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Discussion Paper - AUSTRAC Industry Contribution
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AUSTRAC Industry Contribution

The Australian Bankers' Association (ABA) welcomes the opportunity to provide comments to AUSTRAC on the proposed model for the AUSTRAC Industry Contribution.

The ABA supports the principle of cost recovery but believes the Government should adopt a more coherent and coordinated approach to this principle across the financial services sector.

The ABA would like to emphasise that the basis of a cost recovery model for AUSTRAC, being a 'user pays' system, is flawed in this situation as Reporting Entities are providing information to AUSTRAC in efforts to address money laundering, terrorism financing, tax evasion and other crimes. Whilst the ABA recognises that the integrity of the financial system is important for banks and other financial institutions, the benefit is community-wide.

In relation to the proposed AUSTRAC Industry Contribution, the ABA believes there needs to be a rethink of how the contribution is calculated. We wish to highlight some specific concerns:

- *End users or beneficiaries should contribute.* Reporting Entities devote substantial resources to assisting in the recovery of tax revenue and tracking flows of criminal funding. Law enforcement and the Australian Taxation Office (ATO) are the primary users of the information provided by Reporting Entities. As such the ABA believes that the proceeds of crime and recovered assets should be used to fund the activities of AUSTRAC, particularly those of the Financial Intelligence Unit (FIU).
- *The proposed Industry Contribution should be payable by those posing greatest risk.* Whilst acknowledging the Government's efforts to reduce the administrative burden on small businesses, an assessment of risk should feature in the model for calculating who should pay the Industry Contribution and how much they should pay. The proposed \$1,000 minimum threshold means Reporting Entities that pose a higher risk of being used for money laundering and terrorism financing, such as money service businesses, may be exempt from contributing to the cost of monitoring for illegal activity.
- *The proposed model will make it difficult for banks to forecast future costs.* Under the current model the cap on contributions has provided banks with a degree of certainty in their financial forecasting. The proposed removal of the cap provides no visibility of expected future costs, limiting the banks' ability to develop necessary systems and budget processes. Further, as the Government will no longer contribute to AUSTRAC's cost, the potential risk arises that there is no or little incentive to ensure regulation is cost effective. Accordingly, the ABA suggests that some control measures should be contemplated to ensure that AML regulation is cost effective now and into the future.
- *Lack of transparency and accountability.* Transparency and accountability are important in ensuring that only the relevant supervision costs are funded through this process. If industry is to contribute 100% of AUSTRAC's funding, the ABA proposes that a benefit is provided to industry. This should include improved reporting to Government and the industry against key performance indicators.

For example, the ABA suggests improved communication and engagement with industry (such as, typologies and case studies) and up-to-date reporting of emerging trends and potential threats. Additionally, the ABA believes that there should be greater recognition of the significant work banks undertake in relation to assisting with national security and ensuring the integrity of the financial system. Therefore, the ABA suggests better recognition, particularly via the AUSTRAC annual report, about the role of the industry in assisting the Government in maintaining critical infrastructure.

- *Improve efficiency of the process.* In terms of reducing the administrative burden of the levy/contribution, as any change in the Cost Recover Levy will require legislative change, the ABA strongly urges that changes also be made to allow for the provision of summary invoices to a Designated Business Group (DBG) rather than to a 'person'.¹

The ABA believes further consideration of these issues is required.

Yours sincerely,



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Chief Executive Officer

¹ Current drafting of the *Australian Transaction Reports and Analysis Centre Supervisory Cost Recovery Levy (Collection) Act 2011* defines person per the *Anti-Money Laundering and Counter-Terrorism Act 2006*.