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Consultation – AUSTRAC Industry Contribution
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AUSTRAC Industry Contribution Consultation Paper 2017

Toyota Finance Australia Limited trading as Toyota Financial Services (TFS) appreciate the opportunity to respond to the AUSTRAC Industry Consultation Paper 2017

About Toyota Finance

TFS considers the AML/CTF regime to be a crucial part of its day to day business of providing finance for the purchase of Motor Vehicles within Australia. We continually invest in resources to ensure we have adequate systems in place to meet our AML/CTF requirements in a changing business and regulatory landscape.

TFS does not provide any designated Services from a foreign establishment or issue any International Funds Transfer Instructions. Toyota Finance classes its customers as low risk based on the nature of the transactions as well as the purposes for which finance is obtained. In addition, TFS does not accept cash as a payment method and in almost all cases does not place the customer in funds, but remits directly to licensed motor vehicle dealers.

We provide finance to motor dealers and customers to purchase, lease and bail motor vehicles. We then pay dealers for the vehicles financed and take a security interest in the vehicle (to mitigate the risk of conversion to cash and laundering). We have a fully implemented AML program which covers policies and procedures, training, due diligence, enhanced due diligence, employee screening, suspicious matter reporting, record keeping, board oversight as well as independent reviews. The cost of compliance is significantly increasing generally.

Proposed Charging Model

AUSTRAC's industry contribution model is based on an earnings approach currently biased towards approximately 600 reporting entities to minimise the regulatory burden on small businesses. Without a risk assessment of the entire population of approximately 14,000 reporting entities to identify which of these engage in low, medium and high risk transactions, AUSTRAC is enabling higher risk sectors to operate on minimal levy fees at the expense of low risk entities. It is also our expectation that these 600 reporting entities are likely to have more mature systems and compliance programs to manage AML/CTF risk, and therefore present a lower compliance risk.

Risk Based Approach

In AUSTRAC's initial stakeholder consultation paper spoke of a strategic approach towards regulatory and financial intelligence. This included enhancement of the supervisory risk model. In instances of non-compliance there is a greater risk of enabling financial crime. This is not specific to high earning organisations as there have been multiple cases of financial crime enabled by individual money remittance providers.

Payday lenders, money remittance providers and entities that predominantly deal in cash need to be analysed based on the effectiveness of the reporting entities in preventing ML/TF rather than reported earnings. Entities that require a greater level of AUSTRAC oversight based on the product risk should have a levy that is commensurate with the risk.

Regulatory fatigue

Consideration is required to assess the regulatory impact to the 600 reporting entities that are currently placed with the burden of funding AUSTRAC's expense recovery model.

The motor finance industry in particular is currently dealing with a raft of changes ranging from mandatory consumer credit reporting, privacy breach reporting, add-on insurance reviews. The net result of all these regulatory changes is having entities prioritise investing in regulatory technology rather than innovation.

Other Considerations

AUSTRAC's current approach at financial and AML/CTF intelligence considers us to be a strategic partner in terms of compliance, fulfilling AML/CTF obligations including SMR reporting and making contribution levy payments on time. The data provided by reporting entities helps AUSTRAC to identify tax evasion, money launderers, terrorism financing and various other fraudulent activities as disclosed in AUSTRAC's typologies and case studies reports. TFS is open for opportunities with shared real time intelligence from AUSTRAC that could benefit all reporting entities and prevent the occurrence of financial crime in the first instance.

AUSTRAC should revise the percentage amount used in calculating the annual contribution for low risk reporting entities such as TFS that does not accept cash, undertake IFTI's or place customers in funds.

In conclusion TFS supports the objective of creating a strong and sound financial system that is not open to exploitation by criminals. We believe that there are "Kaizen" opportunities which should be explored to reduce the compliance burden and improve efficiency without reducing the effectiveness of the legal framework. A number of these have been raised by our industry association, the Australian Financial Industry Association, which we would be happy to discuss with you.

Yours faithfully

James Kenya	Adam Hopkins
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