

AUSTRAC

overview



Australian Government

**Australian Transaction Reports
and Analysis Centre**

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Message from the Chief Executive Officer

The Australian Transaction Reports and Analysis Centre (AUSTRAC) plays an important role in protecting the reputation of Australia's financial system. AUSTRAC does this through its dual responsibility as anti-money laundering and counter-terrorism financing (AML/CTF) regulator and financial intelligence unit (FIU).

As the AML/CTF regulator, we are responsible for ensuring that Australian businesses understand and comply with their obligations under AML/CTF legislation. These obligations are designed to protect businesses, and the wider Australian community, from the harmful effects of money laundering, terrorism financing and other serious crime. By working together to ensure compliance with AML/CTF laws, AUSTRAC and industry present a united front against criminals attempting to exploit weaknesses in our financial systems.

As Australia's FIU, AUSTRAC analyses and disseminates financial intelligence to domestic partner agencies and international counterparts. In doing so, AUSTRAC supports these agencies to uncover and investigate financial crimes, and prosecute criminals. AUSTRAC information has assisted Australian law enforcement agencies and other government authorities to trace those involved in the importation and trafficking of illegal drugs, tax evasion, superannuation fraud, credit card fraud, people smuggling and other serious crimes.

In continued partnership with industry and with its Australian partner agencies and international counterparts, AUSTRAC helps contribute to a financial environment hostile to money laundering, terrorism financing, major crime and tax evasion.

A handwritten signature in black ink, appearing to read 'John L. Schmidt'.

John L Schmidt
Chief Executive Officer



What does AUSTRAC do?

AUSTRAC is Australia's AML/CTF regulator and specialist FIU. AUSTRAC was established in 1989 under the *Financial Transaction Reports Act 1988* (FTR Act) as a statutory authority within the Attorney-General's portfolio. AUSTRAC reports to the Minister for Home Affairs on the operations of the agency.

In its role as AML/CTF regulator, AUSTRAC assists its regulated population to meet customer identification, reporting, record keeping and other requirements under the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (AML/CTF Act) and FTR Act. It also receives information on the movement of cash and other forms of payments into and out of Australia.

As Australia's FIU, AUSTRAC assists Australian law enforcement, national security, social justice and revenue agencies and certain international counterparts in the investigation and prosecution of serious criminal activity, including terrorism financing, organised crime and tax evasion.

Why is AUSTRAC's work important?

AUSTRAC intelligence plays an important role in the prevention, detection and prosecution of crime. It assists authorities to trace the trail of illicit money and combat money laundering and other serious crimes.

In implementing Australia's AML/CTF regulatory framework, AUSTRAC assists businesses to fulfil their AML/CTF obligations and guard against attempts to misuse their services for money laundering or terrorism financing.

AUSTRAC makes an important contribution to international AML/CTF efforts. The agency shares intelligence and regulatory information with overseas counterparts, contributes to the work of key international AML/CTF bodies and provides technical assistance and training in AML/CTF to overseas agencies, in particular Australia's regional partners.

Money laundering is the processing of criminal profits to disguise their illegal origin, a process often referred to as turning 'dirty' money into 'clean' funds. The goal of money laundering is to make criminal proceeds appear as if they originated from legitimate transactions, thus allowing criminals to use the proceeds of their crimes.

What kinds of information does AUSTRAC collect?

AUSTRAC collects financial transaction reports from a range of businesses in the financial, money service, gambling and bullion sectors. AUSTRAC also receives reports of cross-border movements of physical currency and bearer negotiable instruments (such as travellers cheques, cheques and money orders). These cross-border reports are submitted to Australian Customs and Border Protection Officers or police officers by people entering or leaving Australia – for example, travellers at international airports – and then forwarded to AUSTRAC.

AUSTRAC analyses the data contained within these reports to uncover activities and patterns that may indicate money laundering, terrorism financing or other criminal activities. AUSTRAC distributes this information to Australian law enforcement, national security, social justice and revenue agencies for use in their investigations and operations.

AUSTRAC also receives information from businesses covered by the AML/CTF Act in the form of AML/CTF compliance reports. AUSTRAC uses these reports to assess the systems and programs businesses have in place to prevent their services being misused for money laundering or terrorism financing. The information in these reports also allows AUSTRAC to identify specific areas of non-compliance within certain industries and target areas requiring closer supervisory attention.

What obligations do businesses have under the AML/CTF legislation?

Under AML/CTF legislation businesses are required to:

- conduct risk assessments to understand and manage the money laundering and terrorism financing risks to which they are exposed
- implement systems and governance arrangements to manage their money laundering and terrorism financing risks (including vetting and training staff, and regularly reviewing the effectiveness of their systems and their compliance with AML/CTF obligations)
- verify the identity of their customers, monitor their customers' behaviour, and keep appropriate records
- advise AUSTRAC if they have obligations under the AML/CTF Act, either through registration or the submission of a compliance report
- report to AUSTRAC on cash transactions, international movements of funds and suspicious matters.

Terrorism financing includes the financing of terrorist acts, and of terrorists and terrorist organisations. The financing of terrorism may include the provision of any kind of asset in any form, including (but not limited to) bank credits, travellers cheques, bank cheques, money orders, shares, securities, bonds, drafts, and letters of credit. It may be that these come from 'dirty' or 'clean' funds or other assets.



What does AUSTRAC do with the information it collects?

AUSTRAC analyses the financial transaction reports provided by industry and disseminates this information as financial intelligence to its partner agencies. While AUSTRAC is not an investigative agency, it does provide intelligence to agencies (such as the Australian Federal Police) that do have an investigative role.

The AML/CTF Act sets out which agencies can access AUSTRAC information, and what information can be given to these agencies. AUSTRAC also shares information with international FIU counterparts and anti-money laundering regulators with which it has exchange agreements. AUSTRAC intelligence assists its partner agencies in the detection of organised crime networks, terrorist threats, tax evasion schemes and social welfare fraud.

How does AUSTRAC work with industry?

AUSTRAC works with industry to raise awareness of the ways in which businesses could potentially be used for criminal purposes. AUSTRAC also supervises the businesses it regulates to improve the effectiveness of reporting entities' compliance with their legislative requirements.

AUSTRAC's regulatory approach is to promote an environment of continuous voluntary compliance with Australia's AML/CTF laws. It does this by building relationships with industry and assisting businesses to develop programs and systems to identify, manage and lessen their risk of being exposed to money laundering and terrorism financing.

AUSTRAC works closely with peak industry bodies to raise awareness of AML/CTF obligations and support industry compliance with these obligations. AUSTRAC also recognises that compliance behaviour is not the same across its diverse regulated population, and employs differentiated supervisory approaches tailored for the different industry sectors it regulates.

While AUSTRAC provides education and support to businesses with AML/CTF obligations, primary responsibility for complying with AML/CTF legislation rests with industry itself. This is because Australia's AML/CTF legislation recognises that individual businesses are best placed to assess the risk that their services may be misused for criminal purposes.

What assistance does AUSTRAC provide for industry to understand and comply with its AML/CTF obligations?

AUSTRAC produces a wide range of materials to assist businesses to understand their obligations under the AML/CTF Act and FTR Act. These include guidance notes, the Public Legal Interpretation series, the *AUSTRAC Regulatory Guide*, and the *AUSTRAC Typologies and Case Studies Reports* series. AUSTRAC also publishes policies on its website and provides e-learning resources to assist businesses with their obligations.

AUSTRAC's Help Desk also provides valuable assistance to businesses with AML/CTF related queries.



Under what circumstances will AUSTRAC take enforcement action?

AUSTRAC will take appropriate and measured enforcement action in cases of serious non-compliance with the AML/CTF Act or FTR Act.

AUSTRAC has a range of enforcement powers at its disposal, including issuing notices compelling businesses to provide information to the agency, and directing businesses to undertake a risk assessment or external audit. AUSTRAC can also issue remedial directions, accept enforceable undertakings, and apply to the Federal Court for injunctions or civil penalty orders. The maximum civil penalty for a body corporate under the AML/CTF Act is \$11 million and the maximum civil penalty for an individual is \$2.2 million. Criminal sanctions can also apply for non-compliance.

The high maximum penalties reflect the seriousness of Australia's commitment to addressing the risk of money laundering and terrorism financing.

How does AUSTRAC detect new methods of money laundering and terrorism financing?

AUSTRAC uses sophisticated data mining techniques to detect and monitor patterns of suspicious activity. AUSTRAC also researches new methods of money laundering and terrorism financing by analysing trends and techniques used by criminal networks operating in Australia and overseas.

Through its analysis AUSTRAC identifies indicators of potential criminal activity and refers these for further investigation where appropriate. AUSTRAC also informs industry about new methods of money laundering through resources such as typologies and case studies reports.

How can I contact AUSTRAC?

For more information about AUSTRAC, AML/CTF Act obligations or other related information contact the AUSTRAC Help Desk on 1300 021 037 or email help_desk@austrac.gov.au.

Information is also available on the AUSTRAC website: www.austrac.gov.au.

AUSTRAC regulates four main industry sectors:

- Banks and other lenders – this sector includes domestic banks, investment banks, foreign bank branches and subsidiaries, credit unions and building societies. It also includes finance companies, micro lenders and specialist credit providers.
- Gambling services and bullion – this sector includes casinos, TABs, pubs and clubs, online gambling providers (corporate bookmakers), bookmakers and bullion dealers.
- Money service businesses – this sector includes remittance services, foreign exchange dealers and cash carriers.
- Non-bank financial services – this sector encompasses businesses providing a range of services including financial planning, funds management, stockbroking, custodial services, superannuation and life insurance.

