

s 22

**From:** Darryn Abraham <Darryn.Abraham@Acacia-CRE.com.au>  
**Sent:** Friday, 1 March 2019 5:55 PM  
**To:** s 22  
**Subject:** A couple of questions [EXTERNAL]

Dear s 22,

I saw the ALP announcement on Monday of their intention to go ahead with expanding AUSTRAC's responsibilities to the second tranche institutions, in the event of winning the forthcoming election, and was wondering if that has kick-started work that kept you from following me up this week.

I have a couple of questions that I was going to put to you if you rang.

I haven't been able to track down the legislative basis for the obligation for reporting entities to provide their earnings information, and was wondering what, if anything, would stop AUSTRAC from requiring reports over, say, a \$50 million threshold, even if the earnings component was still only payable over a \$100 million threshold.

A couple of stakeholder groups mentioned their preference for a single invoice for groups, rather than individual invoices. I can see how the individual liabilities arise out of the Act, but would like to know whether that is the obstacle to grouped invoices (and a provision requiring possible amendment). I would have thought it was relatively easy (and more convenient) for grouped entities to nominate their holding company as the preferred recipient of their levy liability, and for you to send a single invoice to it for the group.

Regards,

Darryn

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Dr Darryn Abraham  
Director  
Acacia CRE Pty Ltd  
Competition and Regulatory Economics

PO Box 175  
Jamison Centre ACT 2614  
Australia

Ph. 47F(1)  
Mob. 0414 831 912  
<http://www.Acacia-CRE.com.au>

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s 22

**From:** Darryn Abraham <Darryn.Abraham@Acacia-CRE.com.au>  
**Sent:** Wednesday, 6 February 2019 6:38 PM  
**To:** s 22  
**Subject:** Model clarification [EXTERNAL]

Dear s 22,

s 47C

s 47C

Regards,

Darryn

--  
Dr Darryn Abraham  
Director  
Acacia CRE Pty Ltd  
Competition and Regulatory Economics

PO Box 175  
Jamison Centre ACT 2614  
Australia

Ph. 47F(1)  
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s 22

**From:** Darryn Abraham <Darryn.Abraham@Acacia-CRE.com.au>  
**Sent:** Friday, 18 January 2019 12:29 PM  
**To:** s 22  
**Subject:** Preliminary questions for AUSTRAC [EXTERNAL]  
**Attachments:** AUSTRAC questions.pdf

Dear s 22,

As just discussed, I've attached my preliminary questions for AUSTRAC. Rather than have you reply in writing, I'm happy to just discuss the answers if we can catch up briefly during your visit to Canberra next week. I can then think about the additional detail I may want and send another round of questions. It will be particularly helpful if you are able to provide a copy of the current model on USB at the same time.

Please let me know when I might catch you next week.

Regards,

Darryn

--  
Dr Darryn Abraham  
Director  
Acacia CRE Pty Ltd  
Competition and Regulatory Economics

PO Box 175  
Jamison Centre ACT 2614  
Australia

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Mob. 0414 831 912  
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# INITIAL QUESTIONS FOR AUSTRAC 18 JANUARY 2018

## Review of the methodology used to introduce the levy and transition

*Acacia CRE will consult with AUSTRAC regarding the processes and methodology that led to the final rates and thresholds applied in the IC levy since 2014 and its approach to the transition away from the previous arrangements.*

- Were the initial rates and thresholds of the new IC levy structure calculated using some form of spreadsheet model? If so, what data were used to construct it? What criteria were applied to select between alternative scenarios (assuming more than one approach was modelled to reach the revenue target)?
- What was the rationale behind dropping the employee numbers exemption?
- How was the transition (70%, 90%, 90%, 100%) to the new cost recovery target set? By AUSTRAC or by Minister/DoF/Treasury?
- How was the increased maximum reporting charge set?
- Although the new structure was publicised well in advance, the only transition appears to have been the gradual increase in the cost recovery target. Was any other form of transition applied, considered or modelled?

## Review of the levy calculation methodology

*Acacia CRE intends to consult with AUSTRAC regarding its internal processes and the methodology that led to the final rates and thresholds applied in the IC levy since 2014.*

- If the current rates and thresholds are calculated using an updated spreadsheet model, are the data sets used to construct it updated versions of the initial data, or has other information been incorporated? Are any new or different criteria being applied to select between alternative scenarios (assuming more than one approach is modelled to reach the revenue target)?

*Acacia CRE will consult with AUSTRAC regarding the costs of administering the IC levy, including trends in invoice correction and revision.*

- Is it possible to isolate the costs of administering the IC levy in AUSTRAC internal records? Can this be separated into administration (eg issuing/revising/enforcing invoices) and policy (eg reviewing and setting levy rates and thresholds) components?
- How many staff members are involved in assessing levy liabilities and issuing invoices? Full- or part-time? Full-year or part-year (eg are staff who normally work in other areas diverted from those tasks in order to prepare and review invoices after the census date)?
- What data exists on numbers of appealed and revised invoices? If any, what trends are evident in it? Is it possible to estimate the cost (in dollars or staff time) of handling invoice appeals and revisions?
- How much overlap is there with the record keeping for general reporting entity oversight?

## Review of the extent to which the levy arrangements remain appropriate

No AUSTRAC-specific consultation? Comment from AUSTRAC?

## Whether the provisions of the Levy Act remain appropriate

No AUSTRAC-specific consultation? Comment from AUSTRAC?

## Other

The consultation summary documents provided include a number of instances where stakeholders have noted the inequities arising from the combination of the earnings threshold and the earnings of a consolidated entity.

- Was AUSTRAC aware that this inequity was a likely consequence of the structure of the levy?
- Was any research/modelling undertaken to investigate the extent of this problem, or was it considered in any other way?

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s 22

**From:** Darryn Abraham <Darryn.Abraham@Acacia-CRE.com.au>  
**Sent:** Monday, 4 March 2019 9:38 AM  
**To:** s 22  
**Subject:** Re: A couple of questions [EXTERNAL] [SEC=UNCLASSIFIED]

Dear s 22,

Thanks for those answers. I'll follow the reporting point up with a quick look at the Rules. The issuing of group invoices looks like something that could be considered in a major revision of the Collection Act, but may not be worth pursuing if the Levy continues in its current form.

Regards,

Darryn

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Dr Darryn Abraham  
Director  
Acacia CRE Pty Ltd  
Competition and Regulatory Economics

PO Box 175  
Jamison Centre ACT 2614  
Australia

Ph. 47F(1)  
Mob. 0414 831 912  
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s 22

**From:** Darryn Abraham <Darryn.Abraham@Acacia-CRE.com.au>  
**Sent:** Monday, 4 March 2019 11:59 AM  
**To:** s 22  
**Subject:** Re: A couple of questions [EXTERNAL] [SEC=UNCLASSIFIED]

Dear s 22,

The option to nominate the holding company would appeal to some groups, noting that others specifically request individual invoices. Under the IC legislation, we have to charge levy to each leviabie entity. We would have to consider whether there would need to be any legislative change to allow the grouping to take place.

S 47C

Regards,

Darryn

--  
Dr Darryn Abraham  
Director  
Acacia CRE Pty Ltd  
Competition and Regulatory Economics

PO Box 175  
Jamison Centre ACT 2614  
Australia

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Mob. 0414 831 912  
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s 22

**From:** Darryn Abraham <Darryn.Abraham@Acacia-CRE.com.au>  
**Sent:** Thursday, 7 February 2019 10:13 AM  
**To:** s 22  
**Subject:** Re: Model clarification [EXTERNAL] [SEC=UNCLASSIFIED]

Dear s 22,

s 47C

Simple and not obvious, thank you.

Regards,

Darryn

--  
Dr Darryn Abraham  
Director  
Acacia CRE Pty Ltd  
Competition and Regulatory Economics

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Jamison Centre ACT 2614  
Australia

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**From:** Darryn Abraham <Darryn.Abraham@Acacia-CRE.com.au>  
**Sent:** Monday, 21 January 2019 4:42 PM  
**To:** s 22  
**Subject:** Re: Preliminary questions for AUSTRAC [EXTERNAL] [SEC=UNCLASSIFIED]

Dear s 22

Good news – I have a USB that I can bring with me to Canberra on Wednesday, containing the 2018-19 calculation model (XL file). Are you able to come to our office at 4 National Circuit at say 11-00 am? I can give you the drive and we can talk through a couple of your queries in more detail.

Thanks for preliminary answers. Access to the model will be very helpful. I can drop into your offices at 11. I'll send you a text once I'm in the foyer.

s47E

[Redacted content]

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They have left the door open to further questions if I have any to ask of them specifically, but I can't see any basis for doing so at this stage.

Regards,

Darryn

--  
Dr Darryn Abraham  
Director  
Acacia CRE Pty Ltd  
Competition and Regulatory Economics

PO Box 175  
Jamison Centre ACT 2614  
Australia

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