



22 June 2018

Consultation – AUSTRAC Industry Contribution
Policy and Guidance Section
PO Box 13173, Law Courts
MELBOURNE VIC 8010

By email: Policy_Consultation@austrac.gov.au

Dear Policy team,

Consultation Paper
AUSTRAC Industry Contribution 2018-19

HSBC Bank Australia Limited, the Hongkong and Shanghai Banking Corporation Limited, Sydney Branch and HSBC Custody Nominees (Australia) Limited (collectively 'HSBC') welcome the opportunity to provide comments on the Consultation Paper *AUSTRAC Industry Contribution 2018-19*.

We have reviewed the Consultation Paper and the proposed arrangements for the AUSTRAC Contribution Levy in the 2018-19 financial year and write to express our concerns regarding the disproportionate cost allocated to the leviable reporting entities that fall under the earnings maximum contribution cap.

In particular we note the following points:

- AUSTRAC will be recovering AUD78.3 million for operational expenditure for the 2018/19 financial year. From this AUD69.2 million relates to the "Part 1" levy which is paid by approximately 570 of the over 14,000 reporting entities. The balance of AUD9.1 million (the "Part 2" levy) relates to a new program that will only be paid by those reporting entities who submit transaction reports of AUD15 billion or more. We believe that this additional levy will apply to HSBC.
- We note that there is an overall maximum contribution amount of AUD10,497,020, relating to the Part 1 levy, for reporting entities whose leviable group earnings are AUD5 billion or more which we believe will only apply to the four major banks in Australia. We would ask AUSTRAC to consider removing the test for applying the maximum amount as it unfairly penalises reporting entities whose group earnings are under AUD5 billion. It is our view that the other entities will be paying proportionally more of the contribution based on the transaction report component which gives a commercial benefit to banks whose contribution is capped, over other reporting entities who are subject to a contribution on all transactions.
- We advise that HSBC's leviable group earnings are slightly below AUD500 million, which we estimate is approximately 10% of the earnings cap. According to our calculations our contribution is expected to be over AUD4 million which equates to approximately 40% of the maximum payment.

In relation to AUSTRAC's operational expenditure recovery of AUD78.3 million, we ask AUSTRAC to consider the significant disparity between the maximum allocation to the major banks with leviable earnings of AUD5 billion or more and the levy applied to the remaining leviable reporting entities. The reporting entities who do not reach the contribution cap are subsidising the largest reporting entities.

We would be very happy to discuss this matter further and share our analysis with AUSTRAC should you have any questions.

We thank AUSTRAC for considering our comments and please do not hesitate to contact our Regulatory Affairs team via phone _____ or email _____.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'S. Duncan', with a horizontal line underneath.

Sarah Duncan
Head of Financial Crime Compliance
HSBC Bank Australia Limited