance providers registration quiz**

1. B – Correct. Some remittance services do use their own system, but many others use the formal banking system, often bundling together money from several customers.
2. b) Correct. Alternative remittance systems, although operating outside the formal banking system, are not illegal in Australia. They are a legitimate and widely recognised method of transferring money and provide a valuable service to countries with no formal banking structures.
3. b) Correct. This is an example of an alternative remittance. Depending on their arrangement Emily and Briony may never physically send money between one another.
4. True – Correct. Under the AML/CTF Act, certain providers of remittance services must register with AUSTRAC. The AML/CTF Act calls these 'registrable designated remittance services'. It is an offence to provide such services without being registered.

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**AUSTRAC Help Desk via:**

[help\\_desk@austrac.gov.au](mailto:help_desk@austrac.gov.au) or Telephone 1300 021 037.

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