



**Australian Government**

**Australian Transaction Reports  
and Analysis Centre**

**Australian Transaction Reports and Analysis Centre**

**AMENDED COST RECOVERY IMPACT STATEMENT –  
EXPOSURE DRAFT (DECEMBER 2011)**

**For the period 1 July 2011 to 30 June 2012**

**Anti-money laundering and counter terrorism financing regulatory  
activities**

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## 1. OVERVIEW

### 1.1 Purpose

As part of the 2010 Budget, the Australian Government announced an initiative for the Australian Transaction Reports and Analysis Centre (AUSTRAC) to recover the cost of regulation from reporting entities.

The Australian Government's Cost Recovery Guidelines require agencies providing government goods and services (including regulation) to the private and other non-government sectors of the economy to set charges to recover all the costs of such products or services, where it is efficient to do so, in consultation with stakeholders<sup>1</sup>.

In the case of regulatory activities, the Cost Recovery Guidelines require that those individuals or groups that have created the need for regulation should bear the cost of that regulation. Reporting entities provide services that are vulnerable to exploitation for money laundering and terrorism financing purposes, thereby creating the need for regulation by AUSTRAC.

The AUSTRAC regulatory cost recovery model has been established by legislation. Three separate pieces of legislation were introduced and passed by the Parliament enabling cost recovery to commence from the 2011-12 financial year<sup>2</sup>.

A Cost Recovery Impact Statement (CRIS) is required for significant cost recovery arrangements. The purpose of the CRIS is to document the way in which AUSTRAC supervisory levies comply with the cost recovery policy and to demonstrate that charges imposed on industry are reflective of the cost of AUSTRAC supervision.

This amended CRIS recognises that the costs of regulating major entities do not change past a certain point. That is, at a certain point, the cost of regulation applicable to an entity becomes fixed. Amending this arrangement results in reduced administrative burdens and promotes the efficient and effective implementation of Government policy. This CRIS documents the quantified expenses of regulating major entities consistent with the Australian Government's Cost Recovery policy.

### 1.2 Background

AUSTRAC's role is to protect the integrity of Australia's financial system and contribute to the administration of justice through its expertise in countering money laundering and the financing of terrorism.

As a financial intelligence unit (FIU), AUSTRAC identifies potential money laundering and terrorism financing (ML/TF) cases and provides financial intelligence that enables partner agencies to detect ML/TF activity, investigate financial crimes and secure prosecutions. This supports national priorities to minimise tax evasion and fraud against the Commonwealth, protect national security, apprehend criminals and protect the integrity of Australia's financial markets.

As Australia's anti-money laundering and counter-terrorism financing regulator, AUSTRAC seeks to educate, monitor and work to improve the effectiveness of reporting entities' compliance with the requirements of the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (AML/CTF Act). In some circumstances, AUSTRAC may seek to enforce compliance through more formal enforcement mechanisms.

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<sup>1</sup> Commonwealth of Australia, Australian Government Cost Recovery Guidelines, Canberra, 2005  
[http://www.finance.gov.au/publications/finance-circulars/2005/docs/Cost\\_Recovery\\_Guidelines.pdf](http://www.finance.gov.au/publications/finance-circulars/2005/docs/Cost_Recovery_Guidelines.pdf)

<sup>2</sup> This Cost Recovery Impact Statement relates to Ministerial Determination which will be made for the 2011-12 financial year under the *Australian Transaction Reports and Analysis Centre Supervisory Cost Recovery Levy Act 2011*.

The Australian Government has agreed that cost recovery should be applied to AUSTRAC’s anti-money laundering and counter-terrorism financing regulatory functions. Cost recovery does not apply to costs associated with the administration of AUSTRAC’s functions as a FIU.

### 1.3 Australian Government Cost Recovery Policy

In December 2002 the Australian Government adopted a formal cost recovery policy to improve the consistency, transparency and accountability of its cost recovery arrangements and promote the efficient allocation of resources. The underlying principle of the policy is that entities should set charges to recover all the costs of products or services where it is efficient and effective to do so, where the beneficiaries are a narrow and identifiable group and where charging is consistent with Australian Government policy objectives. Cost recovery policy is administered by the Department of Finance and Deregulation and outlined in the Australian Government Cost Recovery Guidelines (Cost Recovery Guidelines).

The policy applies to all *Financial Management and Accountability Act 1997* (FMA Act) agencies and to relevant *Commonwealth Authorities and Companies Act 1997* (CAC Act) bodies that have been notified. In line with the policy, individual portfolio ministers are ultimately responsible for ensuring entities’ implementation and compliance with the Cost Recovery Guidelines.

## 2. POLICY REVIEW – ANALYSIS OF ACTIVITIES

### Description of Activity

AUSTRAC applies a risk-based approach to the regulation of reporting entity compliance with obligations under the AML/CTF Act. That is, it applies relatively higher amounts of regulatory effort in supervising entities that have a higher exposure to money laundering and terrorism financing risk.

Under the AML/CTF Act, there are five key obligations which are internationally recognised as best practice in deterring and detecting ML/TF. These key obligations, together with the activities that AUSTRAC undertakes to regulate these activities, are set out in the table below.

Obligation	Regulatory activities
Reporting entities must make themselves known to AUSTRAC	Registration and enrolment through AUSTRAC systems. Maintenance of census information relating to reporting entities. Collection and analysis of compliance reports
Reporting entities must conduct ML/TF risk assessments	AUSTRAC monitors the appropriateness of ML/TF risk assessments through behavioural assessments, on-site assessments and desk reviews
Reporting entities must implement systems and governance to manage their ML/TF risks.	AUSTRAC monitors the appropriateness of reporting entities’ governance and systems through behavioural assessments, on-site assessments and desk reviews
Reporting entities must know their customers	AUSTRAC monitors the appropriateness of reporting entities’ customer identification procedures through behavioural assessments, on-site assessments and desk reviews. AUSTRAC undertakes sampling of customer records to identify instances where a reporting entity has failed to comply with its customer identification procedures
Report transactions to	AUSTRAC provides the systems and infrastructure to collect transaction reports. AUSTRAC monitors the timing, quality and volume of

AUSTRAC	transaction reports. AUSTRAC monitors the adequacy of reporting entities' transaction monitoring systems through on-site assessments  AUSTRAC undertakes behavioural assessments to identify under, over and non- reporting by reporting entities
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### Stakeholders

More than 17,000 businesses have previously identified themselves as having obligations under the AML/CTF Act. The following table summarises the four main industry sectors regulated by AUSTRAC.

Industry sector	Description
Banks and other lenders	This sector consists of approximately 1,400 entities, covering 'authorised deposit taking institutions' (which includes domestic banks, foreign bank branches and subsidiaries, credit unions and building societies) and other lending institutions (including finance companies, micro lenders and specialist credit providers).
Non-bank financial services	This sector consists of approximately 3,800 entities providing a variety of services such as financial planning, funds management, stockbroking, custody, superannuation and life insurance. The entities in this sector range from large, sophisticated organisations through to small businesses.
Gambling and bullion	This diverse sector consists of approximately 5,500 entities, including casinos, TABs, hotels and clubs with electronic gaming machines, corporate bookmakers, bookmakers and bullion dealers.
Money service businesses	This large and diverse sector consists of more than 7,000 entities, including remittance service providers, cash carriers and currency exchange dealers.

Reporting entities provide services that are vulnerable to exploitation for ML/TF purposes thereby creating the need for regulation by AUSTRAC. Through facilitating financial flows, reporting entities provide opportunities for others to disguise the true origin or eventual use of funds.

Further, reporting entities are best placed to minimise the costs of regulation and the cost to the Australian community of money laundering and terrorism financing activities by undertaking appropriate countermeasures.

Reporting entities obtain a benefit through being regulated by AUSTRAC. By complying with the requirements of the AML/CTF Act, the risk that a reporting entity will be used for money laundering or terrorism financing purposes is reduced. Further, to the extent that reporting entities operate internationally, they obtain a benefit from operating in a jurisdiction that complies with the requirements of the Financial Action Task Force.

Reporting entities directly benefit from AUSTRAC's regulatory activities and its related intelligence holdings. Law enforcement agencies use AUSTRAC's data to disrupt criminal activities; for instance, by:

- detecting the embezzlement of funds by employees
- investigating major loan fraud committed upon financial institutions

- disrupting international scams involving malicious emails that impact financial institutions
- following the money trail where corporate crimes have been committed in Australia and reporting entities or their customers as creditors or investors have suffered losses
- identifying criminal syndicates operating in gaming venues.

### Conclusion

Reporting entities obtain a benefit through being regulated by AUSTRAC. The nature of reporting entities regulatory relationship with AUSTRAC will support the effective recovery of AUSTRAC's regulatory costs. As set out above, the costs associated with AUSTRAC's regulatory activities are distributed across a small number of key activities. This will support a simple model to determine the levy. In addition, as reporting entities generally have an ongoing regulatory relationship with AUSTRAC, this will support an effective billing and levy collection process.

AUSTRAC's risk-based approach to the regulation of reporting entity compliance with obligations under the AML/CTF Act means that those reporting entities that offer a diverse range of designated services to a large number of customers will incur the highest regulatory cost. Generally, these reporting entities are large, multinational companies that demonstrate the potential to meet the costs of AUSTRAC's regulatory activities. As a result, the Government has determined that it would be appropriate for reporting entities to meet the costs of AUSTRAC's regulatory activities.

## 3. DESIGN AND IMPLEMENTATION

### 3.1 Basis of Charging – Fee or Levy

As AUSTRAC regulates a readily identifiable group of entities in a broad based manner, levies are a more appropriate mechanism for cost recovery than the direct application of fees. Linking fees to the provision of particular services would not be efficient or cost effective.

### 3.2 Legal Requirements for the Imposition of Charges

The AUSTRAC regulatory cost recovery model has been established by legislation. A package of legislation was introduced and passed by Parliament giving the legal effect to these cost recovery arrangements.

The relevant legislation concerned with these cost recovery arrangements are the:

- *Australian Transaction Reports and Analysis Centre Supervisory Cost Recovery Levy Act 2011*;<sup>3</sup>
- *Australian Transaction Reports and Analysis Centre Supervisory Cost Recovery Levy (Collection) Act 2011*; and
- *Australian Transaction Reports and Analysis Centre Supervisory Cost Recovery Levy (Consequential Amendments) Act 2011*.

Detailed components of the levy arrangements will be contained in subordinate legislative instruments determined by the responsible Minister. These legislative instruments are subject to Parliamentary scrutiny and can be disallowed.

To the extent that the responsible Minister determines that all or parts of the AUSTRAC cost recovery arrangements should not apply to certain reporting entities, this will be established through these legislative instruments in consultation with the Department of Finance and Deregulation and where appropriate the Finance Minister.

<sup>3</sup> This Cost Recovery Impact Statement relates to Ministerial Determinations which will be made for the 2011-12 financial year under the *Australian Transaction Reports and Analysis Centre Supervisory Cost Recovery Levy Act 2011*.

### 3.3 Costs to be Included in Charges

The total amount to be collected through the AUSTRAC cost recovery arrangements is equal to the cost of AUSTRAC's work as Australia's AML/CTF regulator. This includes four elements:

- The business-as-usual cost of AUSTRAC's regulatory activities (including support services and costs associated with capital projects necessary to support regulation)
- A component to support better AML/CTF compliance outcomes among small business. Some small businesses captured by the AML/CTF Act have experienced difficulty in implementing compliant AML/CTF programs. This proposed component would include the development of simplified guidance materials and redevelopment of AUSTRAC's website to enhance its usability for small business
- An amount to meet the specific legal and other costs associated with significant enforcement activities undertaken by AUSTRAC. Enforcement activity is a necessary and significant deterrent to non-compliance in any effective regulatory regime
- The establishment and ongoing costs associated with implementing and administering cost recovery.

The estimated regulatory budget for AUSTRAC for 2011-12 through to 2014-15 is set out below.

<b>AUSTRAC Total Regulatory Budget</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>
Supervision Business As Usual (including support services and capital items)	\$26.0 m	\$25.6 m	\$26.3 m	\$26.2 m
Small Business	\$0.8 m	\$0.9 m	\$0.8 m	\$0.8 m
Enforcement	\$1.0 m	\$1.0 m	\$1.0 m	\$1.0 m
Implementation and ongoing administration costs	\$1.8 m	\$1.7 m	\$1.7 m	\$1.7 m
	<b>\$29.6 m</b>	<b>\$29.2 m</b>	<b>\$29.8 m</b>	<b>\$29.7 m</b>

The following table lists the cost components for AML/CTF regulation.

	<b>Budget 2011-12</b>	<b>Forward estimate 2012-13</b>	<b>Forward estimate 2013-14</b>	<b>Forward estimate 2014-15</b>	<b>Total</b>
	<b>(\$'m)</b>	<b>(\$'m)</b>	<b>(\$'m)</b>	<b>(\$'m)</b>	<b>(\$'m)</b>
<b>Business as usual regulatory costs</b>					
Employee expenses	18.9	19.4	20.1	20.1	78.5
Supplier expenses	7.1	6.2	6.2	6.1	25.6
<b>Total expenses</b>	<b>26</b>	<b>25.6</b>	<b>26.3</b>	<b>26.2</b>	<b>104.1</b>
<b>Small business support</b>					
Employee expenses	0.7	0.8	0.8	0.8	3.1
Supplier expenses	0.1	0.1	0	0	0.2
<b>Total expenses</b>	<b>0.8</b>	<b>0.9</b>	<b>0.8</b>	<b>0.8</b>	<b>3.3</b>
<b>Enforcement</b>					
Employee expenses	0	0	0	0	0
Supplier expenses	1	1	1	1	4
<b>Total expenses</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>4</b>
<b>Implementation and ongoing administration cost</b>					
Employee expenses	1	1	1	1	4
Supplier expenses	0.8	0.7	0.7	0.7	2.9
<b>Total expenses</b>	<b>1.8</b>	<b>1.7</b>	<b>1.7</b>	<b>1.7</b>	<b>6.9</b>

	Budget 2011-12 (\$'m)	Forward estimate 2012-13 (\$'m)	Forward estimate 2013-14 (\$'m)	Forward estimate 2014-15 (\$'m)	Total (\$'m)
Total expenses					
Employee expenses	20.6	21.2	21.9	21.9	85.6
Supplier expenses	9	8	7.9	7.8	32.7
Total expenses	29.6	29.2	29.8	29.7	118.3

### 3.4 Outline of Charging Structure

The AUSTRAC supervisory levy is proposed to be made up of three components: the base component, large entity component; and transaction reporting component. These three components are reflective of the exposure to ML/TF risk of reporting entities, the supervisory effort applied by AUSTRAC in regulating different reporting entities and the costs associated with those regulatory activities.

It should be noted that annual distribution of AUSTRAC's regulator costs between each of these three components will vary according to a range of factors, including the total number of reporting entities, the value and number of transaction reports received and the number of large entities under its supervision. The estimated break up of AUSTRAC's supervisory costs according to these three components is set out in the table below.

	2011/12		2012/13		2013/14		2014/15	
	Employee expenses (\$m)	Supplier expenses (\$m)	Employee expenses (\$m)	Supplier expenses (\$m)	Employee expenses (\$m)	Supplier expenses (\$m)	Employee expenses (\$m)	Supplier expenses (\$m)
Base component	1.7	0.7	1.7	0.7	1.8	0.6	1.8	0.6
Large entity component	10.8	4.8	11.2	4.3	11.4	4.1	11.4	4.1
Transaction reporting component	8.1	3.5	8.3	3.0	8.5	3.1	8.7	3.0
<b>Total</b>	<b>20.6</b>	<b>9</b>	<b>21.2</b>	<b>8</b>	<b>21.9</b>	<b>7.9</b>	<b>21.9</b>	<b>7.8</b>

#### Base component

The base component of the levy is designed to recover costs associated with the base line expenses that AUSTRAC incurs in regulating all reporting entities. These expenses are uniform for all reporting entities; accordingly the base component is determined by dividing AUSTRAC's base line expenses by the number of leviable entities.

A leviable entity is a reporting entity other than:

- an affiliate of a registered remittance network – affiliates are excluded on the basis that AUSTRAC's primary regulatory relationship will be with registered remittance networks rather than individual affiliates
- a reporting entity which has been exempted from Part 7 of the AML/CTF Act – these entities are excluded on the basis that AUSTRAC does not incur material costs in regulating these entities.

The base component is currently estimated to be \$300 in the first year of the levy<sup>4</sup>.

In accordance with the Government's commitment to reduce the regulatory burden for small business non-employing entities (sole proprietors and partnerships without employees) and micro businesses (businesses employing less than five people), both as defined by the Australian Bureau of Statistics (ABS), will not be subject to the base component of the levy (unless that entity is subject to the large entity component of the levy).

<sup>4</sup> The amounts set out in the final determination may be adjusted depending on the number of leviable entities and large entities at the time the determination is made.

The amount of base component relating to these entities will be recovered through the transaction reporting component of the levy.

#### Large entity component

The large entity component relates to additional expenses incurred by AUSTRAC in regulating larger entities. Larger entities have relatively more customers and typically provide products that are more complex over multiple distribution channels and multiple jurisdictions. In addition, large reporting entities are relatively more important to the overall integrity of Australia's financial system.

Accordingly, AUSTRAC applies relatively more supervisory resources toward regulating larger entities compared to small entities.

AUSTRAC regulates Australia's largest financial institutions which are central to the operation of Australia's payment system. The exploitation of these institutions for money laundering and terrorism financing purposes would have a severe impact on the integrity of Australia's financial system.

In recognition of this, AUSTRAC dedicates a significant portion of its supervisory resources to continually:

- identify the current and emerging ML/TF risks applicable to the sector; and
- monitor and evaluate the effectiveness of an institution's processes, systems and controls to ensure its ML/TF risks are mitigated.

The large entity component will apply to a leviable entity or group of related leviable entities (as defined by section 50 of the *Corporations Act 2001*) if the total earnings in the most recent annual financial statements of that entity or group of entities is greater than \$100 million.

Where a leviable entity is incorporated outside of Australia or is a subsidiary of a foreign company:

- If the earnings relating to that entity's Australian business is greater than \$100 million, the large entity component will apply to this entity based on the earnings of its Australian operations;
- If the earnings relating to that entity's Australian business is less than \$100 million but the earnings for that entity and any related entities in aggregate globally is greater than \$100 million, then the entity will be subject to the minimum large entity component.

For authorised deposit taking institutions, banks, building societies and credit unions, the applicable earnings measure is profit before income tax expense, depreciation and amortisation. For all other entities, the applicable earnings measure is earnings before income tax expense, net financing costs, depreciation and amortisation (EBITDA).

The large entity component amount payable by a leviable entity or group of leviable entities for the 2011-12 financial year is currently estimated as<sup>5</sup>:

<b>Total earnings</b>	<b>Large entity component applicable<sup>6</sup></b>
Greater than \$6 billion	\$2,300,000
\$5 billion - \$6 billion	\$1,950,000

<sup>5</sup> The amounts set out in the final determination may be adjusted depending on the number of leviable entities and large entities at the time the determination is made.

<sup>6</sup> Large entity figures used through the consultation process have been amended to more accurately reflect the cost of providing the supervisory services to the various large entity tiers.

\$4 billion - \$5 billion	\$1,450,000
\$3 billion - \$4 billion	\$950,000
\$1.5 billion - \$3 billion	\$450,000
\$700 million - \$1.5 billion	\$300,000
\$350 million - \$700 million	\$130,000
\$150 million - \$350 million	\$60,000
\$100 million - \$150 million	\$20,000 (minimum large entity component)

### Transaction reporting component

The transaction reporting component relates to the additional direct expenses incurred by AUSTRAC in regulating reporting entities that lodge high volumes of transaction reports and/or transaction reports relating to higher value transactions. In addition, the transaction reporting component includes those costs associated with non-employing and micro businesses.

The transaction reporting component is to be applied to all leviable entities which lodge international funds transfer instruction and threshold transaction reports with AUSTRAC. The transaction reporting component is to apply to all leviable entities to provide an equitable sharing of costs.

The transaction reporting component of the levy is split into two parts, a volume element and a value element.

The volume element of the transaction reporting component is proposed to be set at 1 cent per transaction. The remainder of the amount to be collected which is attributable to the transaction reporting component of the levy is to be collected through the value element. The value element is currently estimated to be 0.0005991 per cent (or \$0.000005991 per dollar) of the value of transaction reports lodged with AUSTRAC in the first year of the levy.

The expenses incurred by AUSTRAC in regulating reporting entities that lodge high volumes of transaction reports and/or transaction reports relating to higher value transactions do not increase exponentially. At a certain point, the cost of regulation applicable to an entity becomes fixed. In recognition of this, the maximum amount of the transaction report component is currently estimated to be set at \$1,346,000 for a leviable entity or group of related leviable entities that lodged reports with a total value more than \$200 billion<sup>7</sup>.

The transaction reporting component applies to reports lodged in 2010 regardless of whether those reports were lodged under the FTR Act or the AML/CTF Act.

The transaction reporting component will not apply to transaction reports relating to transactions undertaken prior to 1 January 2010.

### Administration

AUSTRAC will apply the levy once annually. The levy will relate to costs incurred by AUSTRAC in the year in which the levy is invoiced and collected, but will be calculated using historical transaction report data.

<sup>7</sup> The amounts set out in the final determination may be adjusted depending on the number of leviable entities and large entities at the time the determination is made.

The levy will be calculated based on transaction reports lodged with AUSTRAC in the transaction report component measurement period (the calendar year preceding the start of the financial year to which the levy relates).

AUSTRAC will determine an entity's liability to pay the levy on the census day. In 2011–12 it is proposed that the census day will be 10 February 2012.

In the event that AUSTRAC collects more or less through the supervisory levy than it expends in supervisory costs, the levy will be adjusted in the following year accordingly, to ensure that over or under recovery is balanced over the long term of the cost recovery arrangement.

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### 3.5 Summary of Charging Arrangements

A summary of the charging arrangements based on current estimates for the 2011-12, 2012-13, 2013-14 and 2014-15 financial years is set out below<sup>8</sup>.

Activity	Method of recovery	2011/12			2012/13			2013/14			2014/15												
		Volume of activity	Estimated cost recovery price	Total cost recovered for activity (\$,000)	Volume of activity	Estimated cost recovery price	Total cost recovered for activity (\$,000)	Volume of activity	Estimated cost recovery price	Total cost recovered for activity (\$,000)	Volume of activity	Estimated cost recovery price	Total cost recovered for activity (\$,000)										
1.1	Registration and enrolment through AUSTRAC systems. Maintenance of enrolment information relating to reporting entities (REs). Collection and analysis of compliance reports	Base component levy	8,512 leviable entities	\$300 per leviable entity	1,350	8,512 leviable entities	\$300 per leviable entity	1,350	8,512 leviable entities	\$300 per leviable entity	1,350	8,512 leviable entities	\$300 per leviable entity	1,350									
1.2	Monitoring the appropriateness of REs customer identification procedures through behavioural assessments, on-site assessments and desk reviews.	Large entity component levy	140 large leviable entities or groups of entities	Between \$20,000 and \$2,300,000	15,510	140 large leviable entities or groups of entities	Between \$20,000 and \$2,300,000	15,510	140 large leviable entities or groups of entities	Between \$20,000 and \$2,300,000	15,510	140 large leviable entities or groups of entities	Between \$20,000 and \$2,300,000	15,510									
1.3	Collection of transaction reports through AUSTRAC systems. Monitoring the timing, quality and volume of transaction reports. Monitors the adequacy of REs' transaction monitoring systems through on-site assessments Behavioural assessments to identify under, over and non-reporting by REs	Volume element of transaction reporting levy	24.14 million reports	\$0.01 per report	12,693	36.68 million reports	\$0.01 per report	12,379	83.5 million reports	\$0.01 per report	12,907	103.1 million reports	\$0.01 per report	12,877									
		Value element of transaction reporting levy	\$3.15 trillion	0.0005991% of value of the transaction <sup>9</sup>		\$4.09 trillion	0.0004497% of the value of the transaction		\$4.71 trillion	0.0003921% of the value of the transaction		\$5.28 trillion	0.0003458% of the value of the transaction										
					29,553						29,226						29,767						29,737

<sup>8</sup> The amounts set out in the final determination may be adjusted depending on the number of leviable entities and large entities at the time the determination is made. The total recoverable amounts for the 2012-13, 2013-14 and 2014-15 financial years are calculated based on the forward estimates outlined in the Government's May 2011 budget announcement.

<sup>9</sup> This equates to \$0.00005991 per dollar of the value of the transaction

## 4. ONGOING MONITORING

### 4.1 Monitoring Mechanisms

The amount to be recovered by the AUSTRAC supervisory levy is determined through the government's budgeting process and set out in the budget papers. The levy will be set annually to take into account the number of reporting entities, the classification of reporting entities and the volume and value of transaction reports.

The receipt of payments and aging of debtors will be monitored on a monthly basis following invoices being issued to leviable entities to determine the effectiveness of the levy arrangements including debt recovery processes.

In addition, the extent to which AUSTRAC receives requests from reporting entities to review the amounts levied for accuracy will be monitored and corrective action taken to ensure the integrity of the program.

The budget for implementing and maintaining cost recovery will be monitored and evaluated to ensure efficiency and effectiveness of processes.

Cost recovery revenue will be reported in AUSTRAC's Annual Report in accordance with the Finance Minister's Orders.

### 4.2 Stakeholder Consultation

The 2010 Budget Papers set out a proposed cost recovery model for AUSTRAC's regulatory activities. That model proposed a flat fee of \$500 per reporting entity and a fee of \$1.06 per threshold transaction or international funds transfer report lodged with AUSTRAC.

As a result of representations made to the Government after the Budget announcement, and submissions made in response to both a discussion paper issued by AUSTRAC on 12 November 2010 and an exposure draft of a Cost Recovery Impact Statement released on 11 February 2011, the following substantive changes to the model were made to address stakeholder feedback:

- The structure of the levy was amended to include a large entity component and a value element within the transaction reporting component of the levy. These changes were designed to make the arrangements more equitable and more reflective of the way in which AUSTRAC incurs costs in regulating institutions.
- the levy will be a single annual levy based on historical transaction reporting data to provide greater certainty to industry about the likely cost of the levy.
- affiliates of remittance networks and entities which are exempt from part 7 of the AML/CTF Act were removed from the operation of cost recovery. Affiliates will not be levied on the basis that, as a result of the passage of the *Financing the Combating of People Smuggling and Other Measures Act 2011*<sup>10</sup>, AUSTRAC's supervisory focus will be on remitter networks rather than on individual affiliates. Exempt entities will not be required to pay a levy on the basis that AUSTRAC will not incur significant expense in regulating these entities.

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<sup>10</sup> This Cost Recovery Impact Statement relates to Ministerial Determination which will be made for the 2011-12 financial year under the *Australian Transaction Reports and Analysis Centre Supervisory Cost Recovery Levy Act 2011*.

- to reduce the impact on very small businesses, the base component was amended such that it does not apply to non-employing entities (sole proprietors and partnerships without employees) and micro businesses (businesses employing less than five people), both as defined by the ABS.

Copies of those papers and submissions received through the consultation process are available on the AUSTRAC website at [www.austrac.gov.au](http://www.austrac.gov.au).

During the consultation process AUSTRAC received submissions requesting consideration of proposed changes to the cost recovery model - some of these proposals are still under consideration and ongoing consultation by AUSTRAC will occur with relevant stakeholders.

Whilst AUSTRAC will consider all appropriate representations from stakeholders in streamlining the current cost recovery model, it will only do so where it is evident that changes will result in reducing administrative burden and promoting the efficient and effective implementation of Government policy.

Any changes to the current cost recovery model would require the Treasurer's approval and a revised CRIS to be prepared in consultation with the Department of Finance and Deregulation.

#### 4.3 Periodic Review

A review of the calculation methodology is planned after 5 years or earlier if there are material changes to the AUSTRAC operating environment. However, AUSTRAC will monitor the cost recovery approach on an ongoing basis.

The AUSTRAC supervisory levy will be set annually. Legislative instruments containing the details of the levy arrangements for the next financial year will be published in a draft form after the Australian Government Budget is released in May and issued in a final form prior to the commencement of the financial year.

This CRIS will be reviewed over the next 12 months and a new CRIS will be prepared for 1 July 2012.

Consistent with the Australian Government Cost Recovery Guidelines a revised CRIS will be developed, should there be any material changes to the cost recovery arrangements.

**5. CERTIFICATION**

I certify that this CRIS complies with the Australian Government Cost Recovery Guidelines.

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John Lance Schmidt  
Chief Executive Officer  
Australian Transaction Reports and Analysis Centre

Date: xx January 2012

**6. COST RECOVERY LINKS**

The Australian Government Cost Recovery Guidelines and the accompanying Finance Circular can be found at:

<http://www.finance.gov.au/financial-framework/financial-management-policy-guidance/cost-recovery.html>

