



Refugee Council of Australia

AUSTRALIAN TRANSACTION REPORTS AND ANALYSIS CENTRE

DRAFT POST-IMPLEMENTATION REVIEW: CHAPTERS 58 AND 59 OF THE ANTI-MONEY LAUNDERING AND COUNTER-TERRORISM FINANCING RULES

The Refugee Council of Australia (RCOA) is the national umbrella body for refugees, asylum seekers and the organisations and individuals who work with them, representing 200 organisations and 1,000 individual members. RCOA promotes the adoption of humane, lawful and constructive policies by governments and communities in Australia and internationally towards refugees, asylum seekers and humanitarian entrants. RCOA consults regularly with its members, community leaders and people from refugee backgrounds and this submission is informed by their views.

RCOA welcomes the opportunity to provide feedback on the Australian Transaction Reports and Analysis Centre's post-implementation review of chapters 58 and 59 of the Anti-Money Laundering and Counter-Terrorism Financing Rules relating to the cancellation and suspension of remittance dealer registrations. While RCOA supports efforts to combat terrorism financing, we are concerned that the regulations in question may have a negative impact on people from refugee backgrounds who provide financial support to family members living overseas and on displaced people around the world who rely on remittances from their families and communities for survival.

1. The importance of efforts to combat terrorism financing

- 1.1. Millions of people around the world have been forced to flee their homes due to terrorism in their countries of origin. The threat posed by terrorism has been a particularly significant factor in driving displacement from some of the world's largest refugee-producing countries, including Syria, Iraq, Afghanistan, Pakistan and Somalia, and Australia has provided protection to thousands of people who were forced to flee their homes due to threats from terrorist groups. RCOA therefore welcomes efforts to combat terrorism financing and thereby hamper the activities of these groups.
- 1.2. However, RCOA is concerned that recent changes to the Anti-Money Laundering and Counter-Terrorism Financing Rules may have unintended negative consequences on people from refugee backgrounds in Australia who send remittances to their families overseas. We understand that these measures have had severe consequences for displaced people around the world, including many who have been victims of terrorism. RCOA hopes to draw the Government's attention to these consequences and encourages consideration of alternative options to support the remittances sector in providing essential funds to displaced people living overseas.

2. The role of remittances for displaced and other vulnerable people

- 2.1. Remittances from countries such as Australia to family members and communities overseas play a significant role in supporting displaced and other vulnerable people worldwide. Many displaced people living in camps and in urban areas across the world (particularly those living in African countries) face serious destitution, lacking basic necessities such as sufficient food, clean water, adequate health care, safe shelter and education. These communities often rely heavily on financial support from family members and communities living overseas.

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- 2.2. For example, a recent report by Oxfam noted that \$1.3 billion is sent each year by Somalis living abroad to family members still living in Somalia.¹ This money is spent on essentials such as food, clothing, shelter, education and medicine. According to the report, remittances account for between 25 and 45 per cent of Somalia's economy, exceeding the funds received by Somalia through humanitarian aid, development aid and foreign direct investment combined.
- 2.3. With limited family reunion options for refugee communities in Australia, remittances are one of the only ways communities in Australia can continue to support their families overseas. Many people from refugee backgrounds have reported to RCOA during our annual consultations that the money they send to their families provides a vital lifeline but still barely covers the essentials. Concern has been expressed that, without a reliable and affordable way for them to send money to family members overseas, people will be pushed further into poverty and destitution. Disturbingly, we are hearing of increasing accounts of young women engaging in survival sex to support their families.

3. Impact of regulations on refugee communities

- 3.1. RCOA understands that Australian banks have ceased their money transfer services to countries such as Somalia, Sudan and Ethiopia, in an effort to comply with strict financing regulations domestically and internationally. We believe that a sweeping cessation of remittances to certain countries is too a drastic response to these regulatory changes. Instead, RCOA recommends that financial institutions be given scope to implement these regulations in a more flexible and targeted manner, assessing the risks of terrorism financing on a case-by-case basis rather than imposing blanket bans on remittances to an entire country.
- 3.2. In addition, RCOA believes there is a need to consider the impacts of the regulations on smaller money transfer businesses. These smaller operators, particularly those which are set up by refugee communities to in order to facilities remittances, are often seen as providing more reliable and effective channels through which to remit funds. Larger banks are often inaccessible to displaced people overseas due to distances between their offices and the areas where displaced people are living (for instance, refugee camps are often located in border regions and may be far from major cities). Smaller operators also charge lower fees than larger commercial banks, meaning that a larger proportion of the money remitted through these businesses will go directly to the recipient. However, RCOA understands that these smaller institutions are under increasing pressure and, in some cases, are closing due to stricter regulations and reporting requirements.
- 3.3. In RCOA's view, it is almost certain that people will continue to remit money to their family members overseas in spite of the changed regulations, as these funds are often essential to their families' survival. In the absence of formal, regulated pathways through which to send remittances, however, there is a greater risk that people will make use of informal pathways which may provide opportunities for interception or siphoning of monies by criminal groups. In effect, these restrictions may have the unintended consequence of increasing the very risks they are designed to prevent. In order to address this risk, more work is required to strengthen formal remittance channels.

4. Conclusion

- 4.1. In light of impacts of the cessation of remittances on refugee communities in Australia and overseas, RCOA requests that AUSTRAC and the Australian Government consider alternative measures to reduce the risk of terrorism funding. A blanket suspension of remittances to certain countries does not, in our view, adequately balance the risk of terrorism financing against the risks posed to displaced people due to the cessation of remittances. RCOA recommends that the risks be assessed on a case by case basis and that alternative means of proving the legitimacy of remittances be considered.
- 4.2. RCOA thanks AUSRAC for the opportunity to raise concerns regarding the impact of the Anti-Money Laundering and Counter-Terrorism Financing Rules on refugee communities in Australia and their

¹ Oxfam (2015). *Hanging by a Thread: The Ongoing Threat to Somalia's Remittance Lifeline*, https://www.oxfam.org/sites/www.oxfam.org/files/file_attachments/bn-hanging-by-thread-somalia-remittances-190215-en.pdf

families overseas. Remittances provide a vital lifeline for displaced people across the world and we are keen to continue to work with AUSTRAC and other stakeholders to ensure that robust pathways for sending remittances are maintained. To this end, RCOA invites AUSTRAC and other stakeholders to meet with RCOA and other refugee community members to consider alternatives which would assist combating terrorism financing without placing the victims of terrorism at greater risk.