



Australian
Mobile Telecommunications
Association
ABN 98 065 814 315
First Floor
35 Murray Crescent
Griffith ACT 2603 Australia
PO Box 4309
Manuka ACT 2603 Australia
Ph +61 2 6239 6555
Fax +61 2 6239 6577
Web www.amta.org.au

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Ms Jackie Morris
A/Secretary Legal and Constitutional Affairs Committee
Department of the Senate

By email: Jackie.Morris@aph.gov.au

Dear Ms Morris

Re: AMTA's response to the Question on Notice received at the Senate Inquiry into provisions of the Anti-Money Laundering and Counter-Terrorism Financing Bill 2006 ("Bill"), 23 November 2006.

The question that AMTA took on notice from Senator Ludwig can be summarised as:

- a) "is there a limit on how much you can put on a prepaid mobile phone?"
- b) "is there a limit to the storage" for vouchers on calling cards?
- c) "could someone buy multiple vouchers or \$2,000 worth of vouchers"?

a) Prepaid mobile phones

A prepaid mobile phone allows the user to make local, national and international calls up to the amount 'prepaid' by the customer. The prepaid amount is not stored on the phone itself but on a linked account on the mobile network. When the customer has used all the prepaid 'credit', recharge vouchers or cards are used to 'top-up' the account.

Terms and conditions for prepaid mobile products vary across carriers and products. There is currently a limit on how much 'credit' can be put on to some prepaid mobile phone accounts, with limits ranging from as little as \$30, to over \$800. However, not all prepaid accounts have a limit set.

Notably, there is an expiration period of all prepaid mobile cards. That is, after a set number of months, any remaining 'credit' on a prepaid card will expire. After that time, the phone can only be used to make calls to emergency services on '000' or to receive incoming calls. Expiration periods vary between carriers and products, but range for 3 months to 24 months. Unused credit is non-refundable.

AMTA notes that while not all prepaid mobile accounts currently have a limit set on the amount of money stored, it would not be difficult for industry to impose a \$1000 limit moving forward.

b) Prepaid calling cards

Calling cards allow the holder to make local, national and international phone calls and have the cost of the call debited to an account. The calling cards are issued in physical card format, paper voucher or online format and come with a PIN that is linked to an account on the mobile operator's network. This account records the value associated with the card (which may initially be as low as \$10, \$20, \$30 or \$50). When the holder of the card makes a call, the cost of the call is debited to this account. Holders of calling cards

can also transfer money from their calling card to the holder of another calling card. Some operators also provide a card that allows customers to make phone, fax or modem calls in Australia and overseas and have the cost billed to their home or business account.

As with prepaid mobile cards, terms and conditions vary across carriers and products. A number of cards are capped up to a value of \$300 at any time. Some carriers limit customers to \$1000 over the life of the card.

As with prepaid mobile cards, prepaid calling cards are subject to an expiry date. This varies between carriers and products, but can be up to 30 months from date of purchase. Any unused credit is non-refundable.

AMTA notes that while not all prepaid calling cards currently have a limit set on the amount of money stored, it would not be difficult for industry to impose a \$1000 limit moving forward.

c) Could someone buy multiple vouchers or \$2,000 worth of vouchers?

At present there are no contractual or system enforced limits on how many prepaid mobile credit vouchers or prepaid calling cards a person can purchase at the point of sale at any one time or over a period of time.

However, the ability for a person to purchase a large number of vouchers or cards at any one time would depend on certain factors. These factors include:

- for physical cards, the number of physical cards that the retailer has in stock at the time;
- for paper vouchers (produced as a paper receipt at in-person point of sale at a 7-11 for example), if the customer does not pay by cash, they would need to pay by debit card or credit card and daily transaction limits imposed by banks and credit card companies could apply;
- for online purchases of vouchers or cards, payment must be made by credit card and daily transaction limits imposed by credit card companies could apply.

[If a customer pays for the cards or vouchers with cash, in many instances they would have withdrawn that cash from their bank account using a debit card or credit card.

Debit cards and credit cards (issued through the banking system) are designated services under the AML/CTF Bill and the institutions that issue them would be required to monitor the transactions that are completed using those cards for the purposes of reporting any suspicious transactions.]

Also, it is also important to note that it is the prepaid mobile phones and prepaid calling cards, and not the recharge vouchers or cards, that are potentially caught as a designated service under the AML/CTF Bill. The recharge vouchers or cards are not debit cards as defined under the AML/CTF Bill because they can only be used to credit an account, and not to debit an account. It is also the case that the recharge vouchers are not stored value cards as currently defined under the AML/CTF Bill, as their value is not stored on the card itself but on the relevant mobile operator's electronic network. Further, the issue of recharge vouchers and cards is not an activity which competes with the activities of banks and financial institutions, or non-financial services businesses (as defined in the FATF recommendations). Collectively, this suggests that the AML/CTF Bill is not intended to impact the use of these sorts of goods and services.

If prepaid phones and calling cards are caught as designated services under the AML/CTF Bill, this could have a significant impact on the use of recharge vouchers and cards because of the transaction monitoring and reporting requirements of the AML/CTF Bill. For example, in order to purchase such items at a 7-11 or other retail outlet it is possible that a person may need to undergo an identity check in accordance with the AML/CTF Rules (in order to give the reporting entity sufficient information about prepaid phone and calling card activities so that suspicious transactions can be detected and reported). Given the large number of recharge vouchers and cards that are sold each day in Australia, this result would create an administrative burden on business which AMTA submits would far outweigh any anti-money laundering or counter terrorism financing benefit. This is a particular issue for prepaid mobile phones, where identity information is already the subject of separate regulation (to meet other law enforcement requirements).

The designated services relating to stored value cards under the AML/CTF Bill carry monetary thresholds so that low value transactions with these limited use cards (below \$1000 if cash can be withdrawn and below \$5000 if no cash can be withdrawn) are not caught under the AML/CTF regime. If the intention is for telecommunications products such as recharge vouchers, prepaid mobile phones and prepaid calling cards to fall within the definition of stored value cards under the AML/CTF Bill, the definitions of stored value card and debit card need to be amended. In particular:

- “stored value card” should be amended to contemplate that the monetary value associated with the card does not need to be physically stored on the portable device, but may exist on a separate electronic network or on separate electronic equipment;
- “debit card” should be amended to exclude a “stored value card”.

Finally, AMTA notes that, although prepaid mobile or calling cards provide value, that value cannot be easily translated into anything else of value. Further, to buy mobile or calling card and sell it through a secondary market would be no different to buying any other product and selling it on, including gift cards, concert tickets or other products not captured under the AML/CTF regime.

I trust the answers above clarify the issues, but if you require further information to help the inquiry further, please do not hesitate to contact me.

Yours sincerely



Chris Althaus
Chief Executive