



Budget Estimates

Briefing pack October-November 2022

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HOT TOPIC BRIEF

<NUMBER>

Casinos and money laundering

AUSTRAC

This is the subject of ongoing media reporting about AUSTRAC enforcement action against casinos, and various state-level inquiries.

Key Points

- Australia has a strong anti-money laundering and counter-terrorism financing (AML/CTF) regulator in AUSTRAC, which is actively regulating the gambling sector and working with state regulators to ensure casinos comply with their obligations.
- Businesses must actively consider money laundering risks, adjust business models to mitigate crime risks, and report matters to AUSTRAC. AUSTRAC takes action where entities fail to meet their obligations.
- On 1 March 2022 AUSTRAC commenced civil penalty proceedings in the Federal Court against **Crown Melbourne** and **Crown Perth (Burswood Nominees Ltd)**, for alleged serious and systemic non-compliance with the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (AML/CTF Act).
- AUSTRAC has current enforcement investigations into the **Star Entertainment Group** and **SkyCity Casino** in Adelaide. AUSTRAC continues to work with each casino, including regular onsite meetings about the uplift of their AML/CTF compliance.
- As a financial intelligence unit, AUSTRAC:
 - has a nationally-coordinated operation targeting criminal activity and potential money laundering in Australian casinos
 - provides its law enforcement partners with financial intelligence on criminals who perpetrate money laundering and financial crimes
 - provides specialist financial intelligence on customers of interest, and profiling capability to detect high-risk, cash-based junket activity
 - brings major financial institutions and law enforcement together on joint operations in its public-private partnership, Fintel Alliance.

- Police around Australia, who are responsible for money laundering investigations, use AUSTRAC's intelligence to disrupt financial and serious crime. This included the offshore arrest of Suncity junket head, Alvin Cheok Wa Chau, by Macau Police in November 2021.
- Australians can be confident that these agencies are working hard to keep communities safe from serious and organised crime.

CROWN CASINO

- AUSTRAC's civil penalty proceedings followed an enforcement investigation into Crown Melbourne that began in August 2020, after a compliance assessment that began in September 2019. In June 2021 AUSTRAC expanded its investigation to Crown Perth.
- AUSTRAC alleges Crown failed to identify, assess, mitigate and manage its money laundering and terrorism financing risks. In particular, Crown failed to have a compliant AML/CTF program (required by section 81 of AML/CTF Act) and did not appropriately monitor its customers (required by section 36 of the AML/CTF Act).
- As the matter is before the court, it is not appropriate to comment further on the proceedings, or the issues detailed in the court documents.
- ***[If asked: Have any crimes been facilitated or committed as a result?]***
 - Any business that does not have a strong AML/CTF program in place leaves itself susceptible to exploitation by criminals. All casinos in Australia must be vigilant to money laundering and terrorism financing risks.
 - It is not appropriate to comment on any specific allegations, individual entities or intelligence operations currently underway.
- ***[If asked: Is this action a result of media reports and state inquiries into casinos? Was AUSTRAC slow to act?]***
 - AUSTRAC actively regulates Australian casinos and regularly conducts targeted assessments of casinos' compliance. Assessments about non-compliance and recommendations have been issued to casinos, as part of targeted compliance assessments and continuous regulatory engagement with the sector.

- Between 2017 and 2022 AUSTRAC has done a significant amount of work in the casino sector, including completing **13 compliance assessments**.
- AUSTRAC commenced assessments of Crown Melbourne, The Star Sydney and SkyCity Adelaide prior to the establishment of state-based inquiries and Royal Commissions, which led to a number of detailed enforcement investigations.
- AUSTRAC also worked closely with the Australian Criminal Intelligence Commission, Victoria Police, Australian Federal Police, state and territory law enforcement, and other agencies, on operations targeting criminal activity and potential money laundering in Australian casinos.
- ***[If asked: What is the status of AUSTRAC’s investigation into the Star Entertainment Group/SkyCity Adelaide?]***
 - Enforcement investigations into the Star Entertainment Group and Skycity Adelaide continue. It is not appropriate to discuss details as these matters are ongoing.

RESPONSES TO STATE INQUIRIES

- ***[If asked: Does the Government agree with the state inquiries and Royal Commission recommendations on money laundering?]***
 - AUSTRAC engages closely and regularly with state gaming authorities on the issues raised through inquiries and shared regulatory priorities.
 - The Attorney-General’s Department and AUSTRAC are consulting with state governments on relevant reforms and the interaction with Commonwealth laws.
- ***[If asked: Do we need a national gambling regulator, as suggested by MP Wilkie?]***
 - States are responsible for gambling regulation and licensing. s 47B(a)

s 47B(a)

Version: 1	Cleared by: Chris Collett, Acting CEO, AUSTRAC	Action officer: Nicole Patterson, AUSTRAC Chief of Staff
Current at: 4/10/2022	Phone number: s 22(1)(a)(ii)	Action officer number: s 22(1)(a)(ii), or s 22(1)(a)(ii)

AUSTRAC—Budget Estimates October-November 2022

BACK POCKET BRIEF: De-banking

Key points

- The de-banking issue is complex and cannot be considered solely on the basis of AML/CTF compliance obligations.
- De-banking is a global problem with domestic and international drivers, including:
 - commercial and competition (e.g. profitability of banking services to high-risk customers)
 - reputational risk
 - uncertainty about the customer's business models
 - expectations of overseas correspondent banks to Australian institutions
 - changes in prudential regulation
 - compliance with sanctions requirements
 - compliance with AML/CTF requirements.
- We work with key Australian and global stakeholders, supporting and contributing to initiatives to address the impacts of de-banking and financial inclusion.

De-banking and the AML/CTF regulatory framework

- AUSTRAC has a strong, ongoing focus on uplifting capability, professionalism and compliance levels across the remittance, digital currency exchange (DCE) and fintech sectors—which have been most affected by de-banking.
- The AML/CTF regime recognises that reporting entities are best placed to assess and manage risks posed by their customers, products and services. They are required to develop risk-based systems and controls tailored to the nature, size and complexity of their business, and proportionate to the ML/TF risk level identified/assessed through their risk management processes. The AML/CTF Act does not specify the level/nature risk that a reporting entity should accept.
- Whether or not a reporting entity is willing to provide services to a particular customer or group of customers is a commercial decision for that entity.
- De-banking can be driven by a lack of appetite among banks to effectively manage the risks posed by businesses. Instead of identifying, mitigating and managing the risks, the banks avoid taking on these customers.
- The risk-based approach is central to the implementation of obligations under the AML/CTF Act and FATF's international standards for combating ML/TF.
- With appropriate AML/CTF systems and controls in place, banks should be able to manage high-risk customers. AUSTRAC encourages banks to assess particular risks, and engage with businesses on measures they could take immediately and in the longer term to meet the banks' internal risk standards.

Reporting entities impacted by de-banking of remittance and DCE services

- We know the remittance and DCE sectors are vulnerable to de-banking. It is difficult to determine the full impact, as the number of registered entities is high.
- AUSTRAC and our partner agencies are aware that de-banking has resulted in adverse impacts including: closure of businesses; displacement (driving remittance and DCE providers underground, outside the AML/CTF framework); ongoing/increasing use of cash; and using alternative means to move funds.

AUSTRAC's response to de-banking

- We develop initiatives targeted and tailored to enhancing compliance outcomes of the remittance and DCE sectors, including:
 - enhancing registration processes by increasing the emphasis on probity and compliance capacity building
 - ongoing compliance campaigns to build providers' understanding, and assess their level of compliance with AML/CTF obligations
 - release of a public statement on de-banking on 29 October 2021 outlining AUSTRAC's expectations
 - development of guidance to clarify AUSTRAC's regulatory expectations of banks for higher-risk customers, such as remittance, DCEs, fintechs and other customer types (e.g. lawful sex workers and gun shop proprietors)
 - it will also assist higher-risk customers to understand the expectations of banks when seeking access to financial services
 - it is expected to be released for public consultation in November 2022
 - ML/TF risk assessments of the remittance sector, published in September 2022, to ensure they have a better appreciation of the nature and scope of risks, and how these can be mitigated and managed
 - guidance for remittance service providers in languages other than English: Arabic, Mandarin, Dari, Farsi, Swahili, Urdu and Vietnamese
 - virtual workshops in 2021 for remitters focused on Pacific markets, on improving compliance, particularly relating to KYC.
- AUSTRAC supports the following work:
 - Treasury-led working group established under the Council of Financial Regulators, to review and develop options to address de-banking—including government-accepted recommendations of the Senate Select Committee on Australia as a Technology and Financial Centre, and inquiry into Australia's Payment Systems
 - the Council of Financial Regulators submitted a final report to the government for consideration, on policy options to address the issue of de-banking in Australia
 - further questions should be directed to Treasury
 - DFAT-led working group examining options to address the loss of correspondent banking relationships in Pacific Island countries.

If asked

Does AUSTRAC hold any data on the number of remittance, DCE and fintech entities that have had their bank accounts closed?

- No. AUSTRAC does not collect or receive data on the closure of bank accounts. Most commentary and feedback on de-banking is anecdotal.
- There continues to be a significant number of businesses seeking or gaining registration as remitters and/or DCE providers.

Remitters	2019-20	2020-21	2021-22
Remittance network providers (RNPs)*	120	118	93
Independent**	983	1,043	937
Affiliates***	5,202	5,325	5,231
DCE providers	334	416	407

*Allows affiliates to use its brand, products, platforms/systems to provide remittance services to customers, e.g. s 22(1)(a)(ii)

**Uses its own products, platforms/systems to provide remittance services. May own/control branches. Traditionally small business operations.

***Has agreement with an RNP to use its brand, products, platforms/systems to provide remittance services. Businesses including newsagents/small retail stores may have the ability to send money through s 22(1)(a)(ii)

The Select Committee on Australia as a Technology and Financial Centre's report refers to the registration scheme for remitters and DCE providers as 'light touch'? Does AUSTRAC consider it to be effective?

- Upon commencement of DCE obligations in 2018, AUSTRAC's registration process for remitters and DCE providers was deemed fit-for-purpose in the context of Australia's AML/CTF regime.
- A more extensive licensing approach (e.g. for banking, other financial services and gambling) was not implemented. Many are sole traders or micro/small businesses, which would increase barriers to entry and result in displacement.
- Our registration process was intended to capture market entry and involvement of businesses in remittance and DCE services.
- Once registered, a business must comply with AML/CTF Act obligations the same way as a business that is separately licensed, such as a bank.
- AUSTRAC's registration process complies with international requirements.
- The AUSTRAC CEO has powers to refuse, suspend, cancel or impose conditions on the registration of remittance and DCE providers. **47 reviewable decisions** have been made in relation to DCE providers since commencement of obligations in 2018 (at 15 September 2022).
- In considering a registration application, the AUSTRAC CEO must consider whether registering the provider would involve a significant ML/TF or other serious crime risk.

- It is a criminal offence for a remittance or DCE provider to provide a designated service without being registered.
- We apply rigorous assessment of applicants, to determine suitability to be registered. This includes the following, which enable the AUSTRAC CEO to determine if registration would involve significant ML/TF/other serious crime risk.
 - **Criminal:** We require applicants to obtain and retain a national police check, to confirm whether they have been charged, prosecuted or convicted in relation to ML/TF, terrorism, people smuggling, fraud, a serious offence, or an offence under the AML/CTF Act or FTR Act. (Recently we strengthened this on a trial basis and requested receipt of the police check.)
 - **Capability:** We require applicants to demonstrate they have appropriate risk-based systems and controls to identify, mitigate and manage ML/TF risks facing their businesses. The systems and controls must be outlined in the applicant's AML/CTF program, tailored to the circumstances of the business.
 - **Competency:** We assess the knowledge and experience of key personnel and if they understand their obligations under the AML/CTF Act and Rules.
- We ensure remittance/DCE providers meet certain minimum standards prior to registration. Once registered, they are subject to ongoing supervision to ensure they are complying with the requirements of the AML/CTF Act and Rules.
- AUSTRAC completed a three-month enhanced registration pilot, on the DCE and remittance sectors, between April and June 2021. It involved trialling an enhanced application form, increasing the emphasis on probity, suitability and technical capacity. The trial resulted in significant uplift in the sectors, and identified potential areas of compliance concern.

S 47E (d)

Does AUSTRAC have a view on whether banks should provide more information when closing accounts? Banks often indicate they cannot, due to AML/CTF obligations.

- Under the AML/CTF Act, a reporting entity must not disclose to a person, other than an AUSTRAC entrusted person:
 - that the reporting entity has given, or is required to give, an SMR
 - any information from which it could reasonably be inferred that the reporting entity has given, or is required to give, that report.
- ‘Tipping-off’ provisions protect the privacy and reputation of the customer the SMR is about, including when a customer may be the victim of suspected criminal activity. A suspicion is not conclusive evidence that a customer is involved in wrongdoing. It also ensures the identity of the person submitting an SMR remains confidential. Critically, it ensures law enforcement investigations are not affected by criminals taking steps to hide their activities and behaviours if they become aware that their activities have led to suspicion.
- Under the AML/CTF Act, a reporting entity is not obliged to stop providing a service to a customer who is the subject of an SMR. Reporting entities are required to follow their AML/CTF program’s risk-based systems and controls. This may include temporarily not providing a service to a customer until they are satisfied the customer does not pose an unacceptable level of ML/TF risk.
- Conducting reasonable enquiries into customer activity or behaviour that may be unusual is not by itself considered tipping-off. If a reporting entity decides to end the business relationship, they must not tell the customer, or give the customer any information that implies they have submitted, or are required to submit, an SMR to AUSTRAC.
- Informing a customer of a risk-based decision to terminate a business relationship is not considered tipping-off, as long as the discussion doesn’t reasonably infer an SMR has been, or is required to be, submitted to AUSTRAC.

Is AUSTRAC going to develop/publish a risk assessment of the DCE sector?

- AUSTRAC published several ML/TF risk assessments in the second half of 2022.
- Over the next six months, we will commence updated national risk assessments of ML/TF in Australia. These may consider relevant risks associated with digital currencies and the sector.
- We are also exploring a change in approach to identifying and reporting on ML/TF risks as they relate to our regulated population, to deliver more targeted and timely products to industry, including for DCE providers.

Background

- De-banking originated in the Global Financial Crisis. It is not unique to Australia.
- The term ‘de-banking’ (or ‘de-risking’) is the practice by financial institutions of terminating or restricting business relationships (i.e. closure of accounts) with customers perceived to be ‘high risk’, or who belong to a sector, or part of a sector perceived to be ‘high risk’, rather than managing risks associated with a relationship or customer.

De-banking and remittance in the Pacific Island countries

- The South Pacific region comprises multiple countries and has been the focus of major attention from international donors. This is because of the region’s dependency on remittance, and adverse impacts of de-banking due to withdrawal of correspondent banking relationships—and by extension, local banks.
- Remittance from Australia, NZ and the USA comprises between 20% to 45% of the GDP of Pacific Island countries.
- The cost of remittance from Australia to 14 Pacific Island countries averages 11.3% for every \$200 transaction, which far exceeds the G20’s 5% threshold.
- The remittance corridors between Australia (and NZ) and Pacific Island countries are regarded as: low value (average transaction <\$400); low volume; high compliance costs and by extension, low margins and profitability.

s 33(a)(iii)

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Pacific Islands Partnership Program

- AUSTRAC received funding from DFAT over three years (April 2020 to March 2023). While the primary focus is FIU uplift, funds have been provided to strengthen AML/CTF compliance among Australian remittance providers that service Pacific Island countries.
- Key program outcomes to date include:
 - creation by AUSTRAC of the Pacific Financial Intelligence Community—a forum of Pacific FIUs dedicated to mutual capacity building, research on AML/CTF risks in the region and operational collaboration
 - tradecraft intelligence training: four Intelligence Fundamentals Courses; Pacific Financial Intelligence Analyst Course; Trade-based Money Laundering webinar; Cyber Week webinar; Pacific AML Threats webinar and Environmental Crimes webinar
 - provision of World Check database—subscription for 11 Pacific jurisdictions, and three training webinars
 - regulatory training to Pacific focussed remitters: three KYC and AML regulatory best practice webinars
 - intelligence sharing:

s 47E(d)

- Under this program, AUSTRAC is actively considering how best to achieve real and enduring regulatory efficiencies for registered remittance providers servicing the region, to address the complex issue of de-banking.

Current government efforts

s 33(a)(iii), s 47C(1)

- Treasury led a Council of Financial Regulators Working Group on De-banking, to consider: trends in and underlying causes of de-banking, drawing on consultation with key stakeholders; and possible policy responses, including analysis of those recommended in the Senate Select Committee on Australia as a Technology and Financial Centre's report.
 - Representatives were from RBA, APRA, ASIC, AGD, ACCC and AUSTRAC.
 - The working group developed a draft paper for the Council of Financial Regulators' March 2022 meeting, providing high-level background on de-banking, drivers and impacts, and possible options to address the problems, including recommendations from the recent inquiries. The Council reviewed and endorsed some recommendations developed, at its June 2022 meeting.

- The Council of Financial Regulators, with AUSTRAC, AGD and the ACCC, submitted its final report to government on policy options to address the issue of de-banking in Australia. Questions should be directed to Treasury as the lead department.
- The following recently-completed inquiries considered the issue of de-banking and included AUSTRAC, Home Affairs and Treasury portfolio input:
 - Senate Select Committee on Australia as a Technology and Financial Centre
 - Treasury-led Review of the Australian Payments System (by Scott Farrell).

FATF response to de-banking

- AUSTRAC contributed a Policy officer to the FATF project team (launched in February 2021), to study and mitigate unintended consequences of the incorrect implementation of the FATF standards. This included de-banking and financial inclusion.
- In March 2022 the FATF Plenary announced it completed its work to identify and analyse unintended consequences of the FATF Recommendations. Substantive work on this issue was referred to FATF Working Groups, which continue to scope out and refine how FATF can mitigate the unintended consequences of its standards without diminishing the effectiveness of global AML/CTF methods.

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AUSTRAC—Budget Estimates October-November 2022

BACK POCKET BRIEF: Supervisory approach

Key points

- AUSTRAC takes a risk-based approach to regulation. Resources are allocated to best manage ML/TF risks across the Australian financial system, and ensure interactions with regulated entities align to their circumstances.
- Regulatory interactions vary, based on our assessment of the entity's ML/TF risk exposure and how well they are meeting their obligations.
- AUSTRAC becomes aware of non-compliance in various ways, including:
 - compliance assessments by our supervision function
 - self-disclosures by reporting entities
 - tip-offs from the public
 - referrals from partner agencies
 - proactive data monitoring
 - reports submitted by reporting entities, including transaction reports and the annual compliance report.
- Accordingly, the time taken to identify non-compliance varies according to:
 - interactions with reporting entities
 - how AUSTRAC became aware of the non-compliance
 - any engagement with reporting entities to acquire further information
 - complexity of analysis required to determine whether non-compliance exists.
- A self-disclosure by a reporting entity could, for example, occur after the entity has undertaken an independent review.
- Action may take anything from hours to years (such as through a compliance assessment), as resources are focused on higher-risk entities.
- The vast majority of actions taken, and interactions with entities in relation to their compliance, is not public. The primary intent of compliance is to remediate and uplift capability.

If asked

What proportion of compliance activities are triggered by self-disclosures?

- AUSTRAC does not rely on 'self-disclosures' to identify non-compliance. The majority of compliance issues are identified by regulatory staff/capabilities.
- We have proactive tools to identify non-compliance. In 2021-22, approximately **98% of compliance matters** subject to triage assessment **did not result from a self-disclosure**.
 - We assessed **991 separate non-compliance matters**—of this, 25 were 'self-disclosures' reported to AUSTRAC by reporting entities.

What are AUSTRAC's statistics for enrolment, reporting and compliance activity?

- Entities on Reporting Entities Roll: **17,163** (at 30 June 2022)—compared with **16,435** in 2020-21.
- Some enrolled reporting entities are also required to be registered.

Remitter registrations	2020-21	2021-22
Remittance Sector Register active registrations	6,486	6,261
Remittance network providers (RNPs)*	118	93
Independent**	1,043	937
Affiliates***	5,325	5,231
DCE provider registrations	2020-21	2021-22
DCE Register active registrations	416	407

*Allows affiliates to use its brand, products, platforms/systems to provide remittance services to customers, e.g. s 22(1)(a)(ii)

**Uses its own products, platforms/systems. May own/control branches. Traditionally small business operations.

***Has agreement with an RNP to use its brand, products, platforms/systems. Businesses including newsagents/small retail stores may have the ability to send money through s 22(1)(a)(ii)

Report type	2020-21	2021-22
Suspicious matter reports	309,772	292,569
Threshold transaction reports	2,165,587	1,912,626
International funds transfer instruction (IFTI) reports	176,194,707	175,045,094
Total number of reports	178,670,066	177,250,289
Approximate number per day	489,507	Approx. 500,000

Compliance activity in 2021-22

- **859** proactive monitoring alerts assessed
- **132** compliance matters 'triaged'
- **19** compliance assessments completed
- **15** 'reviewable' registration decisions made.

Compliance activity 2022-23 FYTD (at 30 August 2022)

- **304** proactive monitoring alerts assessed
- **28** compliance matters 'triaged'
- **18** 'reviewable' registration decisions made, being 18 registration applications refused (12 independent remitters and 6 DCE providers).

Some self-disclosures are made a significant period of time after non-compliance occurred. Why doesn't AUSTRAC identify these matters?

- AUSTRAC does not and cannot monitor all financial institution products or channels through which money moves, e.g. one bank will have hundreds of products. We regulate more than 17,000 entities. This equates to hundreds of thousands of financial products and payment channels.
- AUSTRAC does not have access to regulated entities' systems, so cannot monitor in real-time if the entity is meeting obligations. We cannot monitor the hundreds of thousands of transactions conducted daily by reporting entities, to determine which are required to be reported to AUSTRAC. We only have access to a very small subset of transaction reports.
- The capacity required to be aware of, understand and monitor all these different products and channels to identify non-compliance would require AUSTRAC's resources to multiply by magnitudes.
- Reporting entities know and understand their business operations, and are best placed to ensure they are complying with their obligations. This is why the AML/CTF Act puts the onus on reporting entities to comply with their obligations.
 - For example, they are required to conduct independent reviews of their compliance and implementation of their AML/CTF framework to identify, mitigate and manage ML/TF risks. This is to check entities are complying with their AML/CTF program and if it properly addresses ML/TF risks, complies with legal obligations, and is working as it should.
 - The AML/CTF Act requires reporting entities to appoint an AML/CTF Compliance Officer to make sure entities comply with their obligations.

Are your compliance staff and management qualified to effectively undertake the agency's regulatory role?

- Our regulatory staff are suitably qualified to effectively undertake our regulatory role. We have a diverse and experienced workforce, including: extensive industry experience across regulated sectors; accreditation through the international Association of Certified AML Specialists; and qualifications in areas of law, tax, audit and assurance, risk, criminology and financial crime.

How does AUSTRAC monitor for non-compliance?

- We have tools that enable us to detect non-compliance. This includes conducting compliance assessments of entities, and analysing our extensive data holdings to generate alerts that may indicate non-compliance with legislation.
- The majority of issues we identify are uncovered by our regulatory capabilities and activity with the businesses we regulate.
- We also become aware via tip-offs, referrals from our Intelligence division and partner agencies, and reports submitted by reporting entities.

How do you prioritise your compliance activities?

- We take a risk-based approach to regulation, ensuring our resources are allocated to best manage ML/TF risks across the Australian financial system.
- We use our knowledge of reporting entities, industry trends and ML/TF risks to direct regulatory efforts towards vulnerabilities and higher-risk entities.
- We prioritise compliance activities based on ML/TF risk exposure and how well reporting entities are meeting obligations and managing ML/TF risks.
- We consider internal and external inputs, including an entity's transaction and suspicious matter reporting, compliance history, information from partner agencies, customers, and the financial sector threat environment.

How do you prioritise supervision of the DCE sector?

- AUSTRAC only supervises the DCE sector in relation to AML/CTF obligations.
- Our supervision is risk based. We prioritise compliance activities based on ML/TF risk and how well reporting entities are meeting obligations and managing risks.
- The DCE sector was included with the remittance sector in an enhanced registration pilot conducted between April and June 2021, to ensure all registered entities have the capability and capacity to meet their compliance obligations.

What is the process to refer non-compliance matters to enforcement?

- We focus on working with reporting entities to increase their resilience to ML/TF risk and improve the quality of their reporting under the AML/CTF Act.
- Because the consequences of poor AML/CTF systems and controls can be serious, we may take enforcement action against a reporting entity for serious and/or systemic breaches of the AML/CTF Act.
- When considering if enforcement action is appropriate, AUSTRAC considers the circumstances of each case, including:
 - the nature of the non-compliance
 - the ML/TF risk associated with the reporting entity
 - the reporting entity's willingness and effort to comply
 - whether the non-compliance was reported voluntarily
 - the likely consequences of the enforcement action.

- It may be determined that **other regulatory responses** are more appropriate.
 - 'Formal' responses are provided for in the legislation (e.g. issuing infringement notices, civil penalty litigation and referral for prosecution).
 - 'Informal' responses are not expressly provided by the legislation, but are considered reasonable and necessary (e.g. remediation monitoring, education campaigns, issuing advisory notes and warning letters).
- The objective is to influence reporting entities and deter future non-compliance.

What is the process entities need to undertake to verify customers? How does AUSTRAC ensure that entities are complying with their CDD requirements?

- Reporting entities must check a customer's identity, and the identity of beneficial owners, before providing them with a 'designated service'.
- Customer identification must be verified using 'reliable and independent' documentation or electronic data. This is so reporting entities can identify, mitigate and manage ML/TF risk.
- Reporting entities should develop ongoing CDD processes, including an enhanced CDD program.
- Customer identification and ongoing CDD should provide reporting entities with information to help identify unusual transactions and behaviour, identify and manage high-risk customers, and report suspicious matters.
- The minimum identification information that must be collected and verified depends on the type of customer (e.g. individual, company, partnership, trustee).
- Customer identification procedures must be documented in 'Part B' of a reporting entity's AML/CTF program. All AML/CTF programs must include Part B.
- AUSTRAC amended the AML/CTF Rules to enable flexible KYC processes during the COVID-19 pandemic. The amendments ensured that reporting entities can rely on alternative proof-of-identity processes in certain circumstances.

How has AUSTRAC addressed the recommendations relating to supervision from the 2015 mutual evaluation?

- As a priority, we implemented the recommendation to incorporate more risk factors (besides data analysis from reports) into identifying and assessing the risk of reporting entities.
- We undertook a project in 2018 to review the information collected in annual compliance reports. This was to enhance the compliance risk information collected from reporting entities and ensure it was useful.
 - Information from the compliance report is combined with other information sources including transaction reporting, compliance activity outcomes, sector risk assessments and self-disclosure information, to provide a more robust picture of sector and individual reporting entity risk.
 - We continue to review and refine the compliance risk information we collect in the compliance report each year, so it remains targeted in assessing reporting entities' compliance risk.

- The mutual evaluation report also recommended that regulatory oversight of the remittance sector be reinforced or enhanced.
 - Between April and June 2021, AUSTRAC completed a pilot to enhance the registration application process. The pilot was a success in terms of improving the AML/CTF compliance and capability for new applicants. The enhanced process has since been adopted as our standard process for assessing registration applications.
 - The enhanced registration model also applies to all new applicants from the DCE sector. The remaining population is still subject to ongoing supervisory engagement.

How would your approach to supervision be impacted by supervising additional sectors such as lawyers, accountants or real estate agents?

- We would continue to take a risk-based approach to regulation, ensuring our resources are allocated to best manage ML/TF risks across the Australian financial system.
- Any consideration to supervising a more diverse range of businesses such as lawyers, accountants and real estate agents would require a commensurate level of increased resourcing and expanded supervisory and industry expertise.

What is AUSTRAC doing to target modern slavery and sex trafficking and particularly, what actions is AUSTRAC taking on the regulated businesses that are being used to move money generated from these crimes?

- AUSTRAC cannot comment on individual people or businesses, but we have provided extensive intelligence to support law enforcement investigations.
- AUSTRAC's support to law enforcement will often take precedence over regulatory and administrative decisions, in circumstances where serious criminal offending is suspected and being investigated.
- AUSTRAC has the power to refuse, suspend and cancel the registration of an entity. A list of actions taken against remittance providers is on our website. In relation to the business named in the media, multiple connected businesses are no longer operating.
- AUSTRAC undertakes enhanced registration processes, which can include requesting further information from businesses. Businesses that assess they are unlikely to meet AUSTRAC's registration standards often cease operations and remove registration voluntarily.
- AUSTRAC's powers to refuse, suspend or cancel the registration of a remitter must be reasonable and based on evidence. AUSTRAC cannot rely on information gained through intelligence alone.
- Suspicion, and in some cases proof, of proceeds of crime placed or laundered does not automatically lead to business licences being ceased and businesses being closed. This is the same as in the banking and gambling sector in Australia.
- AUSTRAC will continue to assess the appropriateness of the operation of remittance businesses in conjunction with law enforcement and shut down those businesses that are impacting the community.

Background

Approach to regulation

- *AUSTRAC's approach to regulation* (published on our website) outlines how we tailor our regulatory activities based on regulated entities' activity type and intensity, as well as our analytical and intelligence capabilities.

S 47E (d)

Triage

- *Reactive* regulatory matters involving non-compliance (e.g. referrals, self-disclosures or tip-offs) are centrally received, recorded and assessed.
- Initial assessment determines whether a matter meets baseline criteria in terms of AML/CTF regulatory risk, and conforms to AUSTRAC's priorities.
- Analysis is undertaken and the matter prepared for consideration of further action. Where the nature of suspected non-compliance is less severe and the impact is low, a low-level regulatory response may be appropriate (e.g. a formal warning letter). More serious matters may be referred to the appropriate supervision team for further evaluation or assessment.

Vetting

S 47E (d)

Proactive monitoring

- Our regulatory monitoring and alerting capability:
 - analyses our extensive data holdings to generate alerts that may indicate non-compliance with legislation
 - assigns the alerts to regulatory analysts, who assess and respond in accordance with our approach to regulation.

- The system gives analysts a comprehensive picture of potential non-compliance. This has enabled us to identify and respond to specific regulatory issues more

s 47E(d)

- Improving our internal monitoring processes and systems allows more timely responses to reporting entities about non-compliance, e.g. late reporting. We can then identify and provide support to the reporting entity earlier in the process.
- Reporting entities are required to provide an annual compliance report on the management of their compliance obligations. This is compared for consistency in and across industries. Matters identified in the compliance report may be referred to the appropriate supervision team for further evaluation or assessment.

Assessing and monitoring compliance

S 47E(d)

- We also conduct onsite assessments, which may include reviewing documents, testing systems, and interviewing key reporting entity staff.
- During the pandemic, on-site assessments have been conducted virtually. There has not been a decline in the rigour of assessments due to this approach.
- When we conduct a compliance assessment, we do not examine every part of a reporting entity's compliance framework. The scope is determined according to our risk-based approach. For example:
 - if an entity has repeatedly reported certain transactions late, we may focus on that entity's transaction reporting
 - if we have general concerns about an entity's compliance approach, we may assess the entity's AML/CTF program to determine if there are shortcomings resulting in non-compliance
 - if there are concerns about how an entity manages its customers, we may assess its approach to customer due diligence.

s 47E(d)

AUSTRAC—Budget Estimates October-November 2022

BACK POCKET BRIEF: Enforcement

Key points

- Before applying enforcement tools, AUSTRAC considers the facts and circumstances of a particular matter.
- Enforcement tools include: infringement notices; enforceable undertakings; remedial directions; and civil penalty proceedings.
- At 27 September 2022, we had **seven** active enforcement investigations and **two** ongoing enforcement actions.
 - Two of the current investigations were initiated by a self-disclosure from the reporting entity concerned. However, **most did not originate from a self-disclosure**. The current civil penalty proceedings against Crown Melbourne and Crown Perth also did not originate from self-disclosures.
- On 12 September 2022 AUSTRAC announced commencement of an investigation into Entain Pty Ltd, a corporate bookmaker.
- AUSTRAC does not publicly discuss matters we are investigating for possible enforcement action. This preserves the integrity of the investigation.
- AUSTRAC will generally inform a reporting entity and the public when an enforcement investigation commences, as in the case of Entain. AUSTRAC will also make a public statement when regulatory action is taken, as in the case of Sportsbet and Bet365 (see '**Gambling—Betting sector**' brief).
- Reporting entities may make market disclosures, which is a matter for them.

Crown Melbourne and Perth

- See Hot Topic brief '**Casinos and money laundering**' and back pocket brief '**Gambling—Crown**'.

SkyCity Adelaide

- On 4 June 2021 AUSTRAC notified SkyCity Adelaide of an investigation into potential non-compliance with a range of obligations under the AML/CTF Act.
- This followed regulatory supervision work that began in late 2019.
- SkyCity Adelaide made a market disclosure on 7 June 2021.
- The investigation is in the final stages.

The Star

- See back pocket brief '**Gambling—Star Entertainment Group**'.

National Australia Bank (NAB)

- On 4 June 2021 AUSTRAC notified NAB of an investigation into potential non-compliance with a range of obligations under the AML/CTF Act. This followed self-disclosures by NAB and regulatory supervision work.
- AUSTRAC also advised NAB that we do not, at this time, propose considering civil penalty proceedings.
- NAB made a market disclosure on 7 June 2021.
- On 29 April 2022 AUSTRAC accepted an enforceable undertaking by NAB to complete a raft of remediation and capability improvement measures in a set time frame. This is subject to independent audit oversight. AUSTRAC is closely monitoring compliance with the undertaking, due to be completed in early 2025.

ING Bank Australia Ltd (ING)

- On 15 July 2021 AUSTRAC notified ING of an investigation into potential non-compliance with a range of obligations under the AML/CTF Act.
- This followed self-disclosures by ING in 2020 and regulatory supervision work.
- ING is not listed on the ASX and was not required to make a market disclosure.
- AUSTRAC's investigation is nearing completion.

PayPal Australia (PayPal)

- On 17 December 2020 AUSTRAC notified PayPal of an investigation into potential non-compliance with a range of obligations under the AML/CTF Act.
- This followed self-disclosures by PayPal, missing transaction reports noted by the AFP, and regulatory supervisory work in 2019.
- PayPal is not listed on the ASX and not required to make a market disclosure.
- PayPal's parent company, PayPal Holdings (US), referred to the AUSTRAC investigation in its 2020 and 2021 reports filed with the US Securities and Exchange Commission.
- AUSTRAC's investigation is nearing completion.

s 47G(1)(a)

Entain Group Pty Ltd

- AUSTRAC commenced an enforcement investigation into Entain Group Pty Ltd.
- This follows an extensive supervisory campaign that assessed entities in the corporate bookmakers sector.
- The investigation will focus on whether Entain has complied with its obligations under the AML/CTF Act.
- AUSTRAC's supervisory campaign with the corporate bookmakers sector may lead to other areas of focus in this sector.

Released by AUSTRAC under the FOI Act 1982 on 26 April 2023

If asked

Why aren't you taking more companies to court for breaches of the AML/CTF Act?

- AUSTRAC has enforcement powers ranging from infringement notices to civil penalty proceedings. We are proud of the outcomes achieved to date, including record civil penalties that reflect the serious consequences for the community if reporting entities fail to fulfil their obligations.
- We take enforcement action to ensure entities comply with their AML/CTF obligations. The type of action needs to reflect the nature of the breaches involved, any harm resulting from the breaches, and actions required to bring an entity into compliance.
- We will not hesitate to take civil penalty proceedings, where that is the appropriate outcome. We are also increasingly taking actions that secure compliance more quickly and cost effectively than civil penalty proceedings.

If asked—casinos

Why did AUSTRAC expand its enforcement investigation of The Star?

- We expanded our ongoing enforcement investigation to include further entities in the Star Entertainment Group related to, or involved in, the AML/CTF functions of its casino operations.
- AUSTRAC makes decisions about whether and when to commence an enforcement investigation in accordance with our approach to regulation.

What is the status of AUSTRAC's enforcement investigation into The Star/SkyCity Adelaide? How long will it take?

- Enforcement investigations into potentially serious and systemic non-compliance can take up to two years, depending on the extent and complexity of the issues that arise out of AUSTRAC's enquiries.
- Enforcement investigations into SkyCity Adelaide and the Star Entertainment Group continue. AUSTRAC is continuing to assess information and documents obtained and issuing notices to casinos when required.
- The investigations are nearing completion.

If asked—banking and finance

Why is AUSTRAC not pursuing civil penalty proceedings against NAB?

- AUSTRAC's decision is reflective of the work undertaken by NAB to date, and the level of engagement and investment it has displayed. AUSTRAC's view is that the compliance outcomes provide the best result for the Australian public.
- We continue to monitor NAB's remediation actions. AUSTRAC is not prevented from taking further enforcement action if circumstances support this.

Why did AUSTRAC not commence investigating PayPal when it self-disclosed in 2019?

- In 2019 PayPal self-disclosed breaches **s 47G(1)(a)**
- AUSTRAC conducted regulatory supervisory work shortly after, resulting in a decision to order an external audit of PayPal (completed in August 2020).

Why is AUSTRAC's investigation of PayPal still ongoing?

- PayPal is a large organisation with a particular model for providing designated services. The investigation covers a complex fact base and multiple potential issues.
- While every investigation is different, we estimate that high-complexity investigations can take 18 to 24 months to complete.
- AUSTRAC's investigation is nearing completion.

If asked—betting

Why is AUSTRAC investigating Entain Group Pty Ltd?

- AUSTRAC's role is to protect the community against serious financial crime and terrorism financing. Stopping the movement of money to criminals and terrorists is a vital part of our national security defences. It is critical for regulated businesses in Australia to comply with the AML/CTF regime.
- AUSTRAC will not hesitate to take action when these obligations are not met. This is aligned with AUSTRAC's role and community expectations.
- It is not appropriate to discuss details as the investigation is ongoing.

Does AUSTRAC have any evidence of Entain Group enabling criminal activity?

- Criminals seek to exploit the financial system to launder their money, and harm the community, which is why it is so important that regulated businesses take their AML obligations seriously.
- It is not appropriate to comment on any specific allegations or intelligence operations underway.

Are other corporate bookmakers being considered for investigation?

- The sector has a responsibility to ensure it devotes the necessary resources, and develops adequate processes, to comply with AML/CTF obligations.
- AUSTRAC works closely with, and regulates other companies in, the sector. We expect all to comply with the AML/CTF legislation.

Has AUSTRAC been in touch with any other regulators (in the US, UK or in the region) about Entain?

- AUSTRAC engages regularly with our partner regulators in the region and internationally.

Background

AUSTRAC's enforcement powers

Infringement notices

- \$13,320 per contravention for a limited subset of the obligations under the AML/CTF Act.

s 42(1)

- Covers unregistered remittance, customer identification, some reporting failures, and a range of administrative breaches.
- Can only be issued for breaches occurring in the last 12 months.

Enforceable undertakings

- An entity can offer an undertaking to do, or not do, certain things to ensure its compliance with the AML/CTF Act.
- An undertaking can require a range of actions, including remediation of existing breaches and improvements to systems and controls to prevent future breaches.
- Compliance can be enforced in the Federal Court.

Remedial directions

- AUSTRAC can require an entity to take steps to prevent breaches of the AML/CTF Act, or remedy past reporting failures.
- Failure to comply exposes the entity to possible civil penalty proceedings.

Civil penalty proceedings

- The AUSTRAC CEO can apply to the Federal Court for civil penalties in respect of a wide range of breaches of the AML/CTF Act.
- The maximum penalty for a single breach is \$22.2 million.

Released by AUSTRAC under the FOI Act 1982 on 26 April 2025

AUSTRAC—Budget Estimates October-November 2022

BACK POCKET BRIEF: Digital currencies and emerging technology

Key points

Digital currency exchange (DCE) providers

- Australia was one of the first countries in the world to regulate DCE providers for AML/CTF purposes.
- AUSTRAC began regulating DCE providers in April 2018, more than a year before the global standard-setting body, FATF, introduced standards to guide regulation of the sector around the world.
- DCE providers are required to implement the same AML/CTF measures as other regulated sectors, but tailored to the sector's unique characteristics.
- **407 DCE providers** were registered with AUSTRAC at 30 June 2022.
- We work with the DCE sector, and domestic and international regulators/jurisdictions, to enhance understanding of risks, gaps and opportunities of blockchain technology.
- AUSTRAC established twice-yearly meetings with Blockchain Australia, the Australian Bitcoin Industry Body and members of the DCE sector in Australia.
 - We give updates on policy and regulatory developments, and trends affecting the sector, and hear from DCE providers about issues.
 - We last met with Blockchain Australia in August 2022, and the Australian Bitcoin Industry Body in July 2022.
- AUSTRAC attends industry events and engages with new industry groups.
 - AUSTRAC spoke at the Institute of Public Accountants' inaugural Cryptocurrency Conference on 31 August 2022, about the risk-based approach to AML/CTF regulation of DCEs.
 - AUSTRAC spoke at the Intersekt Fintech Conference in September 2022 about debanking and AML/CTF compliance.
- AUSTRAC participates in, and contributes expertise to, the Council of Financial Regulators' Crypto Eco-system working group on crypto assets and related topics.
- We engage with leading DCE providers through Fintel Alliance, to understand risks and detect and mitigate money laundering using digital currencies.
- AUSTRAC is a member of several law enforcement and criminal intelligence-focused forums.
- AUSTRAC represents Australia at the international FATF Virtual Assets Contact Group (meeting regularly since 2019, most recently a virtual meeting in September 2022), and supports other FATF meeting representations.

Farrell Payment Systems Review and the Senate Inquiry into Australia as a Technology and Financial Centre

- During 2020 and 2021 AUSTRAC engaged with the Farrell Payment Systems Review and the Senate Select Committee on Australia as a Technology and Financial Centre.
- AUSTRAC is working on implementing the Government response (published on 8 December 2021), with the Treasury and other relevant agencies, through working groups of the Council of Financial Regulators. This includes:
 - Treasury consideration of the the feedback from the March 2022 consultation on the recommendation to establish a market licensing regime for DCE providers
 - a token-mapping exercise announced by the Treasurer on 22 August 2022.
- Questions concerning these issues should be directed to the Treasury.

Cryptocurrency capabilities to fight serious crime

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- Blockchain analytics tools are critical to detecting illicit activity, including child exploitation, by tracing transactions on the blockchain.
- There is a continuous need to evolve this capability to keep up-to-date with new cryptocurrencies, technological changes and increased uptake of virtual assets for legitimate and illicit use. This includes ensuring tools, data and training available to our analysts remain fit-for-purpose, scalable and future facing, to enhance the financial analysis of cryptocurrency transactions.

Released by AUSTRAC under the FOI Act 1982 on 26 April 2023

If asked***Is AUSTRAC responsible for regulating cryptocurrencies?***

- AUSTRAC is not responsible for regulating digital currencies, just as we are not responsible for regulating physical currency, i.e. the Australian dollar. We regulate, for AML/CTF compliance, DCE businesses that exchange fiat currency to digital currency and vice versa.
- Several regulatory bodies have an interest in aspects of dealings with digital currencies by entities and individuals, including:
 - ASIC for corporations law compliance
 - ACCC for consumer protection, breaches of fair trading and competition law
 - ATO for taxation law compliance
 - APRA, where conduct of regulated entities dealing with digital currencies may adversely impact the interests of depositors, policy holders and superannuation fund members
 - RBA for impact on Australia's monetary policy and stability of the Australian currency and financial system.
- We engage with regulatory bodies including via a working group of the Council of Financial Regulators (chaired by the RBA).

Is it true that AML/CTF regulation is contributing to the de-banking of DCEs and fintech businesses?

- **See also 'De-banking' brief.**
- The causes of de-banking are complex and go beyond AML/CTF regulation. De-banking is international and has affected sectors over many years, not just fintechs or DCE providers (for example, remitters).
- There is nothing in the AML/CTF Act or Rules requiring banks to cease providing services to DCE providers or other legitimate businesses. The application of enhanced due diligence measures in high-risk circumstances may lead to a reporting entity deciding to make such a decision.
 - Financial institutions are encouraged to adopt a case-by-case approach to assessing risk—e.g. in our statement published on 29 October 2021. We are developing guidance to elaborate on issues raised in the statement, which should be finalised by the end of 2022.
- AUSTRAC would prefer DCE providers, fintechs and remitters have access to bank accounts, to ensure the sectors can operate openly and transparently, which facilitates risk mitigation and effective reporting. It is also in their best interests to do everything they can to show they are complying with AML/CTF obligations, which builds trust between the institution and business customer.
- Any decision to provide services to a customer is ultimately a commercial one for banks, and AUSTRAC cannot force a bank to open an account.
- We sought to address de-banking concerns affecting the remittance sector, by publishing a risk assessment of Pacific remittance corridors, highlighting the lower risk of remittances from Australia to Pacific Island countries.

If asked: the final report of the Select Committee on Australia as a Technology and Financial Centre refers to the register of businesses not being publicly available—why is this?

- AUSTRAC has refrained from publishing the DCE Register, given:
 - the DCE sector is an emerging industry, particularly at the time regulation commenced in 2018
 - there were concerns that publication of the register could lead to closure of accounts and de-banking
 - registration with AUSTRAC is for undertaking appropriate regulatory supervision of a businesses—there were concerns registration would be taken as government endorsement of a specific business.
- AUSTRAC continues to monitor international and domestic developments that may have an impact on the question of publishing the DCE Register.

What are the financial crime risks associated with digital currencies?

- Digital currencies are attractive to criminals because they give people the ability to engage in secure, electronic, person-to-person transfers.
- Distributed ledger technologies, e.g. blockchain, are public and transparent, but create financial crime risks as transactions provide pseudo-anonymity.
 - Many digital currencies operate on distributed ledgers that publish wallet addresses and ensure a degree of transparency for transactions, although not the names of people engaging in the transactions.
 - Privacy coins or other anonymity-enhancing technologies seek to obscure transactions further, to prevent tracing through the distributed ledger.
- Bitcoin remains prevalent generally, and among criminals, because it is a known product and quite widely adopted. We are aware of reports about increasing use of privacy coins, e.g. Monero, in some contexts such as darknet marketplaces.

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How does AUSTRAC trace illicit transactions through digital currencies?

- We have a specialised financial cyber team that works to trace illicit proceeds generated in, or laundered through, digital currencies.
- This relies on: reporting from the DCE sector; information obtained under notice powers in the AML/CTF Act; blockchain analysis tools; and other data sets.
- We do not disclose specific details, to preserve this capability.

Is AUSTRAC aware of—or engaged with—the Government’s National Blockchain Roadmap?

- AUSTRAC was engaged on elements of the development of the National Blockchain Roadmap, led by the Department of Industry, Science, Energy and Resources, released in February 2020.
- AUSTRAC was also engaged through participation in the National Blockchain Roadmap working groups relating to regtech and cybersecurity.
- Questions about the current status of the National Blockchain Roadmap should be referred to the Department of Industry, Science and Resources.

Is AUSTRAC going to develop/publish a risk assessment of the DCE sector?

- AUSTRAC published several ML/TF risk assessments in the second half of 2022. Over the next six months, we will commence updated national risk assessments of ML/TF in Australia. These may consider relevant risks associated with digital currencies and/or the DCE sector.
- AUSTRAC is currently exploring a change in approach to identifying and reporting on ML/TF risks as they relate to our regulated population. The aim is to deliver more targeted and timely products to industry, including for DCEs.

Released by AUSTRAC under the FOI Act 1982 on 12 April 2023

Background

DCE obligations

- The amendments to the AML/CTF Act that commenced in 2018 included clear definitions of digital currencies and DCE providers.
- In the lead-up to April 2018, AUSTRAC worked extensively with the sector to:
 - develop a bespoke SMR format to take advantage of information available to DCE providers, such as IP addresses and device identifiers
 - co-design guidance on how to implement risk-based measures to combat ML/TF, including indicators of higher-risk activities involving digital currencies—the guidance was well received by the sector and is available on the AUSTRAC website.

s 47E (d)

Revised FATF standards

- FATF introduced standards in 2019 that commit its members and the broader FATF network (190+ jurisdictions) to regulate five activities for AML/CTF.
- FATF also introduced a standard applying the travel rule to transfers of digital currencies by DCE providers on behalf of customers, which:
 - means the DCE provider must identify the payer and payee of a transfer and send this information simultaneously and securely to any other DCE involved in the transfer
 - allows DCE providers to apply appropriate ML/TF risk mitigations and sanctions controls, and make the information available to law enforcement on request.

s 47C(1)

AUSTRAC—Budget Estimates October-November 2022**BACK POCKET BRIEF: Gambling—Star Entertainment Group****Key points*****The Star casino—compliance assessments***

- Between 2017 and 2022 AUSTRAC has done a significant amount of work in the casino sector. This includes completing **13 compliance assessments** of Australian casinos—**four of which related to The Star Sydney and two of the casinos in the Star Entertainment Group**.
- The six Star assessments varied widely in terms of scope and depth.
- Three assessments focused on the AML/CTF program, two on SMR data quality and one on how The Star was implementing its AML/CTF framework relating to high-risk customers.
- Each of the assessments, conducted in 2017 (x2), 2018 and 2019, was an escalation of intensity in our compliance efforts. For example: the 2017 assessment reviewed no customers; the 2018 assessment reviewed five customers; and the 2019 assessment reviewed 100 customers.
- Our risk-based approach to regulation means intensity increases commensurate with our level of concern, and may involve multiple engagements over a period of time. It is not feasible, or in anyone's interests, for AUSTRAC to conduct intensive and invasive assessments as a first option for all reporting entities.
- In 2019 AUSTRAC formally established a gambling supervision team in recognition of the unique risks and challenges in the sector. The team conducted the intensive 2019 compliance assessment that led to the enforcement investigation commencing in June 2021.

The Star casino—investigation

- In June 2021 AUSTRAC commenced an enforcement investigation into The Star Sydney Pty Ltd, resulting from a compliance assessment that began in September 2019.
- This investigation expanded into other Star Entertainment Group reporting entities in January 2022.
- AUSTRAC's Enforcement team is continuing to obtain information and documents from Star entities and other sources, and assessing that evidence.
- AUSTRAC won't comment further as the investigation is ongoing. It is not AUSTRAC's practice to provide details because it may:
 - expose vulnerabilities in an entity's compliance that could be exploited by organised crime
 - reveal commercially-sensitive information
 - highlight AUSTRAC's methodology for conducting assessments and enforcement investigations
 - undermine the integrity of the investigation
 - provide an incomplete assessment of the entities' compliance as the investigation is ongoing.

If asked

Have you identified concerns with the Star's AML compliance?

- AUSTRAC is investigating areas of potential non-compliance/concern identified in the 2019 compliance assessment. These currently include The Star's management of customers identified as high risk and politically-exposed persons.
- The enforcement investigation may identify additional areas of concern requiring investigation, but it is not appropriate to go into detail as the matter is ongoing.

Why was AUSTRAC so slow in taking action against Star?

- AUSTRAC refutes any suggestion that we failed or were slow to act. AUSTRAC identified multiple compliance concerns and issued findings and recommendations as part of our compliance engagement with The Star.
- AUSTRAC commenced assessments of Crown Melbourne, The Star Sydney and SkyCity Adelaide prior to the establishment of state-based inquiries and Royal Commissions, which led to detailed enforcement investigations.
- AUSTRAC has worked closely with the ACIC, Victoria Police, AFP, state and territory law enforcement and other agencies, on operations targeting criminal activity and potential ML in Australian casinos.
- In parallel with our regulatory work, financial intelligence has been generated to support partner agencies investigating ML through casinos in Australia.
- AUSTRAC contributions include:
 - dissemination of intelligence reports providing specialist financial intelligence relating to customers of interest and patterns of activity at gaming venues
 - development of a profiling capability to detect high-risk, cash-based junket activity for referral to partners for target development
 - secondment of AUSTRAC staff to provide intelligence support to operations
 - facilitation of information exchanges between domestic agencies and international FIUs, and law enforcement, regarding entities of interest.
- Australian law enforcement activity contributed to the offshore arrest of the head of the Suncity Junket, Alvin Cheok Wa Chau, by Macau Police in November 2021. Chau was charged with ML, illegal gambling and criminal association offences.

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What engagement has AUSTRAC had with the Bell Independent Inquiry?

- AUSTRAC worked closely and met with counsel and solicitors assisting the inquiry, to share information about:
 - AUSTRAC's role in detecting and deterring ML
 - AUSTRAC's engagement with The Star, LGNSW and ILGA
 - AUSTRAC's designated partner agencies having direct online access to our database via Analyst Work Bench.

What is AUSTRAC doing about the allegations that hundreds of millions of dollars were laundered through The Star's account that have been raised during the Bell Independent Inquiry?

- Due to the nature of the business they conduct, casinos are exposed to real and significant ML risks. The AML/CTF regime requires casinos to identify, assess and implement controls to manage those risks.
- AUSTRAC has published guidance and risk assessments about some of the risks faced by casinos. This can be useful to other agencies that regulate casinos, and ideally be used by casinos to inform their own AML/CTF programs.
- AUSTRAC has been undertaking compliance assessments across the casino sector to assess the sector's ability to comply with key requirements of the AML/CTF Act and Rules. Through this work, AUSTRAC identified concerns about The Star's compliance with its AML/CTF obligations, and commenced an enforcement investigation. It is not appropriate to discuss the scope and details of

ongoing investigations. Such investigations require confidentiality to ensure that lines of enquiry can be pursued impartially, objectively and based on evidence.

What engagement has AUSTRAC had with External Review of the Queensland Operations of the Star Entertainment Group Limited?

- AUSTRAC liaised with Counsel assisting the Review, on matters relevant to AUSTRAC's enforcement investigation into the Star entities.
- The final report of the Review ('Gotterson report') was released on 6 October 2022. There were no recommendations directly relevant to AUSTRAC. The report mentioned:
 - '[The Star's AML/CTF program] is the subject also of an investigation by AUSTRAC, the agency responsible at a federal level for such matters. It is appropriate that this issue be dealt with at that level, and my findings in this regard are limited to the specific examples which were the subject of evidence before me.'
 - 'AML/CTF remains the preserve of AUSTRAC and the AML Act and AML Rules. I would not see as desirable the duplication of responsibilities for AML/CTF in Queensland.'

S 47E (d)

Released by AUSTRAC under the FOI Act 1982 on 26 April 2023

Does AUSTRAC regulate junkets/JTOs in the casino sector?

- AUSTRAC does not regulate JTOs. AUSTRAC regulates entities that provide 'designated services'. It is AUSTRAC's view that the services provided by JTOs are not designated services defined by the AML/CTF Act.
- Casinos can submit SMRs to AUSTRAC about junket participants, e.g. suspicion about a participant's gambling activity.
- If a junket participant holds a 'front money account', threshold transactions on that account would be reportable to AUSTRAC.

- AUSTRAC works closely with law enforcement partners on operations targeting criminal activity associated with junkets.
- AUSTRAC completed a risk assessment of JTOs.
- States and territories make decisions about licensing arrangements or conditions on JTOs.
- Questions about AML/CTF policy are more appropriately put to AGD.

Does AUSTRAC support: prohibiting casinos from dealing with JTOs; a junket registration approach, similar to Nevada; a junket licensing approach, similar to Singapore?

- AUSTRAC's risk assessment on JTOs assessed the associated ML/TF risks as high.
- It is ultimately a matter for licensing authorities in the states if they consider that the risks posed by junkets are managed appropriately, and if further restrictions are warranted.
- Under current AML/CTF legislation, casinos must identify, assess and manage the ML/TF risks associated with junkets. AUSTRAC has powers to ensure that casinos are complying with this obligation and if not, take enforcement action.
- Through arrangements with casinos, JTOs and junket players are customers of the casino for the purposes of the AML/CTF Act. This means that casinos are required to identify, manage and mitigate the ML risks posed by JTOs and junket players.
- Casinos and other regulated entities are required to submit SMRs to AUSTRAC, which may include reporting about individual junket players, junket representatives and JTOs.

Released by AUSTRAC under the FOIA on 26 April 2023

s 47G(1)(a), s 47E(d)

Released by AUSTRAC under the FOI Act 1982 on 26 April 2023

s 47G(1)(a), s 47E(d)

Importance of independent reviews

- Reporting entities are at the frontline of Australia's AML/CTF regime. It is their responsibility to meet their obligations under the AML/CTF Act, including gaining the required assurance they are meeting their obligations.
- AUSTRAC should never be considered as a fourth line of defence for reporting entities.
- Reporting entities can gain assurance they are meeting their obligations in a number of ways, including by conducting an independent review pursuant to the AML/CTF Act.
 - An independent review is an impartial assessment of Part A of the AML/CTF program. It checks that an entity is complying with its program and that it: properly addresses the entity's ML/TF risks; complies with the entity's legal obligations; and is working as it should.
- AUSTRAC expects reporting entities to conduct regular independent reviews and promptly address any non-compliance uncovered.

Junkets

- Casino-based tourism and junkets are recognised nationally and internationally as being susceptible to ML.
- Following the COVID-19 pandemic and ongoing outcomes of inquiries and investigations into casinos, most casinos no longer allow junkets at their casinos. AUSTRAC will continue to engage with casinos, law enforcement and regulatory partners on emerging risks.
- JTOs organise gambling holidays to casinos. JTOs and their representatives are generally the main contact with the casino. This means the casino is not dealing 'directly' with individual players for some junket activities. A casino's customer for some designated services is the JTO and for others, like placing a bet, it is the individual players.
- The junket operator ordinarily receives a commission based on turnover of play.
- Risks include:
 - people carrying large amounts of cash into or out of countries
 - junket operators moving large sums electronically between casinos/to other jurisdictions
 - large cash placement at casinos by individuals

- layers of obscurity around the source and ownership of money—junket players often pool their money and the junket representative purchases and cashes in casino chips on their behalf.

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s 47G(1)(a)

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s 47G(1)(a)

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s 22(1)(a)(ii)

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s 22(1)(a)(ii)

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s 22(1)(a)(ii)

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AUSTRAC—Budget Estimates October-November 2022

BACK POCKET BRIEF: Gambling – Crown

Key points

- See Hot Topic brief ‘Casinos and money laundering’ for high-level TPs.

If asked

How has AUSTRAC cooperated with the state-level Royal Commissions and Inquiries?

Perth Casino Royal Commission

- AUSTRAC met with the Royal Commissioners, and counsel and solicitors assisting, to share information about:
 - AUSTRAC’s role in detecting and deterring ML
 - AUSTRAC’s engagement with WA Racing, Gaming and Liquor
 - AUSTRAC’s designated partner agencies’ direct online access to our database via Analyst Work Bench (AWB).

Royal Commission into the Casino Operator and Licence (Vic)

- AUSTRAC met with Commissioner Finkelstein on several occasions to share information about:
 - AML obligations of casinos
 - the respective roles of AUSTRAC, state police services and state regulators in detecting and disrupting ML that may be occurring in casinos
 - risks of ML associated with casinos
 - some controls and reforms that could enhance casinos’ resistance to ML.
- AUSTRAC also met with counsel assisting to provide further background on our risk assessment of junket tour operations published in December 2020.
- The Commission disclosed information to AUSTRAC for the purposes of our investigation into Crown Melbourne.

Inquiry under section 143 of the Casino Control Act 1992 (NSW)

- AUSTRAC initially provided information to the Bergin Inquiry in February 2020, and assistance to the Independent Liquor and Gaming Authority throughout the course of the Inquiry.
 - This included information on possible regulatory measures that could be applied by state and territory regulators, to complement AML/CTF legislation to mitigate ML/TF risks in the casino sector.
- While state and territory commissions and inquiries generally cannot compel the Commonwealth and its officers, AUSTRAC voluntarily provided information and assistance in acknowledgement of the importance of this Inquiry’s work.

How much could these breaches potentially cost Crown? How does it compare to Westpac/CBA/ Tabcorp case? How much under the legislation can be charged per breach?

- Whether a penalty is imposed and the amount of any penalty, are unresolved issues before the court. It would not be appropriate for AUSTRAC to speculate or pre-empt the resolution of those issues.
- Any penalty will be determined by the court following the application of settled legal principles about penalties under the AML/CTF Act, including:
 - the nature and extent of the contraventions
 - the circumstances in which the contravention took place
 - whether the conduct arose at the level of senior management or below
 - the nature of any loss or damage suffered as a result of the contravention
 - the circumstances of the reporting entity, including its size, financial position and the state of the entity's culture of compliance.
- ***If pressed:*** Determining a penalty involves a range of factors. It is a holistic exercise, not a mathematical or mechanical one.

How many contraventions occurred?

- Crown Melbourne and Crown Perth provided designated services over six years while their AML/CTF programs were non-compliant, leading to a significant number of contraventions.
- Crown Melbourne and Crown Perth also failed to carry out appropriate due diligence on their customers, with a view to identifying, mitigating and managing their ML/TF risks, on around 550 occasions.
- A reporting entity contravenes the AML/CTF Act on each occasion that it provides a designated service where it does not have a compliant AML/CTF program in place.
- At no time during the period investigated did Crown Melbourne or Crown Perth's AML/CTF programs meet the requirements under the AML/CTF Act and Rules.

Where would any potential money from a settlement go?

- Any penalty that the court may order Crown to pay as a result of this enforcement action would go to government consolidated revenue.

How does this compare to other enforcement actions/the size of other penalties?

- The facts of each civil penalty proceeding brought by AUSTRAC are significantly different. Any penalty the court ultimately orders against Crown will depend on a range of factors and application of settled legal principles.

AUSTRAC was aware of specific high-risk customers and scenarios. Why was AUSTRAC slow to act? Was AUSTRAC critical enough of Crown's AML/CTF programs in previous years? If you had been undertaking rigorous compliance assessments, why wasn't this significant non-compliance detected sooner?

- AUSTRAC regularly conducts targeted assessments of casinos' compliance with specific areas of their AML/CTF obligations. We engage with the sector through continuous comprehensive supervision and education outreach programs. We would refute any suggestion that AUSTRAC has failed or been slow to act.
- AUSTRAC undertook multiple targeted compliance assessments of Crown Melbourne and Crown Perth, on specific areas of AML/CTF obligations, over the last five years. A range of recommendations and findings were issued. Given the matter is before the court, it would not be appropriate to make any further comment on Crown's response to AUSTRAC's assessments and recommendations.
- In cases of significant and ongoing non-compliance, AUSTRAC will not hesitate to take appropriate and necessary enforcement action. This is aligned with AUSTRAC's role and community expectations.
- AUSTRAC and our law enforcement partners are highly focused on combating criminal abuse and ML in casinos.
- Since 2017 AUSTRAC has worked closely with the ACIC, AFP, state and territory law enforcement and other agencies, on operations targeting criminal activity and potential ML in Australian casinos.
- Information on the Crown customers in the statement of claim, informed allegations that are now before the court. It would not be appropriate for AUSTRAC to comment further on specific customers or operational matters.
- AUSTRAC uses financial profiles and tools to detect and monitor persons of interest, and patterns of behaviours and transactions that may indicate criminal activity in casinos.
- Our specialist financial intelligence analysts undertake extensive analysis to provide actionable intelligence to law enforcement and national security partners.
- AUSTRAC uses this specialised financial analysis to produce comprehensive intelligence products for our government partner agencies, identifying casino customers who display potential indicators of ML and other criminal activity.
- Our law enforcement partners have direct access to our intelligence systems. All transactions and suspicious matters reported to AUSTRAC are available to designated users in our government partner agencies, to support investigations.
- AUSTRAC works closely with government partners including the AFP, state and territory police, ACIC, Department of Home Affairs and ATO, on operations targeting ML and criminal activity associated with casinos.

Case example: Supporting law enforcement operations

- AUSTRAC provided financial intelligence to support partner agencies investigating ML through junket operations at Crown in Melbourne. Our contributions included:
 - disseminating intelligence reports providing specialist financial intelligence on Crown customers of interest and patterns of activity at gaming venues
 - developing a profiling capability to detect high-risk, cash-based junket activity, for referral to partners for target development purposes
 - seconding two AUSTRAC staff to provide intelligence support to the operation
 - facilitating information exchanges between domestic agencies and international FIUs and law enforcement, regarding Crown persons and entities of interest.
- Australian law enforcement activity contributed to the offshore arrest of the head of the Suncity Junket, Alvin Cheok Wa Chau, by Macau Police in November 2021. Chau was charged with ML, illegal gambling and criminal association offences.

s 47G(1)(a), s 47E(d)

Crown says AUSTRAC told it that X component of its AML/CTF program was fine or that it had addressed AUSTRAC recommendations. Why is AUSTRAC now alleging significant failures in these areas?

- Responsibility for developing and maintaining a compliant AML/CTF program rests with reporting entities. While AUSTRAC provides guidance and recommendations, we do not approve programs.
- Our compliance assessments are point-in-time reviews based on available documentation, and are necessarily limited in scope. We make it clear to reporting entities that these are not comprehensive statements of their compliance with the AML/CTF Act. We expect reporting entities to use compliance assessments to reflect on the compliance of their entire program, not just those aspects that AUSTRAC reviewed.

s 47G(1)(a), s 47E(d)

Released by AUSTRAC under the FOI Act 1982 on 26 April 2023

Crown's failings have been persistent over a period longer than 6 years. Why is AUSTRAC not considering potential breaches from prior to 2016?

- Under section 178 of the AML/CTF Act, proceedings for a civil penalty order may be started no later than six years after the contravention. As such, any breaches that occurred prior to 1 March 2016 cannot be the subject of civil penalty proceedings.

S 47E (d)

Did Crown self-disclose their breaches like Westpac/CBA did? When did AUSTRAC first learn about the non-compliance?

- The enforcement investigations into Crown Melbourne and Crown Perth were a result of a proactive compliance campaign that AUSTRAC initiated, and our ongoing engagement with the casino sector.

Was it failure in their IT systems?

- Crown's failures were caused by factors including systematic failures in ongoing risk management, assurance and oversight processes. The court documents contain more information.

Will the senior leaders who oversaw AML/CTF compliance at Crown be held to account by the legal system, will there be criminal penalties for them?

- The alleged breaches of obligations under the AML/CTF Act relate to civil penalty provisions.
- Boards and senior management of regulated businesses are required to approve and provide oversight over their AML/CTF program, which details how the business will identify, manage and mitigate ML/TF risks that the organisation faces in the course of its business activities.
- AUSTRAC's role is to ensure that regulated entities comply with their obligations under the AML/CTF Act.
- This action sends a strong statement to the casino industry, and all businesses regulated by AUSTRAC, that action will be taken for serious failings to comply with obligations.

- AUSTRAC will not comment on actions that may be undertaken by other regulators or law enforcement.
- AUSTRAC has not filed proceedings against any individuals, only Crown Melbourne Ltd and Burswood Nominees Ltd.

s 47G(1)(a), s 47E(d)

Does the Attorney-General have final approval over AUSTRAC taking Crown to court or any settlement if one is reached? Does any other Minister have an involvement in this process?

- Any penalty imposed is a matter for the Federal Court to determine.
- AUSTRAC is an independent statutory agency and manages our operations, including enforcement activity, as legislated under the AML/CTF Act.
- Approval from the Attorney-General is not required for AUSTRAC to commence civil proceedings.
- The Legal Services Directions 2017 requires significant matters to be reported to AGD, and the Attorney-General's approval obtained, before settling a significant matter. AUSTRAC will comply with these obligations in the conduct of this matter.

AUSTRAC alleged failures by board and senior management in overseeing the AML/CTF program. Will ASIC be taking action against former or current officers of Crown?

- Boards and senior management of regulated businesses are required to approve and provide oversight over their AML/CTF program, which details how the business will identify, manage and mitigate ML/TF risks that the organisation faces in the course of its business activities.
- AUSTRAC will not comment on activities or actions that may be taken by other regulators.
- We note that the Corporations Act and the AML/CTF Act are different legislative regimes.

What evidence does AUSTRAC have of Crown customers enabling crimes? Does AUSTRAC have any evidence of offshore criminal networks exploiting Crown?

- AUSTRAC does not comment on operational matters.
- As the matter is before the court, AUSTRAC is unable to provide further comment on the details in the court documents.
- We work closely with state and territory regulators, as well as law enforcement partners, to actively address the significant risks of ML through casinos.
- We provide actionable financial intelligence to our law enforcement and national security partners.
- AUSTRAC has assisted criminal investigations concerning potential ML in Australian casinos, and supported the AFP and state law enforcement to dismantle transnational criminals involved in importing and distributing large amounts of illicit narcotics and laundering money that funds serious crime in Australia and internationally.
- Our law enforcement partners have direct access to our intelligence systems. All transactions and suspicious matters reported to AUSTRAC are available to designated users in Commonwealth, state and territory partner agencies to support their investigations.

s 47G(1)(a), s 47E(d)

s 47G(1)(a), s 47E(d)

Released by AUSTRAC under the FOI Act 1982 on 26 April 2023

Is AUSTRAC more focused on fines/enforcement than combating ML and crime?

- AUSTRAC is committed to fighting ML. It is our core mission and what we are focused on every day.
- Reporting entities are the front line of defence, with a pivotal role in hardening the financial system to criminal exploitation. By identifying how their business may be exposed to ML risks and putting in place controls to mitigate those risks, reporting entities make their business less vulnerable to money launderers. Businesses that don't take this responsibility seriously, expose the whole system to risk.
- We work collaboratively with industry to help them harden themselves to criminal exploitation, and ensure they provide good quality financial information and reports of suspicious activity. Our intelligence analysts use this information to work with law enforcement and national security agencies to target ML/TF and other serious crimes.
- We work closely with our international and domestic law enforcement and regulatory partners, to actively address the risk of ML through casinos, to detect and disrupt ML and other serious crime. This includes providing intelligence and insights on the movement of money into and out of Australia that may be linked to illegal activity.

Is AUSTRAC concerned about the overall risk of criminal activity in the casino sector? How widespread are the issues from the Crown matter across the sector? How much money is laundered through casinos?

- Casino operations globally are exposed to significant risk of ML and exploitation by criminals. It is vitally important that casinos take their AML obligations seriously.
- Casinos must put in place systems and controls that protect them from criminal abuse, and report financial transactions and suspicious activity to AUSTRAC.
- Our intelligence analysts use this information to work with law enforcement and national security agencies, to target ML/TF and other serious crimes.
- Our comprehensive industry education program supports regulated businesses to understand and mitigate their ML risks. Education is tailored for each sector and includes outreach activities and guidance materials.
- AUSTRAC's 2020 risk assessment of junket tour operations assessed the overall ML/TF risks associated with junkets to be high, and provided information to assist casinos to assess their level of risk, strengthen their controls and report suspicious activity to AUSTRAC.

s 47E(d)

Are the issues raised in the statement of claim relevant to other casinos/entities you are investigating?

- The allegations in this matter are only made against Crown Melbourne and Perth, and no other AUSTRAC reporting entity.
- AUSTRAC's enforcement investigations into SkyCity Adelaide and the Star Entertainment Group are continuing, and it is not appropriate to discuss details.

Is AUSTRAC focusing on the Casino sector?

- AUSTRAC actively regulates Australian casinos and engages with the sector via continuous comprehensive supervision and education outreach programs.
- Following proactive compliance work, AUSTRAC identified areas of concern requiring further investigation, and commenced detailed enforcement investigations into Australian casinos as a result.

S 47E (d)

- AUSTRAC's role is to ensure that entities comply with their obligations under the AML/CTF Act. We take a risk-based approach to regulation to fulfil our role. Our approach to regulation is based on a number of guiding principles.

Apart from SkyCity, Star and Crown, is AUSTRAC concerned about the compliance of any other casinos? Are all casinos failing to meet their obligations? What about other sectors—are there others failing as significantly as casinos?

- AUSTRAC regulates more than 17,000 financial entities, including banks, credit unions, remittance service providers and casinos.
- We constantly work with the businesses to support them in improving their compliance with obligations under the AML/CTF Act. This includes publishing education products and through engagement with entities and sectors.
- AUSTRAC undertook a casino roadshow campaign in 2021, following completion of Project Slalom, during which time we met with every casino across Australia. As part of this campaign we shared our learnings from Project Slalom with each casino and clearly conveyed our expectations of the broader casino sector.
- There will be areas where businesses could improve their compliance, and we will work closely with them to assist. There are other times where action is required in cases of significant risk and ongoing non-compliance that threatens to undermine integrity of our financial system.
- AUSTRAC will take appropriate and necessary enforcement action against non-compliance.
- AUSTRAC recently announced the commencement of an enforcement investigation in relation to a corporate bookmaking entity, Entain.

s 47B(a)

- AUSTRAC works closely with state and territory regulators, and law enforcement partners, to actively address the significant risks of ML through casinos.
- AUSTRAC provided regular assistance to ILGA during the course of its inquiry.
- AUSTRAC shares information with law enforcement and regulatory partners via MOUs and other information-sharing mechanisms.
- Under existing arrangements, many state authorities have direct online access to AUSTRAC systems, which can be configured for real-time detection and alerting, providing complete access to transactions reported to AUSTRAC.
- AUSTRAC consulted with and shared the findings of the AUSTRAC 2017 Casino Junkets Campaign Information Report with state and territory gambling regulators.
- AUSTRAC and our law enforcement partners are highly focused on combating criminal abuse and ML in casinos.
- Since 2017 AUSTRAC has worked closely with the ACIC, AFP, state and territory law enforcement and other agencies, on operations targeting criminal activity and potential ML in Australian casinos.
- Further questions can be referred to AGD as the relevant AML/CTF policy lead.

Questions about enhanced CDD and suspicious matter reporting

- Australian casinos are required under the AML/CTF Act to undertake ongoing due diligence of their customers.
- In certain circumstances, they are also required to conduct enhanced CDD. This requires casinos, in certain circumstances, to take steps such as:
 - conducting additional checks to ensure their customer is who they say they are
 - understanding the source of the customer's funds and wealth
 - analysing the customer's transactions
 - seeking senior management approval to continue the business relationship with the customer.

AUSTRAC—Budget Estimates October-November 2022

BACK POCKET BRIEF: Pubs and Clubs

Key points:

- AUSTRAC regulates pubs and clubs with electronic gaming machines (EGMs) for compliance with the AML/CTF regime.
- AUSTRAC's risk-based approach includes conducting compliance assessments to ensure pubs and clubs are meeting their AML/CTF obligations.
- We engage with pubs, clubs and industry associations to educate their staff to identify and report to AUSTRAC, and raise ongoing awareness of obligations and risks to the sector.
- In November 2021 AUSTRAC commenced a campaign to clarify reporting requirements with pubs and clubs, to ensure they are aware that threshold transactions involve cash only.
- In December 2021 AUSTRAC published a new regulatory guide to help pubs and clubs with EGMs to understand and apply their AML/CTF obligations.
- AUSTRAC is currently undertaking an extensive pubs and clubs campaign.
 - From March to August 2022 AUSTRAC conducted site visits of pubs and clubs in metropolitan and regional areas across the country (except WA, which does not have venues with EGMs), to promote the regulatory guide and improve their understanding of AML/CTF obligations.
 - **247 visits** occurred, which, due to ownership arrangements, enabled coverage of **1,020 individual venues**.
 - State-based regulators joined AUSTRAC on many of the visits.
 - The visits contributed to a significant increase in SMR reporting. In the first two months of the visit campaign, the SMRs reported by the sector surpassed the annual average for 2016-2019.
 - In the 2022 calendar year so far, we have received more than **2,300 SMRs** from the sector. We expect this to exceed **3,000** by the end of 2022.
- In early September 2022 AUSTRAC visited **six** venues and made contact with large hotel groups with venues in the vicinity of Greyhounds Entertainment Club in Springvale, Victoria. This followed resolution of the AFP's Operation Arvon. The purpose of engagement was to warn of the potential risks of displacement of suspected money launderers.

s 37(1)(a)

- The AFP charged three members of an alleged Melbourne ML syndicate for allegedly paying patrons to sign over their winning cheques from EGMs, dealing with proceeds of crime, and engaging in conduct in relation to proceeds of general crime.
- Following our education and outreach with the sector, AUSTRAC commenced a compliance campaign in partnership with our state and territory regulatory partners. It will focus on key obligations including the identification of ML/TF risk and SMR reporting. The campaign will involve onsite assessments of venues in NSW, Vic, Qld and NT.
- AUSTRAC develops educational products for pubs and clubs, to help protect their business from criminal exploitation and highlight ML and financial crime risks for EGM venues. Currently-available products are:
 - staff awareness poster to help gaming floor staff identify and report suspicious customer behaviour
 - *Money laundering in pubs and clubs: myths vs facts*, a poster outlining the top five myths about ML in pubs and clubs
 - video animation on the value of SMRs
 - *AML/CTF tips for pubs and clubs*, a fact sheet on how pubs and clubs with EGMs can protect themselves from being misused for ML/TF
 - *Preparing and implementing an AML/CTF program: pubs and clubs sector*
 - *I want to protect my business from money laundering*, a poster for EGM venues to help protect them from ML
 - a detailed regulatory guide outlining the obligations of pubs and clubs, which includes practical examples to assist them with understanding.
- AUSTRAC engaged pubs and clubs as part of the 2021 annual compliance report lodged by reporting entities, about how they are meeting their obligations.
- AUSTRAC engages other regulators and Commonwealth and state law enforcement partners, including working closely with NSW Liquor and Gaming and the Victorian Gambling and Casino Control Commission. We share information, support regulation and education of the gaming sector, and provide financial intelligence to support criminal investigations.

Key statistics

- At 1 September 2022: **3,599** pubs and clubs enrolled with AUSTRAC.
 - **NSW:** 1,888; **Qld:** 760; **Vic:** 420; **SA:** 402; **NT:** 53 **Tas:** 45; **ACT:** 31.
- **11 compliance assessments** of pubs and clubs in states and territories were conducted in 2019 and 2020. These resulted in 16 findings and 20 recommendations, all of which were subsequently remediated. The assessments focused on AML/CTF program Part A compliance, including risk assessment and independent review requirements.
 - No compliance assessments commenced in 2020 and 2021 due to AUSTRAC's ongoing focus on the casino and corporate bookmakers sector, and the impact of COVID-19 on the ability to conduct onsite assessments.

s 47G(1)(a), s 47E(d)

Released by AUSTRAC under the FOI Act 1982 on 26 April 2023

If asked

What is AUSTRAC doing about the serious ML allegations in the 60 Minutes investigation (of 24 November 2021)?

- This is a stark reminder that criminals continue to find ways to exploit businesses in Australia, to disguise and launder the proceeds of crime. Criminals seek to exploit the pubs and clubs sector. Some businesses are at higher risk due to their size and the nature of the products and services they offer.
- Regulated businesses are the front line of defence and provide important information, used to detect and disrupt ML and serious and organised crime.
- AUSTRAC continues to educate them on new and emerging risks that criminals pose to their businesses, and their obligations under the law, including having appropriate systems, controls and governance in place, and reporting high-quality financial information and SMRs to AUSTRAC.
- AUSTRAC has also provided education materials about the importance of staff on the gaming floor looking out for suspicious behaviour, and helping them to identify and report suspicious customer behaviour to AUSTRAC. Targeted resources are available on AUSTRAC's website.
- AUSTRAC works with state and territory regulators and law enforcement partners to actively address the risks of ML through pubs and clubs.
- AUSTRAC will continue to conduct compliance assessments and work with state and territory regulators to share information, including from compliance assessments, to support regulation and education of the pubs and clubs sector.
- AUSTRAC monitors reporting from/about pubs and clubs, and provides financial intelligence regarding suspected ML activity to law enforcement partners.
- Criminal investigations into suspected ML activity are the responsibility of law enforcement.

Questions about the cashless card

- It would not be appropriate for AUSTRAC to comment on any state-based proposal being considered.
- Cash remains a vulnerability in relation to ML. Illicit proceeds of criminal activity obtained in cash will continue to make their way into the financial system.

Is AUSTRAC going to develop/publish a risk assessment of the pubs and clubs sector?

- We published several ML/TF risk assessments in the second half of 2022.
- Over the next six months, AUSTRAC will commence updated national risk assessments of ML/TF in Australia. These may consider relevant risks associated with EGMs and/or the pubs and clubs sector.
- AUSTRAC is exploring a change in approach to identifying and reporting on ML/TF risks as they relate to our regulated population. The aim is to deliver more targeted and timely products to industry, including for pubs and clubs.

What are the outcomes of the NSW Crime Commission report on 'Inquiry into Money Laundering in Pubs and Clubs'?

- The NSW Crime Commission publicly released its report on 26 October 2022. Findings include:
 - criminals are funnelling billions of dollars of 'dirty' cash through poker machines in pubs and clubs every year in NSW
 - there are no effective controls or data collection to identify or prosecute those involved.
- The eight recommendations in the report include:
 - introduction of a mandatory cashless gaming card
 - enhanced data collection measures.
- The inquiry's scope was to investigate the nature and extent of ML that may be occurring in licensed premises in NSW, with particular reference to:
 - the use of EGMs
 - identifying potential vulnerabilities in regulations and legislation governing gaming machines that could be exploited for the purpose of ML
 - furnishing reports to government about matters on ML through EGMs.
- The inquiry was carried out with the Independent Liquor and Gaming Authority NSW and the assistance of AUSTRAC and the ACIC.
- From the NSW Crime Commission media release of 26 October 2022 (**attached**):

AUSTRAC CEO, Nicole Rose, said that cooperation between agencies as well as support to industry are critical to keeping the community safe from criminal activity.

"AUSTRAC values the partnership with law enforcement and state regulators to detect and disrupt criminal activities impacting our community," she said.

"It is important that pubs and clubs take their anti-money laundering obligations seriously. The year-long investigation has increased collective understanding of the threat, and renewed vigilance around pubs and clubs will limit the opportunity for criminal infiltration.

"AUSTRAC's education sessions and guidance for pubs and clubs with gaming machines have armed venues across the country with the tools to recognise and prevent money laundering on their premises."
- A ClubsNSW media statement of 26 October 2022 (**attached**) included:
 - 'the NSW club industry has been accused of allowing criminal gangs to launder substantial sums of dirty cash through poker machines'
 - 'the NSW Crime Commission has revealed that those allegations were - and are - completely baseless... that using gaming machines to clean large quantities of dirty money is 'high risk and inefficient' and that the practice is not widespread'
 - the 'report vindicates clubs and their 53,000-plus employees across the state'

- 'ClubsNSW is committed to working with the NSW Government to implement practical, proportionate and affordable responses to the Crime Commission's findings to further tighten money laundering controls'.
- In a media statement of 26 October 2022 (**attached**), Andrew Wilkie MP said:
 - 'Today's damning report by the NSW Crime Commission into money laundering in clubs and pubs is shocking but, regrettably, hardly surprising'.
 - '...the amount of dirty money being gambled and often laundered, measured in the billions of dollars annually in NSW alone, must surely force all state and territory governments to wake up and implement the strongest of reforms. For a start all jurisdictions must implement the Crime Commission's number one recommendation - that a mandatory cashless gaming system, in other words an anti-money laundering card, be rolled out'.
- In an Australian Hotels Association (AHA) NSW media release of 26 October 2022 (**attached**), the AHA NSW CEO said the NSW Crime Commission report found no widespread evidence that hotel gaming machines are being used to clean 'dirty money' in NSW, and that the call for cash to be banned in venues is an unjustified overreach.

Released by AUSTRAC under the FOI Act 1982 on 26 April 2023

Background

- Reporting entities with *more than* 15 EGM licence entitlements must:
 - have an AML/CTF program setting out how they identify, mitigate and manage the risk of their products or services being used for ML/TF
 - report suspicious matters and threshold transactions to AUSTRAC.
- Reporting entities licensed to operate *no more than* 15 EGMs have broad exemptions under the AML/CTF Rules, including from the requirements to have an AML/CTF program; submit compliance reports to AUSTRAC; and submit some transaction reports to AUSTRAC. Importantly, these reporting entities are still required to submit SMRs.
- Note: one reporting entity may operate multiple venues and its cumulative EGM entitlements determines the obligations.
- AUSTRAC (with law enforcement partners) generates financial intelligence on criminal syndicates that exploit gambling services to launder proceeds of crime.

Pubs and clubs 2019 compliance campaign

s 47G(1)(a), s 47E(d)

- Results of campaign: **16 findings** and **20 recommendations**.
- Main issues identified: ML/TF risk assessments; risk awareness training programs; incorporation of AUSTRAC guidance; and independent review.
- Pubs and clubs reviewed were in NSW, Vic, SA, Tas, ACT and NT. They varied in size from approximately 20 EGM licence entitlements to more than 500.

s 47E(d)

AUSTRAC's education and outreach work with pubs and clubs

- AUSTRAC engages with industry service providers (who provide guidance and assistance), to ensure pubs and clubs comply with their AML/CTF obligations.
- AUSTRAC has a comprehensive industry education program in place, which is tailored for each sector and includes guidance material and outreach activities.
- **May 2018:** AUSTRAC held workshops with **56 pubs and clubs**, including members of ClubsNSW.

- **October 2018:** AUSTRAC presented at the ClubsNSW annual conference.
- **April 2019:** AUSTRAC met with ClubsNSW to scope engagement with its members for the coming year.
- **2019:** AUSTRAC launched a communication initiative targeting pubs and clubs. This included tailored education material to build staff and industry association awareness of ML and criminal exploitation risks.
- **September 2019:** we provided 800 posters to ClubsNSW for their members, and an article to all associations (including ClubsNSW) promoting the posters.
- **January 2021:** we notified all SA pubs and clubs to consider the ML/TF risk of recently introduced ticket in/ticket out technology.
- **March 2021:** we presented to 30 Victorian clubs at a Community Clubs Victoria event and 60 participants at a Legalwise Liquor & Gaming Roundtable in relation to obligations of pubs and clubs.
- **November to December 2021:** we contacted 122 pubs and clubs to assist them in their understanding of reporting obligations, specifically regarding ensuring they are aware that threshold transactions involve cash only.
- **Throughout 2021 and 2022:** 19 pubs and clubs attended our induction program for newly enrolled reporting entities.
- **February to July 2022:** we presented on four occasions to over 250 members of both Community Clubs Victoria and Clubs NSW.
- **March to August 2022:** we visited 247 businesses with coverage of 1,020 venues, for education sessions and to promote the industry regulatory guide.
- **September 2022:** We visited six venues and made contact with two hotel groups to warn of the risks associated with the AFP's Operation Arvon.

S 47E (d)



New South Wales Crime Commission

NSW CRIME COMMISSION OUTLINES RECOMMENDATIONS TO CRACK DOWN ON SIGNIFICANT CRIMINAL GAMING ACTIVITY IN PUBS AND CLUBS - NSW Crime Commission

26 Oct 2022 8:55 AM



crimecommission.nsw.gov.au

A multi-agency investigation has found that criminals are funnelling billions of dollars of “dirty” cash through poker machines in pubs and clubs every year in NSW but there are no effective controls or data collection to identify or prosecute those involved.

Released by AUSTRAC under the FOI Act 1982 on 26 April 2025

The introduction of a mandatory cashless gaming card and enhanced data collection measures are among a series of recommendations of an extensive inquiry led by the NSW Crime Commission to crack down on money laundering through Electronic Gaming Machines (EGMs) in NSW pubs and clubs.

NSW Crime Commissioner Michael Barnes said poker machines offered criminals one of the last remaining safe havens where cash from criminal enterprises could be “cleaned” or gambled with virtual impunity.

“At the moment serious offenders can enter NSW pubs and clubs, sit down next to patrons in gaming rooms, and openly feed large sums of cash from their crimes into poker machines with no real fear of detection.

“The lack of traceable data collected by EGMs means the exact scale of this criminal activity is impossible to determine but it is clear from our investigations it involves many billions of dollars every year.

“These basic reforms will help exclude vast sums of dirty cash that are primarily the proceeds of drug dealing. I’m sure venues won’t argue they should keep receiving that,” Mr Barnes said.

Approximately \$95 billion in cash flows through poker machines in pubs and clubs in NSW each year, making it the gambling capital of Australia.

The NSWCC has made 8 recommendations for reform following the investigation carried out with the Independent Liquor and Gaming Authority NSW and the assistance of AUSTRAC and the Australian Criminal Intelligence Commission. The *Inquiry into Money Laundering via Electronic Gaming Machines* was focused on investigating and seeking to minimise criminal activity related to EGMs and is separate from other measures which governments and the industry are pursuing to address problem gambling and harm minimisation.

The inquiry examined two forms of money laundering – that which seeks to use EGMs to load, “clean” and then withdraw cash to hide its origin and that which involves criminals using the “dirty” cash to gamble.

Both are serious offences under the Crimes Act carrying a maximum 15 years gaol. (Part 4AC of the *Crimes Act 1900* (NSW))

The inquiry found that the “cleaning” of the proceeds of crime is not widespread in clubs and pubs as processing vast sums of cash is inefficient compared to other avenues for laundering. However, large sums of the proceeds of crime (dirty money) are being gambled by criminals in pubs and clubs across the state, rewarding and perpetuating crime in the community. As part of the evidence gathering, the Crime Commission used its special powers to summons witnesses, monitor persons of interest, and extensively analysed data and intelligence holdings across agencies.

The report contains case studies that provide real-life examples of how allowing cash to continue to be used in electronic gaming machines makes it easy for criminals to gamble with dirty money.

It also identified an apparent lack of awareness by club boards, hoteliers and their staff of their anti-money laundering responsibilities which it recommended also needs to be addressed with improved legislation and regulations.

Commissioner Barnes said: "It is a deeply concerning peculiarity that in the largely cashless digital economy in which we live that gambling in NSW pubs and clubs remains a \$95b a year information black hole. Clearly, that cannot be allowed to continue."

Deputy Chairperson of the Independent Liquor & Gaming Authority, Murray Smith, said the inquiry has given valuable insights into how billions of dollars in dirty money is being put through pokies in venues ranging from small country pubs to large suburban clubs.

"The inquiry has identified the many challenges law enforcement agencies face in targeting this type of money laundering, such as a lack of controls and traceable data.

"The Authority stands ready to work in collaboration with other agencies to implement any reforms based on the inquiry's recommendations.

"Innovations such as cashless gaming and more sophisticated data collection can be valuable tools in breaking the link between organised crime and gaming machines."

AUSTRAC CEO, Nicole Rose, said that cooperation between agencies as well as support to industry are critical to keeping the community safe from criminal activity.

"AUSTRAC values the partnership with law enforcement and state regulators to detect and disrupt criminal activities impacting our community," she said.

"It is important that pubs and clubs take their anti-money laundering obligations seriously. The year-long investigation has increased collective understanding of the threat, and renewed vigilance around pubs and clubs will limit the opportunity for criminal infiltration.

"AUSTRAC's education sessions and [guidance for pubs and clubs with gaming machines](#) have armed venues across the country with the tools to recognise and prevent money laundering on their premises."

Commissioner Barnes concluded: "The collaboration of the partners participating in this Inquiry has generated new insights that provide a sound evidence base for the recommendations contained in the report. The Government, stakeholders, and the public can have confidence that if implemented, these recommendations will reduce the impact of serious and organised crime in NSW."

Link to the full report: <https://www.crimecommission.nsw.gov.au/inquiry-into-money-laundering-in-pubs-and-clubs>

Operation Islington - Inquiry into Money Laundering via Electronic Gaming Machines

Recommendations

Recommendation 1

Government introduce a mandatory cashless gaming system to minimise EGM related money laundering within pubs and clubs.

Recommendation 2

Government, in consultation with industry and regulators, create a legislative or regulatory framework requiring certain standardised data be maintained for EGMs to better flag suspected money laundering.

Recommendation 3

Government engage with industry to:

- (a) identify ways that collection and analysis of EGM data could be enhanced for the purposes of money laundering identification at a venue level and to improve evidence available for prosecution;
- (b) explore technical and policy/process solutions to better utilise data collected by EGMs; and
- (c) identify ways of creating real-time alerts for money laundering flags.

Recommendation 4

The legislative and regulatory frameworks governing EGMs in NSW be amended to clarify that persons/entities with functions associated with EGMs must take steps to prevent money laundering.

Recommendation 5

Government introduce a mechanism that enables government agencies or venues to recommend the cancellation/revocation of an RCG certification; and a mechanism for the regulator to revoke an RCG certification in appropriate circumstances.

Recommendation 6

Government engage with industry and regulators to create a legislative or regulatory mechanism to support the exclusion of persons suspected of dealing with proceeds of crime from venues with EGMs, supplementing the existing rights of venues to exclude patrons from their premises.

Recommendation 7

Government, in consultation with industry, update education requirements to include education on money laundering and increase the frequency of the training provided to venues from internal and external sources to support venues in discharging their obligations under the AML/CTF Act.

Recommendation 8

Government work with industry to build the sector's investment in AML/CTF training and education, and secure support for training from external sources.

Contact details:

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Released by AUSTRAC under the FOI Act 1982 on 26 April 2023

26 October 2022

ClubsNSW Statement re NSW Crime Commission Inquiry Report

“For well over a year, the NSW club industry has been accused of allowing criminal gangs to launder substantial sums of dirty cash through poker machines. Today, the NSW Crime Commission has revealed that those allegations were — and are — completely baseless.

“The NSW Crime Commission found that using gaming machines to clean large quantities of dirty money is ‘high risk and inefficient’ and that the practice is not widespread. This is the finding that our not-for-profit member clubs expected.

“This report vindicates clubs and their 53,000-plus employees across the state. It confirms clubs do not aid or abet money laundering.

“ClubsNSW welcomes the Crime Commission’s recommendations to further improve the regulatory framework. We note that several of the recommendations were in fact proposed by ClubsNSW to bolster risk controls and empower clubs to ban criminals for life, including the recommendation for a state-wide exclusion register which would allow police to alert venues to patrons with criminal links. We believe this measure, together with the introduction of facial recognition technology announced by clubs and pubs last week, will make it near impossible for a criminal to enter a club in the future.

“ClubsNSW is committed to working with the NSW Government to implement practical, proportionate and affordable responses to the Crime Commission’s findings to further tighten money laundering controls.”

— Josh Landis, ClubsNSW CEO

[ENDS]

Media Contact

Michelle Rumery, ClubsNSW Media Manager: 0438 286 985



Andrew Wilkie MP
INDEPENDENT MEMBER FOR CLARK

26 October 2022

**CRIME COMMISSION SLAMS CLUBS AND PUBS
RECOMMENDS MANDATORY ANTI-MONEY LAUNDERING CARD**

Independent Member for Clark, Andrew Wilkie, will join Rev Tim Costello AO to discuss the NSW Crime Commission's damning findings into money laundering in clubs and pubs.

WHEN: 12:55pm TODAY 26 October 2022

WHERE: Mural Hall, Parliament House CANBERRA

"Today's damning report by the NSW Crime Commission into money laundering in clubs and pubs is shocking but, regrettably, hardly surprising", Mr Wilkie said.

"We all know that gambling joints attract trouble. But the amount of dirty money being gambled and often laundered, measured in the billions of dollars annually in NSW alone, must surely force all state and territory governments to wake up and implement the strongest of reforms.

"For a start all jurisdictions must implement the Crime Commission's number one recommendation - that a mandatory cashless gaming system, in other words an anti-money laundering card, be rolled out.

"The Tasmanian Government has announced that it will introduce this type of anti-money laundering card and the people of NSW deserve exactly the same level of protection from crime."

Rev Costello said the findings from the inquiry highlighted the need for comprehensive measures to be put in place.

"The game is up for clubs and pubs in NSW," Rev Costello said. "They have been enabling criminal activity for too long and an anti-money laundering card is the only way to protect the NSW community and its young people. Clubs and pubs have no right to try and resist this any longer."

For more information: 0427 291 785

MEDIA RELEASE



AUSTRALIAN HOTELS
ASSOCIATION
NEW SOUTH WALES

Wednesday, 26 October 2022

CASHLESS CARD – ‘UNPROVEN, UNTESTED, UN-COSTED & UNNECESSARY’

Today’s NSW Crime Commission Report has found no widespread evidence hotel gaming machines are being used to clean ‘dirty money’.

“The Crime Commission agreed with what we have said for some time – that the cleaning of the proceeds of crime is not widespread in NSW pubs,” AHA NSW CEO John Whelan said.

“To then, at the same time, have the Crime Commission call for all cash to suddenly be banned in venues is an unjustified overreach.

“We have an industry on its knees post-COVID now being told to introduce an unproven, untested, un-costed and unnecessary cashless system which treats every patron like a criminal.

“This is the type of misguided, sledgehammer approach which has resulted in past ‘policy on the run’ failures like the ill-fated greyhound ban and the now infamous lockout laws which crippled Sydney’s night-life for years.

“The Crime Commission has found using EGMs to clean dirty money is not widespread, so there is no reason why the use of cash should be banned - it makes no logical sense.

“There is no justification for government to monitor the recreational spending of the law-abiding people of NSW. If criminals are the problem, let’s target them.

“Only two weeks ago the NSW Government started a cashless gaming trial. Surely this and other planned trials need to be completed and assessed?”

Mr Whelan said the AHA would be supportive of a call by the Commission to reduce EGM cash load-up limits in an effort to stop criminals using machines.

“Hotels do not want criminals in venues - and we will work closely with Government, police and the community on common-sense measures which will actually work such as facial recognition to identify and ban criminals,” he said.

“Combined with a lower cash input limit, this will be the most effective way to prevent illegal money being spent in venues.”

“The AHA NSW is committed to working with government and police but there are better ways to target the small percentage of the population who are criminals – without destroying jobs, community facilities and have government monitoring the spending of the law-abiding public.

“Having millions of patrons forced to give up their personal details to be monitored should be a last step not a first one – especially with news today of yet another data breach affecting millions of Australians.”

Media Contact: Craig Vaughan 0423 796 882

Released by AUSTRAC under the FOI Act 1982 on 26 April 2023

AUSTRAC—Budget Estimates October-November 2022

BACK POCKET BRIEF: Gambling – Betting sector

Key points

Betting sector, including online gambling

- As at September 2022 AUSTRAC had **57 corporate bookmakers** and **291 oncourse bookmakers** enrolled (including online gambling).
- Betting agencies, including corporate bookmakers and oncourse bookmakers, are required to: have an AML/CTF program that sets out how they identify, mitigate and manage the risk of their products or services being used for ML/TF; and report TTRs and SMRs to AUSTRAC.
- AUSTRAC regulates online gambling entities that provide a designated service in accordance with the AML/CTF Act, including:
 - receiving or accepting bets
 - paying out winnings in respect of a bet
 - opening an account for betting services
 - allowing a transaction to be conducted on an account.
- AUSTRAC is **not** responsible for:
 - licensing, including licensing of gaming equipment
 - gambling addiction, harm reduction and responsible gambling
 - offshore gambling providers (including online) providing banned services
 - regulating junket tours, including approving junket tour operators
 - sports integrity
 - gambling policy
 - monitoring or collecting revenue from gaming activity.
- AUSTRAC recently completed a compliance campaign assessing the corporate bookmakers sector's compliance with the AML/CTF Act.
 - As a result, AUSTRAC commenced an enforcement investigation of **Entain Group**. (See '**Enforcement**' brief.)
 - On 3 November 2022 AUSTRAC announced that we have ordered the appointment of external auditors under section 162 of the AML/CTF Act to assess compliance of two corporate bookmakers, Sportsbet Pty Ltd and Hillside (Australia New Media) Pty Limited (Bet365).
 - The campaign may lead to other areas of focus in the sector.
- In November 2020 we published guidance for the online gaming sector, to enhance understanding of applying enhanced CDD and suspicious matter reporting for certain customer behaviours.
- In developing the guidance, we consulted with the Responsible Wagering Australia industry association and Tabcorp. It is subject to ongoing review and updating, including in response to issues identified in any compliance campaign.

Bet365 and Sportsbet

- AUSTRAC issued a notice to both Sportsbet and Bet365, requiring the appointment of an external auditor to examine their compliance with the AML/CTF Act and AML/CTF Rules.
- AUSTRAC has reasonable grounds to suspect that Sportsbet and Bet365 may have contravened, or are contravening, the AML/CTF Act and AML/CTF Rules.
- AUSTRAC's decision was made after ongoing engagement with Sportsbet and Bet365, and consideration of their suspected non-compliance.
- The scope of the external audit includes compliance with:
 - adopting and maintaining an AML/CTF program that has risk-based systems and controls in place to effectively identify, mitigate and manage ML/TF risks—the program should include a transaction monitoring program, enhanced CDD, KYC and identify significant changes in ML/TF risk
 - undertaking an ML/TF risk assessment that considers the risk posed by customer types, the types of designated services provided and the methods by which they are delivered
 - a framework through which Board and senior management have ongoing oversight of Part A of the AML/CTF program
 - whether they have appropriately monitored their customers to identify, mitigate and manage the risk they may reasonably face that the provision of designated services may involve or facilitate ML or TF.
- The audit will identify any areas of non-compliance and outline any necessary remediation. A copy of the final audit report will be provided to AUSTRAC.

Released by AUSTRAC under the FOI Act 1992 on 26 April 2023

If asked

What is AUSTRAC doing to regulate online gambling entities ('corporate bookmakers')?

- AUSTRAC regulates online gambling entities for compliance with the AML/CTF regime, in accordance with our risk-based approach to supervision. This includes compliance assessments to ensure betting agencies are meeting AML/CTF obligations.
- AUSTRAC recently completed a compliance campaign on the corporate bookmakers sector, assessing the sector's compliance with key requirements of the AML/CTF Act. The focus was on obligations regarding how specific reporting entities are identifying, mitigating and managing the ML/TF risk of their high-risk customers.
 - As a result of this compliance campaign, AUSTRAC commenced an enforcement investigation into Entain Group. (See '**Enforcement**' brief.)
 - On 3 November 2022 AUSTRAC announced that we have ordered the appointment of external auditors under section 162 of the AML/CTF Act to assess compliance of two corporate bookmakers, Sportsbet Pty Ltd and Hillside (Australia New Media) Pty Limited (Bet365).
- The majority of online gambling entities accept bets on events including racing, sport, politics, entertainment and fantasy markets, as approved by state/territory-based gaming regulators.
- Online gambling entities differ from other reporting entities in the gambling cohort, in that:
 - they have little or no face-to-face interaction with their customers—the majority of transactions are online, with a small percentage of designated services undertaken over the phone (exception: s 47G(1)(a) entities offering retail and online services)
 - they are traditionally less cash intensive than other gambling industries:
 - some large corporate bookmakers s 47G(1)(a) allow cash deposits at outlets such as newsagents and petrol stations
 - some allow customers to withdraw money onto specialised 'cash cards', which work in the same way as a debit card and allow the customer to purchase goods and services with funds from their betting accounts
 - most customers use debit and credit cards as well as direct deposits, s 47G(1)(a) to fund online gaming.
- Online gambling entities are required to:
 - have an AML/CTF program, which sets out how they identify, mitigate and manage the risk of their products or services being used for ML/TF
 - report TTRs and SMRs to AUSTRAC.
- Reporting obligations aim to harden the sector against misuse by criminals.
- AUSTRAC works closely with law enforcement partners, generating financial intelligence on criminal syndicates that exploit gambling services to launder proceeds of crime.

Can AUSTRAC do anything to ensure that offshore gambling entities are not facilitating financial crime such as ML/TF?

- AUSTRAC does not regulate offshore gambling entities, including online gambling entities based offshore.
- Offshore gambling entities (including offshore, online gambling entities) do not meet the geographical link test in the AML/CTF Act, which requires a permanent establishment of the entity to be present in Australia. This means these offshore gambling entities cannot be regulated in Australia for AML/CTF purposes.
- AUSTRAC's financial intelligence is used by domestic and international law enforcement partners to understand, detect and disrupt serious criminal activities.
- Online gambling is primarily regulated at the Commonwealth level under the *Interactive Gambling Act 2001* (IGA Act), which prohibits online gambling, with the exception of Australian licensed companies providing race and sports betting services, and supplying lottery tickets.
- The Department of Infrastructure, Transport, Regional Development, Communications and the Arts administers the IGA Act. The Australian Communications and Media Authority (ACMA) is responsible for compliance and education.

What's AUSTRAC's position on online gambling? Who is the responsible policy lead agency?

- Online gambling is regulated at the state, territory and Commonwealth levels.
- AUSTRAC regulates online gambling entities under the AML/CTF Act, where gambling services are permitted under the IGA Act to be provided through an internet/carriage service. This includes online race and sports betting services.
- As reporting entities, online gambling entities are required to comply with AML/CTF obligations to ensure they are identifying, mitigating and managing the risk of ML/TF being facilitated through their services.
- ACMA also regulates gambling that takes place online, through a website or app, and via a telephone.
- Any questions about the regulation of online gambling entities should be directed to the Department of Infrastructure, Transport, Regional Development, Communications and the Arts as the lead policy agency, and ACMA.
- State and territory authorities are responsible for licensing interactive gambling service providers. ACMA maintains a publicly-available register.

Why has AUSTRAC taken action against Sportsbet and Bet365?

- In considering this decision, AUSTRAC took into account the nature of the compliance issues identified during engagement with Sportsbet and Bet365.
- The appointment of an external auditor will also educate and assist Sportsbet and Bet365 to identify, develop and implement steps to effectively comply with the AML/CTF Act and AML/CTF Rules.
- The auditors' scope of work will be set by AUSTRAC. The auditor engagement will be at the expense of the entity.

Does AUSTRAC have any evidence of criminal activity as a result of Sportsbet's and Bet365's compliance issues?

- AUSTRAC will not comment specifically on the Sportsbet and Bet365 matters or pre-empt the auditor's findings and final report.
- Criminals will always seek to exploit the financial system to launder their money and harm the community, which is why it is so important that regulated businesses take their AML obligations seriously.

Will AUSTRAC instigate any court proceedings against Sportsbet or Bet365?

- The audits will be used to determine the extent of any compliance failures and whether further regulatory action may be required.
- The outcomes of the audits must be reported to AUSTRAC. We expect any non-compliance or issues to be acted upon and remediated.
- The results of the audits will give AUSTRAC better oversight and allow us to consider what further action (if any) may be required.

Are other corporate bookmakers being considered for audit?

- The sector has a responsibility to ensure it devotes the necessary resources, and develops adequate processes, to comply with AML/CTF obligations.
- AUSTRAC works closely with, and regulates other companies in, the sector. We expect all to comply with the AML/CTF legislation.
- We have an ongoing campaign in relation to the bookmaker sector, which may lead to other areas of focus within the sector.
- The appointment of external auditors for Sportsbet and Bet 365—two of the largest operators in the corporate bookmaking sector—reflects the next steps to improve the industry's performance.
- Any non-compliance represents an unacceptable risk to the Australian community and financial system. AUSTRAC will take appropriate action whenever we identify instances of non-compliance.

Has AUSTRAC been in touch with any other regulators (in the US, UK or in the region) about Sportsbet and/or Bet365?

- AUSTRAC engages regularly with our partner regulators in the region and internationally.

Background

Betting sector, including online gambling

- ACMA is responsible for:
 - ensuring compliance of regulated entities with the IGA Act
 - investigating and taking enforcement action in relation to non-compliance
 - investigating and taking action against gambling providers offering banned services (e.g. online casinos, in-play sports betting, unlicensed sports betting on the outcome of a lottery, credit provision for online sports betting, etc.)
 - maintaining a register of wagering service providers approved to offer wagering markets in Australia.
- The main exemption for online gambling entities is to the requirement that an applicable customer identification procedure (ACIP) be carried out before commencing to provide a designated service. A corporate bookmaker has 72 hours to carry out ACIP from the date an account is opened, provided that:
 - an online gambling service is provided to the customer
 - the customer is required to open an account
 - the customer is not permitted to withdraw any funds from the account prior to ACIP being carried out.
- The Department of Social Services (DSS) is responsible for improving the wellbeing of individuals and families in Australian communities, with a focus on harm minimisation, particularly in the context of illegal offshore wagering. DSS coordinated the first tranche of measures under the government's National Consumer Protection Framework for Online Wagering, to empower individuals and ensure the harm from online wagering is minimised.

Tabcorp matter

- In 2017 the Federal Court ordered Tabcorp to pay a \$45 million penalty for compliance failures under the AML/CTF Act.
- Key lessons from Tabcorp included that entities must:
 - appropriately resource their AML/CTF function
 - identify their customers
 - understand the importance of submitting timely SMRs
 - continue to monitor all customers with a view to identifying, mitigating and managing ML/TF risks.

AUSTRAC—Budget Estimates October-November 2022

BACK POCKET BRIEF: Cyber resilience and response

Key points

- AUSTRAC places great importance on the security of our data and systems. Data is collected and shared in accordance with the AML/CTF Act and protected in accordance with the Protective Security Policy Framework (PSPF) and Information Security Manual (ISM).
- Information sharing is a fundamental and critical aspect of AUSTRAC's operation. Cyber security threats are real, common and evolve rapidly. AUSTRAC has to balance the risks that arise from a rapidly-evolving threat landscape against the harm caused by not sharing information with partners.
- AUSTRAC is keenly aware of the need to both share and protect information, and is supportive of security measures.
- AUSTRAC regulates more than 17,000 reporting entities, including banks, credit unions, remittance service providers and casinos.
- AML/CTF Act requirements do not require telecommunications providers, such as Optus, to collect or retain data. Telecommunications providers are not reporting entities and are not regulated by AUSTRAC.
- All reporting entities must comply with the Privacy Act. Reporting entities that would otherwise be exempt, such as small businesses, have obligations under the Privacy Act because they are a reporting entity under the AML/CTF Act.
- AUSTRAC is proactively working with industry and government partners to identify the fraudulent use of compromised Optus customers' credentials. Widespread fraud using the Optus data breach information has not been identified to date.

Released by AUSTRAC under the FOI Act 1982 on 26 April 2023

If asked

Does AUSTRAC adequately protect its systems and data?

- We base our cyber security posture on relevant Australian Government security policies including the PSPF and ISM.
- AUSTRAC reports on our security posture to government through mechanisms such as annual PSPF Maturity and ISM Essential Eight reporting.
- AUSTRAC has security governance mechanisms in place to ensure that risks are being appropriately managed, including key roles of the Chief Security Officer, Chief Information Security Officer and Security Advisers. Security activities are coordinated by a Security Working Group. The AUSTRAC Audit and Risk Committee has oversight of enterprise level risks.
- AUSTRAC staff have security training suitable for their role. All staff undertake information, personnel and physical security training. Key IT staff undertake specialist training offered by the Australian Cyber Security Centre (ACSC).
- AUSTRAC collaborates with other Australian Government agencies to make efficient use of security resources. AUSTRAC was one of the first agencies to participate in the Hardening Government IT Initiative (Cyber Hubs) and has engaged with the Department of Home Affairs since it first started offering this service to government agencies.

How does AUSTRAC know that its cyber security posture is suitable?

- We use external mechanisms to validate our security posture, including system security assessments and penetration testing by independent assessors.
- AUSTRAC participation in the Cyber Hub program also provides an additional level of assurance that risks are being appropriately managed.
- AUSTRAC consistently rates at a high maturity level in the annual ASD Cyber Security Survey.
- Our security record demonstrates the effectiveness of our security approach.

Is AUSTRAC susceptible to an Optus style compromise?

- The Optus breach is a clear reminder that a wide range of adversaries seek to exploit any opportunity to steal information or otherwise target organisations.
- We cannot comment in detail on specific security controls or arrangements due to classification reasons, but AUSTRAC uses security-in-depth principles to guard against the exposure of sensitive information.

Questions about whole-of-government or portfolio posture

- Any questions relating to whole-of-Australian-Government cyber security should be directed to ASD/ACSC.
- Any portfolio questions should be directed to AGD.
- Any questions relating to services provided to multiple agencies by the Cyber Hubs should be directed to Home Affairs.

Does the AML/CTF regime require businesses to collect and retain identity or other sensitive data?

- AUSTRAC regulates more than 17,000 reporting entities, including banks, credit unions, remittance service providers and casinos.
- A key obligation for reporting entities is to know their customers, including identifying and verifying identity, and performing ongoing and/or enhanced CDD.
- All reporting entities must comply with the Privacy Act. Reporting entities that would otherwise be exempt, such as small businesses, have obligations under the Privacy Act because they are a reporting entity under the AML/CTF Act.
- Questions regarding cyber security requirements for industry should be directed to the Department of Home Affairs.

Did the AML/CTF regime require Optus to collect and retain identity or other sensitive data?

- No. Under the AML/CTF Act, telecommunications providers are not reporting entities and are not regulated by AUSTRAC.
- There is no requirement for telecommunications providers to comply with information retention or KYC provisions under the AML/CTF Act. The term KYC is used in some industries to refer to customer identification. Under the AML/CTF Act, KYC requires more than just confirming customer identity. In particular, it requires ongoing and enhanced CDD.
- While telecommunications providers are not regulated by the AML/CTF Act, they may be subject to other requirements under federal, state or territory legislation, including obligations to check customer identity.

How have organisations like Optus been allowed to retain this type of data beyond the time that they need it?

- Telecommunications providers are not reporting entities and not regulated by AUSTRAC.
- Questions regarding the regulation of, or requirements on, telecommunications providers should be directed to the relevant regulator policy department.

Do reporting entities have to reverify the identity of their existing customers?

- Reporting entities are required to re-verify the identity of existing customers on a risk basis.
- If at any time a reporting entity suspects has doubts about the veracity or adequacy of identity documents, it must reverify the customer's identity.
- Reporting entities must not provide a designated service to a customer until they are reasonably satisfied that the customer is who they claim to be.

Will AUSTRAC be issuing any guidance for reporting entities in light of the Optus incident?

- AUSTRAC released a public statement on 7 October 2022, highlighting that:
 - the compromised personal information may heighten ML/TF risks
 - reporting entities should remain vigilant to the impacts of the data breach when electronically verifying a customer's identity
 - reporting entities should consider implementing controls (e.g. two-factor authentication) to respond to the increased risk of identity theft, including when accepting new customers and monitoring for existing customers who may have had their personal data compromised
 - if a reporting entity suspects a customer or transaction may be relevant to the investigation of a crime, including where they reasonably suspect a person is not who they claim to be or is the victim of a crime (including fraudulent or stolen documents), it must submit an SMR to AUSTRAC.
- AUSTRAC is assessing whether specific guidance for our regulated businesses may be beneficial in assisting them to meet their obligations under the AML/CTF Act.

What has AUSTRAC as the FIU done to protect Optus customers?

- AUSTRAC has created a specific reporting code to assist in the analysis of related financial sector reporting.
- All reports are being profiled in near real-time and assessed for referral to law enforcement and regulatory partners.
- AUSTRAC has used Fintel Alliance to align this effort with broader scam response activity.

Released by AUSTRAC under the FOI Act 1982 on 26 April 2023

Background

- On 22 September 2022 a cyber attack on Optus resulted in the disclosure of its customers' personal information. Optus customer information including names, dates of birth, email addresses, driver's licences, Medicare cards and passport numbers may have been exposed.
- The government stood up an Optus Task Force from 27 September to 6 October 2022, to coordinate government's response to the Optus data breach. AUSTRAC's Acting National Manager, Education, Capability and Communications, was a member of the task force, which focused on:
 - obtaining timely provision of information from Optus about the stolen data, to mitigate the risks to Australian citizens of identity theft and scams
 - extensive consultations between agencies, regulators, Optus, financial institutions and industry, to resolve legal, regulatory or other impediments to cooperation, facilitate the safe transfer of data, and mitigate risks to consumers
 - identifying identity documents that had been compromised, and prioritising them for further action across government
 - providing authoritative and accessible public information, so those impacted by the data breach understood what to do and where to go for support.
- AUSTRAC's Policy and Fintel Alliance Operations also engaged with the ABA to discuss practical solutions, to enable the banks to manage their risks.
 - The ABA sought AUSTRAC's support to press with the government that access to the date of birth and name of those affected by the data breach was insufficient to enable an efficient and effective response—the identifier number for compromised documents (e.g. licenses and passports) was also required.
 - AUSTRAC suggested to the banks that they mainly needed the identifier number of the compromised document—and not date of birth—to manage the risks. The ABA agreed and proposed this privacy-preserving solution to the government, which was accepted.
- The Australian Government developed a fact sheet about the Optus data breach, which provides advice for affected Optus customers and details government action being done to protect the customers' identities.
- As part of the recent machinery of government changes, AUSTRAC moved from the Department of Home Affairs to the Attorney-General's portfolio. AUSTRAC continues to participate in the Home Affairs Cyber Hub.

AUSTRAC—Budget Estimates October-November 2022

BACK POCKET BRIEF: Risk assessments and ML/TF risks

Key points

AUSTRAC's enhanced ML/TF risk assessment program

- AUSTRAC's ML/TF risk assessment program established an enhanced, targeted, national effort, funded under the *Proceeds of Crime Act 2002* (POCA).
- The program involved extensive collaboration with the private sector, government partners and independent specialists on banking, remittance and casino sectors. All risk assessments involved consultation with internal and external stakeholders about key findings, prior to publication.
- **Seven** risk assessments were developed as part of this program:
 - *Junket tour operations in Australia*—published in December 2020
 - *Australia's major banks*—published in September 2021
 - *Australia's other domestic banks*—published in September 2021
 - *Foreign subsidiary banks in Australia*—published in September 2021
 - *Foreign bank branches in Australia*—published in September 2021
 - *Remittance network providers and affiliates in Australia*—published in September 2022
 - *Independent remittance dealers in Australia*—published in September 2022.

s 47E(d) & s 47D

Non-POCA ML/TF risk assessment work

- *Australia's non-bank lending and financing sector*—published in June 2021
- *Bullion dealers in Australia*—published in September 2022
- *Australia's superannuation sector* (threat update)—published in September 2022.
- Upcoming AUSTRAC risk assessments will focus on national risk assessments of proliferation financing, TF and ML in Australia, to share a contemporary understanding of these risks in preparation for Australia's FATF mutual evaluation.

If asked

Why did AUSTRAC select remittance service providers to be the subject of recent risk assessments?

- In 2018 the Government provided funding to AUSTRAC to assess the risk in three major financial sectors in Australia: banking, gambling and remittance services.
- Remittance services play a vital and large role in the Australian financial system, and can be a target for criminals.

Why is the risk rating for terrorism financing for remittance providers lower than in previous risk assessments?

- The nature and extent of terrorism financing threats facing remittance service providers is assessed as a medium risk.
- The risk rating for terrorism is lower than in previous assessments, because of shifting terrorism financing behaviour towards low-cost or self-funded activity.
- Remittance service providers remain highly exposed to exploitation to fund terrorist activity, as they can move funds internationally. Reporting entities must continue to monitor and report any suspected terrorism financing to AUSTRAC.

Why did AUSTRAC select bullion dealers to be the subject of a risk assessment?

- Bullion can be an attractive target for criminals, due to its high and stable inherent value. s 47E(d)
- Bullion dealers should be aware of how their products and services can enable the shadow economy, and take steps to mitigate associated harm.

Why did AUSTRAC select superannuation to be the subject of this threat update?

- Superannuation can be an attractive target for criminals, due to its large financial footprint, ease of moving funds and extensive data holdings.
- Many members have low engagement with superannuation funds, meaning that fraudulent activity and financial crime on their account may go unnoticed.

How will AUSTRAC respond to the findings of these risk assessments?

- Industry is the front line of defence against criminal exploitation. Our risk assessments help Australian businesses identify risks and put appropriate measures in place to protect themselves and the community from criminal abuse.
- Under the AML/CTF Act, reporting entities have an obligation to understand and manage their own risks, based on their business and service offerings, and report certain transactions to AUSTRAC, including suspicious matters.
- Our comprehensive industry education program supports reporting entities to meet their compliance and reporting obligations, and understand their risks.
- We will continue to work with the s 47E(d) to support them in improving their compliance with obligations u CTF Act.

Has AUSTRAC identified any ML through real estate and/or other designated non-financial businesses and professions (DNFBPs)?

- Laundering illicit funds through real estate is an established ML method in Australia and globally.
- Asset confiscation cases show broad criminal investment in high-value goods.
- AUSTRAC's financial intelligence activities involve analysis of ML methodologies employed by transnational, serious and organised criminals, including through real estate.
- Criminals may be drawn to real estate as a way to launder illicit funds due to the:
 - ability to buy real estate using cash
 - ability to disguise the ultimate beneficial ownership of real estate
 - relative stability and reliability of real estate investment
 - ability to renovate and improve real estate, thereby increasing the value.
- Criminals are also motivated to buy property for further profit or lifestyle reasons.

Released by AUSTRAC under the FOI Act 1982 on 26 April 2023

Background

Risk assessments of Australia's remittance sector—summary

- The overall ML/TF threat associated with remittance service providers is **medium for RNPs** and **high for independent remittance dealers**, based on assessments of the criminal threat environment, inherent vulnerabilities and consequences of the criminal threat.
- Criminals are attracted to the remittance sector because of low transaction fees and the ability to move funds quickly both domestically and internationally.
- Frauds and scams, ML and child exploitation are the primary threats facing the sector, but reports also indicate other crime types.
- The nature and extent of terrorism financing impacting both subsectors is assessed as medium, which reflects changes to the terror threat towards low-cost or self-funded activity.
- AUSTRAC assesses the remittance sector faces a **high level of inherent ML/TF vulnerability** due to:
 - high exposure to cash, presenting opportunities for ML
 - products and services that can be used to rapidly move funds in and out of the subsector and internationally, particularly remittance services
 - complex product delivery arrangements, specifically:
 - outsourcing, which lengthens the product-delivery chain and reduces the level of oversight a reporting entity might have over customers and transactions
 - high exposure to foreign and higher risk, jurisdictions.
- **For independent remittance dealers:** there is a declining level of face-to-face customer contact, in favour of remote service delivery channels, particularly online services and use of third parties, offering criminals anonymity.
- Reporting entities should use the information in these risk assessments to review their AML/CTF program, systems and controls.

Bullion risk assessment—summary

- The overall ML/TF risk for Australia's bullion sector is **medium**.
- The criminal threat environment facing the bullion sector includes a low-to-moderate volume of suspected criminal activity, most of which is unsophisticated.
- Criminals are attracted to bullion because of its high and stable intrinsic value, ease of transportation, and low traceability once purchased.
- Tax evasion and ML are the most common threats facing the sector, but there are also reports of fraud, scams, theft and drug trafficking.
- AUSTRAC assesses the nature and extent of terrorism financing impacting the bullion sector as **low**, which reflects changes to the terror threat towards low-cost or self-funded activity.
- Primary threats facing the bullion sector are tax evasion, ML, fraud and scams.

- TF in the sector appears to be very limited, with just one intelligence report identifying suspected terrorist actors linked to bullion.
- AUSTRAC assesses the bullion sector faces a **medium** level of inherent ML/TF vulnerability, due to:
 - high exposure to cash, with many operating cash-intensive business models that present opportunities for ML
 - the ability to store and move funds
 - the delivery channels used by bullion dealers including face-to-face, online, phone and third-party arrangements.
- This risk assessment will help bullion dealers and other businesses understand the possible risks they face and consequences.

ML/TF threat update for the superannuation sector—summary

- The overall ML/TF threat for Australia’s superannuation sector is **medium**.
- Although the rating has remained consistent since the 2016 risk assessment, there have been a few changes, including reduced terrorism financing risk and increased sophistication of predicate offences, particularly when cyber-enabled.
- Criminals target both APRA-regulated and self-managed superannuation funds.
- The key threats facing the sector are fraud, data compromise and cybercrime, and ML.
- The sector saw a considerable rise in suspicious activity during the pandemic.
- AUSTRAC assesses the nature and extent of terrorism financing impacting the superannuation sector as **low**.
- Increased financial abuse, including family and domestic abuse, are highly likely, although reporting levels remain low due to the nature of the abuse.
- This threat update will help superannuation funds and other businesses understand the possible risks they face and consequences, and better understand how ML occurs through the sector.

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AUSTRAC—Budget Estimates October-November 2022

BACK POCKET BRIEF: Intelligence Operations

Key points

Intelligence operations

- In 2021-22 AUSTRAC had:

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- Our financial intelligence makes a significant contribution to the national intelligence picture and investigations by government partners.
- Intelligence products include formal written products (e.g. indicators reports), information reports, intelligence briefs, strategic assessments, operational intelligence reports and tactical intelligence reports.
- There are numerous information exchanges and intelligence collaboration activities including referrals, requests for information, training or joint products.
- AUSTRAC is active in **14 multi-agency, multi-jurisdictional task forces**. We support other task forces, joint operations or fusion centres via regional intelligence staff collaboration, integration with state and territory law enforcement agencies, and provision of analysis tools through Analyst Work Bench (AWB).

Partner agency access to AWB

- Designated partner agencies have direct online access to our database via AWB, to view transaction reporting including SMRs.
- AWB rollout was completed in February 2021.
- Any fluctuations in external user figures are due to adjustments to assigned user access, and deactivation of accounts which, on regular review, are not used.
- The enhanced capability delivered by AWB has increased users' capacity to use AUSTRAC information 24/7 in near real-time. This assists enquiries and investigations, and provides modern tools for extraction and analysis.
- In 2021-22, users conducted more than **8,687,875 million searches** of AWB.
- SMRs are available to all users within **24 hours** after receipt. AUSTRAC immediately forwards SMRs that are potentially high risk.
- In partnership with designated partner agencies, we developed financial profiles to detect entities of interest, or patterns of transactions that may indicate ML, TF or serious criminal activity.
- Profiles and SMR triage are aligned to partner agency and national intelligence priorities, including transnational, serious and organised crime (TSOC) strategy priorities.

Suspicious matter reporting

- AUSTRAC's database contains **more than 1.5 billion transaction reports**, mostly made up of IFTI reports.
- AUSTRAC received, on average, almost half a million **transaction reports daily** for the calendar year 2021.
- In 2021-22, **292,569 SMRs** were submitted to AUSTRAC.
- Ongoing transaction reporting includes, on average, approximately **802 SMRs per day**.

Fintel Alliance financial crime guides

- Financial crime guides are an example of the collective efforts of AUSTRAC and Fintel Alliance partners, including government agencies and industry.
- They are published on the AUSTRAC website, to assist regulated businesses to identify emerging issues and understand, identify and report suspicious financial activity. This is to detect and prevent criminal activities.
- The guides provide detailed information about the financial aspects of different crime types, as well as case studies and indicators to help the financial services sector identify suspicious transactions.
- Fintel Alliance has generated financial crime guides on:
 - fraud against the National Disability Insurance Scheme
 - preventing the criminal abuse of digital currencies
 - exploitation of Services Australia-administered emergency and disaster support payments
 - combating the sexual exploitation of children
 - criminal communication through payment text fields
 - detecting and reporting cuckoo smurfing
 - combating illegal wildlife trafficking
 - detecting and stopping forced sexual servitude in Australia
 - responding to illegal phoenixing activity.

Released by AUSTRAC under the FOI Act 1982 on 26 April 2023

If asked

Why does AUSTRAC release financial crime guides publicly?

- AUSTRAC has a comprehensive industry education program, to support reporting entities to meet their compliance and reporting obligations and understand their risks.
- Financial crime guides are published to educate financial services businesses, associations and the wider public on financial crime risks.
- AUSTRAC has received favourable feedback from consultants, associations, industry bodies and members of the public.

How do the financial crime guides help financial services businesses?

- Financial services businesses use a combination of indicators in the guides, and business knowledge, to conduct monitoring and identify if an SMR needs to be submitted to AUSTRAC.
- Financial intelligence and information shared by financial services businesses is critical in helping AUSTRAC and our government partners to prevent fraud, and protect individuals and Australia's financial system from exploitation.

Is there a risk criminals will use the financial crime guides to change the way they operate?

- The financial guides focus on educating financial services businesses how they can identify and disrupt financial crimes. The guides focus on making it difficult for criminals to commit crimes and launder the proceeds.
- Criminals changing their behaviour as a result of the guides creates opportunities for identification and disruption of the illicit activity, including interception by law enforcement.

How do you prioritise what is analysed?

- AUSTRAC has internal operational priorities that determine the intelligence work we focus on and resourcing to be allocated.
- Priorities are reviewed periodically and driven by: whole-of-government direction, our mandate under the AML/CTF Act; law enforcement and national security requirements; and AUSTRAC's engagement in the NIC.

Why aren't all SMRs assessed and referred?

- AUSTRAC has invested in technology to assist our efforts to generate actionable intelligence. Manually assessing such volumes of data is not feasible.
- Our partner agencies have 24/7 access to AUSTRAC information.
- We regularly engage with partner agencies to determine the impacts of our referrals on their efforts, and changes to their intelligence priorities.
- An SMR may not have any identifiable or immediate intelligence value. Its relevance may be realised at a future time through intelligence analysis, investigation or receipt of further reporting.

How long does it take AUSTRAC to refer SMRs to law enforcement? What is your process for this? Do you have a statutory time frame to meet?

- **AUSTRAC actions every SMR upon receipt.** Initial automatic assessment against profiles can match the SMR with criminal methodologies, and law enforcement and national security interests.
- SMRs are made available to our designated partner agencies within 24 hours after receipt, through our intelligence system (AWB).
- There is no single policy or process that specifies the length of time for review, assessment, analysis and dissemination of intelligence. This is due to the complexity and level of detail that may be required in each matter. No two criminal networks or analyses will be the same.
- Information in an SMR may not have any identifiable or immediate intelligence value. Its relevance may be realised at a later time through intelligence analysis, investigation, or receipt of further reporting.
- Where appropriate, we may develop further actionable intelligence, through more extensive analysis including:
 - linking related financial reporting in our data holdings
 - supplementing the information with additional external-source intelligence
 - requesting additional information under notice powers of the AML/CTF Act
 - engagement with a relevant partner agency
 - requesting and linking international intelligence from counterpart FIUs.
- These efforts extend the time frame in which analysis is conducted.

Is every SMR in relation to child exploitation referred? How long does it take to assess and refer such matters to law enforcement?

- The exploitation of children is identified as an enduring threat under the serious organised crime priorities. The protection of children in Australia and abroad is a critical priority for AUSTRAC.
- AUSTRAC reviews all matters that meet profiles and are flagged as possibly containing financial indicators of child exploitation. This initial review occurs daily, with reports immediately referred to law enforcement where deemed critical. Other reports remain available for access/investigation at any time.
- In other circumstances, following review, matters are passed to an intelligence analyst to generate an intelligence report for referral to law enforcement and the AFP-led Australian Centre to Counter Child Exploitation. There is no set time frame in which that analysis occurs. It depends on the nature, complexity and depth of analysis required.

What support does AUSTRAC give to fight child sexual exploitation?

- Our engagement through Fintel Alliance, supported by tailored intelligence products, resulted in a significant increase in the quantity and quality of child sexual exploitation-related SMRs from regulated entities.

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- This also increased the detection and referral to investigating agencies and ultimately, prosecution of offenders. As with other SMRs, reports of possible child exploitation may not have immediate actionable intelligence value.

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- A Fintel Alliance working group was established to focus on combating child exploitation. It includes the non-profit organisation International Centre for Missing and Exploited Children, and the Australian Institute of Criminology.

How does AUSTRAC assure the integrity of data provided?

- The data we receive from reporting entities is inherently complex and reliant on information from entities. The quality of reporting data can vary greatly. Due to this, AUSTRAC has quality assurance practices to manage data quality issues.
- Undertaking aggregated data searches differs significantly from intelligence and regulatory activities. Individual search results are downloaded and reviewed by an analyst, to undertake intelligence or regulatory analysis and identify any data quality issues and inconsistencies.

How is AUSTRAC responding to the rise of right-wing extremism as a terrorist threat?

- Our national security team works with domestic partner agencies to identify, develop and exploit intelligence to combat threats from ideologically motivated violent extremism (IMVE) individuals and groups. This includes active support through outposted analysts to CT investigations and disruption actions.
- We harnessed this work and operational lessons to produce a set of indicators of IMVE-related financial behaviour, which has been shared with government and industry partners to improve detection and reporting of suspicious IMVE activity.
- We are also working with foreign FIU partners, including through the Egmont Group and FATF, to improve the intelligence picture on international IMVE networks and the ways those networks finance IMVE activity.

What is AUSTRAC doing to combat and prevent modern slavery?

- AUSTRAC works with government agencies to understand where Australian supply chains may be exposed to modern slavery risk.
- It is impossible to determine modern slavery risk based on financial intelligence alone, but it can help to understand potential risk exposure.
- AUSTRAC collaborates with foreign FIUs to understand and disrupt illicit proceeds of modern slavery and human trafficking. AUSTRAC has, in our position as Regional Representative of the Egmont Asia and Pacific Regional Group, supported the UN's Finance Against Slavery and Trafficking (FAST) initiative to develop an online training program, to increase government officials' understanding of the subject matter.

Released by AUSTRAC under the FOI Act 1982 on 26 April 2023

Background

Obligations on reporting entities to submit SMRs

- Section 41 of the AML/CTF Act requires a reporting entity to submit an SMR to AUSTRAC if it has ‘reasonable grounds’ to suspect that a customer or transaction is related to ML, TF, operating under a false identity, or any offence against Commonwealth, state or territory law.
- A reporting entity must submit an SMR to AUSTRAC within:
 - 24 hours *after* forming a suspicion if it relates to *terrorism financing*
 - three business days *after* forming the suspicion in all other cases.

Tipping off—SMRs

- Unless an exemption is in place, under section 123 of the AML/CTF Act, a reporting entity **must not** disclose to any person (other than AUSTRAC) that it formed a suspicion about a customer or submitted an SMR to AUSTRAC.
- The ‘tipping off’ offence is in compliance with Recommendation 21 of the FATF international standards.
- The *AML/CTF and Other Legislation Amendment Act 2020* amended the AML/CTF Act to permit reporting entities to share SMRs and related information with external auditors and foreign members of corporate and designated business groups. This enables a reporting entity to disclose SMRs and related information to a person appointed or engaged by the reporting entity for an audit or review of the reporting entity’s AML/CTF program, and corporate and designated business groups to share their SMRs to improve their ability to detect and report suspicious activity. This change took effect on 17 June 2021.

AUSTRAC contribution to task forces

Task force	Focus	Funding
Operation Griffin	Crimes affecting the vulnerable (including child exploitation)	AUSTRAC BAU
Operation Vitreus	Methylamphetamine	AUSTRAC BAU
Operation Athena	Firearms	AUSTRAC BAU
Operation Morpheus	Outlaw motorcycle gangs	AUSTRAC BAU
Criminal Assets Confiscation Taskforce	Operations targeting criminal wealth	AUSTRAC BAU
Operation Themis	Serious financial crimes including fraud, ML and corruption	AUSTRAC BAU
Operation Helios	Cybercrime	AUSTRAC BAU
Operation Orcus	Ransomware	AUSTRAC BAU

Task force	Focus	Funding
Serious Financial Crime Taskforce (SFCT)	Serious & complex financial crime	Base funding from ATO for AUSTRAC's contribution (no ASL). 2019-20: \$1,109,000 2020-21: \$1,002,958 2021-22: \$1,026,358 2022-23: \$1,000,840 TOTAL: \$4,139,156* *AUSTRAC also receives project-specific funding from ATO (see below).
Phoenix Taskforce	Illegal phoenixing activity	AUSTRAC BAU
Black Economy Standing Taskforce	Black economy	AUSTRAC BAU
Illicit Tobacco Taskforce	Illicit tobacco	Base funding for AUSTRAC's contribution (includes 3 ASL). 2018-19: \$440,000 2019-20: \$441,000 2020-21: \$445,000 2021-22: \$448,000 TOTAL: \$1,774,000
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Taskforce ARARUS	Money laundering	AUSTRAC BAU

***2021-22 funding from ATO for SFCT**

SFCT base funding	\$1,026,358
Strategic funding – Regulatory Operations – Operation Bordura	\$30,000
Strategic funding – ITS – data sharing between AUSTRAC/ATO/HA for detection of offshore tax evasion	\$159,000
Strategic funding – Enhancing Public Private Partnerships – Fintel Alliance Tax Working Group	\$160,000

Funding/government appropriation

Initiative	Funding
AUSTRAC Capability Uplift –Funding for AUSTRAC international postings (USA, UK, Malaysia and fourth jurisdiction TBD)	<ul style="list-style-type: none"> • \$1.9 million in 2020-21 • \$2.5 million from 2021-22 ongoing
DFAT: Support to the PPATK-AUSTRAC Partnership Program (PAPP) (Indonesia) (ended 30 June 2022)	<ul style="list-style-type: none"> • 2019-20: \$1.615 million • 2020-21: \$1.493 million • 2021-22: \$1.723 million
DFAT: Support to Australia-Indonesia Analyst Exchange Program (ended 30 June 2022)	<ul style="list-style-type: none"> • 2019-22: \$0.097 million
DFAT: Deliver regional financial intelligence analyst training with ASEAN countries	<ul style="list-style-type: none"> • From November 2017-20: \$1.856 million (unspent funding due to COVID in 2020 rolled over to 2021). • Current year (22/23) funding: \$0.286 million.
Project Taipan (Pacific FIU systems upgrade)	<ul style="list-style-type: none"> • From October 2020 to June 2023: \$1.7 million
Supporting PNG’s Effective AML/CTF Reform Program (SPEAR) (ended 30 June 2022)	<ul style="list-style-type: none"> • From July 2017 to June 2022: \$0.3 million (2021/22)
DFAT: AUSTRAC Pacific Island Partnership Program	<ul style="list-style-type: none"> • April 2020 to May 2023: \$1.1 million
DFAT: Mekong-Australia Partnership Program.	<ul style="list-style-type: none"> • 2021-22: \$0.021 million (with possible increase to \$0.054 million in the period)
DFAT: AMLC-AUSTRAC Partnership Program 2 & Strengthening AML/CTF Responses in the Philippines Program	<ul style="list-style-type: none"> • January 2020 to June 2024: \$0.75 million

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AUSTRAC—Budget Estimates October-November 2022

BACK POCKET BRIEF: International engagement

Key points

- AUSTRAC has **103 active MOUs** to share information (98 intelligence and 5 regulatory) with international counterparts/other organisations, primarily FIUs.
 - This number does not include the MOU with Afghanistan, which has been terminated.

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- AUSTRAC's priority regions/jurisdictions for engagement are South-East Asia, the Pacific, China and Five Eyes countries.
- AUSTRAC has **five officers deployed** internationally, in Indonesia, Malaysia, China, USA and UK, at the respective Australian Embassy/High Commission.
- AUSTRAC leads regional AML/CTF initiatives for information sharing, innovation and capacity building, to address ML/TF, serious financial crime and vulnerabilities.
- AUSTRAC co-leads, with the Malaysian FIU in Bank Negara Malaysia (BNM), the Financial Intelligence Consultative Group (FICG). This comprises 12 FIUs from ASEAN member countries, Australia and NZ.
- AUSTRAC co-leads, with PNG, the Pacific Financial Intelligence Community (PFIC) of FIUs from the Pacific. Membership now includes 15 Pacific FIUs.
- AUSTRAC participates in AML/CTF international forums including: the Egmont Group of FIUs; Asia/Pacific Group (APG) on Money Laundering; Financial Action Task Force (FATF); International Supervisors Forum; and Global Coalition to Fight Financial Crime.

Released by AUSTRAC under the FOI Act 1992 on 26 April 2023

If asked

What is AUSTRAC's engagement with Afghanistan?

- AUSTRAC's MOU with the Financial Transactions and Reports Analysis Center of Afghanistan (FinTRACA) came into effect on 7 April 2018. This was our 90th international MOU and Afghanistan's 17th.
- AUSTRAC exchanged information with FinTRACA twice since the MOU was signed (both in 2018 and relating to fraud). These were via the Egmont Group's secure information-sharing platform, Egmont Secure Web (ESW). The Egmont Group disconnected FinTRACA from the ESW on 15 August 2021. FinTRACA's membership of Egmont was terminated in June 2022.
- AUSTRAC terminated the MOU with Afghanistan in July 2022.

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Does AUSTRAC have any engagement with Hong Kong?

- Yes, AUSTRAC has an MOU for the exchange of information with our FIU counterpart in Hong Kong.
- AUSTRAC's international engagements occur in the context of, and are consistent with, whole-of-government foreign policy.

What information is shared between Australia and China?

- AUSTRAC has MOUs for the exchange of information with both China's FIU and AML/CTF regulator.
- The MOUs enable the exchange of financial intelligence, and regulatory and compliance information, on ML/TF and other serious crimes, consistent with whole-of-government foreign policy.
- 1 November 2016: AUSTRAC signed an MOU to share financial intelligence with the China Anti-Money Laundering Monitoring and Analysis Center.
- March 2019: an AUSTRAC officer was posted to the Australian Consulate General in Guangzhou, China, liaising with Australian agencies working in China, and Chinese counterparts. AUSTRAC engaged with China on matters of mutual interest regarding transnational, serious and organised crime and ML.
 - In April 2022 our deployed officer role was relocated to the Australian Embassy in Beijing, to facilitate better access to key stakeholders, including Chinese government departments, like-minded missions and private sector institutions working in the AML realm.

How is AUSTRAC supporting Australia's Pacific 'Step Up'?

- AUSTRAC has a dedicated team focused on the Pacific. We support the strategic, tactical and operational goals of Australian partner agencies (including NIC partners) also operating in the Pacific region.
- Through two externally-funded programs, we engage in intelligence diplomacy, to lift the capacity of the region's FIUs to: produce financial intelligence; and share that intelligence with AUSTRAC and other regional FIUs.
- AUSTRAC coordinates with Five Eyes and other like-minded partners with interests in the Pacific, to pursue opportunities for joint action.
- Through AUSTRAC initiatives such as the PFIC, we provide leadership, support and operational partnership to Pacific FIUs with the aim of positioning AUSTRAC as the FIU 'partner of choice' in the region.

Released by AUSTRAC under the FOI Act 1982 on 26 April 2023

Background

International initiatives

Initiative	Key focus areas
Pacific Operations	<ul style="list-style-type: none"> • Delivers two externally-funded programs focusing on capacity building for Pacific FIUs and encouraging greater regional collaboration on mutual financial crime threats. • AUSTRAC-Pacific Islands Partnership Program—FIU tradecraft training. Delivered primarily online (mainly webinars) due to COVID-19. First face-to-face training was delivered in August 2022, funded by DFAT (\$1m to 2023). • Project Taipan—Upgrading FIU data storage and analytical systems for six Pacific FIUs. Funded through the Joint Capability Fund (\$1.7m to 2023). Installation into Fiji, Tonga, Nauru and Solomon Islands planned before December 2022. • The team also provides operational support to Australian partner agencies operating in the Pacific.
Indonesia Program	<ul style="list-style-type: none"> • Part of Australia’s broader economic Governance ‘PROSPERA’ Program. • FATF mutual evaluation and membership support. • Developing tradecraft skills and enhancing intelligence cooperation. • Enhancing regulatory skills and cooperation. • Corporate engagement focused on diversity and inclusion, to develop best practice workforce and strategic planning. • Regional engagement and furthering the aims of the FIGG.
Strengthening AML/CTF Responses in the Philippines Program	<ul style="list-style-type: none"> • DFAT-funded program to enhance the AML/CTF capabilities of the Philippines’ Anti-Money Laundering Council (AMLC). • Developing an intelligence strategy to address deficiencies in intelligence and information sharing. • Intelligence analyst exchanges to enhance operational intelligence outcomes with a focus on countering violent extremism. • Assist in the development of a terrorist organisation map with other key stakeholders in the region. • Enhancing regulation of designated non-financial businesses and professions (DNFBPs), through workshops with the sector to focus on a risk-based approach. • Support AMLC through the FATF International Co-operation Review Group process.

Initiative	Key focus areas
Financial Intelligence Analyst Course (FIAC)	<ul style="list-style-type: none"> • DFAT-funded program and an initiative of the Australia-ASEAN CT Summit 2018. • Endorsed by the FICG, co-chaired by Australia and Indonesia. • AUSTRAC designs and delivers formal and specialist training in financial intelligence to ASEAN counterparts. • Provide opportunities for sharing expertise in regional and cross-border ML and TF issues. • Promote cross-jurisdiction collaboration, partnerships and relationship building.

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Multilateral engagement

Initiative	Key focus areas
APG	<ul style="list-style-type: none"> • AUSTRAC is Head of Delegation and leads strategic engagement to counter ML/TF and proliferation financing, by implementing AML/CTF global standards. • AUSTRAC holds one of the co-chair positions for the mutual evaluation committee, which is APG's main working body that reviews and recommends improvements to member jurisdictions' AML/CTF frameworks.
FATF	<ul style="list-style-type: none"> • AGD leads Australia's delegation. • AUSTRAC contributes expertise globally through FATF's work, in particular focused on ML/TF trends and methods, and operational policy considerations of the FATF standards.

Initiative	Key focus areas
Egmont Group of FIUs	<ul style="list-style-type: none"> • AUSTRAC is an active member of the Egmont Group, a multilateral body representing more than 160 FIUs. • AUSTRAC is one of two Asia and Pacific Regional Representatives (the other is Brunei Darussalam), and holds a position on the Egmont Committee (EC), which oversees the work of the Egmont Group. In the EC, AUSTRAC holds a position on the information management reference group. • AUSTRAC also holds a Vice-Chair position on the Information Exchange Working Group, the operational working group of the forum. Over the last 12 months or more, AUSTRAC has worked with other Egmont member FIUs on projects relating to extreme right-wing terrorism financing, digital transformation of FIUs, virtual asset service providers, asset recovery, cybercrime and FIU-fintech cooperation. AUSTRAC is currently co-leading, with FIU-The Netherlands, an operationally-focused project on extreme right-wing TF, as well as contributing as a member to a project on the misuse of non-profit organisations for TF.
International Supervisors Forum	<ul style="list-style-type: none"> • AUSTRAC leads international engagement of AML/CTF Five Eyes Supervisors, through our role at the International Supervisors Forum.
Global Coalition to Fight Financial Crime (GCFFC)	<ul style="list-style-type: none"> • AUSTRAC is a member of the Law Enforcement and FIU Sub-Group of the Effectiveness Working Group of the GCFFC. • This sub-group is considering how best to enhance FIU/law enforcement effectiveness across the global financial crime network.
FICG	<ul style="list-style-type: none"> • Co-chaired by AUSTRAC and BNM. Operational and governing body consisting of FIU heads and senior intelligence leaders from all ASEAN jurisdictions, Australia and NZ. • FICG fosters several work programs to strengthen and enhance cooperation regarding TF, ML, and transnational, serious and organised financial crime. • AUSTRAC co-leads two of the work streams: the Information Sharing Platform working group; and Southeast Asia CTF Working Group. • Other work streams focus on AML and the private sector.

Initiative	Key focus areas
PFIC	<ul style="list-style-type: none">• An AUSTRAC initiative created in 2021.• Co-chaired by AUSTRAC and PNG's FIU. Consists of Pacific FIUs from Fiji, NZ, Tonga, Samoa, Nauru, Solomon Islands, Cook Islands, Vanuatu Kiribati, Niue, Palau, Marshall Islands and Tuvalu joined PFIC. The only remaining Pacific FIU to join is Federated States of Micronesia.• PFIC coordinates programs to strengthen and enhance cooperation on ML/TF and transnational, serious organised financial crime in the Pacific.• Consists of four working groups covering operational, research, capacity building and technology collaboration.• Key pieces of work include a multilateral exchange program (AUSTRAC, Fiji, NZ) targetting OMCGs in the Pacific, and a risk assessment of mobile phone banking in the Pacific.

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AUSTRAC—Budget Estimates October-November 2022

BACK POCKET BRIEF: IGIS oversight

Key points

- On 9 December 2020 the government introduced the Intelligence Oversight and Other Legislation Amendment (Integrity Measures) Bill 2020, to extend Inspector-General of Intelligence and Security (IGIS) oversight to AUSTRAC and the ACIC.
- The Bill also extends Parliamentary Joint Committee on Intelligence and Security (PJCIS) oversight to AUSTRAC.
- The Bill lapsed at dissolution of the 46th Parliament on 11 April 2022.

If asked

Is AUSTRAC prepared for IGIS oversight?

- AUSTRAC welcomes oversight arrangements that balance agencies' accountability with the need to protect sensitive operations and capabilities.
- AUSTRAC's functions are already subject to oversight including:
 - Commonwealth Ombudsman
 - Australian Commission for Law Enforcement Integrity
 - Australian National Audit Office
 - Australian Human Rights Commission
 - Office of the Australian Information Commissioner.
- Prior to the recent lapsing of the Bill, and noting the Bill limited the oversight of IGIS to AUSTRAC's FIU and incidental functions, AUSTRAC has progressed preparations through:
 - active engagement with the Office of the Inspector-General
 - ongoing examination of existing policies and procedures
 - regular reporting to the Governance Committee on IGIS preparedness.

What will be the challenges to AUSTRAC operations of IGIS oversight?

- As Australia's FIU and AML/CTF regulator, AUSTRAC has separate intelligence and regulatory functions. The reference to 'functions incidental' in the definition of 'intelligence function' is not intended to include AUSTRAC's regulatory functions, such as the supervision of regulated businesses' compliance with the AML/CTF Act.
- The challenge is to delineate the supervision and engagement parts of AUSTRAC's regulatory function as not generally 'incidental' to the functioning of the FIU, even though financial transaction reports form the 'raw material' for our financial intelligence function.

What is the potential conflict between AUSTRAC's interaction with IGIS and the National Anti-Corruption Commission (NACC)?

- Post-MOG, AUSTRAC will engage with AGD about drafting legislation related to the creation of the NACC. AUSTRAC will review upcoming drafts of NACC legislation and work with AGD to identify and address any potential conflict between AUSTRAC's interaction with IGIS and NACC.
- Questions on draft NACC, oversight policy and IGIS's jurisdiction should be directed to AGD.

Questions regarding AUSTRAC intelligence activities/functions

- Specific questions regarding AUSTRAC's intelligence operations should be referred for discussion at hearings of the PJCIS.
- Questions should be directed to AGD regarding: broader portfolio impact of the legislation; specific provisions of the Bill; oversight policy; and IGIS's jurisdiction.

Questions about Electronic Surveillance Reform (ESR)/Telecommunications Interception and Access Act 1979 (TIA Act) and AUSTRAC access to telecommunications data

- AUSTRAC access to telecommunications data is being considered as part of the ESR reform process, following a recommendation in the report of the Comprehensive Review that:

'As part of the development of a new electronic surveillance Act, AUSTRAC should be able to access telecommunications data in its own right under arrangements consistent with other Commonwealth, state and territory law enforcement agencies presently authorised to access telecommunications data'.
- AUSTRAC considers such access to telecommunications data would make a significant contribution to our financial intelligence and regulatory functions.
- AUSTRAC is an active member of the ESR process with AGD. AUSTRAC made a submission to the public consultation on the ESR discussion paper in January 2022, to inform the process and outline the scope of our access requirements.
- An AUSTRAC secondee is working remotely with the ESR Taskforce on implementation.

Background

- The oversight arrangements of the NIC were considered in the Independent Intelligence Review (IIR) and subsequent Comprehensive Review.
- The 2017 IIR recommended expanding the oversight role of the PJCIS and IGIS to include the intelligence functions of the AFP, Department of Home Affairs, ACIC and AUSTRAC.
- However, the Comprehensive Review, publicly released on 4 December 2020, recommended against expanding IGIS oversight to include the intelligence functions of the AFP and Department of Home Affairs.
- The Comprehensive Review did not make an explicit recommendation on IGIS oversight of the ACIC and AUSTRAC.

AUSTRAC—Budget Estimates October-November 2022

BACK POCKET BRIEF: AUSTRAC Engagement with Russia/Ukraine FIU

Key points

- AUSTRAC partnered with government agencies to assist DFAT in its role as Australian sanctions regulator, and respond to Russia's actions. DFAT established a Crisis Centre with representation across government agencies, to ensure a coordinated approach from Australia.
- AUSTRAC established an intelligence team that analysed suspicious matter and IFTI reporting from industry, related to Russian sanctions implemented following the February 2022 invasion of Russia. The team produces actionable financial intelligence to help partners detect sanctions evasion.
- We work with domestic and international partners to produce financial intelligence to identify wealth networks and financial profiles of sanctioned entities.
- AUSTRAC regulates more than 17,000 businesses across financial and other sectors. We communicate critical information to assist them in their wider responsibilities, including domestic and international sanctions.
 - Regulated businesses are required to identify, mitigate and manage their risk. This includes having appropriate systems, controls and governance in place, and reporting financial information and suspicious matters to AUSTRAC.
- AUSTRAC routinely receives SMRs from reporting entities, including on potential breaches of Australian and international sanctions regimes. SMRs are automatically made available to agencies including DFAT and the AFP.
- We facilitate communications on Russian sanctions to reporting entities, on behalf of DFAT's Sanctions Office.
- Questions concerning investigation and responses to sanction breaches are a matter for DFAT or the AFP.

Sensitivities

s 33 (b)

If asked

Does AUSTRAC have an MOU with the Russian FIU?

- Rosfinmonitoring and AUSTRAC signed an MOU in June 2015 to exchange financial intelligence information.
- On 9 March 2022 AUSTRAC advised Rosfinmonitoring of the effective termination of our bilateral intelligence-sharing MOU, in consultation with DFAT.

s 33(a)(iii)

Is AUSTRAC playing a role in any asset confiscation?

- AUSTRAC works with the AFP-led Criminal Assets Confiscation Taskforce to coordinate analytic efforts on sanctions-related asset freezing.
- Questions relating to asset confiscation should be directed to the AFP.

What role is Fintel Alliance playing?

- AUSTRAC has leveraged our public-private partnership, Fintel Alliance, to share and discuss contemporary financial indicators. This establishes a better collective understanding of the financial risk environment related to sanctions breaches.
- Since February 2022 AUSTRAC has invited the Australian Sanctions Office to several meetings of the Fintel Alliance National Security Group, s 47E(d) s 47E(d). The meetings brought together financial crime and sanctions experts to discuss implementation of the 2022 sanctions, to enable more effective monitoring by government and industry.

Is AUSTRAC supporting international efforts to identify Russian illicit finances?

- AUSTRAC works with Five Eyes, G7 and European Union FIUs in the Russia-Related Illicit Financing and Sanctions (RRIFS) working group. This is to ensure the effective transnational implementation of financial sanctions, detect and disrupt the movement of ill-gotten gains, and deny individuals and entities the ability to hide their assets.
- The RRIFS coordinates operational financial intelligence sharing on sanctions matters and Russian illicit finance, and facilitates efforts to support the detection of assets controlled by Russian oligarchs that may be subject to sanction.
- This effort provides advice and support to the multi-jurisdictional Russian Elites, Proxies and Oligarchs Working Group. Australia's whole-of-government engagement is being led by Home Affairs.

Background

AUSTRAC engagement with Russia/Rosfinmonitoring

- AUSTRAC has exchanged information with Rosfinmonitoring on **35 occasions** (since 2017).
- AUSTRAC has maintained a low level of engagement with the Russian FIU since 2018-19. This has involved **s 33(b)**
 - AUSTRAC responded to all RFIs received, in accordance with Egmont Group provisions, the MOU and guidance from relevant domestic agencies.
- **s 33(b)**
 - **s 33(b)** AUSTRAC has not provided intelligence or information in response to matters.
- AUSTRAC applies a risk-based approach to information disclosed to foreign FIUs that balances operational requirements with Australia's national interests.
- On 27 August 2021 the Russian Embassy made a submission to the Senate inquiry into the adequacy and efficacy of Australia's AML/CTF regime, which included information attributed to Rosfinmonitoring. The submission claimed that Rosfinmonitoring was disappointed by 'the lack of interest and engagement on the part of Australian colleagues' and that 'there has been no AML/CTF related requests coming from Australia for the last three years'.

s 33(a)(iii)

AUSTRAC engagement with Ukraine

- AUSTRAC signed an MOU with the State Financial Monitoring Service of Ukraine (SFMS) in May 2009, to exchange financial intelligence.
- AUSTRAC has exchanged information with SFMS **nine times** (since 2018).
- The Ukraine FIU is an active participant of the Egmont Group. AUSTRAC and SFMS worked jointly on Egmont Group initiatives and in working groups.

AUSTRAC—Budget Estimates October-November 2022

BACK POCKET BRIEF: AUSTRAC budget and staffing

Key points

AUSTRAC's budgeted departmental appropriation

- **2022-23: \$92.314 million.**
- Compared to 2022-23 original 29 March 2022 budget (**\$92.408 million**): **decrease** of \$0.094 million (1.0%).
- Compared to 2021-22 (\$88.945 million): increase of \$3.369 million (3.8%).
- Compared to 2017-18 (\$59.490 million): increase of \$32.824 million (55.2%).
- The increase from the 2021-22 budget comprises:
 - Pacific Security and Engagement Initiatives new measure (funding is NFP)
 - 'AUSTRAC Capability Uplift': decrease of \$0.082 million
 - 'Strengthening Australia's public-private partnership to disrupt serious financial crime—AUSTRAC Fintel Alliance': decrease of \$0.536 million
 - 'Joint Capability Fund (JCF)—Enhancing the Criminal Intelligence Capability': decrease of \$0.073 million
 - net movements in existing NFP measures: decrease of \$0.783 million
- 'National Strategy to prevent and Respond to Child Sexual Abuse': increase of \$0.005 million offset by increases in net indexation and efficiency dividends of \$0.808 million.

s 47E(d)

Own-source revenue

- Budgeted own-source revenue for 2022-23 is **\$2.770 million**.
 - Reflects the value of externally-funded programs for which AUSTRAC held a signed funding agreement at the time of publishing the PBS. The value is significantly lower than previous years, given the timing of the Budget.
- The estimate of own-source revenue comprises:
 - \$1.001 million from the ATO to extend AUSTRAC's contribution to the Serious Financial Crime Taskforce
 - \$0.448 million to support the Illicit Tobacco Taskforce
 - \$1.321 million for international technical assistance and training programs:
 - 'Pacific Islands Partnership' program: \$0.200 million
 - Indonesia: DFAT 'PPATK-AUSTRAC Partnership Program': \$0.450 million
 - Philippines: DFAT 'Anti-Money Laundering Council-AUSTRAC Partnership Program': \$0.238 million
 - Thailand: DFAT 'Mekong-Australia Partnership on Transnational Crime (MAP TNC)': \$0.433 million.

Capital budget

- Departmental capital budget for 2022-23: **\$3.042 million** (2021-22: \$3.004 million).
- In 2022-23 AUSTRAC will receive equity injections of:
 - \$14.905 million from the AUSTRAC Capability Uplift measure

s 47E(d) & s 47D

Summary of significant movements in funding 2021-22 PBS to 2022-23 PBS

Item description	Amount
AUSTRAC Capability Uplift	(\$0.082m)
Strengthening Australia's public private partnership to disrupt serious financial crime—AUSTRAC Fintel Alliance	(\$0.536m)
Joint Capability Fund (JCF)—Enhancing the Criminal Intelligence Capability (Terminating Measure Ending 2021-22)	(\$0.073m)
s 47E(d) & s 47D	
Strengthen border & intelligence capabilities to detect and combat child sexual abuse	\$0.005m
New Measure - Savings from External Labour, and Savings from Advertising, Travel and Legal Expenses	(\$1.592m)
New Measure - An Ambitious and Enduring APS Reform Plan	(\$0.032m)
Other—Wage Cost Index (WCI) and Other Adjustments	\$0.808m
<i>Minor Adjustments in savings</i>	\$0.009m
<i>Net WCI</i>	\$1.094m
<i>Savings from the Coordinated Procurement of Commonwealth Property Services Arrangements per EM 2018/11</i>	(\$0.295m)

Summary of funding

	2021-22	2022-23	2023-24	2024-25	2025-26
Operating Expenditure					
Base Appropriation	\$88.945m	\$92.314m	\$99.730m	\$113.983m	\$115.793m
Own Source Income	\$3.281m	\$2.770m	\$1.057m	\$0.448m	\$0.448m
Sub Total	\$92.226m	\$95.084m	\$100.787m	\$114.431m	\$116.241m
Capital					
AUSTRAC Capability Uplift ¹	\$14.734m	\$14.905m	\$7.294m	\$0.000m	\$0.000m
Strengthening Australia's public private partnership to disrupt serious financial crime — AUSTRAC Fintel Alliance	\$2.256m	\$0.000m	\$0.000m	\$0.910m	\$1.691m
s 47E(d) & s 47D					
Departmental Capital Budget (DCB)	\$3.004m	\$3.042m	\$3.175m	\$3.225m	\$3.259m
Sub Total	\$19.994m	\$22.543m	\$14.509m	\$6.534m	\$6.361m
Total Funding for Year	\$112.220m	\$117.627m	\$115.296m	\$120.965m	\$122.602m

¹ As part of the 2022-23 Budget, AUSTRAC had a Movement of Funds request approved. This resulted in \$9.147 million being moved from 2021-22 to 2023-24. This is not reflected in the table above as the funding was already drawn down by AUSTRAC. This movement is a technical approach enabling AUSTRAC to have longer (another 3 years) to spend this funding.

s 47E(d) & s 47D

Key personnel statistics

- Budgeted average staffing level (**ASL**) for **2022-23 is 471** (2020-21: 428 and 2021-22: 455).
- The ASL for 2022-23 has increased by 12. This followed REST Program Gateway Review recommendations and an agreed transfer of ASL from Home Affairs to AUSTRAC as part of the 2022-23 (March) Budget Update of ASL.
- No changes in funding are attached to this increase. Existing contractor budgets within the REST program will be diverted to fund these roles.

AUSTRAC staff and contractor data	Closing balance 30 June 2022	Closing balance 30 Sept 2022
Headcount active & inactive employees (APS)	492	505
Headcount Fintel Alliance secondees (in)	45	47
Headcount Other secondees (in)	6	4
Headcount contractors & other contracted services	102	107
Total headcount	645	663
Total full-time equivalent (FTE) inc. casuals & paid inoperative	465.5	474.9
ASL Actual	433.4	462.5

Pandemic response

- AUSTRAC has a COVID-19 Management Plan in place, outlining our approach to the ongoing management of COVID-19 in our workplaces.
- Under the plan, workplaces have hygiene stations and posters, and information is circulated on how to maintain a COVID-safe office. COVID-safe practices are continually reviewed in accordance with government advice.

Hybrid work model

- AUSTRAC has implemented a hybrid work model. It requires staff to attend the office for a minimum of 40% of work days, although staff can choose to work more in the office. Staff may only work less than 40% in the office under exceptional circumstances, with requests considered on a case-by-case basis.

Workplace relations

- AUSTRAC's current Enterprise Agreement nominally expired in March 2019. In lieu of a new Enterprise Agreement, a Determination was made under section 24 of the *Public Service Act 1999* to enable pay increases to non-SES employees (but no changes to employment conditions).
- All AUSTRAC non-SES employees are covered by the Enterprise Agreement and Determination.
- The current Determination is set to expire on 28 March 2025.
- In accordance with direction provided by the APSC, wage adjustments for SES employees will not be implemented until a new workplace relations policy has been determined or further direction has been given by Government.