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Cost Recovery Impact Statement – Exposure Draft  
Australian Transaction Reports and Analysis Centre  
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### Submission on Proposed Cost Recovery Model

GE Capital Finance Australasia Pty Ltd ("GE Capital") welcomes the opportunity to make this submission in relation to the proposed Cost Recovery Model detailed in the Cost Recovery Impact Statement – Exposure Draft.

As background, a group of legal entities related to GE Capital (the "GE Capital Group") operate in Australia, with ultimate US ownership. Members of the GE Capital Group are among Australia's leading finance providers across both consumer (personal loans, credit cards and insurance) and commercial (loan premium funding, fleet and equipment finance, distribution finance and other specialised lending) products. We trade under well known brands such as "GE Money", "Custom Fleet", and "Pacific Premium Funding" and employ in excess of 5000 people across Australia and New Zealand.

We have concerns about one specific component of the proposed cost recovery model. In our view, the "large entity component" is not an appropriate model. GE Capital has over 20 Reporting Entities currently providing one or more designated services as defined in the AML/CTF Act, however, only a handful of these entities could be referred to as true "operating businesses" with their own employees and/or significant numbers of customers.

The majority of the Reporting Entities we maintain can be closed as either (1) Special Purposes Vehicles; or (2) Entities in "run-off", and in these cases we believe AUSTRAC should allow for flexibility with the cost recovery fees.

The Special Purpose Vehicles (SPVs) are generally legal entities set up for the purpose of providing a designated service (often just one commercial loan) to one or two customers only. There are a number of reasons why such a structure may be chosen, such as to form part of a syndication or as a risk mitigation strategy.

The ML/TF risk would be considered very low in these entities, and the amount of supervision required by AUSTRAC is minimal.

***We recommend that AUSTRAC provide an exemption from the "large entity fee" for entities set up as SPVs, or those that do not exceed certain thresholds such as number of customers (say < 5).***

Also, there are Reporting Entities that are no longer writing any new business. In some cases, they are actively winding down a portfolio of loans. This may be the case where a Reporting Entity has been acquired in the past and a progressive transition to another Reporting Entity or different product set is underway. The large entity fee structure encourages corporate groups to close down "run-off" entities earlier than is appropriate for the remaining customers.

***We recommend that AUSTRAC provide an exemption from the "large entity fee" for non active Reporting Entities in wind down.***

The examples raised above demonstrate why the large entity fee component of the cost recovery model should not apply to all Reporting Entities in a Corporate Group or Designated Business Group without qualification.

We would welcome the opportunity to discuss our view with you if required,

Sincerely,

**Aidan Malpas**  
Vice President, Compliance  
GE Capital Australia & New Zealand