

The Cultural Ecology of Trust – Melbourne’s Ethnic-Based Money Transfer Operators Struggle for Recognition

The Ethnic Communities’ Council of Victoria’s (ECCV) consultations on the effects of Australian bank remittance account closures on Melbourne’s new and emerging communities held between September and October 2015.

ECCV is the peak advocacy organisation for ethnic and multicultural groups in Victoria and consults with communities when their voices are not heard in the policy process. In September and October 2015 ECCV conducted a focus group in Carlton with people and business owners from the Horn of Africa who regularly send overseas remittances. We also conducted one-to-one interviews in Footscray with operators and employees from ‘non-bank’ ethnic-based money transfer operators that specialise in sending overseas remittances to countries in the Horn of Africa and especially to East Africa and Somalia.

Estimates show that 6.5 million Australians with family or friends overseas rely on money transfer services according to the Australian Remittance and Currency Providers Association (ARCPA)¹. From 2013 to 2015 the major Australian banks closed their remittance accounts with a devastating effect on Victorian communities with overseas families dependent on remittances. That decision continues to threaten the livelihood of small ethnic-based Money Transfer Operators (MTO) in Victoria which represent a thriving migrant employment sector.

Victorian ethnic-based MTOs are trying hard to maintain their reputation as trustworthy, reliable and compliant small businesses. They struggle to receive sufficient recognition from major Australian banks and government agencies that their qualifications, experience and shared goal of maintaining high standards for the remittance sector is genuine. When ECCV spoke with them, to date no government agency or major bank had visited their offices in Footscray or effectively acknowledged their written suggestions.

There are several ethnic-based MTO businesses in Footscray, Dandenong and Heidelberg in Victoria. While the vast majority of the amounts are small, when they are stopped, their overseas relatives are unable buy food, pay for accommodation or ensure that children targeted by radical groups remain in school away from harm.

While the remittance sector services many culturally and linguistically diverse (CALD) communities, Somalia is one of the most remittance dependant countries in the world and does not have a functioning commercial banking system. With 3,060 Somalia-born Australians in Melbourne at the 2011 ABS censusⁱⁱ, we decided to begin our consultations with ethnic-based MTO's from East African communities in Footscray.

During these consultations ECCV encountered initiative, resilience and good ideas but also a sense of exhaustion as a result of trying to resist the suspicion that now affects entire sectors and communities. The qualifications and experience of the MTOs are matched only by their dedication to their communities. An essentially conservative 'cultural ecology' of community trust self-regulates potential breaks in the remittance chain. Rigorous compliance efforts by the MTOs support this self-regulation which is in turn motivated by strong emotional concern for the welfare of families back home. This personal investment gives ethnic-based MTOs a strong commitment to the Australian Transaction Reports and Analysis Centre's (AUSTRAC) compliance regime and a shared aversion to the culture of terrorism.

AUSTRAC is Australia's anti-money laundering and counter-terrorism financing (AML/CTF) regulator. The Anti-Money Laundering and Counter-Terrorism Financing Act was legislated by the Australian Government in 2006. In 2013 an AUSTRAC case study indicated that an Australian terror suspect sent funds to Somalia to support terrorist groups. With international pressure on banks to avoid fines, a culture of "de-risking" has seen banks target all remittances services affecting many communities that rely on the service.

Ethnic MTOs pride in being the 'real front line' to spot and report suspicious individuals or groups is not supported by banks or government agencies. International reports downplay the role of the MTOs and their legitimacy as spokespersons for their communities. ECCV's reading of key reports found no evidence of the alternative ideas proposed by the ethnic-based MTO's to prevent the de-risking of their sector and communities.

Small ethnic money transfer operators create employment for Victorians from culturally diverse backgrounds and represent enterprise initiatives by young professionals from new and emerging communities in Victoria. They form the livelihood of hundreds of individuals and families in the multicultural sector.

While Australian banks and governments support international efforts to reduce financial exclusion, higher level discussions fraught with concern about criminal and terrorist money laundering lack an understanding of the cultural ecology of trust which make ethnic-based MTOs worth listening to.

The G20 summit in Brisbane in 2014 examined global remittance and acknowledged the need to maintain financial inclusion for communities and nations targeted as 'high risk'. ECCV is concerned that tighter regulations are raising the monetary and community cost of remittance services to "bills and fines" debtor households in new and emerging communities. The ensuing intergenerational tensions within families is not supporting social cohesion efforts in both Victorian and international communities.

Key Consultation Feedback

Key points

Transnational living is part of Australian migration patterns where diaspora communities are closely connected with the overseas countries through real-time digital communication.

Culturally responsive non-bank money transfer providers play an important complementary service to banks and large money transfer companies that send overseas remittance payments. Money sent home by migrants complements international aid to developing countries. It is also a key to the wellness and social cohesion of these communities.

Recent money transfer restrictions imposed by major Australian banks and international regulatory pressures were intended to stifle possible money laundering and terrorist financing. However, they have seriously threatened the vitality of small ethnic MTOs in Victoria.

Participants' insights

Interview and focus group participants representing business owners of ethnic-based MTOs in Footscray that serve Australians from the Africa region; and Australians from the Horn of Africa, provided the following insights into the impact of overseas

remittance payments to the Middle East and parts of the Africa region.

Who sends remittances?

- One participant said he came here as a young boy with his uncle. His mother and father are overseas in Somalia. He worked during his university years in Melbourne to send money back home.
- People from culturally diverse backgrounds are trying to make a living here. Those who send overseas remittances are trades and professional people. Responses indicated that on average Somali-Australians and others send from \$50 to \$200 per month to their families overseas in the Africa region. One person commented, "That's a lot of money and a family over there can live on that for a month."
- There is a high level of trust. People know each other through their ethnic communities. The ethnic-based MTOs know their customers here, outside their businesses and they even know their customers' families overseas.
- Somali-Australian participants commented, "They send money to mum, dad and children; one child could be here in Victoria and dad over there will use it for education for the kids. Extended family ties are strong to as many as five uncles and many more cousins."
- One interviewee said, "Every month, the first day of the month, is when I send the overseas remittance."

How important is it to send overseas remittance payments back home?

- It's very important because my family is in Somalia. My brother, sister, my mum are over there. I came here from the war and I send money back to them. They can't live without my support. I'm not feeling happy to have food in my life. I feel I have to go back and work for them there, if I can't send money there.
- They need it over there to pay for rent, utilities, food. My brother is there waiting. Last night my uncle sent me a text message. He said we need some money to buy new clothes for the Eid Festival. He wrote - Please send the money in 15 days before the Eid in case they close the money again. It is important to buy small things and for the Eid. You see it is like Christmas here."

- One young woman indicated that there is poverty overseas. Some people have mental illnesses because they migrated from their own country as refugees to other countries where the governments don't help them."

Pressure to send money

- A person commented, "Traditionally it would be shameful not to send money back home. One is sent to Australia to support the family. Back home people are dying from hunger. When my mum phones to say she is on her last dollar I have to send money straight away."
- Sending money is like a mortgage. It is like a compulsory commitment and they feel a kind of stigma if they don't send it.
- A young woman explained that overseas remittances put a lot of stress on people here knowing they have close ties and mothers over there where they don't have clean water and then they get sick. She said, "We send money so they can have clean water and avoid getting illness. There is stress here too as Australians from East African backgrounds have big families here; sometimes eight children here in Victoria who need to eat and go to school. Then they have another 50 over there. She commented, "If we can't send the money the question is how are they going to survive. It's a matter of making sure they have something to eat."
- When asked how she felt about making remittance payments she said, "I lived here (in Australia) since the age of ten. I survived here because my dad was working as a translator. I count Australia as my first country. I went back to Kenya and not Somalia because of the war. I saw that you can only survive there if you have money or support for here."
- Customers don't pay as much as they used to. A female participant commented that it's getting harder to send money because the exchange rates are getting higher. People have to think twice before they send remittances, she pointed out and it puts pressure on everybody including the money traders.
- She noted that getting jobs here is getting harder with Centrelink. In addition that puts pressure on money trading businesses when people are not sending as much as they used to send as they have to pay rent too.

- The young woman said, “I send money, my mum sends money and my aunt. In my culture the husband works and gives the money to the women. They cut back on money, for example my mother asks her relatives overseas what they will use the money for. She asks them to use it for basics such as food and rent and that they even have to cut back on washing over there to save on water and not use it for new clothes.”
- Another said, “I talk to them once a month; that’s better for me. If my mum was there it would be every day but to my uncle I talk every week or every month.”

Credible and accountable Money Transfer Operators

- The people from African backgrounds do not go to the bank because the banks transfer directly to the African currency and there are no banks over there so they depend on culturally competent money transfer businesses such as those in Footscray and Dandenong.
- Small business owners commented that the banks are closing the accounts of the ethnic-based MTOs in Victoria because of unfounded perceptions.
- Victorians from East African countries are sending money to their mothers and fathers. One person said, “Many of the customers are worried and distressed because they can't get the money through. If an old man overseas is sick and their relatives in Australia can't get the money through he might die. The communities are talking about this all the time. “
- The small ethnic remittance businesses have legitimate AUSTRAC licences and follow all compliance regulations. Money transfer business owners consistently indicated that they run transparent and secure businesses. They make sure they comply with all government checks. They are consistently compliant with regulator reviews and accreditation requirements. They tick all those boxes and pride themselves on their high standards of ethics. They commented that they are meticulously compliant with international United Nations database security checks that are fast-moving and sometimes up-dated by the hour. In fact those small businesses know their customers and are sufficiently culturally aware

that they would be able to detect any suspicious behaviour before the banks.

- When the US banks and the four major Australian banks announced plans to close accounts used by the MTOs, they felt a need to come to an agreement with the banks to identify the risks and mitigate the risks. One person said, “It's all about risk mitigation and assessment, we understand that. But we are following all the rules.”
- A Somali-Australian pointed out that he had been working in the remittance business since 2005. In 2006 he supported the Australian Government legislation of the anti-money laundering Act. He was proud to use the KYC (Know Your Clients) approach. He explained that the MTOs depend on the banks. He said, “Our customers send small amounts of about \$150 as overseas remittances and then we settle with the banks.” He indicated that when the major Australian banks create difficulties for the local remittance businesses, they are not employing the KYC approach.
- A typical comment was, “The banks and government focus on elements of risk around money laundering and terrorism.” The small MTOs are so close to their culturally diverse community that they are well-placed to identify potential risks and report them to AUSTRAC. They are at the forefront for understanding potential risks and speedy reporting.”
- One person said, “The policy is not fair. If the remittance business complies they should be treated as a normal business. For ethnic and small communities the banks do not help them. We are continuously ignored and the major banks ignore our high standards of compliance. The banks don't know much about us. We are happy to accept limits from the banks, for example \$500, because for us this is about our culturally diverse community. We try not to make it that much harder because we engage well with the community and they trust us. If the banks block the remittance accounts we tell the Australian community that you can't send the money to your families. We tell them the truth.”

Disruptions to the remittance system

- One person commented that if they are forced to close down, it will lead to increased unemployed and reliance on welfare support when they become unemployment.

- Families here get distressed if they can't send money.
- When the major banks and credit groups started shutting down their remittance accounts, the ethnic-based MTOs looked for a solution and talked to their customers. They have offered the solution to send the currency overseas in Australian dollars, Euros or even Durham through the UAE. They are prepared to avoid the U.S. clearing house that is imposing restrictions due to potential terrorist financing.
- A bona fide ethnic-based remittance provider explained, "I comply with the Act and I am willing to do continuous improvement. Local small money transfer businesses are very responsive to changes."
- The ethnic-based MTO's wrote a group submission documenting alternative solutions to a national Government Working Group.
- One small operator commented, "The banks say they read and revised the documents we sent them but are not proceeding with the solutions. The banks don't see this as a big problem. The ethnic money transfer businesses are too small for them to talk to. No-one has come to talk to us."
- One MTO had received eight letters notifying him that the banks are closing their remittance accounts. Participants expressed a high level of frustration as bona fide business owners that there is no one to talk to. Ethnic-based MTOs commented that they would like is to sit with someone from the various banks to work out what else they require as a business in terms of compliance.
- One operator said, "Some businesses have already shut down."
- One person said, "I am Australian but my background is Somali. Where I came from there are no banks. Many remittance clients have alternative ways to send money but not in Somalia because there are no banks there. I send money to my mother and she is 90 years old. The United Nations 20/20 summit said the remittance fees should not increase in fact but they should be low."
- One person said, "The impact of the banks closing remittance accounts is the cost on the community. This will cost people their lives. Ethnic-based

money transfer businesses in Victoria charge less than the major banks. The banks charge more than the remittance businesses."

Social cohesion impact in Victoria of remittance disruption

- Interview participants estimated that there are about 12 African background ethnic-based MTOs in Victoria that employ hundreds of people from their communities.
- Interview participants cited the *Food Security and Nutrition Analysis Unit (FSNAU) report* as showing the impact on families in Somalia and a downward trend in remittance payments to Somali due to imposed regulations.
- The economic impact of closing small MTOs on the Victorian multicultural community is significant. It creates unemployment and deters enterprising small business start-ups.
- The social cohesion impact includes significant distress in local culturally diverse communities. One business owner commented, "Some people send money to elderly parents who have no support, for medical supplies, and for the education of the younger people."
- Overseas remittance payments help families overseas to buy food, pay rent, and with day-to-day costs of living. It even contributes to countering terrorism by supporting the younger brothers going to school and university so they do not get radicalised and follow terrorist groups. A typical comment was, "We just can't explain how important it is to keep these payments going. We are supporting the economy overseas".

Future directions

- Regulators and the banking sector need to re-engage in conversation with ethnic-based MTOs to become part of a cultural ecology of trust which offers its own risk management returns.
- Regulators and the banking sector can learn from the small MTOs in Footscray about culturally responsive services, the benefits of bilingual education and cultural and religious understanding.
- Regulators should provide greater support to deteriorating small businesses with one last or no bank account.

- Regulators and the banking sector should seriously consider the suggestion from ethnic-based MTOs for banks to implement a liabilities insurance system for all MTOs to better manage their risk.
- Regulators and major banks should re-examine the practices of de-risking communities by focusing on the principle of KYC (know your clients) to learn shared values and common goals.
- Regulators and major banks may consider using a cultural ecology model when risk managing money transfer issues that affect CALD communities.

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End Notes

ⁱ Matt Khoury, *The Point Magazine* February 2015. <http://www.thepointmagazine.com.au/post.php?s=2015-02-05-remittance-lifelines-cut-off-by-aussie-banks>

ⁱⁱ Table 1 Distribution within Australia of Somalia-born: 2011 and 2006 Census. <http://www.multicultural.vic.gov.au/images/stories/documents/2013/Censusfactsheetscommunityprofiles/commprofiles/64-somalia.pdf>

About ECCV Social Cohesion Policy Briefs

ECCV's social cohesion policy briefs are short snapshots from our roundtable discussions on social cohesion issues. They are not forums or education events. Culturally diverse community members, leaders and service providers are invited to attend both open and closed discussions on what is an evolving and complex issue.

To respond to the increasing rate of social change and also government policies on social cohesion, ECCV has developed a new way of consulting, analysing and sharing insights from each roundtable that give a voice to multicultural Victoria on issues that matter. We post our briefs online within two weeks.

The information is a combination of direct quotes from participants, policy analysis and human observation grounded in ECCV's 41 years of consultation with multicultural Victorians.

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For more information contact Carl Gopalkrishnan, Senior Policy Officer at

email: cgopalkrishnan@eccv.org.au and telephone: 03 9349 4122