

**Australian Newsagents' Federation Ltd
Submission to the Productivity Commission**

**Issues Paper: Annual Review of Regulatory
Burdens on Business – *Manufacturing &
Distributive Trades***

March 2008



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INTRODUCTION

The Australian Newsagents' Federation (ANF) is the national peak industry body representing newsagents in Australia. The ANF's membership comprises some 2,100 newsagents Australia wide. Nearly all ANF members are small or micro businesses employing less than 20 staff.

The ANF welcomes the opportunity to provide comment to the Productivity Commission's Annual Review of Regulatory Burdens on Business – *Manufacturing and Distributive Trades*.

The ANF's submission will endeavour to describe the initial regulatory impacts of the *Anti Money Laundering and Counter Terrorism Financing Act 2006* on the money remittance service category within the newsagency industry and by extension, other retail based money remittance service providers.

BACKGROUND

The ANF, through Western Union, facilitates money transfer services provided by certain ANF member newsagents as well as non-ANF members newsagents and similar businesses (ANF Agents). The ANF's responsibilities to both Western Union and ANF agents who provide Western Union money transfers encompasses advertising, promotion, compliance service standards and security.

The ANF represents the second largest group of providers of Western Union money transfer services in Australia after Australia Post. However, unlike Australia Post which provides a diverse range of branch services for numerous financial institutions, ANF agents do not provide other financial services and are essentially unregulated small businesses.

Approximately [REDACTED] newsagents across Australia provide Western Union Money Transfer services in addition to the traditional newspaper, magazine, gift card and stationary products.

Almost all ANF agents are independently owned and operated small business' with less than 20 employees. The implementation of operational and compliance matters is typically the responsibility of the owner/operator and in a few of the larger stores a senior store manager or supervisor.

ANF agents are also part of the Western Union network, and as such, accept and pay out money transfers through the Western Union payment system. For this purpose, such newsagents are registered providers of designated remittance services described in items 31 and 32 of Table 1 in section 6 of the AML/CTF Act.

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Legislative context

The provision of money transfer services was historically regulated under the *Financial Transaction Reports Act 1988* which provided for the reporting of certain transactions and transfers to the Australian Transaction Reports and Analysis Centre (AUSTRAC) and to impose certain regulatory obligations in relation to accounts, and for other related purposes.

Following recent global security and political developments the Australian Government developed the *Anti-Money Laundering and Counter Terrorism Financing Act 2006* (AML/CTF Act) as part of a legislative package designed to implement reforms to Australia's AML/CTF framework.

The AML/CTF Act intended to provide a means of preventing and detecting money laundering and terrorism financing by providing necessary targeted intelligence to law enforcement agencies about potential criminal activity, while at the same time assisting Australia to comply with international standards including those set down by the Financial Action Task Force (FATF).

The AML/CTF Act regulates the providers of defined 'designated services' including the financial sector, gambling sector, bullion dealers and other professionals and business which are known as 'reporting entities' under the Act. The AML/CTF act imposes a number of obligations on reporting entities in the provision of designated services. The staged implementation of the Act is intended to allow industry to develop the necessary systems in a timely and cost effective manner to accommodate the additional regulatory requirements. These obligations include: customer identification verification, record keeping, establishing and maintaining an AML/CTF risk assessment program and ongoing customer due diligence and reporting.

ISSUES

The formal money remittance sector in Australia is organised through networks of independent businesses which provide over-the-counter services at a large number of convenient locations. Newsagents are ideally suited to this. However, money remittance represents an extremely minor component of a newsagent's business activities in terms of transaction volume and dollar value. The mainstay of Newsagents' business such as newspaper, magazines, lotteries and gift cards are typically lower margin high volume products.

Newsagents are independently owned small retail businesses which are not otherwise affected by financial services laws. Typically, only a very low proportion

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of newsagent business involves money remittance (Western Union Money Transfers average ██████████ of newsagent business turnover).

The ANF and Western Union do provide compliance support to assist ANF agents in complying with the requirements of the AML/CTF Act, but complications arise through the identification and reporting of specific exemptions within the network.

Further, there are a number of specific compliance obligations which require ANF agent level measures to be enacted by the responsible authority within each business. These measures include but are not limited to: employee due diligence, such as background reports and checks on all staff; implementation of specific policies and procedures; independent review of policies and procedures; comprehensive risk assessment programs and risk training for all employees.

The collective burden of these requirements often far outweighs the benefits derived from the provision of designated money remittance services. Two thirds of the ANF agents perform only ██████ of the transactions of the entire ANF network which equates to █████ transactions per month with each taking an average time of █████ and being no more than █████.

Newsagents' initial response to the initial AML/CTF regulatory requirement to register all designated entities the ANF network witnessed the termination by approximately █████ newsagents of their designated service provision.

Additional compliance obligations will discourage the continuation of newsagents in the provision of mainstream money remittance services, thereby increasing the risk of high participation in informal money remittance services with no visibility to regulators.

Newsagents are one of a number of independent business networks that provide designated money remittance services. The majority of the other networks that provide these designated services are comprised of a large number of small businesses, each of which will potentially struggle to meet the extensive compliance obligations under the AML/CTF Act.

AUSTRAC is assisting the ANF and Western Union develop arrangements that are satisfactory to all parties, however there are further tranches of the legislative package to be implemented that will require ongoing consultation and cooperation.

At the time of drafting this submission the ANF had supplied AUSTRAC with a formal statement requesting relief from certain compliance obligations on behalf of ANF agents, specifically seeking permission to compile a joint network level

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compliance report. The ANF hopes that AUSTRAC will consider favourably our submission.

The ANF acknowledges that the introduction of the AML/CTF Act and associated rules includes a process allowing the ongoing review and potential amendment of the legislative package to more easily address practical considerations.

However, it was apparent from initial observations that the legislation did not properly encompass the specific requirements or circumstances of specialist or fringe money remittance stakeholders, nor had the early consultation processes manage to capture the scope and breadth of the money remittance sector.

For many small business retailers the advice and documentation required to maintain compliance obligations was difficult to understand, often more appropriate to financial institutions, highlighting the regulators inadequate understanding of the issues and limitations affecting small business stakeholders.

RECOMMENDATIONS

The ANF recognises the evolving nature of both the new legislative package and the Government's response to the practical difficulties involved.

Despite efforts by AUSTRAC through consultation to understand the nature of money remittance services and their assurances to provide assistance and work with industry on these matters; the ANF is concerned that the legislative complexity combined with a general lack of understanding of the relevant issues will overwhelm the capacity of small business to meet the new regulatory burdens in this sector.

The ANF respectfully requests that the Productivity Commission consider the current and future impact of the recent AML/CTF legislative changes on the small business networks which comprise a significant sector of the designated money remittance service sector.

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