

EXPLANATORY MEMORANDUM

FINANCIAL INSTITUTIONS DUTY ACT 1987

FINANCIAL INSTITUTIONS DUTY REGULATIONS (AMENDMENT)

Background:

Thomas Cook Australia Pty Ltd ("Thomas Cook") operate a travel business which entails the sale and redemption of travellers' cheques. This is carried on under an order of exemption under the Banking Act 1959 of the Commonwealth.

Travellers' cheque businesses conducted by banks do not attract financial institutions duty (FID) by virtue of section 5 of the Financial Institutions Duty Act 1987 ("the Act") which exempts the exchange of cash for cheque and cheque for cash by registered financial institutions. Thomas Cook, however, is not a financial institution for the purposes of section 3 of the Act, and accordingly is liable for duty on:

- . deposits to its bank accounts following the purchase of travellers' cheques by customers; and
- . deposits to its bank accounts in connection with the redemption of unused travellers' cheques.

Victoria, New South Wales, Western Australia and South Australia have recognised this inequity and have exempted Thomas Cook from FID in respect of their travellers' cheque business. The ACT can exempt specific accounts from FID by regulation.

In order to place Thomas Cook on an equal footing with registered financial institutions, the accounts used by Thomas Cook in their travellers' cheque business are to be prescribed by this amendment to the Financial Institutions Duty Regulations.

Prescribed Accounts:

Clause 1 - amends Regulation 3 to include, as prescribed, accounts operated by Thomas Cook Australia Pty Ltd in the course of its travellers' cheque business.

Commencement:

The regulation is to commence on the date it is gazetted.