AUSTRALIAN BANKERS' ASSOCIATION INC.
Strong banks – strong Australia

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Consultation - AUSTRAC Industry Contribution
Policy & International Branch
PO Box 13173, Law Courts
MELBOURNE VIC 8010
By email : Policy_Consultation@austrac.gov.au

Dear Sir/Madam

AUSTRAC Industry Contribution 2017-18

The Australian Bankers' Association (**ABA**) appreciates the opportunity to provide AUSTRAC with comments on its *AUSTRAC Industry Contribution 2017-18* Stakeholder Consultation Paper (**consultation paper**).

With the active participation of its members, the ABA provides analysis, advice and advocacy for the banking industry and contributes to the development of public policy on banking and other financial services. The ABA works with government, regulators and other stakeholders to improve public awareness and understanding of the industry's contribution to the economy and to ensure Australia's banking customers continue to benefit from a stable, competitive and accessible banking industry.

The ABA has lodged submissions with AUSTRAC in response to previous consultation papers dealing with AUSTRAC's cost recovery, dated:

23 July 2014

24 October 2014

17 December 2014

26 August 2015; and

03 June 2016

The ABA continues to express strong concern regarding the inequitable basis of the recovery of AUSTRAC's costs. Our comments below should be read in conjunction with our earlier submissions.

The ABA understands that AUSTRAC's cost recovery model is scheduled for review in 2018, in which case we will be seeking a more equitable model. For example, from 1 July 2017, ASIC's regulatory costs will be recovered from all industry sectors they regulate through annual levies. The equitable nature of this model is an approach that AUSTRAC should adopt in 2018. Under the new ASIC arrangements, those who create the need for, and benefit from regulation, will bear the cost. This introduces an economic incentive to drive the desired regulatory outcomes for the financial system.

The ABA also remains fully supportive of the implementation of all 84 recommendations from the statutory review of the anti-money laundering (**AML**) and counter-terrorism financing (**CTF**) regime. The ABA recommends progressing the Tranche II reforms as a priority. It is vital that Australia closes the current gaps in the Australian money laundering/terrorism financing (**ML/TF**) regime[1].

[1] The Financial Action Task Force's (FATF) Australia Mutual Evaluation Report points out that most designated non-financial business and professional sectors are not subject to AML/CTF requirements. The FATF recommended actions for Australia are to ensure that lawyers, accountants, real estate agents, precious stones dealers, and trust and company service providers understand their ML/TF risks are required to effectively implement AML/CTF obligations and risk mitigating measures in line with the FATF standards. FATF are not alone in their recommendations - the Asia/Pacific Group on money laundering (APG) and the Bank for International Settlements (BIS) have also published numerous papers on the benefits of regulating these high risk sectors.

The AUSTRAC cost recovery model will need to include this expansion of AUSTRAC's regulated population. Again, those who create the need for and benefit from regulation will bear the costs.

The consultation paper also refers to AUSTRAC's Fintel Alliance (**FA**). The industry's significant investment of money and resources into the FA is also worthy of recognition, particularly since AUSTRAC's cost recovery now sits alongside APRA levies, ASIC's cost recovery and the $6.2bn major bank levy.

The ABA and members remain committed to the integrity of Australia's financial system. Australia's banks take seriously their role in preventing the crimes of ML/TF and will continue to work closely with AUSTRAC and the Attorney-General's Department for the benefit of all Australians.

Thank you for taking our comments into consideration and we would be pleased to discuss them further at your convenience.

Yours faithfully

Signed by:

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