



Australian Government

AUSTRAC

AUSTRAC received your Freedom of Information request on 5 December 2018 stated as follows:

1. *The number of inquiries, and the number of companies included in those inquiries, that AUSTRAC has opened into service providers of cryptocurrencies in 2018, particularly from April 2018 to date.*
2. *The number of cases where legal action was taken as result of those inquiries and the outcome.*
3. *Details about the impetus for those inquiries – whether whistle-blowers, information provided by the ATO etc.*

The following information has been released in response to this request for access under the Freedom of Information Act 1982:

On 3 April 2018, amendments to the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (the Act) came into effect. This included the registration and regulation of Digital Currency Exchanges (DCEs).

As with any new sector that AUSTRAC regulates, our initial approach is to work with the sector to inform them of their responsibilities under the Act and to educate them on money laundering and terrorism financing (ML/TF) risks associated with their business.

Many DCEs are small businesses with limited resources and AUSTRAC takes seriously its role in building the capability of the sector to identify and mitigate the potential for criminal exploitation.

AUSTRAC has conducted a number of industry engagement activities specific to the DCE sector, including:

- Sector specific workshops prior to 3 April focusing on what DCEs need to do to meet their obligations under the Act.
- A webinar for DCEs outlining obligations, reporting requirements and information on how to develop an AML/CTF program.
- Workshops held in August on risk management methodology and the unique ML/TF risks faced by the sector, and to encourage the sharing of best practices.

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- Industry-specific guidance to help DCEs understand their obligations and implement an AML/CTF program for their business.

Under the Policy Principles signed by the former Minister for Law Enforcement and Cybersecurity, DCEs were given until 2 October 2018 to be fully compliant with the Act. During this time AUSTRAC would not take enforcement action as long as DCEs were taking reasonable steps to be compliant. Following the end of the policy principles period we have commenced work to assess DCE compliance with the Act.

Since April 2018, AUSTRAC has registered 246 entities offering cryptocurrency exchanges, including conducting background checks on applicants. AUSTRAC has initiated and conducted further inquiries into 11 digital currency exchanges. In two of these cases, AUSTRAC has since refused the registration. Impetus includes internal & anonymous community sources. *(figures as of 16 January 2019).*

AUSTRAC will continue to support DCEs in building their capability to protect themselves from criminal exploitation, but we will not hesitate to take strong enforcement action where significant or willful non-compliance is identified.

Released by AUSTRAC under the FOI Act 1982 on 25 January 2019