



**AUSTRALIAN BANKERS'
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Consultation Paper # 3 – AUSTRAC Industry Contribution
Legal and Policy Branch
PO Box 13173, Law Courts
MELBOURNE VIC 8010

Email: Policy_Consultation@austrac.gov.au

Dear Sir/Madam,

AUSTRAC Industry Contribution: Third stakeholder consultation paper

The Australian Bankers' Association (**ABA**), on behalf of its members, takes this opportunity to comment on the *AUSTRAC Industry Contribution: Third stakeholder consultation paper (the paper)*. The ABA is keen to work with AUSTRAC and the Government and committed to playing our part in the AML/CTF regime. However, ABA would like to continue to express its concern in respect of the current policy settings underpinning the proposed funding of AUSTRAC.

Submissions in response to the first and second consultation on the AUSTRAC Industry Contribution were consistent in many of their concerns and issues raised. These concerns appear to have largely been ignored.

Industry is now asked to respond to a third consultation when AUSTRAC has not adequately communicated the outcomes of the first two consultations or explained why the costs in the model keep rising. This lack of transparency and engagement is concerning.

ABA is concerned at the ever increasing costs of funding AUSTRAC. In 2014/15 ABA members already have to increase their AUSTRAC compliance budget by up to 70% to fund just part of AUSTRAC's regulatory activities. This will be an ongoing concern particularly given the fact that by 2017/18 AUSTRAC will effectively be fully funded by industry.

In addition to feedback provided in the ABA submissions to the first two consultations on the AUSTRAC Industry Contribution, the ABA provides the following comments on the paper.

Earnings component

AUSTRAC proposes to further refine the charging model to reduce the factor used to calculate the earnings component for a leviable entity that is not part of a group from 0.05 percent to 0.03 percent; and to increase the report value component to 0.0008877 percent of the value of the transaction to which the report relates.

ABA understands that the 0.03 percent does apply to Designated Business Groups (**DBG**), and that the total earnings of the group is divided by the number of leviable entities in the DBG.

Despite these proposed changes, the model continues to be inequitable due to the inconsistent treatment between Australian and foreign entities. The earnings component should be based on earnings from operations in Australia only, irrespective of whether the entity or group is Australian or foreign.

Maximum payment amount

ABA is disappointed that the maximum payment amount has again, without adequate explanation, increased, this time by \$469,600 to \$6,368,341 per annum.

Minimum charge: \$1,000

In regards to the minimum change, ABA's views outlined in the submission to the first two consultations on the AUSTRAC Industry Contribution remain unchanged.

Transparency, accountability and industry engagement

If banks are funding the operation of AUSTRAC it is vital that AUSTRAC becomes wholly transparent and accountable in regards to costs and expenditure.

ABA considers it essential that AUSTRAC continues to improve the level of engagement and communication with industry. The ABA also recommends AUSTRAC examines how it undertakes real-time communication of potential threats, emerging trends and results from AUSTRAC's annual inspection program.

Thank you for taking our comments into consideration and we would be pleased to discuss them further at your convenience.

Yours sincerely,

Aidan O'Shaughnessy