

## Investigation Report

File No.	ACMA2025/126
Relevant entities	Telstra Limited ACN 086 174 781 ( <b>Telstra</b> )
Type of entity	Carrier and carriage service provider ( <b>CSP</b> )
Relevant legislation	<i>Telecommunications (Service Provider – Identity Checks for Prepaid Mobile Carriage Services) Determination 2017</i> ( <b>the Determination</b> ) <i>Telecommunications Act 1997</i> ( <b>the Act</b> )

### Summary of findings

1. The Australian Communications and Media Authority (the **ACMA**) has formed the view that Telstra contravened subsection 101(1) of the Act on 18,388 occasions between 30 November 2024 and 19 February 2025, because it failed to comply with paragraph 2.3(1)(a) of the Determination by activating prepaid mobile carriage services without verifying the identity of the customer in accordance with the rules set out in Part 4 of the Determination.

### Background

2. The Determination sets out rules for the supply of prepaid mobile carriage services by CSPs. Section 2.1 of the Determination states that the objects of the Determination are to:
  - (a) assist law enforcement agencies to identify customers in relation to prepaid mobile carriage services;
  - (b) protect the privacy of individuals by ensuring that CSPs obtain, record, and keep only the minimum amount of customer information that is reasonably necessary; and
  - (c) provide CSPs with a range of methods which can be used to verify the identity of customers.

#### *ID verification rules under the Determination*

3. Subsection 2.3(1) of the Determination requires a CSP supplying a prepaid mobile carriage service to a person to comply with the rules set out in Part 4 of the Determination, or an approved compliance plan,<sup>1</sup> before activating the service.
4. Under Part 4, different rules apply when verifying the identity of a customer that is a purchaser or a customer who is a service activator. Telstra has previously advised the ACMA that it verifies the identity of service activators.<sup>2</sup> Relevantly, section 4.5 of the Determination requires a CSP to verify the identity of a service activator using an approved method of identity verification specified in Schedule 1 to the Determination, being:

<sup>1</sup> The ACMA approves compliance plans under section 5.5 of the Determination. Compliance plans allow CSPs to use alternative methods for obtaining information and verifying identity.

<sup>2</sup> Email and Letter from [REDACTED] to [REDACTED] dated 10 September 2021.

- (a) a government online verification service
  - (b) existing post-paid account
  - (c) white listed email service
  - (d) real-time financial transaction
  - (e) time-delayed financial transaction
  - (f) existing eligible prepaid account (with different processes for accounts with and without a direct debit arrangement)
  - (g) visual ID document check.
5. The Determination is made under subsection 99(1) of the Act. As such, it is a service provider rule as defined in section 98 of the Act. CSPs are required to comply with service provider rules under subsection 101(1) of the Act.
6. Telstra is a CSP for the purposes of section 87 of the Act because it offers mobile and internet services to the public. Therefore, Telstra must comply with the Determination.
- ██████████
7. On ██████████, Telstra issued a media release advising that it had entered into an agreement to offer identity verification via ██████████ to customers activating selected Telstra mobile services. Further information about the ██████████ service provided on Telstra's website stated that it could be used to verify identity when activating prepaid SIM cards.
8. ██████████ is an Accredited Exchange Service Provider (an entity that generates, manages, maintains or verifies information about the identity of an individual to create or manage a Digital ID) under the *Digital ID Act 2024 (Digital ID Act)*. The Digital ID Act aims to provide individuals with secure, convenient, voluntary and inclusive ways to verify their identity for use in online transactions with government and businesses.
9. The ██████████ service allowed Telstra to verify the identity of a service activator by relying on the identity check undertaken by an Identity Service Provider, such as a bank. Identity verification in the banking sector is governed by Know Your Customer (KYC) obligations under the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* and the *Anti-Money Laundering and Counter-Terrorism Financing Rules Instrument 2007* which require financial institutions to meet an extensive set of ID verification requirements. The bank transfers the individual's name, address and date of birth to Telstra. The customer must agree to the process, verify the accuracy of the identity data and expressly consent to the transfer of data before the bank transfers it to Telstra.

#### ACMA Investigation

10. On 18 February 2025, the ACMA commenced an investigation under section 510 of the Act into Telstra's compliance with the Determination and Act, on the basis that ██████████ does not fall within any of the approved methods of ID verification set out in Schedule 1 to the Determination.
11. In forming its view, the ACMA has considered information provided by Telstra on 5 and 6 March 2025 in response to a notice given by the ACMA under section 521 of

the Act (**s521 response**) and its letter dated 9 May 2025 in response to the preliminary findings (**9 May letter**).

## Findings and reasons – Compliance with the Determination

### *Section 2.3 of the Determination*

12. Subsection 2.3(1) of the Determination requires that a CSP who supplies a prepaid mobile carriage service to a person must not activate the service unless the CSP has complied with:
  - (a) the rules set out in Part 4, which require the carriage service provider to obtain certain identifying information from, and verify the identity of, the customer of the service; or
  - (b) an approved compliance plan.
13. Subsection 2.3(2) of the Determination provides for exemptions to the requirement to comply with the rules in subsection 2.3(1), where Part 3 or subsection 4.2(2) of the Determination apply. The exemptions set out under Part 3 and subsection 4.2(2) of the Prepaid Determination do not apply to any of the prepaid mobile carriage services that are the subject of this investigation.<sup>3</sup>
14. In its response to a section 521 notice, Telstra provided details of 20,141 prepaid mobile carriage services that it activated between 30 November 2024 and 19 February 2025 using [REDACTED].
15. However, in its 9 May 2025 letter to the ACMA, Telstra adjusted this to 18,388 activations using [REDACTED]. Telstra explained that in relation to 1,680 activations, it had verified the identity of the service activator by confirming the details of the service activator's existing post-paid account, eligible prepaid (other) account or eligible prepaid (direct debit) account.
16. The ACMA has formed the view that Telstra contravened paragraph 2.3(1)(a) of the Determination by failing to comply with the rules set out in Part 4 of the Determination in relation to these services, for the reasons set out below.
17. Paragraph 2.3(1)(b) is not relevant because there was no approved compliance plan in place.

### *Assessment of compliance with Part 4 rules*

18. Subsection 4.2(1) states that a CSP must not activate a prepaid mobile carriage service unless the provider has:
  - (a) obtained information from the customer in accordance with section 4.3; and
  - (b) verified the identity of the customer in accordance with section 4.4 or 4.5, whichever is applicable.
19. Subsection 4.2(2) provides exemptions in relation to activations involving real-time or time-delayed financial transactions. These exemptions do not apply because neither financial transaction verification method was used in relation to the prepaid mobile

<sup>3</sup> The exemption under Part 3 of the Prepaid Determination does not apply as the services have not been supplied to emergency affected or violence affected individuals in accordance with Part 3. The exemption under subsection 4.2(2) of the Prepaid Determination does not apply as the verification method used was not a real-time financial transaction or a time-delayed financial transaction.

carriage services that are the subject of this investigation (refer to the discussion in the table below).

20. The ACMA accepts that by using [REDACTED] Telstra can obtain the information from the customer required by section 4.3 of the Determination.
21. The ACMA has assessed Telstra's compliance with section 4.5 of the Determination.<sup>4</sup> Section 4.5 requires that a CSP must verify the identity of the service activator using an approved method of identity verification specified in Schedule 1 to the Determination (see paragraph 4 above).
22. In its response to the ACMA dated 5 March 2025, Telstra acknowledged that the Determination does not specify Digital Identity Verification (or [REDACTED]) as an approved verification method. Telstra stated that it recorded the method of verification for each of the 18,388, services as 'Third Party' and explained that the description is an internal system representation of financial institution verification.
23. While [REDACTED] is a Government Accredited Identity Exchange Provider under the Digital ID Act, it is not currently specified as an approved method of identity verification in Schedule 1 to the Determination<sup>5</sup> and nor does it comply with the approved methods specified in Schedule 1 for the reasons set out below:

Approved method	Evidence and assessment
Government online verification service	<p>The Determination defines a government online verification service as <i>an online service which allows users of that service to confirm the validity of information recorded on certain identification documents against the databases of the government agency that issued the relevant identification documents, in a manner authorised by that government agency or its representatives.</i></p> <p>Telstra stated that [REDACTED] relies on the identity verification undertaken by a bank. The bank itself will have validated ID documents against the databases of relevant government agencies under the KYC obligations. However, Telstra acknowledged that it did not undertake these checks directly itself.</p> <p>Therefore, the ACMA considers that [REDACTED] does not meet the requirements of a government online verification service because it does not directly verify information against the databases of a government agency.</p>
Existing post-paid account	<p>Schedule 1 to the Determination states that a CSP may verify the identity of a service activator by confirming the details of the service activator's existing account for a post-paid carriage service with the carriage service provider.</p>

<sup>4</sup> Section 4.4 is not applicable because it relates to identity verification of a customer who is a purchaser. The customers of the prepaid mobile carriage services that are the subject of this investigation are each a service activator for the purposes of the Determination.

<sup>5</sup> The ACMA expects to amend the Determination to specify Government Accredited Identity Exchange Providers under the Digital ID Act in the near future.

	<p>The [REDACTED] process described by Telstra in its response to a section 521 notice does not include any steps in relation to obtaining or verifying a service activator's post-paid account details. Therefore, the ACMA considers that [REDACTED] does not meet the requirements of the existing post-paid account verification method.</p>
White listed email service	<p>Schedule 1 to the Determination states that a CSP may verify the identity of a service activator by confirming that the service activator holds an email address ending with ".edu.au" or ".gov.au".</p> <p>The [REDACTED] process does not include any steps in relation to obtaining or verifying a ".edu.au" or ".gov.au" email address from a service activator. Therefore, the ACMA considers that [REDACTED] does not meet the requirements of the white listed email service verification method.</p>
Real-time financial transaction	<p>Schedule 1 to the Determination states that a CSP may verify the identity of a service activator by making a real-time financial transaction in relation to an existing specified financial account held by the service activator.</p> <p>The Determination defines a real-time financial transaction as a financial transaction for which the CSP can confirm at the time of the making of the transaction that the service activator can complete the purchase of the desired goods or services by using the specified financial account.</p> <p>Telstra explained that [REDACTED] activation requires the service activator to complete multi-factor authentication with their banking institution and transact against their banking account by providing express consent to sharing of specific personal information held by their bank. This process confirms:</p> <ul style="list-style-type: none"> <li>(a) A financial institution account is active.</li> <li>(b) The service activator is the holder of the account (account owner).</li> <li>(c) The service activator has real time access to their financial account.</li> <li>(d) The financial account is with a Deposit Taking Institution.</li> </ul> <p>However, Telstra acknowledged that the transaction completed is not a financial transaction as described by the Determination.</p> <p>Therefore, the ACMA considers that [REDACTED] does not meet the requirements of a real-time financial transaction because it does not confirm at the time of making the transaction that the service activator can complete the purchase of goods or services using the specified financial account.</p>



Time-delayed financial transaction	<p>Schedule 1 to the Determination states that a CSP may verify the identity of a service activator by making a time-delayed financial transaction in relation to an existing specified financial account held by the service activator.</p> <p>The Determination defines a time-delayed financial transaction as a financial transaction by way of account transfer and for which the CSP is unable to confirm, at the time of the making of the transaction, that the service activator is able to complete the purchase of the desired goods or services by using the specified financial account.</p> <p>As described above, [REDACTED] does not include a step requiring the service activator to make a financial transaction involving an account transfer. Therefore, the ACMA considers that [REDACTED] does not meet the requirements of a time-delayed financial transaction.</p>
<p>Existing eligible prepaid (other) account (no direct debit arrangement in place)</p> <p>Existing eligible prepaid (direct debit) account (direct debit arrangement in place)</p>	<p>Schedule 1 to the Determination states that a CSP may verify the identity of a service activator by confirming the details of the service activator's existing eligible prepaid account with the CSP. The Determination sets out different verification requirements depending on whether or not the existing prepaid account has a direct debit arrangement in place.</p> <p>The [REDACTED] process does not include any steps in relation to obtaining or verifying a service activator's prepaid account details. Therefore, the ACMA considers that [REDACTED] does not meet the requirements of either of the existing eligible prepaid account verification methods.</p>
Visual identity document check	<p>Schedule 1 to the Determination states that a CSP may verify the identity of a service activator by conducting a visual identity document check in relation to the service activator.</p> <p>[REDACTED] relies on the identity verification undertaken by a bank and specifically avoids Telstra checking identity documents itself. Therefore, the ACMA considers that [REDACTED] does not meet the requirements of the visual identity document check verification method.</p>

### Findings

24. For the reasons set out above, the ACMA is of the view that Telstra contravened section 4.5 of the Determination on 18,388 occasions by failing to verify the identity of the service activator using an approved method of identity verification specified in Schedule 1 to the Determination. Consequently, the ACMA is also of the view that Telstra contravened subsection 4.2(1) of the Determination on 18,388 occasions between 30 November 2024 and 19 February 2025 by activating prepaid mobile carriage services without verifying the identity of the customer in accordance with section 4.5 of the Determination.

25. By failing to comply with subsection 4.2(1) of the Determination, the ACMA is of the view that Telstra contravened paragraph 2.3(1)(a) of the Determination on 18,388 occasions between 30 November 2024 and 19 February 2025 by activating prepaid mobile carriage services without complying with the rules in Part 4 of the Determination.

**Findings and reasons – Compliance with subsection 101(1) of the Act**

26. As a CSP, Telstra must comply with the Determination under subsection 101(1) of the Act.
27. The ACMA is of the view that, by failing to comply with the Determination as set out above Telstra has contravened subsection 101(1) of the Act on 18,388 occasions between 30 November 2024 and 19 February 2025.