

18 February 2022

Mr Evan Gallagher  
Principal Specialist, Policy  
AUSTRAC  
Via email: [evan.gallagher@austrac.gov.au](mailto:evan.gallagher@austrac.gov.au)

Dear Mr Gallagher

### **COBA submission on Draft IFTI-E Regulatory Guide**

COBA appreciates the opportunity to provide feedback on AUSTRAC's draft IFTI-E Regulatory Guide and additional materials.

COBA is the industry association for Australia's customer owned banking institutions (mutual banks, credit unions and building societies).

Collectively, our sector has more than \$150 billion in assets and more than 4.5 million customers. Customer owned banking institutions account for around two thirds of the total number of domestic Authorised Deposit-taking Institutions (ADIs) and deliver competition and market leading levels of customer satisfaction in the retail banking market.

COBA's submission is separated into two parts:

- 1. Feedback from an industry working group, including a number of COBA members, comprised of technical practitioners in the AML/CTF Compliance field.**
- 2. Feedback raised by individual members on specific points under consultation. This feedback is representative of the individual bank's operation and circumstance and does not necessarily reflect the feedback of COBA's broader membership.**

### **Further clarity on IFTI reporting by third party remittance providers**

The below feedback has been provided by an industry working group as outlined above.

COBA members have raised questions regarding slide 12 "Hybrid network arrangements" in the PowerPoint draft guidance scenario working board.

We understand that this slide appears to cover the current scenario where mutuals have agreements with Western Union and/or American Express to remit customer funds overseas. However, the 'remittance network entity' flagged in the slide is not referred to in AUSTRAC's other guidance materials.

Currently those remittance entities, used by **almost all mutuals** report IFTIs to AUSTRAC on a "first in, last out" basis, which we understand will remain under the draft Regulatory Guide. Our members are supportive of the "first in, last out" rule noted in page 18 of the draft Regulatory Guide although there appears to be some disparity in the information provided with current arrangements using this role.

As noted in slide 12, these remitters then use a correspondent bank in Australia (ADI) to send their cross-border payments.

Suite 403, Level 4, 151 Castlereagh Street,  
Sydney NSW 2000

Suite 4C, 16 National Circuit,  
Barton ACT 2600

Members are concerned that based on the consultation materials, there remains considerable uncertainty about the IFTI reporting obligations on ADIs. Any departure from the current model that imposes significant requirements on mutuals as correspondent banks involved in the overseas remittance process would be inefficient and change a system that is working effectively. It could also be very costly, particularly to mutual banks.

COBA members request that AUSTRAC confirm it does not intend to depart from the current arrangements for overseas remittances.

Our members have also sought further clarification as to whether remittance providers have been consulted by AUSTRAC with respect to this proposal. From preliminary discussions, members have suggested that these remitters are unaware of the proposed reforms and suggest that they should be included in the consultation.

### **Specific feedback from individual members**

This feedback has been received by individual COBA members and reflects their organisation's unique circumstances or operation. It is not reflective of the views of COBA's broader membership but is representative of 5 members who operate under this arrangement as Principal card issuers.

#### **Member 1:**

This member's feedback is focused on IFTI reporting for Visa International Push Payments. Unlike a majority of COBA members, this member is a Principal Visa member and does not use third party providers (such as Indue, ASL, Cuscal) as Principal Members for Visa transactions. As a result, this member expects to continue to report IFTIs for Visa Incoming OCT Payments, whereas other COBA members will use the services of third-party providers for their IFTI reporting.

#### *Operational-based feedback:*

- Payee information, such as Name and Address, are supplied through Visa. These names may be truncated or abbreviated or otherwise not in the right format. There is very limited recourse or ability for an Issuer such as this member (who is reporting the transaction) to seek clarity or correction of incorrect data. The member can only provide the data that it is given from Visa. At present, manual searching and due diligence is required to rectify troublesome name fields but this will be unfeasible if transaction volumes ramp up.
- Visa field mapping was not completed in the Excel document for all field requirements. When completed, the member found this useful in mapping data fields and would appreciate all of the required fields completed. They also suggest that the scheme mandatory reporting fields need to be consistent.

#### *Compliance-based feedback*

- As part of the AML/CTF Rule mapping it would be valuable to have commentary on what fields are mandatory, conditional (e.g., questions 17, 19, 25, 26) or where at least one field from several (e.g., r16.3(3)(a)(i)(A) to (E)) must be completed.
- Question 5 and 9 are mapped to the same rule and it is not clear which is mandatory. The member requests more detail be provided on questions 5 and 9.
- For question 15 the Rule reference provided does not match the XML scheme descriptions.
- The allocation of 16.3.(3)(m) to various parts of the sender/receiver questions may benefit from further commentary in the Excel document for clarity, or through worked examples as mentioned below.

**Member 2:**

Similarly, to Member 1 above, this member is a Principal Visa member and does not use third party providers for Visa. COBA has 5 members who operate under such arrangements and have provided verbal feedback similar to below seeking clarification regarding technical data.

- The member welcomes the data mapping exercise that has been undertaken for the different types of international transactions. The member requests that once the final Guide is released, that AUSTRAC consider an assisted compliance period be put in place. The member currently has reporting obligations regarding incoming Visa push payments as mapped to column U of the IFTI Content Mapping spreadsheet.

The member's internal teams have reviewed this information and analysed the changes that will need to occur. Updates will be required for the data that is received from Visa which will incur cost and effort in terms of configuration changes, project, and testing support. This will also need to be scheduled with Visa. There will be additional internal effort required from multiple business units which would also require scheduling and effort spanning over a number of months. Similar to the issue noted in Member 1's feedback, the member noted the inconsistency in scheme reporting requirements and requested that mandated data fields and reporting consistency be introduced as part of the new rules and reporting regime.

- Regarding data quality which is discussed on pages 21-22 of the Regulatory Guide, the member notes that whilst all endeavours are made to complete details in full, with QA processes applied to assist, they are still heavily impacted by the quality of data that is passed through from Visa, in particular what appears to be incorrect sender names and incomplete addresses. The member requests that AUSTRAC clarify if it is sufficient for a reporting entity to rely on the information sent from Visa for reporting purposes, with correct data mapping as per the draft Regulatory Guide and with obvious errors rectified. Alternatively, the member asked if these transactions with incomplete details are expected to be declined, knowing that not all of these details are mandatory for Visa transactions globally. The member also queried whether these data quality points been raised with Visa.
- The member requested that AUSTRAC clarify the points made on pages 11 and 22 of the draft Regulatory Guide regarding declined/cancelled transactions. The draft Regulatory Guide appears to stipulate that if funds are not made available to the payee, then an IFTI is not required. This is a change to previous guidance where the report was required on an instruction received whether funds made available or not. The draft Regulatory Guide outlines situations where reports may be required to be recalled and resubmitted. The member queried that if reporting was conducted by an interposed institution, would the beneficiary institution be required to notify the interposed institution to enable this to happen? The draft Regulatory Guide appears to be simple for an institution that is both the receiver and beneficiary but could pose some issues in other situations.

I hope this submission assists AUSTRAC in its consideration of the proposed amendments to the IFTI-E reporting regime. Please do not hesitate to contact Leanne Vale ([lvale@coba.asn.au](mailto:lvale@coba.asn.au)) or Maryanna Vasilareas ([mvasilareas@coba.asn.au](mailto:mvasilareas@coba.asn.au)) if COBA can be of any further assistance.

Yours sincerely,



**MICHAEL LAWRENCE**

**Chief Executive Officer**