



Australian Government

AUSTRAC

FIGHTING
FINANCIAL
CRIME
TOGETHER

2018

AUSTRAC
CORPORATE PLAN

2019

CONTENTS

COPYRIGHT

The Commonwealth owns the copyright in all material produced by this agency.

All material presented in this document is provided under a Creative Commons Attribution 4.0 International licence, with the exception of:

- » the AUSTRAC logo
- » content supplied by third parties.

The details of the relevant licence conditions are available on the Creative Commons website, as is the full legal code for the CC BY 4.0 license.

You may not reproduce or use this material in any way that suggests that AUSTRAC or the Commonwealth endorses you or any of your services or products.



ATTRIBUTION

Material obtained from this publication is to be attributed to: © AUSTRAC for the Commonwealth of Australia 2018.

CEO foreword

02

About us

04

Environment

08

Performance

14

Capability

20

Risk oversight and management

36



CEO FOREWORD

STATEMENT OF PREPARATION

I, Nicole Rose PSM, as accountable authority of AUSTRAC, present the 2018–19 AUSTRAC corporate plan, which covers the period of 2018–22, as required under paragraph 35(1)(b) of the *Public Governance, Performance and Accountability Act 2013*.

The environment AUSTRAC operates within is constantly evolving and presenting both opportunities and challenges for our work. As part of the newly established Home Affairs portfolio we have increased opportunities to share information and work more closely with our partners. Further, current reviews of the intelligence community are designed to ensure that Australian intelligence agencies

are well equipped and best placed to protect Australia's interests. While challenges such as serious and organised crime exploitation of the financial system, and terrorism financing remain pervasive, technological advancements are providing us with increased opportunities to address these challenges.

We are confident we can achieve our purpose to build resilience in the financial system and use financial intelligence and regulation to disrupt money laundering, terrorism financing and other serious crime. We will use our unique capabilities, collaborate with our partners, continue to innovate and harness our strong leadership to do this.

"...Our intelligence and regulatory functions **work together to ensure we are continually hardening the environment against criminal abuse..."**

Our core capabilities are strong. Our workforce is a key asset and our agenda of corporate optimisation ensures our agency can respond to changes in our environment. Our innovative approach to data ensures that we can enrich our data and maximise its full potential. Our intelligence and regulatory functions work together to ensure we are continually hardening the environment against criminal abuse. We are transforming our regulatory capability with a focus on enhancing our collaborative relationships with both government and industry stakeholders. Fintel Alliance will continue to bridge this gap as we strive to increase the operational tempo, and drive the benefits that are generated through the collective application of public and private information, intelligence, innovation and capability. By expanding our international footprint we are connecting with more partner agencies to better respond to money laundering, terrorism financing and other serious crime, through greater sharing of information and capabilities. AUSTRAC's

2018–22 corporate plan provides an overview of how we will use these capabilities and continue to realise our remit.

Our clear strategic direction to discover, understand, strengthen and disrupt remains at the forefront of our thinking. We will measure our performance against these four pillars as we continue to optimise all areas of our business.

By combining all of these elements, AUSTRAC makes the commitment to achieve our vision of a financial system free from criminal abuse.

Nicole Rose PSM
Chief Executive Officer
AUSTRAC

ABOUT US

04



OUR PURPOSE

Our purpose is to build resilience in the financial system and use financial intelligence and regulation to disrupt money laundering, terrorism financing and other serious crime.

We contribute to mitigating risk in the financial system by using our regulatory capability, and generating and sharing intelligence and insights. This supports the mission of our public and private partners.

Our vision is: a financial
system **free from**
criminal abuse.

OUR VISION

OUR STRATEGIC DIRECTION

AUSTRAC's strategic direction statement, as set out in the 2018–19 Portfolio Budget Statement (PBS), outlines how we will harness opportunities and address challenges. We will achieve our purpose by:

- **Discovering** new and emerging risks. We will identify new and emerging risks posed by criminal actors seeking to exploit the financial system.
- **Understanding** our environment. We will develop and share a comprehensive understanding of vulnerabilities within the global financial system at risk of criminal exploitation.
- **Strengthening** the financial system. We will ensure risks within the financial system are mitigated through effective controls deployed by an engaged, capable and collaborative community.
- **Disrupting** criminal abuse of the financial system. We will collaborate with our partners to detect, understand and disrupt criminal exploitation of the financial system.
- **Optimising** our business. We will continuously evolve and adapt our business operations to improve our efficiency, effectiveness and sustainability in a dynamic operating environment.

OUR LEADERSHIP

Leadership is an integral component of AUSTRAC's culture. AUSTRAC's leadership framework identifies leadership roles at the senior level—however, our culture reflects that all our staff are leaders.

Our leaders have diverse backgrounds and experiences. They embrace our collaborative environment and understand the strength that is derived from 'one AUSTRAC'.

OUR CULTURE STATEMENT

Our internal governance framework, leadership framework and strategic direction are all in alignment with our culture. It is the combination of these elements that gives us our strength.

At AUSTRAC we share responsibility for our culture's evolution. We are currently developing a new culture framework that will align with the new environment of the Home Affairs portfolio.

Our most essential investment is in our people—and nothing impacts our people more than culture. AUSTRAC is a highly professional organisation with a serious mandate, and we understand the need to provide a supportive and flexible working environment to achieve success. Our people share common attributes—they are intelligent, committed, passionate and trustworthy.



Left to right: Deputy Chief Executive Officer Regulatory Strategy, **Peter Soros**; Deputy Chief Executive Officer Corporate Operations (COO), **Dr John Moss**; Chief Executive Officer (CEO), **Nicole Rose PSM**; and Deputy Chief Executive Officer Intelligence and International, **Chris Collett**.



ENVIRONMENT

08 /

OPPORTUNITIES

Home Affairs portfolio

The establishment of the Home Affairs portfolio on 20 December 2017 has presented an opportunity for AUSTAC. The portfolio brings together Australia's federal law enforcement, national and transport security, criminal justice, emergency management, multicultural affairs, and immigration and border-related functions and agencies, working together to keep Australia safe.

"...greater opportunity to work more closely with our partner agencies to better protect Australia against evolving security concerns..."

In the Home Affairs portfolio, AUSTAC remains an independent statutory agency, but with greater opportunity to work more closely with our partner agencies to better protect Australia against evolving security concerns. Being part of the portfolio enables AUSTAC to perform its role as a conduit of intelligence between the financial sector and Australia's law enforcement and national security communities.

Reviews of the intelligence communities

In November 2016, Mr Michael L'Estrange AO and Mr Stephen Merchant PSM, jointly undertook an independent review of the Australian Intelligence Community. The review examined the environment in which the intelligence community operates, and considered how effectively it serves Australia's national interests. In particular, the suitability of the current structural, legislative and oversight architecture of the intelligence community was considered.

The final report was released in July 2017 and AUSTAC is working to assist the implementation of the recommendations accepted by Government. This includes AUSTAC's transition to be part of the National Intelligence Community, coordinated under the Office of National Intelligence and oversight by the Inspector-General of Intelligence and Security.

On 20 May 2018 the Attorney-General announced that Mr Dennis Richardson AO would undertake a comprehensive review of the legal framework governing the National Intelligence Community, of which AUSTAC is a part. This review will look at opportunities to harmonise and modernise the legislative framework, clarify agencies' functions in light of new technologies and responsibilities, and enable more effective cooperation and coordination across agencies. The review will also ensure that agencies continue to operate under robust oversight and accountability mechanisms.

Technology-based regulatory solutions

The opportunities for development of technology-based regulatory solutions is increasing. This is driven by: the agility and pace of change of the financial technology (FinTech) and regulatory technology (RegTech) sectors; the uptake of technological solutions by reporting entities of all sizes; and continued developments in open data, digital identity and artificial intelligence.

The advancement and increasing availability of new technologies and systems provides significant opportunities for the generation of greater insights into risks across the financial sector. New and emerging technologies also have the potential to deliver significant cost reductions into operational areas of Australia's financial institutions, alongside significant enhancement of money laundering and terrorism financing (ML/TF) prevention and intelligence capability.

THREATS AND CHALLENGES

The threats and challenges we face continually evolve as criminals exploit the financial system to launder the proceeds of their crimes. Evidence is emerging from the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, about exploitation of the financial system. In this environment, it is increasingly important that we continue to work with the financial sector to strengthen the financial system and harden the environment against criminal exploitation.

Serious and organised crime

Serious and organised crime remains a persistent and pervasive threat to Australia, with illicit profits as its key driver. Costs to the Australian economy are estimated to be at least \$36 billion annually¹, funded not only through traditional criminal activities such as drug trafficking, money laundering and corruption, but also through new methods such as cybercrime.

Serious and organised crime is adaptable and flexible, and is exploiting new technologies and business models that allow it to integrate illicit activity with the legitimate economy.

More so, serious and organised crime groups continue to exploit professional facilitators and business models that support the growth of their criminal enterprises, conceal illicit wealth, and frustrate domestic and international law enforcement efforts.

As serious and organised crime groups operate across borders, it is essential that government and industry partners around the world unite against them.

In addition to our focus on serious and organised crime, AUSTRAC supports a range of law enforcement, regulatory, intelligence, revenue, and border agencies to effectively achieve their priorities, tackle financial crime and protect the Australian community.

Terrorism

Terrorism is an enduring global challenge. It threatens our region from within and beyond. Just as the community looks to the benefit from new technologies, those same technologies also provide avenues to facilitate online radicalisation and terrorist funding. Attacks by small groups or lone actors are becoming more common in Western countries and can pose unique challenges to authorities due to their low sophistication and cost.

Terrorist groups and lone actors exploit financial services and products to fund travel to and activities in conflict zones.

Regulatory disruption

Consumer preferences, niche products and services, and the desire to enhance operating efficiencies continue to drive the expanding financial system innovation. This is challenging traditional regulatory models and practices.

New technologies present new ML/TF risks, with potential new and additional points of exploitation for ML/TF activity. For example, traditional payment systems are experiencing competition in the market to move value by increasingly mature models, including cryptocurrencies and low-cost international remitters.

Australia's own payments infrastructure will seek to build upon the establishment of the New Payments Platform. FinTech and RegTech will continue to gain exposure and adoption across the broader financial ecosystem.

Developers of emerging technologies also face compliance risks such as a lack of an anti-money laundering compliance program, risk assessments or compliance resourcing. This creates opportunities for exploitation by terrorist and organised crime groups, and consequently must be regularly assessed and responded to. Regulators and industry also have opportunities to leverage innovation to enhance compliance outcomes and regulatory efficiencies.

¹ *The Costs of Serious and Organised Crime in Australia 2013-14*, Australian Crime Commission

Data management

Data has never been more important to our operations and those of our partners than it is now. Volumes of reports and information received and accessed continues to grow exponentially. Use of third-party data to supplement volume of reporting is also increasingly important.

AUSTRAC is faced with the important challenge of maximising the value of this information to analyse, add value, make decisions and act upon it in a timely manner. Ensuring data is able to be effectively interrogated and analysed has been enhanced through new capabilities employed, and will be consistently reviewed to align with best practices. Risks of poor data quality undermine analysis and detection of threats and criminal activities.

International policy

International standards such as those agreed through the Financial Action Task Force (FATF) remain a critical mechanism to enhance global consistency to combat ML/TF and serious crime. Different jurisdictions and those setting international standards must be attuned to changes in the environment and the practical means to respond, in order to reduce unintended implications and costs while enhancing the effectiveness of policy.

An ongoing challenge for AUSTRAC is to leverage our international engagement and influence to effectively promote existing anti-money laundering and counter-terrorism financing (AML/CTF) regulations and standards, while also providing leadership on innovative ways to mitigate international risks and explore new opportunities that may encourage alternative approaches to their implementation.



PERFORMANCE



14

PERFORMANCE FRAMEWORK

Our performance framework is designed to assess our agency's ability to deliver on our purpose from 2018–22. The framework directly links and aligns our purpose, performance criterion and our 2018–19 PBS.

We will continue to review this framework and expect it to change and mature to meet the evolving needs of our agency and our operating environment.

**"...In 2018–19 we will
continue to gather
evidence against a mix
of quantitative and
qualitative measures..."**

MEASURING PERFORMANCE

In 2018–19 we will continue to gather evidence against a mix of quantitative and qualitative measures. In doing so, we will document delivery against our strategic priorities, including: sharing data and intelligence; continually improving the way we regulate the sector; working collaboratively with international and domestic partners; and strengthening Australia's AML/CTF framework. Each year in our annual report's annual performance statement, we provide an assessment of our agency's performance against the identified performance criteria.

We also measure our performance against the Regulator Performance Framework. This is through an annual self-assessment validated by industry and published on our website by the end of each calendar year.

PBS PERFORMANCE CRITERIA:



AUSTRAC contributes to mitigating risk in the financial system by using our **regulatory capability, and generating and sharing intelligence and insights, to support the mission of our public and private partners.**

What we will measure and how

AUSTRAC will use a mixture of qualitative and quantitative measurement methods to assess and demonstrate performance against the PBS performance criterion, including a mix of case studies, partner feedback and statistics.



1. **DISCOVER** – AUSTRAC IDENTIFIES NEW AND EMERGING RISKS POSED BY CRIMINAL ACTORS SEEKING TO ABUSE THE FINANCIAL SYSTEM

AUSTRAC is improving the quality and value of our data, employing advanced analytics and complex analysis to develop deep insights into risks and threats, researching anomalies in our environment and our data, and leveraging international experiences and trends to inform us about emerging threats.

Measurement method	Assessment/reporting years
	2018 - 2019 - 2020 - 2021 - 2022
Evidence of AUSTRAC enriching and linking data	
Evidence of more effective and proactive information and typology sharing	



2. **UNDERSTAND** – AUSTRAC DEVELOPS AND SHARES A COMPREHENSIVE UNDERSTANDING OF VULNERABILITIES TO CRIMINAL ABUSE WITHIN DOMESTIC AND INTERNATIONAL FINANCIAL SYSTEMS

AUSTRAC leverages our domestic and international relationships to build our understanding of vulnerabilities and threats. We integrate our insights, knowledge and experiences to construct a comprehensive view of the financial system and then share this view with our partners so they can manage vulnerabilities and threats more effectively.

Measurement method	Assessment/reporting year
	2018 - 2019 - 2020 - 2021 - 2022
Evidence of partner agencies using AUSTRAC data and intelligence products	
Contributions to intelligence task forces and interagency forums	

3. **STRENGTHEN** – AUSTRAC ENSURES RISKS WITHIN THE FINANCIAL SYSTEM ARE IDENTIFIED, MITIGATED AND MANAGED EFFECTIVELY

AUSTRAC is co-designing a more efficient, effective and collaborative regulatory framework with our partners. This is supporting industry to improve their AML/CTF capabilities, using targeted interventions and our full range of powers to promote compliance and a culture of risk management.

Measurement method	Assessment/reporting year
	2018 - 2019 - 2020 - 2021 - 2022
Evidence of regulatory efficiencies	
Evidence of positive behavioural change in the reporting entity population	



4. **DISRUPT** – AUSTRAC COLLABORATES WITH PARTNERS TO DISRUPT CRIMINAL ABUSE OF THE FINANCIAL SYSTEM

AUSTRAC is pursuing opportunities to collaborate with and support our partners, develop new regulatory and financial intelligence approaches, disrupt criminal activity through partnerships within Fintel Alliance, and counter regional threats by partnering with our neighbours and global partners.

Measurement method	Assessment/reporting year				
	2018	-	2019	-	2020 - 2021 - 2022
Evidence of AUSTRAC’s contribution to disrupting criminal abuse of the financial system					
Evidence of strengthening Fintel Alliance					

CAPABILITY

20



“...The ongoing development of a **robust, inclusive and authentic culture** continues to be a priority and cornerstone of our corporate capabilities...”



Our workforce



Our data



Intelligence



Regulation



International capability

OUR WORKFORCE AND CORPORATE OPTIMISATION

A key asset is our people and corporate enablers. To deliver a future-ready agency able to respond to changes in our complex environment, AUSTRAC requires a workforce that is appropriately skilled, collaborative, innovative, and able to adapt quickly to changing priorities. We need to couple this with the corporate enablers such as infrastructure, innovation, technology, risk management and financial processes.

The ongoing development of a robust, inclusive and authentic culture continues to be a priority and cornerstone of our corporate capabilities. This is underpinned by key policies including the governance and leadership frameworks, and the Our Strategic Direction document emphasising the agency's vision and purpose, to enable us to better engage with change.

To gain a genuine understanding of how our people are feeling, we continue to mature our internal support networks through a strong set of values, and by encouraging an honest and collaborative approach by our staff. The development and introduction of dynamic programs, complemented by agile policies and processes, give staff the confidence

to deal with opportunities as they arise and ensure that the wellbeing of staff remains at the forefront.

Developing our workforce capability is a major focus for AUSTRAC. We have delivered and are implementing business unit and enterprise strategic workforce plans. As part of this implementation, we commenced a succession and career pathways process, which looks to enhance both AUSTRAC's sustainability and our employees' career paths.

We have also developed an 'AUSTRAC Capability Framework' aligned with the Australian Public Service Commission work level standards, to develop professional capabilities aligned with the job family model. We are working to enhance our workforce intelligence to ensure accurate and consistent workforce reporting to meet our obligations as an Australian Public Service employer, as well as predictive reporting to support our future focus.

All of this work will enhance our people management functions including payroll, recruitment, performance management and learning and development, which will help us deliver a sustainable workforce now and in the future. It will also focus on enhancing corporate systems and streamlining workflows and processes. This will better deliver the foundation capabilities across the agency in an effective, efficient and sustainable manner that prepares for a changing external environment and to meet strategic outcomes.

Learning and development is integral to supporting workforce capability, and continues to be a focus in the current period. The strategy for 2018-19 is to build on the work done in 2017-18 to support development of our employees at all levels. This includes through strengthening the experience employees have when they join AUSTRAC, with a blended approach to induction. Lifting the management and leadership capability of our team leaders and directors will also be a key component of our learning and development strategy.

In line with our workforce capability transformation goals, AUSTRAC strives to be an industry leader in developing and deploying a flexible workforce, using corporate enablers such as technology and online platforms. We have a broad range of flexible working practices with wide uptake, and all our employees now have a mobile device enabling them to work flexibly in any environment, from their own home to an on-site visit or meeting with industry.

As a result, 2018-22 will see:

- development of fit-for-purpose corporate capabilities and business improvement programs
- structural changes to respond to agency deliverables and our operating environment
- alignment and integration of functions to increase efficiency and effectiveness
- changes to job design and recruitment based on universal competencies, allowing for mobility and a focus on behaviour and cultural fit.

Key initiatives

SHORT TERM 2018–19

- Develop the agency resourcing strategy, and the Corporate Division and enterprise strategic plans.
- Continue with workforce transformation including the use of workforce planning processes to inform the learning and development strategy.
- Continue rollout of best-practice initiatives to support a flexible workforce and its enablers.
- Revise the governance frameworks to optimise oversight and effective decision making.
- Begin the rollout of leadership development initiatives for team leaders, directors and the executive.

MEDIUM TERM 2019–22

- Leverage the agency resourcing strategy to inform better corporate decision making.
- Provide seamless and ongoing improvement of corporate foundations underpinning AUSTRAC's operational capabilities.
- Enhance corporate technology systems where possible for improved integration and connectivity.
- Implement the recommendations of the workforce capability evaluation project and enterprise strategic workforce plan.
- Align capabilities with Home Affairs portfolio approaches and harness the associated corporate initiatives.



OUR DATA AND INNOVATION

We are custodians of a critical national asset — financial information and intelligence — that connects us to our partners.

To keep pace with changes in our operating environment we have redeveloped AUSTRAC's data foundations. We have implemented a data platform that provides a seamless way to process and analyse our data in response to current and emerging business needs, including:

- access to near real-time datasets from AUSTRAC, partners and other external sources
- improvements in data accuracy
- giving users new tools to analyse and visualise data in ways that could not previously be done
- managing large volumes of highly varied data
- connectivity that allows domestic and international government and industry partners to collaborate.

The data foundation work is crucial to AUSTRAC's response to the rapidly changing AML/CTF environment. It will continue to support our work with partners to discover, understand and disrupt threats and risks more efficiently.

AUSTRAC is developing a strong data culture across the agency. This includes:

- improved data stewardship and data literacy
- a stronger governance framework to support the collection, transformation and use of data, both by AUSTRAC and other stakeholders
- development of a business intelligence capability to support decision making.

AUSTRAC has developed an innovative and highly scalable entity resolution algorithm. It offers improved accuracy while cutting the processing time for resolving 4 billion parties from months to 3.5 hours. We will continue to explore other technical advances that enhance our capability.

We are taking a positive approach to sharing government data, supporting government agency reuse and innovation, and engaging collaboratively with the data community to achieve mutual goals. We have developed an innovative and highly scalable data matching algorithm that underpins the bulk data matching capabilities we provide for other agencies. This capability is able to be used by our partner agencies.

AUSTRAC will continue to develop successful strategic partnerships with industry, academia, partner agencies, and research organisations, to research and develop capabilities to solve problems in detecting, disrupting and deterring financial crime. One example of successful collaboration is the Fintel Alliance 'Alerting' project, involving collaboration with major financial institutions, the CSIRO's Data61 and the Australian National University (ANU). This data-driven initiative brings a disruptive technology ('confidential computing') to the forefront in surfacing financial crime alerts to provide rapid intelligence across the financial system.

AUSTRAC also has put in place a strategic collaboration with ANU. It includes the abovementioned alerting and investigative analytics projects, with continuing support for joint appointments between ANU and AUSTRAC.

We will build and mature our open data publishing capability to ensure that new projects incorporate a data assurance gateway. This will take into account good data governance and management, evidence-based decision making, and an open-by-default approach that considers privacy, risk and security.

INTELLIGENCE

Key initiatives

SHORT TERM 2018–19

- Test the implementation of the new data platform.
- Improve our analytical capability and measure the uplift.
- Develop our first open data strategy and roadmap.
- Deepen our collaboration with industry through shared Fintel Alliance technical programs.
- Continue to renovate core AUSTRAC systems and capabilities, particularly in regulatory services.

MEDIUM TERM 2019–22

- Continue to develop and deploy the enterprise analytics lab capability, including new risk models and alerts.
- Enhance integration of corporate optimisation processes.
- Prototype a regional information-sharing and collaboration platform.
- Continue to refine our data collection, foundation and analyst workbench capabilities.
- Continue to improve our data quality and the ability to measure the value of our data.

The financial intelligence capability is at the very heart of AUSTRAC's operations. In recent years we have evolved our intelligence capability. This includes: enhancing synergies with our regulatory activities; investing in the analytical and intelligence capability of international partners; and driving an intelligence model to better leverage from, and support government and industry partnerships.

AUSTRAC has also been building an agile workforce, professionalising the discipline of financial intelligence analysis. This includes developing and delivering unique training and seeking access to more diverse data and enhanced analytical tools. These enable us to better meet our key objectives of discovering new and emerging risks, understanding our environment, strengthening our financial system, disrupting criminal abuse of our financial system, and optimising our business.

In 2018–19 we will build upon these efforts across multiple delivery mechanisms:

- Producing financial intelligence for key partners domestically and internationally. This supports national security and cyber security efforts, combating transnational serious and organised crime—including serious financial crime—and priority matters for the Government including combating the exploitation of children and the illicit tobacco markets.
- Increasing operational tempo through Fintel Alliance (established in 2017) and exploiting new opportunities and partnerships. These drive the benefits that are generated through the collective application of public and private information, intelligence, innovation and capability.

- Collaborating with Home Affairs portfolio agencies, the broader intelligence community and industry partners, through the Fintel Alliance Innovation Hub. This includes exploring innovative business improvements that will support AUSTRAC and the broader Government's efforts to secure our community and our financial system.
- Delivering the Financial Intelligence Analyst Course to partners in Australia and internationally. This will, over time, build consistency and professionalisation of financial intelligence practitioners in the application of analytical tools, methodologies and tradecraft, and at the same time strengthen high-level financial intelligence analysis.
- Building on AUSTRAC's Risk Assessment Program, which provides contemporary understanding of risks within specific industry sectors and products in the Australian environment. With the maturing of the program and risk assessment methodology, we will turn our attention to more complex and significant sectors of Australia's economy exposed to criminal abuse. In doing so, we will leverage the capabilities and partnerships being fostered in Fintel Alliance.
- Ensuring business improvement initiatives through the establishment of an Experimentation team, to identify and implement best practice processes and governance across our intelligence capability.

Key initiatives

SHORT TERM 2018-19

- Maximise the new Home Affairs and intelligence community arrangements linking our intelligence activities with revised whole-of-government priorities on national security, serious organised crime and serious financial crime.
- Embed the new agile intelligence arrangements, data exploitation and analytical tools into our 'business as usual' operating model.
- Drive the operational opportunities and contributions of an expanding Fintel Alliance.
- Successfully deliver Financial Intelligence Analyst Courses nationally and internationally.
- Implement the Fintel Alliance Risk Assessment Program to augment the delivery of in-progress risk assessments to be published in 2018-19.
- Implement a feedback mechanism to deliver new knowledge and insights across the wider regulated community.
- Continue to expand the opportunities identified through the Innovation Hub by fostering relationships and trust with industry and government partners.

- Implement improvements to intelligence processes, practices and governance identified by the Experimentation team.

MEDIUM TERM 2019-22

- Leverage the Home Affairs Portfolio and National Intelligence Community arrangements to enhance financial intelligence delivery.
- Mature our bilateral and multilateral international intelligence engagement and information sharing to support transnational disruption outcomes.
- Embed an operating model of real-time alerting and operational responses through Fintel Alliance.
- Further professionalise financial intelligence as a discipline across public and private partners including through ongoing Financial Intelligence Analyst Course delivery.
- Deliver the Fintel Alliance Risk Assessment Program encompassing significant sectors of Australia's economy exposed to criminal abuse including banking, gambling and remittance.
- Take Innovation Hub concepts and innovations and implement into our business operations.

REGULATION

AUSTRAC's regulatory capability prioritises building resilience in the financial sector against ML/TF and other serious crime risks, in partnership with industry and government.

Underpinning this, we have embarked on transformation of our regulatory capability to deliver a professional, knowledgeable and agile AML/CTF regulatory capability. This will encompass:

- embarking on a program of modernisation, professionalising our regulatory analysts and enhancing subject matter expertise
- applying a collaborative, coordinated approach to regulation, working closely with internal stakeholders, regulators, law enforcement, national security and policy agencies
- enhancing our collaborative relationship with industry to further build the knowledge and capabilities of reporting entities, increase the sharing of information, and harness industry innovation to improve reporting and decrease regulatory costs

- modernising Australia's regulatory AML/CTF framework, including simplification and streamlining of the AML/CTF Rules in alignment with revisions to the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (AML/CTF Act)
- developing and implementing an enforcement strategy to effectively respond to instances of non-compliance.

The program will be a multi-year initiative implemented by 2022, working with government and industry partners to collaborate and co-design key facets of the transformation.

AUSTRAC will continue to work closely with and support the Department of Home Affairs to develop and implement the reforms arising from the report and recommendations of the statutory review of the AML/CTF Act. This will deliver an AML/CTF regime that recognises new and emerging threats and risks we face. It will also provide regulatory efficiencies that meet the needs of modern Australian businesses operating in the face of disruptive new technologies and rapidly changing consumer needs and business models.

The implementation will continue to be conducted in phases.

Key initiatives

SHORT TERM 2017–18

- Outline AUSTRAC's approach to supervision and enforcement.
- Redesign the annual compliance report to better support our understanding of our reporting population, and enhance risk management by reporting entities.
- Roll out new analysis tools and capabilities for our regulatory analysts to manage the identification and prioritisation of regulatory risks, including development of risk-based models and frameworks.
- Increase focus on serious non-compliance by investing in AUSTRAC's capacity to identify and act against serious breaches of the AML/CTF Act.
- Implement the recommendations of the statutory review of the AML/CTF Act, for which we have lead responsibility in the next phase of the Project Plan.

MEDIUM TERM 2018–22

- Develop a Regulatory Analysis and Compliance Course in partnership with internal stakeholders, partner regulators and industry.

- Harness data, intelligence and other information streams, and apply appropriate analytics capability that supports holistic understanding of risk across AUSTRAC's reporting population.
- Develop a measurement framework to evaluate success of education campaigns and improvement in industry compliance with their obligations.
- Engage with FinTechs/RegTechs, service providers and the broader financial sector domestically and internationally, to explore collaboration on reporting, providing feedback to industry and decreasing regulatory costs.
- Develop a simplified and streamlined application process for industry to apply for exemptions, and adopt a more proactive approach to considering potential exemptions where low ML/TF risk is identified.
- Implement the recommendations of the statutory review of the AML/CTF Act, for which we have lead responsibility in future phases of the Project Plan.
- Implement, and continuously refine, our enforcement strategy to ensure effective regulatory supervision and responses commensurate with the nature and seriousness of instances of non-compliance.

INTERNATIONAL CAPABILITY

Our international capability supports Australia's broader strategic objectives and that of our international partners to better respond to ML/TF and other serious crime.

Our international efforts are focused upon enhancing the quantity and quality of international exchanges, including information, intelligence and capabilities, and building our influence in engaging with international partners on matters of mutual relevance.

We achieve this through:

- our in-country postings, which enhance our regulatory and intelligence engagement with strategically important jurisdictions and regions, and support Australia's broader capabilities
- representations and influence at key international forums including FATF, the Egmont Group of FIU and Asia/Pacific Group on Money Laundering (APG)

- leveraging our regional engagement framework with our ASEAN partners to achieve multilateral operational outcomes in relation to joint terrorism financing and criminal priorities
- advancing outcomes of the regional CTF Summit and seeking to leverage the capabilities of Fintel Alliance
- delivering tailored technical assistance and training to international partners to strengthen institutional capacity and capability.

Early in 2018–19 we will review and refresh our international strategy, taking account of the changing environment and priorities.

Key initiatives

SHORT TERM 2017–18

- Expand AUSTRAC's international footprint.
- Successfully host the 2018 Egmont meeting in Sydney.
- Deliver outcomes in support of the regional CTF Summit and through multilateral operations.
- Continue to influence international forums including FATF, Egmont and APG.
- Continue to provide technical assistance and training to improve the capability of international partners.
- Continue to strengthen our relationships and cooperation with key FIU partners regionally and globally.

MEDIUM TERM 2019–22

- Leverage AUSTRAC's international placements to support Australia's broader intelligence and regulatory capabilities.
- Continue to influence international forums including the regional CTF Summit, FATF, Egmont and APG.
- Continue to provide technical assistance and training to improve the capability of international partners.
- Confirm our international footprint to ensure a sustainable model.

RISK OVERSIGHT AND MANAGEMENT

36 /

“...Our aim is not to eliminate risk, but rather to **effectively manage and harness risk** at all levels to achieve the agency’s purpose...”

AUSTRAC considers risk management to be an essential component of good corporate governance, decision making and performance management. Embedding mature risk management practices and behaviours in our everyday decision-making and business processes enables us to continuously improve the quality of our work and our performance against our strategic objectives.

Our aim is not to eliminate risk, but rather to effectively manage and harness risk at all levels to achieve the agency’s purpose.

Our Risk Management Policy and Risk Management Framework define the cultural, governance and business process components that make up AUSTRAC’s system of risk oversight and management. This includes our alignment with the Commonwealth Risk Management Policy and the Australian and New Zealand risk management standard AS/NZS ISO 31000: 2009. Reviewed on an annual basis, our risk policy and framework set out our continuing programs of work to better integrate positive risk management attitudes, behaviours and practices within the DNA of the agency.

STRATEGIC RISK ENVIRONMENT

As the lead agency for managing the strategic risk of ML/TF on behalf of the Australian Government, AUSTRAC understands the importance of our role in disrupting serious crime and building the resilience of Australia's financial system. We also acknowledge that serious financial and organised crime represents a shared risk for government and industry alike. Managing this requires effective coordination, collaboration and trust between Australian law enforcement, regulatory authorities, industry and our international partners.

Environmental risk factors

Some of the environmental risk factors affecting AUSTRAC's strategic objectives over the short-to-medium term include:

SHORT TERM 2018-19

- Supporting the establishment of mature AML/CTF programs for digital currency exchanges.
- Effectively providing data, intelligence and analyst support to counter-terrorism operations in the Asia-Pacific.
- Maintaining workforce capacity to meet increasing demand for data, intelligence and analyst support.
- Ensuring continuity of high-quality data and intelligence sharing as we mature our infrastructure and systems.

- Maintaining high security controls to prevent unauthorised access to, or the release of, sensitive data, information or intelligence.

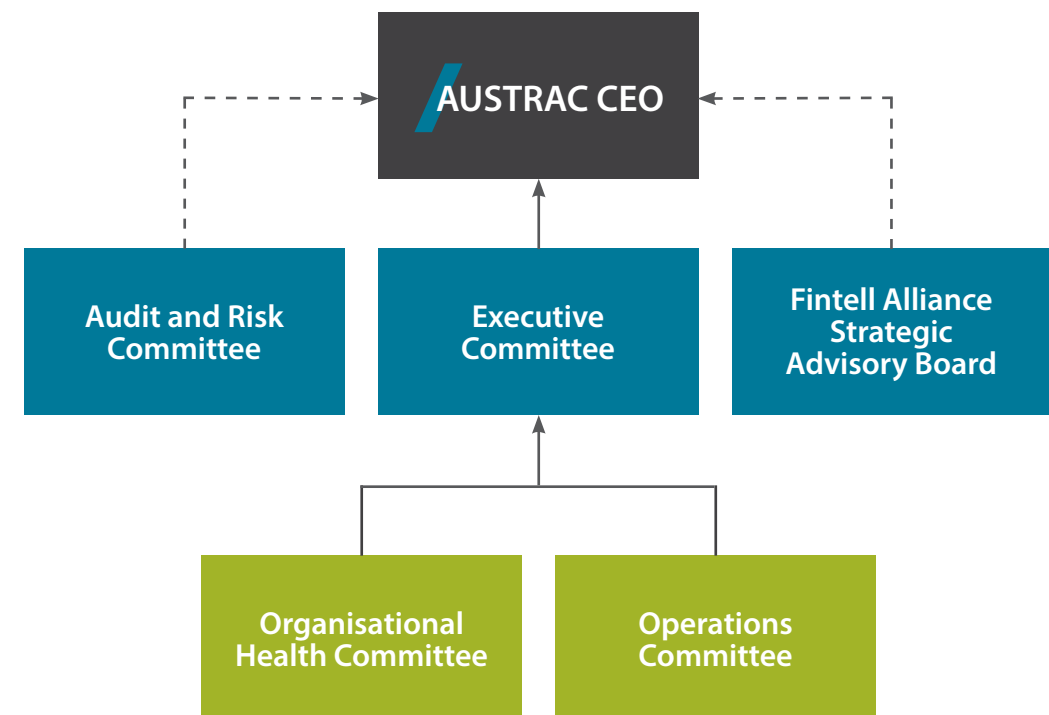
MEDIUM TERM 2019-22

- Maintaining Australian AML/CTF framework compliance with international standards.
- Preventing terrorist and transnational criminal groups from exploiting emerging and unregulated sectors.
- Working with regional partners to deter foreign nations from enabling terrorist and transnational criminal groups to evade Australia's domestic justice system.

GOVERNANCE AND ACCOUNTABILITY

AUSTRAC's internal and external governance committees facilitate the oversight, reporting and communication of risk within the agency. The Organisational Health Committee, Operations Committee and Executive Committee represent the key internal oversight bodies within our governance and performance reporting framework.

We are reviewing this framework to ensure that it best supports the agency in the changing oversight environment since the establishment of the Home Affairs portfolio and in the evolving threat environment.



Currently we have a 'three lines of defence' model in our governance and performance reporting framework, to provide assurance and review mechanisms over our risk framework and the quality of our control systems. This includes management control, risk control and oversight functions, and independent assurance. This model is supported by the definition of specific accountabilities across the management, oversight, independent and committee elements of the model. This ensures that clarity of responsibility exists for individual staff, managers and the executive leadership team.

Our combined Internal Audit and Risk Management Unit acts as the independent assurance function for the agency, with direct lines of reporting to the AUSTRAC CEO, executive committees and the Audit and Risk Committee. The unit also provides advisory support and recommendations to management on strategic risk, corporate performance, business improvement and change management, through management initiated and targeted reviews.



