



**Australian Government**

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**AUSTRAC**

## **AUSTRAC Submission**

Inquiry into the adequacy and efficacy of  
Australia's anti-money laundering and  
counter-terrorism financing (AML/CTF)  
regime

**August 2021**

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## Introduction

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1. The Australian Transaction Reports and Analysis Centre (**AUSTRAC**) welcomes the opportunity to make a submission to the Senate Standing Committee on Legal and Constitutional Affairs' (**the Committee**) inquiry into the adequacy and efficacy of Australia's anti-money laundering and counter-terrorism financing (**AML/CTF**) regime (**the Inquiry**).
2. The information in this submission is intended to inform the Committee's consideration of certain terms of reference and questions posed in the discussion paper that are relevant to AUSTRAC's regulatory and intelligence functions, including:
  - a) the extent to which AUSTRAC responds to, and relies upon, reporting by our regulated businesses, and identifies emerging problems based on this reporting
  - b) the extent to which Australia's AML/CTF regulatory arrangements could be strengthened to address governance and risk-management weaknesses within designated services, and identify weaknesses before systemic or large-scale AML/CTF breaches occur
  - c) the effectiveness of the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (**the AML/CTF Act**) to prevent money laundering outside the banking sector, and
  - d) the attractiveness of Australia as a destination for proceeds of foreign crime and corruption, including evidence of such proceeds in the Australian real estate and other markets since the enactment of the Act.
3. AUSTRAC's submission does not focus upon the policy and international framework of the AML/CTF regime which are more appropriately addressed by lead policy department, the Department of Home Affairs (**Home Affairs**). The Treasury Department, the Attorney-General's Department and Department of Foreign Affairs and Trade also have policy lead on elements of Australia's AML/CTF regime and response to the international framework.
4. Money laundering is a key enabler of organised crime, allowing criminals to enjoy the profits of crimes such as drug trafficking, tax evasion, people smuggling, theft and fraud, without raising suspicion. Every day, criminals around the world are generating billions of dollars in profits from serious organised and transnational crime. Money laundering is the process used to place these funds into the legitimate financial system and obscure their origins.
5. The activities of serious organised and transnational crime groups have significant impacts on Australia and Australians. The Australian Criminal Intelligence Commission estimated serious and organised crime in Australia cost up to \$47.4 billion in the 2016–17 financial year.<sup>1</sup> This includes \$31.5 billion as the direct and consequential cost of serious organised criminal activity, and \$15.9 billion spent on prevention and response to these activities. There are also indirect security, economic and social impacts that make the true cost to Australians far greater.
6. Australia, by virtue of its strong economic prosperity, stability of governments and effective application of the rule of law, will likely remain a destination for proceeds of crime. Unfortunately, Australia remains a highly lucrative market for illicit goods and is targeted by transnational criminal networks. Individual wealth remains a target for fraud and cyber-crime. The combination of those threats means proceeds of crime will be laundered through Australia's financial system to reach offshore criminal networks.

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<sup>1</sup> Estimating the costs of serious and organised crime in Australia 2016–17, Australian Institute of Criminology (aic.gov.au).

7. Law enforcement and national security agencies agree that targeting the criminal business model has a significant disruptive impact, reduces harm to the community, and minimises the loss of Government revenue. Criminal syndicates rely on generating profit either as an end in itself, or to facilitate further criminal activities. This means the financial system is at major risk of exploitation to launder and move illicit funds.
8. Terrorism and terrorism financing remain threats to Australians at home and abroad. Even small amounts of money placed in the hands of terrorists and terrorist organisations can result in catastrophic outcomes and erode confidence in financial institutions that inadvertently facilitate this activity.
9. AUSTRAC holds a unique position as Australia's AML/CTF regulator and financial intelligence unit (**FIU**). We regulate businesses that provide services that are vulnerable to money laundering and terrorism financing (**ML/TF**) risks, and collect reports from these sectors about the movement of money and suspicious matters. Our data holdings and financial intelligence are critical pieces of the national security architecture used to preserve the integrity of Australia's financial system. These holdings are vital in identifying new and emerging risks and aiding law enforcement outcomes.
10. AUSTRAC is one of the ten members of Australia's National Intelligence Community, forming part of a wider group of Commonwealth law enforcement and national security intelligence agencies that work together to protect Australia's interests and national security priorities. In this context, AUSTRAC functions as Australia's specialist financial intelligence unit, producing financial intelligence to enable other agencies to more effectively achieve their mandates. We also work closely, and share our intelligence and expertise, with a wide range of domestic and international stakeholders in the public and private sectors.
11. Over several decades, AUSTRAC has maintained and matured its relationships with these partners. National Security and Law Enforcement partners provide AUSTRAC with detailed insights into the threat environment, which AUSTRAC leverages to ensure we can provide timely and actionable financial intelligence and regulatory advice.
12. AUSTRAC shares deep and enduring partnerships with fellow Home Affairs Portfolio partners, including Home Affairs, the Australian Federal Police (AFP), the Australian Criminal Intelligence Commission (ACIC), the Australian Border Force (ABF) and the Australian Security Intelligence Organisation (ASIO). As key partners, they possess intelligence and investigative capabilities that enhance the financial intelligence picture and take actions to directly disrupt serious and organised crime and threats to our national security in Australia and beyond.
13. AUSTRAC has historically, and continues to have, a unique relationship with the Australian Taxation Office (ATO) to share financial information and intelligence which supports the protection and shaping of Australia's tax and superannuation system. Increasingly, AUSTRAC's information and capabilities have assisted Services Australia to protect Government payments and services and complemented Australia's wider regulatory partners in the collective response to protect Australia's financial system, markets and economy.
14. Following the finalisation of the [Report on the Statutory Review of the Anti-Money Laundering and Counter Terrorism Financing Act 2006 and Associated Rules and Regulations](#) tabled in Parliament by the Minister for Justice on 29 April 2016, AUSTRAC has been working with Home Affairs on subsequent legislative packages that have passed parliament in 2017 and 2020 respectively. AUSTRAC continues to operationalise these legislative changes and is providing operational advice to Home Affairs on further strengthening the regime.

## What does AUSTRAC do and why?

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### AUSTRAC overview

15. AUSTRAC performs a dual role as Australia's AML/CTF regulator and financial intelligence unit. These functions and responsibilities are enacted through the functions of the AUSTRAC CEO in section 212 of the AML/CTF Act.
16. Broadly, the functions of the AUSTRAC CEO are to:
  - a) retain, compile, analyse, disseminate and facilitate access to AUSTRAC information in order to support domestic and international efforts to combat ML, TF and other serious crimes
  - b) promote compliance with the AML/CTF regime and advise and assist reporting entities and their representatives in relation to AML/CTF obligations, and
  - c) assist in the development of government policy or academic research.
17. In performing these functions, the AUSTRAC CEO must have regard to:
  - a) the integrity of the financial system
  - b) crime reduction
  - c) economic efficiency, regulatory burden, competitive neutrality and market competition issues
  - d) the risk-based approach, and
  - e) privacy
18. AUSTRAC's regulatory and financial intelligence functions are interconnected and complementary. This builds resilience in the financial system and uses financial intelligence and regulation to disrupt money laundering, terrorism financing and other serious crime. The combination of these two functions is seen as international best practice.

### Financial intelligence

19. As Australia's financial intelligence unit, AUSTRAC is internationally recognised as a global leader. As the custodian of the financial data received from reporting entities, AUSTRAC collects information to develop tailored and targeted financial intelligence. AUSTRAC safeguards, analyses and provides this data to law enforcement and partner agencies, in raw form and as actionable intelligence.
20. The primary focus of our intelligence work is to identify financial transactions that may involve money laundering, terrorism financing, tax evasion or other serious criminal activity. AUSTRAC produces operational intelligence reports to understand emerging and current threats, and provides tactical intelligence to directly support law enforcement investigations and intelligence activities.
21. AUSTRAC also assesses risks across sectors and identifies financial crime methods used by criminals and shares this information with government and industry partners.

## AML/CTF regulation

22. AUSTRAC oversees the compliance of more than 16,000 Australian regulated businesses, referred to as **reporting entities**. These include businesses such as banks and credit unions, non-bank lenders and stockbrokers, gambling and bullion service providers, remittance providers and digital currency exchanges.
23. The AML/CTF Act recognises that reporting entities are the first line of defence in protecting the financial system. The legislative framework instils a risk-based approach placing the onus on reporting entities to identify, mitigate and manage their money laundering/terrorism financing risk. AUSTRAC's approach to regulation reflects this dynamic.
24. AUSTRAC works with reporting entities to ensure they are knowledgeable, vigilant, and capable of preventing, detecting and responding to threats of criminal abuse and exploitation. AUSTRAC promotes compliance by providing education and guidance, and developing and sharing information about money laundering/terrorism financing risks.
25. AUSTRAC also monitors and assesses reporting entities against their legal obligations and, where appropriate, applies a forceful and credible deterrent to non-compliance by undertaking enforcement action.

## Data and technology

26. Alongside its staff, AUSTRAC's data holdings are its biggest asset, containing more than one billion transaction reports, the majority of which are international funds transfer instructions. Annual reporting numbers have risen steadily over recent years which reflect the growth in payment activity, from 112.5 million reports in 2016–17 to almost 178.5 million reports in 2020–21. AUSTRAC's ability to manage and leverage data provided from industry and partners is critical to meeting the agency's core objectives. To do this, AUSTRAC invests heavily in staff and technology to ensure the agency is a leader in innovation and operational delivery solutions. This data provides valuable intelligence leads and is directly accessible online to our key law enforcement, revenue protection, regulatory, and national security partner agencies.

## Crime and money laundering

27. Serious crime is motivated by profit, and no matter the size, most criminal acts leave a financial trail. Criminals seek to exploit vulnerabilities within the financial sector to disguise illicit funds and enable other serious crimes such as terrorism, modern slavery, drug trafficking, child exploitation, fraud, tax evasion and corruption. People committing crimes interact with the businesses we regulate to move money and hide the proceeds of their crimes.

AUSTRAC is not a policing or prosecutorial agency with associated powers to investigate or prosecute ML, TF, or other serious crimes. AUSTRAC supports national and international efforts to combat serious crime by ensuring financial information and actionable intelligence is available to investigators and intelligence officers across Australia's law enforcement, national security, revenue protection, and regulatory agencies.

## Overview of the AML/CTF regime

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### Legislation

28. Australia's AML/CTF regime establishes a regulatory framework for combating ML/TF and other serious crimes. The AML/CTF regime comprises:
  - a) the AML/CTF Act
  - b) the *Anti Money Laundering and Counter-Terrorism Financing Rules Instrument 2007 (No. 1) (AML/CTF Rules)*
  - c) the *Anti-Money Laundering and Counter-Terrorism Financing (Prescribed Foreign Countries) Regulations 2018*
  - d) the *Financial Transaction Reports Act 1988 (FTR Act)*.
29. The AML/CTF Act focuses on regulating businesses that provide services (known as **designated services**) that are vulnerable to misuse for ML/TF purposes. Designated services include financial, remittance, digital currency exchange, gambling and bullion dealing services. These designated services are recognised globally as being vulnerable to misuse for ML/TF purposes.
30. Reporting entities are required to comply with the regulatory obligations under the AML/CTF Act and AML/CTF Rules. These obligations require reporting entities to:
  - a) enrol with AUSTRAC
  - b) register with AUSTRAC if the reporting entity provides remittance or digital currency exchange (DCEs) services<sup>2</sup>
  - c) develop and maintain an AML/CTF program to identify, mitigate and manage ML/TF risks associated with their customers, products and services
  - d) perform initial and ongoing customer due diligence (CDD)
  - e) lodge financial transaction, suspicious matter and compliance reports with AUSTRAC, and
  - f) comply with various AML/CTF-related record-keeping obligations.
31. Cash dealers regulated under the FTR Act must submit significant cash transaction reports (SCTRs) and suspect transaction reports (SUSTRs). Solicitors must also report SCTRs under section 15A of the FTR Act.
32. The AUSTRAC CEO has a **rule-making power** under the AML/CTF Act. These rules are legislative instruments and provide the detail of regulatory obligations. They are enforceable and subject to disallowance by either House of Parliament. The rules are developed in close consultation with industry and AUSTRAC's partner agencies, and updated on a regular basis to take account of emerging risks, new technologies and regulatory efficiencies.

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<sup>2</sup> Remittance and DCE service providers must enrol and register with AUSTRAC. Any business providing designated remittance services must be registered prior to providing such services.

In the 2020–21 period, the AUSTRAC CEO issued three changes/additions to the AML/CTF Rules. The changes captured an additional reporting entity and amended customer due diligence obligations to alleviate challenges experienced by reporting entities as a result of the COVID-19 pandemic. In June 2021 a package of AML/CTF Rules was made to support implementation of legislative reforms under the *Anti-Money Laundering and Counter-Terrorism Financing and Other Legislation Amendment Act 2020*. These rules provide additional details to assist reporting entities to comply with the reforms.

33. The AUSTRAC CEO is also authorised, where appropriate, to issue exemptions and make modifications from the AML/CTF Act. These powers allow AUSTRAC to promote proportionate, effective and efficient regulation in a manner that is consistent with the risk-based approach of the AML/CTF regime. In granting an exemption, the CEO must be satisfied that any impact the exemption could reasonably be expected to have on ML/TF risk is “low”.
34. Exemptions are made by way of a written instrument, but are not legislative instruments. However, a civil penalty may apply to a reporting entity that breaches the conditions of such an instrument. AUSTRAC maintains an online register of exemption instruments and modification declarations.<sup>3</sup>
35. Exemptions can also be applied more broadly via an amendment to the AML/CTF Rules. The AML/CTF Rules contain a number of rules-based exemptions to minimise the regulatory burden on business for low-risk activities. In contrast to exemptions made under the AML/CTF Act and FTR Act, which are granted in favour of individual reporting entities, rules-based exemptions have wider application and are usually specific to particular designated services or industry-sectors.

In the 2020-21 period, AUSTRAC granted 27 exemptions and 3 modifications under the AML/CTF Act. These exemptions addressed issues such as unintended regulatory coverage and the inability for reporting entities to disclose information in court proceedings and government inquiries. Examples of recent exemptions granted by AUSTRAC are available at Attachment E.

## What reports does AUSTRAC receive?

36. Just as money and profit is the lifeblood of serious and organised crime, transactions reported to AUSTRAC are the lifeblood for our efforts to impact those profits. The information provided to AUSTRAC in these reports – known as **AUSTRAC information** - is used by AUSTRAC, partner agencies, the Fintel Alliance (AUSTRAC’s public private partnership) and international counterparts. The AML/CTF regime requires the reporting of the following transaction types:
  - a) suspicious matters reports (SMRs)
  - b) threshold transaction reports (TTRs – physical cash transactions of \$10,000 and above)
  - c) international funds transfer instructions (IFTIs – instructions to move funds or value into and out of Australia).
  - d) cross border movement (CBM) of cash and bearer negotiable instruments from individual travellers and businesses valued at 10,000 AUD or more.
37. Each of these reporting obligations is designed to collect information from reporting entities that can be transformed into actionable intelligence to assist with detecting, deterring, disrupting or preventing money laundering, terrorism financing and other serious crimes. The

<sup>3</sup> <https://www.austrac.gov.au/lists-exemptions-and-modifications-granted>.



AML/CTF framework specifically mandates the lodging of these reports because they each correspond with known and internationally recognised ML/TF typologies.

- a) The **SMR** reporting obligation requires a reporting entity to report unusual or suspicious activity that may indicate criminal activity, drawing on a reporting entity’s knowledge of a customer and the customer’s financial affairs. In an SMR, reporting entities will detail their reason for suspicion, which often includes useful information such as description of the person, details of conversation held between the customer and reporting entity, useful attachments (such as photographs of identification) or any other information they deem relevant.
  - b) **TTR** reporting disrupts attempts by criminals to anonymously place large amounts of cash (\$10,000 or more) into the financial system by providing AUSTRAC with key information relating to such transactions. These reports include details of the person making cash deposits or withdrawals, which can be useful in identifying people undertaking money laundering behaviours, such as structuring<sup>4</sup>.
  - c) **IFTI** reporting obligations close a critical intelligence gap through the collection of information of funds being moved on and offshore, providing Australian authorities with an important advantage in detecting and analysing suspected cross-border criminal transfers and terrorism financing. IFTI reports include information about the ordering and receiving customer, the countries involved and often detailed narration, such as payment instructions. This can provide useful context for the tracing of funds.
  - d) **CBM** reporting allows for the detection and disruption of physical cash smuggling and movement of value through the border.
38. By focusing on these known risks, the AML/CTF regime strikes an appropriate and proportionate balance between protecting national security and preserving the privacy of individuals and businesses in Australia. However, this can also pose challenges for AUSTRAC when trying to regulate compliance with these reporting obligations.
39. Table 1 sets out the number of SMRs, TTRs and IFTIs received over the past five years.

**Table 1: Number of transactions reports submitted to AUSTRAC from 2016-17 to 2020-21<sup>5</sup>**

	2016–17	2017–18	2018–19	2019–20	2020–21
<b>SMRs</b>	74,000	125,000	246,000	265,000	309,000
<b>TTRs</b>	4.5 Million	3.9 Million	2.6 Million	2.2 Million	2.1 Million
<b>IFTIs</b>	107 Million	132 Million	155 Million	165 Million	176 Million

40. In addition, AUSTRAC receives annual compliance reports which are submitted by reporting entities as a self-assessment of their compliance with obligations in the legislation. Compliance reports are used to support AUSTRAC’s regulatory operations.
41. What cannot be understated is that the vast majority of transactions reported to AUSTRAC relate to legitimate financial activity undertaken by individuals and businesses. It is the role of AUSTRAC and partners to identify criminal activity from within this ever expanding pool of transactions and emerging payments.

<sup>4</sup> Structuring is where a person deliberately splits cash transactions to avoid a single large transaction being reported in threshold transaction reports

<sup>5</sup> The figures contained in Table 1 have been rounded down to the nearest thousand.

### Many transactions not reported or visible to AUSTRAC

Although the reports provided to AUSTRAC are significant in number they provide visibility of only a small proportion of all financial transactions occurring in Australia. Billions of other financial transactions are performed by individuals and businesses every year that are not subject to regulation or reporting, except in the context of where a suspicion may arise. These include domestic transfers between accounts, certain e-commerce transactions (i.e. bill payments), direct transfers between financial institutions, digital currency transactions not involving the exchange to or from FIAT currency, transfers effected by overseas businesses on behalf of Australians and transfers conducted by certain intermediaries on behalf of their customers (e.g. stockbrokers and superannuation funds).

## Intelligence operations of AUSTRAC

### Transaction reports and use for intelligence purposes

42. As noted above, Australia's AML/CTF regime places a significant emphasis on the importance of reporting by regulated businesses. The criminal activities associated with ML/TF and other serious crime arise through the movement or attempted movement of money or value.
43. Our regulatory engagements with reporting entities seek to improve the quality and value of reporting and the resulting financial intelligence outcomes for partner agencies while, at the same time, seek to strengthen reporting entities to withstand exploitation by criminals.
44. AUSTRAC uses reports across our intelligence and regulatory functions to:
  - a) analyse ML/TF risks, identify and detect persons of interest, patterns of behaviours and transactions that may be indicative of serious financial crime or terrorism financing for law enforcement investigation
  - b) support key national security and law enforcement task force operations and international efforts to combat ML/TF and serious crimes
  - c) produce actionable financial intelligence to detect and deter the most significant threats
  - d) generate regulatory alerts and ML/TF risk insights and assessments, and
  - e) support the risk-based approach to compliance monitoring.

Refer to case studies 1–4 of **Attachment D** for examples of how transaction reports are used by AUSTRAC to support operational outcomes.

45. **All transaction reports and SMRs are made available to AUSTRAC's designated partner agencies, generally within 24 hours after receipt through AUSTRAC's intelligence system.** This allows key partner agencies with online access to the AUSTRAC's database to proactively search for and identify issues of concern, or identify information of relevance to their investigations, in a timely and independent manner.

As of 30 June 2021, 4,909 external users had access to AUSTRAC's intelligence holdings. In the 2020-21 reporting period, external users accessed the holdings on over 6.3 million occasions. A list of the agencies that currently have an information sharing arrangements in place with AUSTRAC is at **Attachment A**<sup>6</sup>.

46. AUSTRAC has a suite of sophisticated financial profiles to detect entities of interest, or *patterns* of behaviours and transactions that may be indicative of serious financial crime or terrorism financing. These profiles are frequently informed through engagement with AUSTRAC's partners, international typologies and ongoing learning. Data science or data-matching techniques provide enhanced value for this purpose.
47. To derive further actionable intelligence, more extensive and deeper analysis is undertaken by AUSTRAC, including:
  - a) Linking, network and temporal analysis of related financial reporting in AUSTRAC's data holdings

<sup>6</sup> Not all of the agencies at Attachment B have direct online access to AUSTRAC's database.

- b) supplementing the information contained in SMRs with additional external-source intelligence
- c) requesting, where appropriate, additional information under notice powers of the AML/CTF Act
- d) requesting and linking international intelligence sought and obtained from counterpart foreign financial intelligence units.

From the activities outlined above, AUSTRAC's intelligence teams conduct analysis leading to the development of strategic or tactical intelligence reports which are shared with our government partners to help in their work to detect and disrupt criminal activity. **For the financial year to 30 June 2021, AUSTRAC generated and provided 575 intelligence products to domestic partner agencies (industry and government).**

48. It is important to note that a transaction or suspicious matter report may not have any identifiable or immediate intelligence value. However, its relevance may be realised at a future time through intelligence analysis, investigation or the receipt of further reporting. It may not itself trigger an immediate investigation by a law enforcement agency, as the report may not contain sufficient information.

## Supporting national security and law enforcement task force operations

49. AUSTRAC plays an increasingly important role in providing intelligence to partners in Australia (and internationally), through our participation on counter-terrorism, law enforcement and national economic disruption task forces. AUSTRAC intelligence analysts and data scientists collaborate with partners through task forces to generate cross-agency intelligence. More details of specific task forces are available at **Attachment B**.
50. More generally, AUSTRAC analysts support major intelligence and investigation activities of the Commonwealth, State and Territory law enforcement, criminal intelligence, and national security agencies. AUSTRAC also undertakes monitoring and proactive support activities in response to various reporting requirements and requests for assistance domestically and internationally.

AUSTRAC provides direct support to the Serious Financial Crime Taskforce led by the ATO and supports the broader efforts to detect misuse of Australia's tax and superannuation system. The ATO has wide ranging access to AUSTRAC information to support its responsibilities. In their analysis for 2020–21, the ATO found that more than 2,355 of their cases used AUSTRAC's financial intelligence capability raising revenue of \$38 million for the financial year, and over a ten-year period, \$2.4 billion.

51. In May 2021, it was announced that AUSTRAC would receive additional funding of \$2.9 million under the National Strategy to Prevent Child Sexual Abuse. This funding will further bolster AUSTRAC's capability to aid law enforcement partners to identify and disrupt the payments linked to child sexual abuse, prevent and disrupt livestreamed child sexual abuse, intercept material and offenders at the border, and enhance our ability to identify possible offending within the community.

## Conducting risk assessments

52. AUSTRAC conducts an ongoing program of risk assessments to identify and assess the ML/TF risks for Australia. These risk assessments assist reporting entities and partner agencies to develop and prioritise policy and operational responses to combat ML/TF. The assessment of risk by a country is a core obligation in the international framework and underpins how other requirements are implemented.
53. Unclassified versions of risk assessments are made publicly available on the AUSTRAC website to support reporting entities to comply with their obligations, better understand risks they may face, enhance the quality of SMR reporting and implement effective strategies and controls to mitigate and minimise those risks.
54. AUSTRAC generates other classified assessments of risk and threat that are shared with partners and, in some limited instances with industry partners.
55. In 2011, AUSTRAC published its national risk assessment, [\*Money Laundering in Australia 2011\*](#). The report presented a consolidated picture of money laundering in Australia including indicators and methods, vulnerable sectors and professions, new and emerging threats, and the legal and regulatory framework in place to deter and disrupt illicit funds flows. This was followed in 2014 with the publication of the report, [\*Terrorism Financing in Australia\*](#), which detailed channels used to raise and transfer funds, indicators of suspicious financial transactions, and the legal and regulatory framework in place to deter and disrupt terrorism financing.
56. The Mutual Evaluation Report of Australia 2015 included observations and recommendations that Australia enhance its understanding of risk by updating assessments more regularly and involving and communicating information about ML/TF risks to the private sector.
57. In response, since 2016, AUSTRAC has finalised 16 national risks assessments on individual financial sectors and specific financial product types. In the conduct of these assessments, AUSTRAC consults closely with industry and partner agencies, and draws on a wide range of information sources. A list of these completed risk assessments is at **Attachment C**.

More information on how AUSTRAC uses transaction reports to inform risk analysis can be found at Case Study 5 in **Attachment D**.

58. AUSTRAC has also co-authored two regional risk assessments and provided support to multiple intelligence studies addressing terrorism financing and money laundering activity within the South-East Asia region. These reports were developed in partnership with New Zealand and regional FIUs, and provide insights into both individual and shared terrorism financing risks in our region. They also identify opportunities for regional partners to collaborate in responding to these risks.
  - a) In 2016, in collaboration with five regional FIUs, AUSTRAC released the *Regional Risk Assessment on Terrorism Financing*. This assessment was world-first in assessing terrorism financing risks at a regional level, examining the highest risks in Australia and the South-East Asia region. This report also provided an update on Australia's terrorism financing risk environment.
  - b) In 2017, AUSTRAC, Bank Negara Malaysia and the Indonesian Financial Transaction Reports and Analysis Centre (**PPATK**) led a team from eight countries from across the region to undertake further assessment of TF risks in the not for profit (**NPO**) sector. This report was launched in response to the findings of the *Regional Risk Assessment on*

*Terrorism Financing*, which recommended countries develop a clearer picture of risks in the NPO sector.

59. AUSTRAC gains substantial benefit and insight from the generation of intelligence and threat assessments undertaken by partners, domestically and internationally.

## Fintel Alliance

60. Fintel Alliance is an AUSTRAC-led public-private partnership established in 2017 to increase the resilience of the financial sector to criminal exploitation and support law enforcement investigations into serious crime and national security matters. It brings together 29 member organisations from industry, non-government organisations, law enforcement and national security agencies<sup>7</sup>, to work side-by-side to:
- develop and share financial intelligence, risk models and risk insights
  - share close to real-time information in a secure and targeted way, and
  - provide a centre of excellence for financial intelligence by shaping standards and developing highly skilled financial intelligence analysts.
61. By harnessing the combined resources of public and private partners it has resulted in a greater understanding and insights into new and emerging risks and behaviours to contribute to operational and law enforcement responses. The trust established through Fintel Alliance has enabled timely access to key financial data and cooperation to support law enforcement investigations, and resulted in the development and provision of a range of tailored intelligence products, alerts and suspicious matter reporting. A recent example of such trust and cooperation was the Fintel Alliance assistance to AFP Operation Ironside.
62. Financial crime guides, are an example of the collective efforts of Fintel Alliance partners and are published on the AUSTRAC website to assist all regulated businesses identify emerging issues and understand, identify and report suspicious financial activity to detect and prevent criminal activities. Financial crime guides provide detailed information about the financial aspects of different crime types. They include case studies and indicators to help the financial services sector identify and detect suspicious transactions.
63. Fintel Alliance has generated financial crime guides on:
- [detecting and reporting cuckoo smurfing](#)
  - [National Disability Insurance Scheme fraud](#)
  - [illegal wildlife trafficking](#)
  - [illegal Phoenix activity](#)
  - [the impact of the COVID-19 pandemic on financial crime in Australia](#), and
  - [combatting the sexual exploitation of children](#).

Refer to case studies 6 and 7 of **Attachment D** for examples of recent Fintel Alliance intelligence outcomes.

<sup>7</sup> ANZ Bank; Australian Border Force; ACCC; ACIC; AFP; Australian Financial Crimes Exchange (AFCX); Treasury; ASIC; ATO; Bendigo and Adelaide Bank; Commonwealth Bank of Australia; Deakin University; Home Affairs; HSBC Bank Australia; Macquarie Bank; MoneyGram; National Australia Bank; National Crime Agency (UK); NSW Crime Commission; NSW Police; New Zealand Police; PayPal; Queensland Police; Tabcorp; Services Australia; WA Police; Western Union; Westpac.

## Supporting international counterparts

64. International cooperation is essential to combatting global ML/TF activities, and transnational, serious and organised crime groups.
65. AUSTRAC facilitates the exchange of financial intelligence between Australia and other international FIUs, including managing requests for information (RFIs) from overseas jurisdictions and making disclosures of AUSTRAC information to interested partners.
66. AUSTRAC enters memoranda of understanding (**MOUs**) to govern the access, use and protection of financial intelligence and regulatory information exchanged with overseas counterparts. AUSTRAC currently has 102 international MOUs in place with counterpart FIUs and regulatory agencies. MOUs and the international exchange of information are vital to AUSTRAC's ability to understand the broader environment and effectively combat ML/TF and other financial crimes.
67. To facilitate the exchange of information with key international partners, AUSTRAC has established an international liaison officer program. AUSTRAC has officers located in Indonesia, Malaysia, China, the United Kingdom, and the United States. These deployments aim to advance AUSTRAC's work globally and support our multilateral and bilateral initiatives.
68. AUSTRAC also had officers deployed to the Philippines to deliver technical assistance and training to the Philippines FIU; however this program ended in 2020 and AUSTRAC currently has no active deployment in the country.
69. AUSTRAC is an active member of the [Egmont Group of FIUs](#). The Egmont Group is a united global body of FIUs that aims to improve and facilitate information and capability exchange between FIUs. The Egmont Group provides a platform for the secure exchange of expertise and financial intelligence to combat and disrupt ML/TF. Refer to Case Study 8 of **Attachment D**.
70. AUSTRAC is also a member of the Global Coalition to Fight Financial Crime, a public-private coalition with members from a range of intergovernmental bodies, think tanks, and industry bodies that aims to mitigate financial crime by identifying key weaknesses and opportunities to strengthen existing systems. AUSTRAC's involvement in the working groups of the Global Coalition provides an opportunity for sharing best practices and operational techniques with other high-functioning FIUs.
71. AUSTRAC has built close working relationships with counterparts in our geographic region. As part of this, AUSTRAC established the Pacific Financial Intelligence Community (**PFIC**) in 2021. Co-chaired by AUSTRAC and FASU (Papua New Guinea's FIU), this forum meets bimonthly and brings together Pacific FIUs to work collaboratively on issues of mutual priority.
72. AUSTRAC is also a founding member of the Financial Intelligence Consultative Group (**FICG**). Founded in 2016, the FICG is a collective regional body consisting of heads and senior representatives of financial intelligence units (FIUs) from South-East Asia, New Zealand and Australia. Co-Chaired by AUSTRAC and PPATK (Indonesia's FIU), it has grown to be a key piece of regional counter terrorism financing / anti-money laundering architecture and is a leading example of regional multilateral cooperation.
73. AUSTRAC is actively engaged in supporting the whole of government *Pacific Step Up* policy. Specifically, AUSTRAC is delivering three Pacific focussed programs in collaboration with partner agencies, including DFAT and Home Affairs.
  - a) In collaboration with DFAT, the AUSTRAC Pacific Islands Partnership Program (APIPP), which provides a broad range of technical assistance to Pacific FIUs with a focus on

financial intelligence tradecraft training for FIU analysts. APIPP also provides specific regulatory support to Australian remitters who service the Pacific Island countries to address and limit the aspect of account closures. Under the program, AUSTRAC has now signed formal Memoranda of Understanding or Letters of Bilateral Cooperation with 6 of the 14 Pacific FIUs to enable greater levels of intelligence exchange.

- b) Supporting PNG's Effective AML/CTF Reform Program (SPEAR), which was first established in 2015 and is delivered in partnership with Home Affairs where AUSTRAC provides support to the PNG FIU and Home Affairs supports PNG's Department of Justice and Attorney General. SPEAR supports PNG to effectively reform and implement its AML/CTF system and prepare for its APG 3rd round Mutual Evaluation in 2023.
- c) Project Taipan seeks to build capability in five of the largest Pacific FIUs by replacing antiquated data collection, analytical and storage systems. Through Project Taipan, AUSTRAC is designing and (subject to COVID travel restrictions) will implement a tailored system that will meet the operational and legislative context of each FIU. The beneficiary countries are Fiji, Tonga, Samoa, Vanuatu, Solomon Islands as well as Nauru.

## Building financial intelligence capabilities

- 74. AUSTRAC enhances the financial intelligence capabilities of its partners (in both government and industry) through its world-leading Financial Intelligence Analyst Course (**FIAC**).
- 75. The FIAC is intended to build high-quality analyst skills, capability and tradecraft to prevent, detect and disrupt financial crime. The course includes providing in-depth, formal and specialist financial intelligence training as well enhanced knowledge about the financial and criminal environments in which financial intelligence analysts work. There are also advanced modules that provide training in network analysis, cohorts and data analytics.
- 76. The domestic FIAC is accredited through Charles Sturt University. Since its accreditation in 2017, the FIAC has hosted 282 personnel from 29 agencies, departments and industry partners, domestically and internationally.
- 77. The FIAC is offered to financial intelligence staff working in government and industry sectors. By developing the financial intelligence analysis skills of reporting entities, AUSTRAC is supporting industry efforts to identify and understand their ML/TF risks, which hardens the financial sector against crime and results in higher-quality regulatory outcomes.
- 78. AUSTRAC received funding support from DFAT to design and deliver four FIACs to ASEAN FIU partners. The Regional FIAC topics have been tailored and aligned to provide specific ASEAN and regional perspectives. In 2019-20, AUSTRAC delivered one regional FIAC course in Singapore to attendees from 9 ASEAN countries: Cambodia, Laos, Myanmar, Singapore, Brunei, Thailand, Malaysia, the Philippines and Indonesia. The onset of the COVID pandemic has impacted further delivery for all countries.



## Regulatory operations of AUSTRAC

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79. The AML/CTF framework provides that reporting entities are the first line of defence in protecting the financial system from criminal abuse and exploitation. As reporting entities provide services that are vulnerable to ML/TF risks, they are well positioned to gather information at the point of service delivery to enable them to understand the identity of the customer, the source of funds and wealth, the nature of the transaction, and whether there is unusual behaviour occurring.
80. The efforts of reporting entities also act as a deterrent to criminals seeking to anonymously launder illicit funds or obfuscate the source of funds, and allows for timely reporting to AUSTRAC, enabling early detection, disruption and prevention of criminal activity. The effective implementation of AML/CTF obligations, can limit businesses from becoming victims of crime, or worse, enablers of crime and can enhance consumer protections.
81. AUSTRAC's regulatory population is diverse and spread across a number of sectors. The differing size, nature, resourcing and complexity of these reporting entities means that each will face differing ML/TF risks.
82. AUSTRAC employs a risk-based approach to regulation, ensuring that our resources are allocated efficiently to best manage risks across the Australian financial system, aligned with interactions with reporting entities and proportionate to their needs and circumstances. This approach evolves in line with advances in technology, new and emerging ML/TF risk methodologies, and enhancements to the AML/CTF legislative framework.
83. To achieve these outcomes, AUSTRAC's regulatory operations are conducted through the following functions:
  - a) Education and guidance
  - b) Supervisory activities
  - c) Partnerships and collaboration
  - d) Enforcement
84. In taking a risk-based approach across such a diverse population, there are a number of challenges that AUSTRAC is mindful of, including:
  - a) gaining visibility of non-compliance across the whole regulated population
  - b) not having visibility of the full spectrum of financial activities occurring in Australia and thereby reducing AUSTRAC's ability to identify under or non-reporting of financial transactions, and
  - c) maintaining an awareness and understanding in the context of such rapid changes to financial products, systems, services and technologies.
85. The challenge in identifying compliance-related issues is compounded in very large reporting entities, particularly those offering an extensive range of designated services with operations across multiple states or countries with complex business models. Where a reporting entity has an AML/CTF control failure that they are themselves not aware of, it can also be very challenging for AUSTRAC to identify or discover. Examples may include failures with data issues, downstream implications from weak or non-compliant customer on-boarding practices, inadequate oversight of third parties and outsourced and offshore arrangements and/or complex legacy systems.

86. Identifying under-reporting or non-reporting is also particularly challenging. With the increasing volumes of transactions and payments both reported and not reported to AUSTRAC, it is simply not feasible to have visibility over all transactions or direct access to the IT systems of every regulated business in Australia. Hence, the importance that legislation places on reporting entities to understand their systems, controls and products and report those transactions that are required by law. This limit on AUSTRAC's collection of information balances the objective of identifying and combatting crime against the need to preserve the privacy of all Australians.

## Education and guidance

87. AUSTRAC continues to develop and publish a range of resources to assist the widest range of reporting entities and industry sectors to better understand their obligations and the ML/TF risks that may impact their business. These resources include:
- a) a suite of sector-specific risk assessments as outlined in **Attachment C**
  - b) financial crime guides as outlined in paragraph 63
  - c) technical and sector-specific guidance
  - d) videos, animations and webinars on core obligations such as SMR reporting and customer due diligence to assist understanding and practical application, and
  - e) factsheets and posters for reporting entities to use to educate frontline staff, including material translated to reach a broader audience.
88. In 2020-21, more than 20 new guides and related guidance materials were released on AUSTRAC's website which were downloaded on more than 30,000 occasions.
89. In February 2021 AUSTRAC initiated monthly webinar sessions for new reporting entities enrolling and registering with AUSTRAC. Between February 2021 and June 2021, AUSTRAC delivered 12 workshops to 154 reporting entities. The workshops focussed on the fundamentals of AML/CTF regulation, risk management and quality transaction reporting.
90. Making guidance material more accessible also involves translating key information into a range of languages to support culturally and linguistically diverse reporting entities, in particular in the remittance sector. Resources on assessing risks, performing customer due diligence, and reporting SMRs and IFTIs have been translated into seven languages: Arabic, Mandarin, Dari, Farsi, Swahili, Urdu and Vietnamese.
91. AUSTRAC continues to look for new opportunities to communicate guidance and is currently working to develop a new eLearning package and other guidance materials to provide clarity on complex obligations in the regime.
92. The release of timely and targeted guidance material can be an effective tool to improve compliance and clarify AUSTRAC's expectations. This is particularly effective in situations where sudden or unanticipated changes in the business and operating environment create AML/CTF compliance challenges for reporting entities. This was evidenced during the early stages of Australia's response to COVID-19, when reporting entities sought clarity about how to comply with their obligations in the absence of traditional customer interactions.

For examples of how guidance can be used to support effective regulatory outcomes, refer to Case Studies 10 and 11 at **Attachment E**.

## Supervisory activities

93. AUSTRAC applies supervisory activities to improve compliance amongst reporting entities and support the development and implementation of effective, risk-based systems and controls including through registration processes, compliance reporting, data monitoring and analysis, targeted awareness campaigns, audits and risk assessments, desk reviews and onsite compliance assessments.

### Registration of remitters and digital currency exchanges

94. Under the AML/CTF Act, remittance service providers and digital currency exchanges (DCEs) are required to enrol and register with AUSTRAC. The registration requirements under the AML/CTF Act recognises that these sectors provide financial services that pose high ML/TF risks, but are otherwise not subject to a licensing regime or other market entry requirements. A criminal and civil penalty may apply to a person or entity that provides a remittance or DCE service without being registered with AUSTRAC.
95. As of 1 July 2021, 6,524 reporting entities were registered on AUSTRAC's Remittance Sector Register and 416 on AUSTRAC's DCE Register.
96. The AUSTRAC CEO has a range of powers relating to registrations. In FY2020-21, AUSTRAC processed the following registration related activity:

FY2020-21	Remittance Sector Register	Digital Currency Exchange Register
New Registrations	1,347	157
Cancellations	3	2
Suspensions	5	1
Refusal to register	14	17
Conditions on registration	3	3

97. AUSTRAC recently commenced a pilot project to examine ways to create a more robust entry process to AUSTRAC registration. The project is aimed at raising minimum standards, promoting compliance, preventing criminal infiltration and increasing the professionalism of the remittance and DCE sectors.
98. This enhanced registration process is complemented by an induction program, which is delivered to newly registered businesses and is designed to further build AML/CTF knowledge, reinforce legislative obligations and ensure that businesses are aware of the guidance and other resources available to them to support their AML/CTF compliance efforts.

For information on AUSTRAC's recent optimisation to the registration process, refer to Case Study 12 at Attachment E.

### Compliance reporting

99. Pursuant to section 47 of the AML/CTF Act, reporting entities, other than those specifically exempted, are required to submit a compliance report to AUSTRAC each year. The compliance report takes the form of a questionnaire, which asks targeted questions relating to the reporting entity's compliance with the AML/CTF obligations. This represents a self-assessment of the Reporting Entity's compliance with key obligations under the AML/CTF regime.

100. The compliance report is an important tool for AUSTRAC to understand compliance trends. Its value was enhanced in 2018 when AUSTRAC redesigned and tailored the report to allow a better understanding and assessment of risk at the reporting entity level. AUSTRAC engaged with reporting entities, industry associations and AML/CTF service providers during the redesign process. This collaboration allowed AUSTRAC to understand reporting entities' past experiences with the report and reporting entities to understand the reasons for change and the new information that would be required.
101. Following its redesign, AUSTRAC has increased its use of the information provided. The information is now used in a sophisticated analytics pipeline to identify anomalies in responses, generate alerts where answers indicate non-compliance and assess the risk of each compliance report submitted.
102. Not only does the data provided through the annual compliance report process support compliance uplift with individual reporting entities, but it provides AUSTRAC with a strategic view of compliance across the regulated population. This allows AUSTRAC to use compliance report data to improve its industry outreach and education activities by targeting issues and sectors that need greater attention. It also allows AUSTRAC to conduct targeted compliance campaigns designed to address the most serious non-compliance issues identified in the compliance report.

### Data monitoring and analysis

103. AUSTRAC's supervisory approach has historically relied on traditional supervisory tools, such as compliance assessments, to identify non-compliance. As AUSTRAC has evolved, it has invested in harnessing data analytics to support its regulatory and intelligence functions.
104. In April 2019, AUSTRAC implemented a program of regulatory monitoring and alerting which analyses extensive data holdings to generate alerts that may indicate non-compliance with legislation. This capability has resulted in AUSTRAC swiftly engaging with reporting entities to understand the cause of any non-compliance and to communicate AUSTRAC's expectations for responding to the non-compliance. This work assists AUSTRAC build resilience among regulated sectors in combating and disrupting ML/TF.

In FY2020-21, AUSTRAC assessed 1,592 monitoring alerts. This resulted in 356 warning letters being issued to reporting entities and 22 cases being escalated to AUSTRAC's internal regulatory governance committee to determine the most appropriate regulatory response in-line with AUSTRAC's risk-based approach to regulation.

105. As noted above, this monitoring and alerting capability now extends to detecting anomalies in annual compliance report submissions and is being harnessed, together with other data sources, to generate a more sophisticated understanding of ML/TF risk of reporting entities.
106. AUSTRAC also uses transaction reporting, among other things, to identify emerging regulatory problems and assist in directing our supervisory efforts towards vulnerabilities and higher-risk entities.

Refer to Case Study 13 at **Attachment E** for an example of how AUSTRAC's monitoring function identified non-compliance and underreporting.

## Targeted campaigns

107. AUSTRAC conducts campaigns to improve the rate and quality of compliance in specific categories of reporting entities which include conduct of workshops and “town hall” events. Two campaigns specifically targeted unregistered remitters and TTR reporting amongst authorised deposit-taking institutions (ADIs). For information on these targeted campaigns, refer to Case Studies 14 and 15 at **Attachment E**.

## Desk review and onsite assessments activities

108. To detect non-compliance, AUSTRAC leverages the capabilities mentioned above, referrals from AUSTRAC's intelligence operations and partner agencies, requests for information (either voluntarily or via compulsory notice powers) and through self-disclosed breaches.

During FY2020-21, AUSTRAC's regulatory governance committee considered 177 separate matters of suspected or actual non-compliance. Of those matters, 51 reporting entities were issued with a warning letter and 93 matters were referred for further consideration.

109. AUSTRAC may assess the compliance of reporting entities with obligations under the AML/CTF through a very narrow assessment to deal with a specific obligation under the Act, or more holistically at the reporting entity's wider compliance. Depending on the assessment type, it will be carried out on-site at the reporting entity's premises or as a desk-based review.
110. At the conclusion of the compliance assessment, a report is produced that sets out our view on the compliance of that entity. Where non-compliance is identified, AUSTRAC will issue findings to the reporting entity accompanied with a requirement to address the findings. AUSTRAC's engagement with individual businesses and findings are not public. Not every compliance assessment will result in findings. For example, in events of serious and/or systemic non-compliance, AUSTRAC may cease the compliance assessment process and instead progress to an enforcement investigation.

During the 2020-21 AUSTRAC finalised 32 compliance assessments across a range of sectors including banking, casinos, digital currency exchanges, foreign exchange, non-bank lending and remittance.

Refer to Case Study 16 at **Attachment E** for an example of how AUSTRAC's compliance assessment activities can identify non-compliance.

## Self-disclosure by reporting entities

111. Although there is no legislative requirement for a reporting entity to disclose non-compliance to AUSTRAC, a number of reporting entities will voluntarily disclose compliance breaches of the AML/CTF Act. Such voluntary disclosures reinforce the trust and relationship between regulator and regulated entities, familiarity with other regulatory regimes in which self-disclosure is a requirement and the increasing significance and benefit to the entity and the community of strong financial crime compliance.
112. Self-disclosure of compliance breaches of the AML/CTF Act have formed the basis of some enforcement actions where there had been large-scale under-reporting. Often, AUSTRAC investigations following such disclosures lead to the discovery of additional non-compliance issues that form part of expanded enforcement investigations.

## Independent external audits and risk assessments

113. The AUSTRAC CEO has powers that assist AUSTRAC as a regulator to determine the scope of non-compliance by a reporting entity. This includes:
- a) issuing a written notice requiring a reporting entity to appoint an external auditor where there are reasonable grounds to suspect that the reporting entity has not taken appropriate action to identify, mitigate and manage the ML/TF risks that it may reasonably face, where it is suspected that the reporting entity has not complied with the AML/CTF regime, and
  - b) issuing written notices requiring reporting entities to carry out ML/TF risk assessments in situations where the AUSTRAC CEO is satisfied that a risk assessment has not previously been conducted, or that an existing assessment is out of date or inadequate.
114. Determining when to use notice powers is made on a case-by-case basis. An external audit can be a useful tool to assist AUSTRAC's assessment of an RE's compliance. It may also form part of an overall strategy to address compliance concerns.
- a) For example, if a reporting entity self-discloses a compliance issue, an external audit can be used to obtain a comprehensive, independent view of that issue, and any other areas that may be impacted. When AUSTRAC became concerned about Afterpay Pty Ltd's (Afterpay) and PayPal Australia Pty Limited's (PayPal Australia) compliance, notices were considered the most appropriate means of assessing the extent of the issues (see Case Studies 17 and 18 at Attachment E).
115. The value of an external audit generally decreases the more assessment work AUSTRAC has already done in relation to a matter, as there is little value in getting an external auditor to duplicate work already performed.

## Partnerships and collaboration

116. AUSTRAC's supervision teams also meet with reporting entities outside of the engagements described above. The nature, size and complexity of the reporting entity's business will influence the frequency and discussions held at these meetings. Some of these meetings may involve discussions about independent reviews carried out by the business, upcoming changes to the business and / or their progress in addressing compliance assessment findings.
117. AUSTRAC also considers its engagement with other regulators as an integral part of its core work. We regularly engage with domestic regulators to discuss upcoming and completed regulatory activities, risk management and governance practices, and any changes to regulatory legislative regimes.
118. This collaboration enables the regulators to better understand the regulatory impact on reporting entities, common challenges across the regulated population, and to know where to direct regulatory efforts. It also drives a more integrated view of our reporting entities.
119. Engagements with our law enforcement partners may also result in the identification of non-compliance. As part of their investigations, partner agencies will occasionally identify activities that do not appear to have been reported to AUSTRAC. Engagements between AUSTRAC and the investigation team will usually lead to regulatory investigations or enquiries by AUSTRAC that may identify under-reporting or non-compliance.

For examples of AUSTRAC's partnership and collaboration activities, refer to Case Studies 19 and 20 at Attachment E.

## Enforcement

120. As previously described, AUSTRAC's goal is to ensure, to the greatest extent possible, that reporting entities are meeting their obligations and managing their ML/TF risks effectively. Where they are not, AUSTRAC will take action to encourage or, if needed, compel them to do so. This includes through appropriate enforcement action.
121. Well-targeted and appropriate enforcement action is a core part of an effective regulatory scheme. AUSTRAC's enforcement activities are intended to:
- achieve compliance at both the reporting entity level and the broader industry level through selective, targeted action
  - deter non-compliance generally and specifically
  - level the playing field for reporting entities who comply with their legal obligations, and
  - communicate to the financial sector and community AUSTRAC's views about what constitutes unacceptable conduct.
122. In deciding whether or not to progress enforcement action, AUSTRAC considers the following circumstances of each case:
- the nature of the non-compliance, such as the type and seriousness of the breach and whether it appears to be systemic or an isolated or one-off breach
  - the ML/TF risk associated with the reporting entity, including whether the entity's non-compliance has exposed itself and the financial system more broadly to significant risk of criminal abuse
  - the reporting entity's willingness and effort to comply, including their history of compliance, level of engagement with AUSTRAC, and their demonstrated efforts to identify, mitigate and manage ML/TF risks
  - whether the non-compliance was voluntarily reported by the reporting entity, and
  - likely consequences of the enforcement action, such as the expected impact (remediation and deterrence) on both the individual entity involved and the broader reporting entity population.

### Enforcement actions available to AUSTRAC

123. AUSTRAC's statutory enforcement powers include:
- issuing an infringement notice for breaching specific parts of the AML/CTF Act; any infringement notice must be issued within 12 months of the breach occurring
  - issuing remedial directions requiring a reporting entity to take specified action to ensure that the reporting entity does not breach certain parts of the AML/CTF Act. A remedial direction can include requiring a reporting entity to submit a report that should have been, but was not, submitted
  - accepting an enforceable undertaking detailing the specific actions a reporting entity will commence or cease in order to comply with the AML/CTF regime. Unlike the remedial direction, the AUSTRAC CEO may accept a written undertaking without being satisfied that non-compliance has in fact occurred, and
  - seeking injunctions and/or civil penalty orders in the Federal Court.

124. The AUSTRAC CEO does not have the power to enforce directly infringement notices, remedial directions or enforceable undertakings. Breaching an infringement notice or remedial direction is a civil penalty provision and the AUSTRAC CEO may seek a civil penalty in respect of any breaches. Breach of an enforceable undertaking is not a civil penalty provision; however, the AUSTRAC CEO may apply to the Federal Court for orders in respect of breaches of an enforceable undertaking.

## Recent enforcement actions

### *Remedial directions*

125. AUSTRAC has issued five remedial directions.
126. On 3 May 2021, AUSTRAC issued a remedial direction to Australian Military Bank Ltd (AMB) requiring the mutual bank to review and uplift its compliance with the AML/CTF Act and Rules. The remedial direction was issued to address concerns identified during a compliance assessment relating to AMB's AML/CTF program. More information is outlined in Case Study 13 at **Attachment E**.

### *Infringement notices*

127. AUSTRAC has issued infringement notices to six reporting entities, after becoming aware of non-compliance through self-disclosures or compliance assessments, including:
- a) Compass Global Holdings Pty Ltd in 2019 for \$252,000 for failing to submit IFTIs to AUSTRAC on 20 occasions;
  - b) State Street Bank and Trust Company in 2020 for \$1.2 million for failing to submit IFTIs to AUSTRAC on 99 occasions.
128. Infringement notices can only be issued within 12 months of the relevant breach or non-compliance. In the context of reporting obligations, the breach or non-compliance occurs on the date that the reporting obligation arises and is not complied with. This can be months or years before the failure to report is detected.

### *Civil Penalty Orders*

129. AUSTRAC has successfully obtained three civil penalties against the following reporting entities for serious and systemic non-compliance:
- a) Tabcorp (2015–2017) – \$45 million penalty
  - b) Commonwealth Bank of Australia (2017–2018) – \$700 million penalty, and
  - c) Westpac (2019–2020) – \$1.3 billion penalty.
130. Additional information on these civil penalty proceedings is provided in Case Studies 21–23 of **Attachment E**.



## Foreign proceeds of crime

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### Australia as a destination for proceeds of crime

131. Serious crime is motivated by profit and criminals seek to exploit vulnerabilities within the financial sector to disguise illicit funds and to further other serious crimes. Australia remains at risk of domestic and transnational criminal threats which lead to the generation of large amounts of proceeds of crime.
132. In 2019, AUSTRAC completed an assessment of the ML/TF risks posed to Australia by foreign proceeds of crime. The purpose of the report was to improve the understanding of international risks as a step in strengthening systems and controls necessary to detect suspicious ML/TF funds coming into or moving through Australia.
133. The report also addressed an observation made by the FATF as part of the mutual evaluation of Australia's AML/CTF regime that Australia did not fully understand these risks.
134. The report, which was distributed to partner agencies and a select number of regulated businesses with higher exposure to illicit international funds flows, focused on:
  - a) key source countries of foreign proceeds
  - b) key predicate offences for the generation of foreign proceeds
  - c) the primary use of foreign proceeds of crime in Australia
  - d) higher-risk customers and entities, and
  - e) common transfer channels and methods for laundering foreign proceeds of crime.
135. Work undertaken for the foreign proceeds assessment assisted to inform parallel efforts in the region. The *Transnational Laundering of Corruption Proceeds Regional Threat Assessment 2019*, led by Indonesia's FIU, PPATK, aimed to improve understanding of cross border laundering of corruption proceeds involving countries in the Region, identify the primary threats, and explore strategies to combat the threats through greater collaboration and cooperation between regional FIUs.<sup>8</sup>

### Key findings of the Foreign Proceeds of Crime in Australia report

136. Key points relating to the 2019 risk assessment were:
  - a) Reports relating to possible suspicious incoming proceeds of crime make up a small quantum (approx. 5%) of total suspicious reporting.
  - b) Traditional trading partners were prominent in jurisdictions of risk for possible incoming proceeds.
  - c) Fraud was the most common crime type identified in known and suspected cases. Various other crimes including illicit commodities, suspected or actual corruption were also identified as sources of possible proceeds of crime.
  - d) Most possible foreign proceeds enter Australia through the traditional financial system.

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<sup>8</sup> <https://www.austrac.gov.au/sites/default/files/2019-11/Regional%20threat%20assessment%20report%202019.pdf.pdf>

- e) Common identified end points or destinations in suspicious reporting of possible foreign proceeds were in assets including real estate, precious metals, artwork, jewellery, funds held in account and activities including gambling and domestic financial transactions.

## Exploitation of the real estate sector in Australia

- 137. The use of real estate is an established method of money laundering internationally. Criminals buy high-value goods such as real estate as a way of laundering or concealing illicit funds.<sup>9</sup>
- 138. AUSTRAC has identified high-value goods, including real estate, to be a significant money laundering channel in Australia. Asset confiscation cases show the breadth of criminal investment in high-value goods and the scale of criminal wealth that can be laundered and invested this way.
- 139. Criminals may be drawn to real estate as a channel to launder illicit funds due to the:
  - a) ability to buy real estate using cash
  - b) ability to disguise the ultimate beneficial ownership of real estate
  - c) relative stability and reliability of real estate investment
  - d) ability to renovate and improve real estate, thereby increasing the value.
- 140. Criminals are also motivated to buy property for further profit or lifestyle reasons.
- 141. Compared to other methods, money laundering through real estate – both residential and commercial – can be relatively uncomplicated, requiring little planning or expertise. Large sums of illicit funds can be concealed and integrated into the legitimate economy through real estate.
- 142. Real estate agents are not subject to AML/CTF regulation; however, real estate transactions most commonly go through a financial institution – for example, as loans, deposits or withdrawals. These intersections with the regulated AML/CTF sector (banks and other financial institutions) provide authorities with some visibility of potential money laundering through real estate.
- 143. AUSTRAC engages with the Foreign Investment Division of the Treasury Department to assist them to use AUSTRAC information to identify foreign investment risks.

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<sup>9</sup> Strategic analysis brief: Money laundering through real estate 2015 - [sa-brief-real-estate\\_0.pdf](#) ([austrac.gov.au](#))

## Responses to questions in the discussion paper

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144. The Committee posed a number of questions for consideration in its discussion paper for this inquiry. AUSTRAC offers the following views in relation to those questions that relate to AUSTRAC and its intelligence and regulatory functions.

### Australian Transaction Report[s] and Analysis Centre

#### *Is AUSTRAC's design, operational approach and effectiveness in enforcing existing legislation appropriate for implementing Tranche 2 legislation, investigation and compliance requirements?*

145. As mentioned within this submission, AUSTRAC currently regulates more than 16,000 reporting entities of differing size, nature, resourcing, complexity and ML/TF risks faced. AUSTRAC effectively operates in this diverse environment, and works hard to adapt to new and emerging technologies and services offerings from business. AUSTRAC continually looks to evolve and adapt to industry and technology changes within the constraints of the legislation.
146. Should the Parliament consider expanding regulation to a broader range of industry sectors such as designated non-financial businesses and professions (DNFBPs), it would be appropriate to comprehensively assess the approach, capacity and capabilities to effectively apply such regulation.
147. International experience demonstrates that the regulation of DNFBPs for compliance with AML/CTF obligations poses a unique challenge. Unlike reporting entities in the finance sector, DNFBPs are predominantly small businesses and sole practitioners. This presents a number of unique challenges for regulators.
148. AUSTRAC's experience in regulating small businesses which represent up to 80 percent of current reporting entities, such as remittance providers, pubs and clubs, and bullion dealers, demonstrates that these reporting entities require a different regulatory approach and strategy when compared to larger reporting entities in the finance and casino sectors. AUSTRAC adopts a flexible and tailored approach to regulation that aims to address the particular opportunities and challenges of different reporting entity cohorts. This recognises that regulation of a diverse population is not a one-size-fits-all model.

#### *Is AUSTRAC appropriately resourced for implementing Tranche 2?*

149. It is estimated that extending regulation to DNFBP sectors would result in a six-fold increase in the reporting entity population (from the current more than 16,000 to over 100,000 businesses with obligations under the AML/CTF Act).
150. The resources required to effectively apply regulation to such an expanded regulated population would depend on the regulatory model that was decided on for the new industry sectors. However, regardless of which model was adopted, there would need to be commensurate increase in AUSTRAC's size and resourcing.

#### *Is AUSTRAC's fit within Australia's broader financial regulatory ecosystem optimal for implementing Tranche 2?*

151. The Australian Parliament has enacted legislation which empowers AUSTRAC to conduct the functional regulatory activities in relation to AML/CTF. This approach has been in operation since 1992 and bolstered in 2006. A functional regulatory approach is applied in Australia to monetary policy, prudential protection, markets and conduct, consumer protection and sanctions to maintain a strong financial system.

152. AUSTRAC maintains that it is effectively discharging the Parliament's decision and holds unique expertise, systems and capabilities to continue to discharge AML/CTF regulation in line with the international framework.
153. AUSTRAC's role as Australia's financial intelligence unit means that it has a number of natural synergies with the activities and priorities of the law enforcement and intelligence agencies that make Australia's national efforts to combat the criminal and security threats we face. Similarly, AUSTRAC has very strong relationships with a broad range of regulatory, revenue and service delivery agencies that protect Australia's economy and community.
154. The interconnectedness of AUSTRAC's regulatory and financial intelligence functions have been critical in building resilience in the financial system and detecting and disrupting threats. The complementary operations of these functions within the same agency is seen as international best practice and an asset to Australia's AML/CTF regime.

## Current and emerging challenges in AML/CTF

### *How do the priority areas identified by FATF in 2021 inform Australia's response to emerging challenges in AML/CTF?*

155. Home Affairs leads Australia's engagement with the FATF. AUSTRAC supports that engagement and is involved in various working groups, including the Policy Development Group (PDG) and the Risk Trends and Methods Group (RTMG). Recent areas of focus include reviewing the FATF Standards and Methodology, developing standards and guidance for the regulation of virtual assets, and strengthening measures to prevent proliferation financing.
156. AUSTRAC works with domestic partners including the AFP, ACIC, and ABF to provide input, experiences and case studies to support the development of RTMG-led reports and studies. While much of this engagement involves sharing past experiences and expertise, it occasionally leads to new domestic intelligence and operational activities.

Refer to Case Study 9 of **Attachment D** for an example of how AUSTRAC's engagement in FATF priority projects can inform domestic intelligence initiatives.

### *How do the emerging challenges identified by FATF apply in the Australian context?*

157. The priorities and emerging challenges identified by the FATF are derived from the experiences of its member countries. For this reason, most of these priorities and challenges are global in nature, and impact on most countries, including Australia, in some way.
158. Recent FATF priorities, such as trade-based money laundering, wildlife trafficking, ethnically or racially motivated terrorism financing, asset recovery, concealment of beneficial ownership, virtual assets and proliferation financing, are global challenges. Engagement with the FATF and other international bodies, such as the UNODC and Egmont Group, allows AUSTRAC and other partner agencies to share experiences, learn from the experiences of others, and develop relationships and contacts for future operational and policy cooperation.

## Attachment A: List of partner agency MOUs

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### Commonwealth agencies

1. Attorney-General's Department
2. Australian Charities and Not-for-profits Commission
3. Australian Competition and Consumer Commission
4. Australian Commission for Law Enforcement Integrity
5. Australian Criminal Intelligence Commission
6. Australian Federal Police
7. Australian Geospatial-Intelligence Organisation
8. Australian Prudential Regulation Authority
9. Australian Securities and Investments Commission
10. Australian Signals Directorate (Previously Defence Signals Directorate)
11. Australian Taxation Office
12. Australian Security Intelligence Organisation
13. Australian Secret Intelligence Service
14. Clean Energy Regulator
15. Department of Foreign Affairs and Trade
16. Department of Home Affairs (previously Department of Immigration and Border Protection - DIBP)
17. Department of Human Services
18. Office of National Intelligence
19. Defence Intelligence Organisation
20. Treasury Department - The Foreign Investment Review Board
21. Inspector General of Intelligence and Security

### State and territory police

22. New South Wales Police Force
23. Northern Territory Police Service
24. Queensland Police Service
25. South Australia Police
26. Tasmania Police
27. Victoria Police
28. Western Australia Police

### State and territory agencies

29. NSW Independent Commission Against Corruption
30. New South Wales Crime Commission
31. Corruption and Crime Commission WA
32. Crime and Corruption Commission QLD
33. Law Enforcement Conduct Commission (previously NSW Police Integrity Commission)
34. Integrity Commission of Tasmania
35. Independent Broad-based Anti-corruption Commission
36. NSW Department of Industry (previously Independent Liquor and Gaming Authority NSW)
37. Office of Liquor and Gaming Regulation Qld
38. Independent Commissioner Against Corruption SA
39. Victorian Commission for Gambling and Liquor Regulation
40. ACT Gambling and Racing Commission

## State and territory revenue offices

41. Australian Capital Territory Revenue Office
42. Revenue NSW
43. Northern Territory Revenue Office
44. Office of State Revenue Western Australia
45. Queensland Office of State Revenue
46. Revenue South Australia
47. State Revenue Office of Tasmania
48. State Revenue Office of Victoria

The *Anti-Money Laundering and Counter-Terrorism Financing Amendment Act 2020* introduced reforms to Part 11 (Secrecy and Access) by providing a simplified and flexible framework for the use and disclosure of financial intelligence to better support combatting money laundering, terrorism financing and other serious crimes. This significant reform has removed a number of barriers to the sharing of AUSTRAC information, and accordingly, it is expected that the number of Commonwealth, State and Territory agencies will expand.

## Attachment B: AUSTRAC's role in task forces

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### Operation Griffin—victim-based crime

- Task force was established to align the strategic approach to crimes affecting the vulnerable, including child exploitation.
- AUSTRAC has led Industry education about live-distance child abuse (pay-for-view child exploitation material), initiated through a Fintel Alliance project, continues to result in increased suspicious matter reporting and referrals to law enforcement.

### Operation Vitreus—drugs

- Established under the Serious and Organised Crime Coordination Committee (SOCCC) for the National Law Enforcement Methylamphetamine Strategy.
- AUSTRAC uses financial intelligence to identify serious and organised crime groups potentially importing methylamphetamine and other illicit drugs. This intelligence is referred to law enforcement partners.

### Operation Athena—firearms

- Established under SOCCC, focuses on identifying transactions linked to the purchase of firearms-related materials.
- AUSTRAC analysts and data scientists collaborate with law enforcement agency firearms experts to refine the profiles that produce financial transaction alerts.

### Operation Morpheus—OMCG

- The task force was established to target outlaw motorcycle gangs in Australia.
- AUSTRAC has contributed to law enforcement efforts to increase understanding of the outlaw motorcycle gangs threat in our region.

### Criminal Assets Confiscation Taskforce

- Led by the AFP, AUSTRAC became a member of the CACT in 2019 and currently partners with the AFP, ATO and ACIC on operations to target criminal wealth obtained across a range of crime types.

### Operation Themis (formerly Heads of Fraud Forum)—economic crime

- SOCCC operation to align the strategic approach to serious financial crimes.
- AUSTRAC's representation includes a Regulatory Operations officer, due to the frequent involvement of the financial sector as both victims and enablers of financial crime.

### Operation Helios—cyber crime

- AUSTRAC senior intelligence analysts provide specialist support to cybercrime investigations by Commonwealth and state law enforcement agencies.

### Operation Ashiba—Commonwealth fraud

- A review of the AFP Fraud and Anti-Corruption Centre resulted in changes to the mandate and structure, including a name change to Operation Ashiba.

### **Serious Financial Crime Taskforce**

- Led by the ATO, the SFCT identifies and addresses serious and complex financial crimes, focusing on crimes targeting the tax system. The SFCT has the following priorities:
  - illegal phoenixing
  - offshore tax evasion
  - cybercrime against Australia's tax and superannuation systems
  - serious financial crime affecting the ATO-administered measures of the Commonwealth Coronavirus Economic Response Package.
- AUSTRAC is a member and provides actionable intelligence and advanced data science support to SFCT partners.

### **Phoenix Taskforce**

- The Phoenix Taskforce comprises 32 Commonwealth, State and Territory government agencies providing a whole-of-government approach to combating illegal phoenix activity.

### **Black Economy Standing Taskforce (BEST)**

- BEST draws on expertise from across government to develop policies, reforms and enforcement to discourage people from entering the black economy, a term used to describe those who operate outside the tax and regulatory system.

### **Illicit Tobacco Taskforce**

- Protects Commonwealth revenue by targeting, disrupting and dismantling serious actors and organised crime syndicates that deal in illicit tobacco.
- AUSTRAC provides financial intelligence primarily through analyst support.

### **Counter Foreign Interference Taskforce**

- Led by a senior ASIO officer, with representatives from AUSTRAC, ASIO, AFP, Australian Signals Directorate, Australian Geospatial-Intelligence Organisation and Office of National Intelligence.

AUSTRAC provides financial intelligence expertise to task force operations, including investigations by the AFP.



## Attachment C: Schedule of risk assessments

COMPLETED ML/TF RISK ASSESSMENTS		
National risk assessments	RISK RATING	PUBLICATION
Financial planners	Medium	Published 2016
Superannuation sector	Medium	Published 2016
Remittance between Australia and Pacific Island countries	Low	Published 2017
Stored Value Cards	Medium	Published 2017
Securities and derivatives sector	Medium	Published 2017
Australia's not for profit organisations	Medium	Published 2017
Foreign Proceeds of Crime	Not applicable	For Partner Agencies only
Travellers' cheques	Low	Published 2018
On-course Bookmakers	Low	Published 2018
Mutually-owned banks	Medium	Published 2019
Casino junket tour operations in Australia	High	Published 2020
Non-bank lending and financing	Medium	Published 2021
Major banks in Australia	High	Published 2021
Other domestic banks in Australia	High	Published 2021
Foreign subsidiary banks in Australia	Medium	Published 2021
Foreign bank branches in Australia	Medium	Published 2021
Regional Risk Assessments (where AUSTRAC is a joint author)		
Regional risk assessment on terrorism financing		Published 2016
Regional not for profit sectors – Terrorism Financing		Published 2017
Regional study on cross-border movement of funds		Published 2017
Not for profit organisations – Terrorism financing red flag indicators		Published 2018

## Attachment D: Intelligence case studies

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159. While AUSTRAC does not comment on specific operational matters, we are able to provide the following general examples of the use of AUSTRAC information

### Case study 1—Suspicious activities linked to organised crime

160. A review was undertaken into the accumulated criminal wealth and financial structures of an Australian Priority Organisation Target (APOT).
161. Analysis of AUSTRAC data identified an SMR relating to the APOT, which provided invaluable information to the partner agency operation. The SMR 'grounds for suspicion' identified critical areas of AUSTRAC focus and included attachments such as loan documents, income, and identification documentation that helped identify multiple close criminal associates and networks who were enabling the drug and money laundering activities on behalf of this APOT. This included known criminal associates and professional facilitators such as an accountant and loan broker. AUSTRAC was able to better understand relationships and methodologies, and provide highly valued, actionable intelligence to AUSTRAC's law enforcement and regulatory partners.
162. This SMR and subsequent AUSTRAC analysis resulted in four Tactical Intelligence Reports disseminated to partner agencies, uncovered other critical intelligence including money laundering structures, fraudulent documentation, false loan applications, phoenixing activity, welfare fraud, and identified other criminal associates who held positions of trust. This is now the centre of partner agency disruption activity.

### Case study 2—Monitoring and detection leads to disruption

163. AUSTRAC's monitoring and detection system identified suspicious cash deposits conducted by recently arrived Guatemalan nationals. The deposits were indicative of known money laundering methodologies that involve foreign nationals holding short-term visas arriving in Australia for the purpose of laundering funds.
164. Further analysis of AUSTRAC holdings, such as TTRs, identified that a deposit was made to the account of an unregistered digital currency exchange (DCE) provider known to a partner agency for suspected laundering of drug proceeds. A \$600,000 deposit that was made to a professional facilitator's account listed the depositor's occupation as an associate of the unregistered DCE.
165. Analysis of SMR and TTR data relating to the DCEs revealed the group was operating across the east coast of Australia. Due to the highly organised and cross state border nature of the activity, the matter was referred to a partner agency with an AUSTRAC senior intelligence analyst supporting the operation, which was targeting a high value money laundering syndicate involved in laundering the proceeds of crime using cryptocurrencies.
166. The timely identification of this activity by AUSTRAC led to the arrest of two Guatemalan nationals and the seizure of \$1.3 million cash.<sup>10</sup> Furthermore, the operation resulted in the suspension and cancellation of two DCE registrations.

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<sup>10</sup> <https://www.9news.com.au/national/guatemalan-men-arrested-after-1-million-cash-found-in-sydney-storage-unit/9f0d0118-605d-443f-b5b6-15f80f94ba93>

## Case study 3—Tackling cuckoo smurfing activities

167. AUSTRAC partnered with a law enforcement agency on an investigation to target the drug supply and money laundering networks of Australian Organisation Priority Targets (**APOTs**) and their associates.
168. During the investigation a law enforcement partner located approximately \$1 million cash at the residential premises of an AUSTRAC registered remitter (Remitter A) that was likely proceeds of crime. A number of money transfer receipts, issued by other registered remittance businesses (Remitter B and Remitter C), were also located.
169. Remitter A claimed the money was for legitimate remittance; however analysis by AUSTRAC of holdings showed Remitter A had reported small incoming and outgoing IFTIs to AUSTRAC in the two years since registration (approximately \$800k both ways). This showed that Remitter A's business did not deal in large funds, so the \$1 million was not likely to be from legitimate business.
170. Using additional intelligence and data, AUSTRAC undertook further analysis, which led to the discovery of a small number of AUSTRAC registered remitters using a number of methodologies, including cuckoo smurfing and hawala, to launder illicit funds. This involved Remitter A collecting the illicit funds from organised crime groups and providing it to Remitter B and Remitter C, who had outstanding IFTI obligations. Remitter B and Remitter C would subsequently deposit the illicit cash into the domestic accounts of the customers who were expecting the money from overseas – this would result in a threshold transaction report being submitted to AUSTRAC by the bank when the cash was deposited.
171. Remitter B and Remitter C would then provide a receipt to Remitter A. This receipt was the equivalent of money owed to Remitter A by an offshore money service business. These details would then be provided to offshore crime groups who would collect the funds from the offshore money service business.
172. By doing this, the illicit funds were disposed of onshore, the customer expecting funds from overseas received the expected money into their bank account, the Australian based crime group paid the offshore crime group, and no money physically moved across the border.
173. In the absence of the money transfer receipts and the TTRs, this activity would be invisible. AUSTRAC was able to use the indicators observed in the TTRs, and apply these to create filters to proactively identify and target similar activity in the future.
174. Any AUSTRAC regulatory action will be progressed following finalisation of criminal investigations or as an alternative or additional disruption approach.

## Case study 4—New partnerships for an unusual crisis

175. During the COVID-19 pandemic, AUSTRAC stood ready to respond with the rest of the Commonwealth, to ensure Australia's borders, health care industry and financial systems were free from abuse.
176. AUSTRAC data scientists and analysts partnered closely with the Therapeutic Goods Association (**TGA**), an agency AUSTRAC would not traditionally have worked with and who did not have access to AUSTRAC data holdings.
177. A serious risk was identified around the importation of 'COVID testing kits' into Australia, which breached customs and TGA legislation. Additionally, the authenticity of these kits could not be confirmed, and could result in counterfeit medical products making their way into the Australian market. The TGA has a list of approved manufacturers of medical supplies and to

import the kits from these manufacturers you must be an approved "sponsor". It had become apparent that test kits were being imported from entities that were not approved sponsors.

178. Using AUSTRAC transactional data, and cross matching it with information provided by the TGA, AUSTRAC was able to use IFTI data to identify entities purchasing test kits, which were not approved by TGA. AUSTRAC disseminated this intelligence to the TGA so they could take action, and the intelligence was also provided to the ABF so they could intercept the test kits at the border.
179. This was a critical piece of work during at the start of the global pandemic which was then expanded to encompass the supply and purchase of personal protective equipment such as face masks and medical aprons.

## Case study 5—Using AUSTRAC information to assess ML/TF risks

180. SMR information conveys the real or perceived threats some customers and/or their activities pose to reporting entities (and can provide insight into operational vulnerabilities within the reporting entities' businesses). Further, TTR data informs AUSTRAC's understanding of a sector's cash exposure, while IFTI data provides insight into foreign jurisdiction risk. These holdings are then corroborated based on AUSTRAC and partner agency intelligence reporting, and through consultations with industry.
181. In developing each Risk Assessment, the project team manually reviews and categorises a sample of SMRs submitted to AUSTRAC by reporting entities. The sampling categorises against possible elements such as:
  - a. criminal threat
  - b. suspicious transactional behaviour
  - c. products and services
  - d. customer type
  - e. entity attribution
  - f. foreign jurisdiction.
182. Additionally, each risk assessment also considers intelligence reporting by partner agencies and AUSTRAC. To date, AUSTRAC has reviewed and categorised 1,100 intelligence reports to identify the national picture of key ML/TF threats and vulnerabilities.
183. When developing the regional risk assessments, IFTIs were pivotal in understanding the volume and value of funds flows into and through the region. SMRs provided key insights into the nature of threats and the extent of suspicious funds flows and TTRs and CBMs helped understand the volume of cash movement in and through the region. Noting we suspect much cash movement is undeclared, these reports provided a baseline understanding of lowest possible value range.

## Case study 6—Targeting professional money launderers

184. AUSTRAC partnered with industry representatives and the Western Australia Police Force through the Fintel Alliance to support an investigation into a money laundering syndicate involved in large-scale cash deposits into bank accounts in Western Australia.

185. Using AUSTRAC's knowledge of the cuckoo smurfing money laundering methodology, AUSTRAC and partners worked with the Western Australia Police and identified a money laundering syndicate attempting to move \$5.4 million over a six week period. AUSTRAC and Fintel Alliance partners undertook predictive analysis to identify hot spot locations to enable operational arrangements to be in place to respond to offending as it happened. The offending included 1,879 cash deposits into 167 different bank accounts with 87 deposits recorded on a single day at ATMs in Perth totalling \$193,500.
186. AUSTRAC analysts, including out-posted analysts within the Western Australian Police, analysed the data to determine the extent of the money laundering syndicate, methodologies used and potential future risk areas.
187. The partnership between AUSTRAC, Fintel Alliance and Western Australia Police contributed to significant operational outcomes including the arrest of five individuals, the seizure of cash, drugs and firearms and a community awareness campaign educating the public about the risks of third party cash deposits.
188. The close partnership has allowed law enforcement and financial institutions to focus on prevention and deterrence, with intelligence generated from the investigation leading to the arrest of additional offenders and the seizure of an additional \$4 million.

## Case study 7—Sharing information to identify prohibited imports

189. AUSTRAC worked closely with the New South Wales Police Force and PayPal Australia to identify financial transactions relating to the purchase of a child-like sex doll.
190. The project examined information and data provided by partner financial institutions that included indicators of the purchase of a child-like sex doll or associated materials. In January 2020, the project led to the arrest of a South Australian man who became the first person in Australia to be charged by the Australian Federal Police with possession of a child-like sex doll.
191. While still in operation, the project has contributed to over 20 different intelligence investigations and the arrest of four Australians for suspected child-like sex doll related offending. In a number of instances, the individuals identified and targeted as part of the project were not previously known for offending against children, demonstrating the role financial intelligence plays in detecting this type of offending, when combined with other forms of investigation information.

## Case study 8—International efforts to combatting child sexual abuse and exploitation

192. Child exploitation through live streaming means offenders can order, pay for and view children being abused anywhere in the world. Financial information is often a key component in combating this horrific crime.
193. AUSTRAC, in collaboration with the United Kingdom Financial Intelligence Unit (UKFIU) and the Philippines' Anti-Money Laundering Council (AMLC), led an Egmont Group project to develop and consolidate the strategic intelligence picture associated with payments relating to the online child exploitation. The project resulted in the release of a report that examined the role of financial intelligence in global efforts to fight online streaming of child sexual abuse and exploitation (CSAE).

194. The project team also comprised the FIUs from Canada, Denmark, France, Germany, Guatemala, Isle of Man, Indonesia, Latvia, Luxembourg, Malaysia, Mexico, Netherlands, Nigeria, Norway, Peru, Seychelles and Interpol.
195. Money service (or remittance) businesses and payment service providers also provided input to the project to increase mutual understanding of global risk indicators and improve suspicious matter reporting. The businesses involved were American Express, MoneyGram, PayPal, TransferWise, Western Union, WorldRemit.
196. By sharing information between FIUs, the international project team was able to identify financial indicators, keywords and datasets which were shared with law enforcement and industry to improve the identification and tracking of financial activity linked to online streaming of CSAE.
197. The project demonstrated that financial intelligence and tactical collaboration is critical to combatting child sexual abuse and exploitation. It also revealed how integrating high quality cyber-related data improved strategic and tactical intelligence provided a more holistic picture to more effectively combat child sexual abuse and exploitation globally.

## Case study 9—Wildlife trafficking financial crime guide

198. In 2019, the FATF Risk Trends and Methods Group initiated a project to understand money laundering and the illegal wildlife trade, and provide guidance to law enforcement and reporting entities to help detect and disrupt the activity. Led by China, the United Kingdom and Botswana, Australia was one of over 50 countries, multilateral organisations and non-profit organisations who provided input to the development of the report. AUSTRAC coordinated Australia's contributions to the report by engaging closely with the Department of Agriculture, Water and the Environment (DAWE), Australian Border Force, Home Affairs, AFP and ACIC.
199. The final report was adopted by the FATF Plenary in June 2020 and published on the FATF website<sup>11</sup>.
200. Recognising the importance of this topic, the Fintel Alliance, in partnership with DAWE, established a project in late 2019 to operationalise financial intelligence to protect our native wildlife. As a result of this project, AUSTRAC, the Fintel Alliance and DAWE released a joint Financial Crime Guide to Stop the Illegal Trafficking of Australian Wildlife<sup>12</sup>.
201. The financial crime guide draws on intelligence collected from known instances of wildlife trafficking operations and aims to educate reporting entities on how illegal wildlife trafficking operates, the ways it can be detected by suspicious financial activity and when they should report to AUSTRAC.

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<sup>11</sup> FATF (2020) *Money Laundering and the Illegal Wildlife Trade*, <http://www.fatf-gafi.org/publications/methodsandtrends/documents/money-laundering-wildlife-trade.html>

<sup>12</sup> AUSTRAC (2020) *Stopping the Illegal Trafficking of Australian Wildlife: Financial Crime Guide*.  
[https://www.austrac.gov.au/sites/default/files/2020-10/AUSTRAC\\_IWT%20Guide\\_October%202020.pdf](https://www.austrac.gov.au/sites/default/files/2020-10/AUSTRAC_IWT%20Guide_October%202020.pdf)

## Attachment E: Regulatory case studies

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### Examples of exemptions granted by AUSTRAC in 2020–21

202. The following are examples of exemptions provided.
- a. Indigenous Land and Sea Corporation, which provides loans and loan guarantees to Aboriginal and Torres Strait Islander corporations for the purpose of acquiring interests in land and water-related rights, and management activities in relation to those rights and interests, was granted an exemption from various obligations under the AML/CTF Act after AUSTRAC assessed that the services provided posed a low ML/TF risk<sup>13</sup>
  - b. Good Shepherd Australia New Zealand, which provides of loans under the No Interest Loan Scheme to low-income earners for the purchase of essential household goods, victims of domestic violence and individuals affected by the adverse economic impact of the COVID-19 pandemic, was granted an exemption from certain obligations under the AML/CTF Act after AUSTRAC assessed that the services provided posed a low ML/TF and in order to minimise the compliance burden on this entity.<sup>14</sup>

### Case study 10—Regulatory response to COVID-19

203. The COVID-19 pandemic created many challenges for businesses. Many reporting entities struggled to understand how to comply with their requirements under the AML/CTF Act in the absence of face-to-face interactions. For example, some financial institutions encountered difficulties with performing know your customer obligations in situations where customers are in self-isolation or where branches/offices have closed.
204. During the pandemic, AUSTRAC delivered a range of measures to assist industry in complying with their AML/CTF obligations during the pandemic. These included:
- a. the release of practical guidance on how businesses can apply flexible CDD processes under the existing framework. This included emphasising the use of alternative identity proofing processes or electronic versions of identity documents, such as photographs and scanned copies, to help verify a customer's identity
  - b. the development of AML/CTF Rules and accompanying guidance to support the superannuation industry manage their CDD processes in relation to the COVID-19 early release of superannuation initiative
  - c. allowing additional time for reporting entities to submit their annual Compliance Report
  - d. providing advice to reporting entities to assist with AML/CTF compliance during the pandemic and working closely with remitters on specific issues, including registration renewals
  - e. raising awareness about shifts in ML/TF risks as criminals exploited vulnerabilities in the financial system during the COVID-19 pandemic, including through the distribution of financial crime methodology reports, and
  - f. presenting new measures and guidance at a number of government and industry forums.

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<sup>13</sup> *Anti-Money Laundering and Counter-Terrorism Financing Act (Exemption—Indigenous Land and Sea Corporation Group) Instrument 2020 (No. 12)*.

<sup>14</sup> *Anti-Money Laundering and Counter-Terrorism Financing (Exemption—Good Shepherd Australia New Zealand) Instrument 2021 (No. 8)*.

205. AUSTRAC continues to provide ongoing support to businesses affected by COVID-19 to help them to comply with their AML/CTF compliance obligations. AUSTRAC also has a dedicated COVID-19 online form for reporting entities to reach out for assistance and guidance during the pandemic.

## Case study 11—Supporting those in need

206. Financial abuse is a form of family and domestic violence and will be experienced by over 2 million Australians over their lifetime, with 63% of women experiencing financial stress having a background of financial abuse. The abuser uses violence and intimidation to restrict access to a person's bank accounts, prevent them from working or accessing benefits, or withholds living expenses from them or their children.
207. In May 2020, AUSTRAC announced a change to the AML/CTF Rules to assist people experiencing family and domestic violence. Under the rule, if a customer cannot produce their driver's license or birth certificate, or show a different address, banks and other regulated businesses can use alternative ways to verify their customer's identity.
208. In preparing the Rule, AUSTRAC collaborated with the Australian Banking Association (ABA) and the Australia-Israel Chamber of Commerce (AICC) NSW who initiated the project and identified the opening of bank accounts as a significant barrier. AUSTRAC consulted with the financial sector and community organisations including family violence services, community legal services and financial counselling services, many of who offer frontline services to people experiencing family violence and financial abuse.
209. The changes give bank staff the flexibility they need to use alternative methods for verifying a customer's identity for those experiencing family domestic violence while still maintaining due diligence processes where they suspect a customer is not who they claim to be.
210. Building on this flexible approach, AUSTRAC has issued guidance to assist reporting entities to understand when and how they can use alternative forms of identification to provide services to people in need. The guidance provides specific examples on how to apply the flexible approach when providing services to Aboriginal and Torres Strait Islander customers and customers impacted by natural disasters

## Case study 12—AUSTRAC's registration process

211. AUSTRAC continually focuses on optimising some of its regulatory functions in response to its changing operating environment. As part of those activities, AUSTRAC has enhanced its assessment of whether a registration would involve a significant money laundering, financing of terrorism or other serious crime risk.
212. AUSTRAC has invested in the development of sophisticated analytical tools, to more effectively harness financial information and intelligence to inform related administrative decisions. This has allowed AUSTRAC to spend less time on the collection of information and more time assessing the ML/TF risks associated with each registration application.
213. AUSTRAC conducted a pilot program to increase the range of information available to assess each registration application. Specifically, this process has sought to increase AUSTRAC's ability to identify attempts by criminals to infiltrate the remittance and DCE sectors and to ensure that applicants have appropriate risk-based systems and controls in place to identify, mitigate and manage the ML/TF risks facing their businesses. These changes have resulted in a substantial increase in the number of registrations being refused, suspended, or cancelled, as well as the imposition of conditions on some other registrations. It has also resulted in a



reduction in the number of registrations being approved, as more applicants are required to uplift their compliance before being granted a registration.

### Case study 13—Failure to report certain transactions

214. In January 2019, AUSTRAC identified a potential issue in relation to TTR reporting by Australian Military Bank Ltd (**AMB**).
215. After conducting further internal analysis, AUSTRAC commenced an assessment of AMB in April 2019, with a focus on its AML/CTF Program, reporting obligations and ongoing customer due diligence.
216. AUSTRAC reviewed documentation and conducted an on-site assessment which entailed discussions and interviews with key staff. Through this, AUSTRAC identified potential non-compliance in relation to their AML/CTF framework, including not maintaining and complying with their Part A program and inadequate reporting systems and controls.
217. Given the potential non-compliance identified through the compliance assessment, the matter was referred to AUSTRAC's Enforcement team in January 2020 for further investigation.
218. On 3 May 2021, AUSTRAC issued a remedial direction to AMB requiring the mutual bank to review and uplift its compliance with the AML/CTF Act and Rules. The remedial direction required AMB to:
  - a. conduct an assessment of the ML/TF risks faced by the business with the assistance of an independent auditor
  - b. improve its systems, controls and record keeping, and
  - c. appoint a second independent auditor to assess whether AMB has implemented measures and addressed any deficiencies in its compliance.
219. AUSTRAC continues to work closely with AMB throughout their remediation in response to the remedial direction.

### Case study 14—Unregistered remitters campaign

220. In 2019, AUSTRAC launched a 12-week campaign targeting unregistered remittance dealers. The campaign aimed to uplift the knowledge and compliance of registered remittance service providers, identify unregistered remittance dealers, and educate the public on the risks of using an unregistered remittance dealer. The campaign involved:
  - a. engaging culturally and linguistically diverse communities, associations, leaders and media through community town hall meetings. This was especially important given remittance services are commonly used by ethnic and migrant communities, particularly from countries where access to formal banking services is more limited
  - b. AUSTRAC visiting registered remittance service providers in 'remittance hot-spots' throughout Australia to promote AUSTRAC's suspected unregistered remittance dealer online dob-in report, hand out education material, provide information about their obligations, and answer questions, and
  - c. conducting a communication campaign, including updates via a dedicated campaign web page, social media and bulk emails to the registered remittance sector and the provision of translated information.
221. Key outcomes of the campaign were:

- a. receiving more than 100 reports of suspected unregistered remittance dealers through the suspected unregistered remittance dealer online dob-in portal since August 2019
- b. engaging with more than 245 participants at the community town halls in Sydney, Melbourne, Perth and Brisbane
- c. engaging with approximately 425 registered remittance service providers through the visit program or a remittance education call, and
- d. receiving an increase of more than 125 remittance registration applications compared with same period in the previous year, of which almost one quarter can be directly attributable to the unregistered remittance dealer campaign.

## Case study 15—Threshold transaction reporting campaign on domestic ADIs

222. In 2019, AUSTRAC conducted a campaign to assess compliance with TTR reporting obligations across the domestic ADI cohort. This entailed a review of more than 15 small to medium sized ADIs, the majority of whom report TTRs via manual forms as opposed to electronic submission.
223. During the campaign, AUSTRAC identified common errors in the TTRs that were being submitted by these ADIs, with most having very similar issues. However, as the number of reporting entities assessed was small relative to the cohort, AUSTRAC identified the need to develop guidance to communicate to the broader sector the common issues that had been identified and the correct way to report key fields within TTRs.
224. The guidance that was released as a result of the campaign provided practical advice on how to improve the data quality of TTRs which in turn is aimed at improving data for intelligence. The findings of the campaign were presented to the Mutual Banking Best Practice Group (a group of representatives from 15-20 mutual banks) in November 2019, and was received positively.

## Case study 16—Identifying further non-compliance following self-disclosure

225. In 2020, a number of reporting entities self-reported to AUSTRAC that they had failed to comply with their AML/CTF obligations. One reporting entity in particular, reported that it had failed to comply with its transaction monitoring requirements. AUSTRAC's assessment of this disclosure identified that the most appropriate regulatory response under AUSTRAC's regulatory framework was to carry out a compliance assessment of the reporting entity to identify the extent of the issue, root cause and to determine whether appropriate risk-based systems and controls were in place.
226. As a result of this compliance assessment, AUSTRAC found that, along with transaction monitoring failures, the reporting entity had also failed to carry out an appropriate assessment of its ML/TF risks. *By undertaking the compliance assessment, AUSTRAC was able to discover additional AML/CTF failures beyond that which the reporting entity had identified and self-disclosed.*
227. In response to the identified non-compliance, the reporting entity committed to undertaking a multi-year project designed to uplift their AML/CTF framework and capability, commencing with engaging external experts to assist them in carrying out a ML/TF risk assessment. AUSTRAC issued feedback in the form of findings and recommendations, and the reporting

entity has since provided (and continues to provide) AUSTRAC with updates about its progress of this remediation and capability uplift project.

## Case study 17—External audit—Afterpay

228. On 12 June 2019, AUSTRAC ordered the appointment of an external auditor to Afterpay to examine the reporting entity's compliance with obligations related to:
- a. governance and oversight of decisions related to its AML/CTF compliance
  - b. Identification and verification of customers
  - c. SMR obligations, and
  - d. AML/CTF program, including the development of its ML/TF risk assessment.
229. After considering the external auditor's report, AUSTRAC was satisfied that Afterpay had uplifted its AML/CTF compliance framework and financial crime function, and completed all remediation necessary to ensure compliance. AUSTRAC decided not to undertake further regulatory action.

## Case study 18—External audit—PayPal Australia

230. On 23 September 2019 AUSTRAC ordered the appointment of an external auditor to examine ongoing concerns in regard to PayPal Australia compliance. These concerns related to PayPal Australia's compliance with its IFTI reporting obligations.
231. The external auditor was appointed to examine PayPal Australia's compliance with its:
- a. AML/CTF Program obligations
  - b. IFTI reporting obligations, and
  - c. Record keeping obligations.
232. In December 2020 AUSTRAC informed PayPal that it had commenced an enforcement investigation into the adequacy of its AML/CTF compliance processes and procedures. This work remains ongoing.

## Case study 19—Partnering with an international regulator

233. In 2021 AUSTRAC's Regulatory Supervision team engaged with an international regulator to conduct a joint compliance assessment of a reporting entity that operated in both countries. Throughout the assessment the international team held regular coordination meetings to discuss key focus areas and areas of concern, collaborated through information sharing and exchange pursuant to the memorandum of understanding between the two agencies, and issued joint correspondence to the reporting entity signed by the two agencies.
234. This collaboration allowed AUSTRAC and its partner regulator to share knowledge and observe how each agency conducted their assessment processes, and to develop strong working relationships to strengthen regulatory capability to prevent ML/TF.

## Case study 20—Compliance capability—Know Your Industry (KYI) sessions

235. In 2020, AUSTRAC conducted 'Know Your Industry' (KYI) sessions with a large reporting entity, which consisted of a number of presentations from across the entity and open discussion throughout. These sessions were designed to allow the reporting entity to explain their

business activities and how they identify, mitigate and manage the ML/TF risks associated with their activities. The sessions also explored the systems and controls in place to support compliance with their AML/CTF obligations. Key focus areas for the KYI sessions included ML/TF risk assessments, CDD and OCDD.

236. The sessions allowed AUSTRAC to gain a better understanding of the reporting entity, their business activities and the maturity of their AML/CTF framework. It was also valuable in developing understanding between both parties on key opportunities for the reporting entity to strengthen its AML/CTF framework. AUSTRAC provided feedback throughout the sessions to assist in strengthening the reporting entity's AML/CTF framework, which included identifying areas for improvement in the three lines of defence, assurance practices and CDD.
237. AUSTRAC was also able to utilise the lessons from the KYI sessions to determine whether a more intensive supervisory activity was warranted, thereby driving a targeted risk-based approach to supervision.

## Case study 21—Westpac Banking Corporation

238. On 15 August 2018, Westpac self-disclosed a breach to AUSTRAC where at least 26 million IFTIs were not reported on behalf of their correspondent bank customers dating back to 2009. Further investigation by AUSTRAC identified further instances of non-compliance.
239. On 20 November 2019, AUSTRAC applied to the Federal Court of Australia for civil penalty orders against the Westpac Banking Corporation (Westpac). The civil penalty orders relate to systemic non-compliance with the AML/CTF Act.
240. AUSTRAC alleged that Westpac's oversight of the banking and designated services provided through its correspondent banking relationships was deficient. Westpac's oversight of its AML/CTF Program, which is intended to identify, mitigate and manage the ML/TF risks of its designated services, was also deficient. These failures in oversight resulted in serious and systemic non-compliance with the AML/CTF Act.
241. On 24 September 2020, AUSTRAC reached an agreement with Westpac for a \$1.3 billion penalty to resolve the Federal Court proceedings. In reaching the agreement, Westpac admitted to contravening the AML/CTF Act on over 23 million occasions, and failing to:
  - a. properly report to AUSTRAC over 19.5 million International Funds Transfer Instructions (IFTIs), relating to transactions totalling over \$11 billion dollars;
  - b. pass on information relating to the origin of some of these international funds transfers, and to pass on information about the source of funds to other banks in the transfer chain, which these banks needed to manage their own ML/TF risks;
  - c. keep records relating to the origin of some of these international funds transfers;
  - d. appropriately assess and monitor the risks associated with the movement of money into and out of Australia through its correspondent banking relationships, including with known higher risk jurisdictions; and
  - e. carry out appropriate customer due diligence in relation to suspicious transactions associated with possible child exploitation.
242. On 21 October 2020, the Federal Court ordered Westpac to pay a penalty of A\$1.3 billion.
243. Subsequent to the penalty order, Westpac established a program of work to carry out significant remediation and uplift work to resolve and rectify issues to strengthen key aspects across their AML/CTF framework. This has entailed recruiting specialist staff, increased

oversight from senior leadership and continued interaction with AUSTRAC to discuss their tactical and strategic remediation programs and uplift strategy.

244. AUSTRAC continues to work closely with Westpac to support their ongoing remediation and strategic uplift program as they further strengthen their AML/CTF framework.

## Case study 22—Commonwealth Bank of Australia

245. Through ongoing engagement with partner agencies, AUSTRAC suspected that certain transactions were not being reported. Subsequent AUSTRAC enforcement investigations identified further non-compliance with the AML/CTF Act.
246. In August 2017, AUSTRAC applied for a civil penalty order under the AML/CTF Act against the Commonwealth Bank of Australia (CBA) for serious and systemic non-compliance with the AML/CTF Act.
247. AUSTRAC's action alleged over 53,700 contraventions of the AML/CTF Act, including:
- CBA did not comply with its own AML/CTF program, because it did not carry out any assessment of the ML/TF (ML/TF) risk of Intelligence Deposit Machines (IDMs) before their rollout in 2012. IDMs are a type of ATM service that offers self-service transaction facilities, including automatic crediting of cash deposits as cleared funds to recipient accounts. CBA took no steps to assess the ML/TF risk until mid-2015 – three years after IDMs were introduced.
  - For a period of three years, CBA did not comply with the requirements of its AML/CTF program relating to monitoring transactions on 778,370 accounts.
  - CBA failed to give to AUSTRAC 53,506 threshold transaction reports (TTRs) on time for cash transactions of \$10,000 or more through IDMs from November 2012 to September 2015.
  - These late TTRs represent approximately 95 per cent of the threshold transactions that occurred through the bank's IDMs from November 2012 to September 2015 and had a total value of around \$624.7 million.
  - AUSTRAC alleges that the bank failed to report suspicious matters either on time or at all involving transactions totalling over \$77 million.
  - Even after CBA became aware of suspected money laundering or structuring on CBA accounts, it did not monitor its customers to mitigate and manage ML/TF risk, including the ongoing ML/TF risks of doing business with those customers.
248. On 4 June 2018, AUSTRAC reached an agreement with CBA for a \$700 million penalty to resolve the Federal Court proceedings. On 20 June 2018 the Federal Court ordered CBA to pay a penalty of \$700 million.
249. Over the three years subsequent to the penalty order, AUSTRAC has worked closely with CBA while they have undertaken significant remediation and uplift across their AML/CTF framework. CBA has made extensive progress towards implementation of a more robust and comprehensive AML/CTF framework.
250. AUSTRAC continues to work closely with CBA to support their ongoing strategic uplift program designed to strengthen their AML/CTF framework.

## Case study 23—Tabcorp

251. AUSTRAC carried out a compliance assessment of Tabcorp, which identified significant compliance issues and led AUSTRAC commencing an enforcement investigation.
  252. In July 2015, AUSTRAC applied for a civil penalty order under the AML/CTF Act against Tab Ltd, Tabcorp Holdings Ltd and Tabcorp Wagering (Vic) Pty Ltd ('Tabcorp') for extensive, significant and systemic non-compliance with the AML/CTF Act.
  253. On 27 April 2016, AUSTRAC filed a further sixty-one alleged contraventions against Tabcorp, bringing the total number of alleged contraventions to 236.
  254. On 16 March 2017 the Federal Court ordered Tabcorp to pay a penalty of \$45 million. Justice Perram has found that Tabcorp had contravened the AML/CTF Act on 108 occasions over a period of more than five years. His findings included that Tabcorp failed to:
    - a. have a compliant AML/CTF program for over 3 years to manage the risks of ML/TF;
    - b. give AUSTRAC reports about suspicious matters on time or at all, on 105 occasions. Tabcorp has admitted that these suspicions related to unlawful activity including money laundering and credit card fraud;
    - c. identify a customer who collected \$100,000 in winnings;
    - d. enrol with AUSTRAC on time.
  255. In finding that a \$45 million penalty was appropriate, Justice Perram pointed to Australia's substantial international obligations to prevent ML/TF. Parliament chose to meet those obligations by way of a risk management approach through the AML/CTF framework, recognising the role of industry to assess and manage its own risks.
  256. Justice Perram said that Parliament had vested 'in industry a degree of trust for the operation of the AML/CTF risk management system. The Act deals severely with breaches of that trust'.
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