

Jennifer Ermert

From: Rachel Challis
Sent: Monday, 18 December 2017 4:51 PM
To: Section 22 irrelevant
Cc: Section 22 irrelevant
Subject: Changes to the AUSTRAC Industry Contribution Levy [SEC=UNCLASSIFIED]
Follow Up Flag: Follow up
Flag Status: Flagged

UNCLASSIFIED

Dear Mr Section

Strengthening Australia's Defence against Terrorism Financing and Money Laundering

As part of the Australian Government's Mid-Year Economic and Fiscal Outlook (MYEFO) update, AUSTRAC is to receive additional funding to ensure it has the necessary resources to support the regulation of the financial sector under the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (AML/CTF Act).

The AML/CTF regime is a critical piece of Australia's regulatory architecture and safeguards the financial system and the community from money laundering and terrorist financing (ML/TF) threats. While AUSTRAC is committed to ensuring the financial sector is not used by organised criminals and terrorist groups to engage in criminal acts, the increasing complexity of the financial services environment requires a greater investment in time and effort on our part to support reporting entities in adhering to obligations under the AML/CTF Act.

In recognition of this, the Australian Government has decided to provide additional, ongoing funding for AUSTRAC to bolster its regulatory capabilities. The total cost of the proposal is \$43.3 million over the first four years, with ongoing costs of \$10.2 million per year.

As part of this, AUSTRAC will expand its regulatory intelligence function to better identify and target emerging and prevailing money laundering and terrorism financing risks. Further, AUSTRAC will also invest to identify and respond to those businesses that operate illegally by failing to enrol or register with AUSTRAC. This investment will also support AUSTRAC in undertaking complex assessments and investigations into potential serious non-compliance with the AML/CTF Act.

Importantly, AUSTRAC will also increase its capacity to provide more comprehensive education and support for the more than 14,000 businesses with AML/CTF obligations, to assist them build their AML/CTF capability and prevent financial crime and terrorism financing. This will also mean an increase in bespoke guidance that AUSTRAC can provide in responding to complex issues associated with meeting AML obligations. It will also enable AUSTRAC to conduct more education campaigns aimed at increasing the quantity and quality of SMR, IFTI and TTR reports and building knowledge around ML/TF risk.

The Australian Government has decided to offset the costs of this investment in AUSTRAC by increasing the AUSTRAC Industry Contribution Levy for reporting entities with a total reporting value exceeding a set threshold for the calendar year. This will apply from the 2018-19 financial year. The additional levy will be divided between those over this threshold on a prorated basis.

AUSTRAC has identified that COMMONWEALTH BANK OF AUSTRALIA will likely be required to contribute to the increased Industry Contribution Levy, based on the current annual value of transactions reported to AUSTRAC. However, the increase in the levy will be subject to the annual Reporting Entities Roll each census day, so this advice remains indicative.

We will be in contact with you in January to provide indicative figures and further information based on the reporting lodged with AUSTRAC during 2017. We will also keep all reporting entities informed on updates in relation to this levy as well as including further details in the annual consultation papers.

Should you have further questions on this initiative or the application of the Industry Contribution Levy please contact me on Section 22.

Yours sincerely

Rachel Challis

Rachel Challis | *Acting*
National Manager Compliance

Compliance Branch

Section 22

 [@AUSTRAC](#)  www.austrac.gov.au



Australian Government
AUSTRAC

UNCLASSIFIED

Jennifer Ermert

Section 22 - irrelevant/outsid

scope

From: Section 22 irrelevant [redacted]@cba.com.au
Sent: Thursday, 14 December 2017 10:38 AM
To: AUSTRAC Contact Centre
Cc: Section 22 [redacted]
Subject: RE: Pegasus SMR batch process [EXTERNAL] [SEC=UNCLASSIFIED]

Hi Section 22,

Thank you for the email below.

We will proceed with our production implementation.

Thanks & Regards

Commonwealth Bank



Section 22 [redacted]

Operation Engineer
iTSMO – Payment & Banking Operations
Enterprise Services
Sydney Olympic Park NSW 2127

Section 22 [redacted]

irrelevant

[redacted]@cba.com.au

Team Email : GHCL_CBA_CFS_PEGA@cba.com.au

Our vision is to excel at securing and enhancing the financial wellbeing of people, businesses and communities.

From: AUSTRAC Contact Centre [<mailto:contact@austrac.gov.au>]

Sent: Thursday, 14 December 2017 10:30 AM

To: Section 22 irrelevant [redacted] @cba.com.au>
Cc: Section 22 [redacted]
Subject: RE: Pegasus SMR batch process [EXTERNAL] [SEC=UNCLASSIFIED]

Hi Section 22 [redacted],

Thank you for sending the SMR XML test file for assessment.

The submission did not cause or show any error and it all looks good at our end and in this regard, you are advised to proceed with your SMR XML batch file upload in production.

If you have any further queries or require assistance please contact the *AUSTRAC Client Information Services Section* via email (contact@austrac.gov.au) or telephone 1300 021 037.

Yours Sincerely,
Section 22 [redacted]

Section 22 - [redacted]
outside scope/
irrelevant [redacted]

[redacted]

[redacted]

[redacted]

[redacted]

UNCLASSIFIED

[redacted]

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[Redacted]

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[Redacted]

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Jennifer Ermert

Section 22
out
scope

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

From: Kathryn Haigh
Sent: Thursday, 14 December 2017 8:12 PM
To: Section 22 irrelevant <[Redacted]@cba.com.au>
Cc: Section 22 <[Redacted]>; Peter Clark <Section 22 <[Redacted]>>; Rachel Challis <[Redacted]>
Subject: Re: Recurring meetings between AUSTRAC / the CBA [EXTERNAL] [SEC=UNCLASSIFIED]

Dear Section 22

Thank you for your email. That is a sensible suggestion.

In the first instance, could you and Section 22 engage directly please to make a time for the CEO level meetings.

We will be in touch next week with a proposed series of dates for the meetings concerning the program of action.

Regards Kathryn

From: Section 22 irrelevant <[Redacted]@cba.com.au>
Date: Wednesday, 13 December 2017 at 1:52:23 pm
To: "Kathryn Haigh" <Section 22 <[Redacted]>>
Cc: Section 22 <[Redacted]>; Section 22 irrelevant <[Redacted]>
Section 22 irrelevant <[Redacted]@cba.com.au>
Subject: Recurring meetings between AUSTRAC / the CBA [EXTERNAL]

Dear Kathryn,

I hope this finds you well?

I wanted to touch base with you regarding the set-up of recurring meetings between the CBA and AUSTRAC for 2018, as suggested at an in person meeting [Section 22 irrelevant] had with Peter Clark, Rachel Challis and yourself on 7 November 2017.

I understand from [Sect] that AUSTRAC had no firm view as to appropriate frequency and was happy to be guided by us and that the following was discussed and seen / agreed as appropriate:

- CEO level relationship meeting once a quarter
- Program of Action update ([Section 22 irrelevant]) every second month

[Section 22] is supportive of this suggestion and I am hopeful you or [Section] might have time to look at pencilling in at least an initial meetings for each of the above, before 2017 gets away on us?

I look forward to hearing from you and would welcome a phone discussion if easier.

Kind regards
[Secti]



[Section 22]
[Section 22 irrelevant]
Risk Management
Level 14, 201 Sussex St
Sydney NSW 2000

[Section 22 irrelevant]
[Redacted]



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Jennifer Ermert

From: Section 22 irrelevant [redacted]@cba.com.au>
Sent: Wednesday, 13 December 2017 12:01 PM
To: Section 22 [redacted]
Cc: Section 22 irrelevant [redacted]
Subject: RE: ACTION: XML reporting transmission notices failing [SEC=UNCLASSIFIED] [EXTERNAL]

Follow Up Flag: Follow up
Flag Status: Flagged

Dear Secti,

Prior to going on leave, Sec mentioned that she had spoken to you regarding the issue relating to AUSTRAC receiving email failure notices related to automatic transmission notifications being sent to the following email addresses:

- Section [redacted]@cba.com.au
- Section [redacted]@cba.com.au

As per the email below, the automatic transmission notifications are related to XML report file transmissions (i.e. notifying whether the transmission was successful or failed).

It was identified between AUSTRAC and CBA that the platform supporting these XML report transmissions was a test environment for SMRs and the relevant IT team within CBA have now advised that the issue has been resolved and that the email addresses have been removed and replaced with the team group mailbox GHCL_CBA_CFS_PEGA@cba.com.au.

Thank you for your patience,

Kind Regards,

Sectio [redacted]

Commonwealth Bank

Section 22 [redacted]
Financial Crime Policy & Regulatory Engagement
Financial Crime Advisory
Risk Management
Section 22 [redacted]
Commonwealth Bank of Australia
Level 10, 35 Tumbalong Boulevard
Haymarket
Sydney NSW 2000.

Section 22 irrelevant/ outside scope [redacted]

UNCLASSIFIED

[Redacted]

[Redacted]

[Redacted]

[Redacted]

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[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]



Australian Government

ACSTRAC



[Redacted]

[Redacted]

[Redacted]



Jennifer Ermert

From: Section 22 irrelevant [redacted]@cba.com.au>
Sent: Wednesday, 13 December 2017 8:48 AM
To: Kathryn Haigh
Subject: Follow up call [EXTERNAL]

Kathryn

As flagged yesterday, it would be good to catch up today. Would you be available for a call at 12.30pm?

Regards



Section 22 [redacted]
Section 22 irrelevant [redacted]
Group Corporate Affairs
Level 5, DP1
201 Sussex Street, Sydney

Secti [redacted]
on 22 [redacted]
irrele [redacted]



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Jennifer Ermert

From: Kathryn Haigh
Sent: Wednesday, 13 December 2017 1:17 PM
To: Section 22
Subject: RE: Follow up call [EXTERNAL] [SEC=UNCLASSIFIED]

UNCLASSIFIED

Hi Secti

I will call your mobile now.

Thanks
Kathryn

UNCLASSIFIED

From: Section 22 irrelevant @cba.com.au
Sent: Wednesday, 13 December 2017 1:02 PM
To: Kathryn Haigh Section 22 irrelevant
Subject: RE: Follow up call [EXTERNAL] [SEC=UNCLASSIFIED]

I have tried you on your mobile and on your landline but was unable to get you. I will step out of my meeting with the board chair and call you at 3.30pm. I don't think it will take any more than a few minutes. If you are not going to be available at that time, can you let me know.

Thanks

From: Section 22
Sent: Wednesday, 13 December 2017 12:56 PM
To: 'Kathryn Haigh' Section 22 irrelevant
Subject: RE: Follow up call [EXTERNAL] [SEC=UNCLASSIFIED]

I will only need 5 minutes so perhaps I will call you now as I have to go into board meetings after 1.30. I will try you on your mobile.

From: Kathryn Haigh Section 22 irrelevant]
Sent: Wednesday, 13 December 2017 12:52 PM
To: Section 22 irrelevant
Cc: Section 22 irrelevant
Subject: RE: Follow up call [EXTERNAL] [SEC=UNCLASSIFIED]

UNCLASSIFIED

Hi Secti

Unfortunately I need to push this back. Are you free at 3.30 pm today please?

Thanks
Kathryn

Kathryn Haigh | General Counsel

Section 22 irrelevant

 @AUSTRAC **W:** www.austrac.gov.au



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From: Section 22 irrelevant
Sent: Wednesday, 13 December 2017 11:08 AM
To: Kathryn Haigh Section 22 irrelevant
Subject: RE: Follow up call [EXTERNAL] [SEC=UNCLASSIFIED]

That's fine. Speak then.

From: Kathryn Haigh Section 22 irrelevant
Sent: Wednesday, 13 December 2017 10:31 AM
To: Section 22 irrelevant
Subject: RE: Follow up call [EXTERNAL] [SEC=UNCLASSIFIED]

UNCLASSIFIED

Secti

Would 1.30 suit you?

Regards
Kathryn

Kathryn Haigh | General Counsel

Section 22 irrelevant

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From: Section 22 irrelevant
Sent: Wednesday, 13 December 2017 8:48 AM
To: Kathryn Haigh Section 22 irrelevant
Subject: Follow up call [EXTERNAL]

Kathryn

As flagged yesterday, it would be good to catch up today. Would you be available for a call at 12.30pm?

Regards



Section 22 irrelevant
Group Corporate Affairs
Level 5, DP1
201 Sussex Street, Sydney

Section 22 irrelevant



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Jennifer Ermert

From: Section 22
Sent: Thursday, 14 December 2017 1:21 PM
To: Section 22 @cba.com.au
Cc: Kathryn Haigh
Subject: Media Release and Attachment A to the media release [DLM=Sensitive:Legal]
Attachments: 2017 12 14 Media Release.pdf; 2017 12 14 Attachment A to media release.pdf

UNCLASSIFIED Sensitive: Legal

Dear Ms Section 22

Sections 47E and 47G please find attached:

- a) Media release; and
- b) Attachment A to the media release.

AUSTRAC will be issuing the media release and Attachment A shortly.

Regards

Section 22
Section 22 irrelevant
Australian Transaction Reports
& Analysis Centre [AUSTRAC]
Section 22 irrelevant
Website www.austrac.gov.au

UNCLASSIFIED Sensitive: Legal

Jennifer Ermert

From: Section 22 irrelevant @cba.com.au>
Sent: Thursday, 14 December 2017 1:24 PM
To: Section 22
Cc: Kathryn Haigh
Subject: Re: Media Release and Attachment A to the media release [DLM=Sensitive:Legal] [EXTERNAL]

Thank you.

Sent from my iPhone

On 14 Dec. 2017, at 1:21 pm, Section 22 irrelevant @austrac.gov.au> wrote:

UNCLASSIFIED Sensitive: Legal

Dear Ms Section 22

Sections 47E and 47G please find attached:

- a) Media release; and
- b) Attachment A to the media release.

AUSTRAC will be issuing the media release and Attachment A shortly.

Regards

Section 22 irrelevant
Australian Transaction Reports & Analysis Centre [AUSTRAC]
Section 22 irrelevant
Website www.austrac.gov.au

UNCLASSIFIED Sensitive: Legal

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- <2017 12 14 Media Release.pdf>
- <2017 12 14 Attachment A to media release.pdf>

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Australian Government

AUSTRAC

Media release

AUSTRAC expands civil penalty case against CBA

14 December 2017

A further 100 alleged contraventions against the Commonwealth Bank of Australia (CBA) have been filed today by AUSTRAC, the Government's financial intelligence and regulatory body, adding to the current civil penalty proceedings.

AUSTRAC CEO, Nicole Rose PSM, said that the additional alleged contraventions were identified after the civil penalty proceedings were instituted through AUSTRAC's ongoing investigation into CBA.

'These allegations are very serious and reflect systemic non-compliance over approximately six years', Ms Rose said.

AUSTRAC now alleges over 53,800 contraventions of the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006*. In summary, the additional allegations are:

- CBA failed to report two suspicious matters within 24 hours of forming a suspicion relating to the financing of terrorism.
- CBA failed to report 54 suspicious matters either on time or at all in relation to accounts and individuals that were the subject of two further law enforcement operations.
- Even after CBA became aware of suspected terrorism financing, money laundering and/or structuring on CBA accounts, in 38 instances it did not appropriately monitor its customers to mitigate and manage money laundering and terrorism financing (ML/TF) risk, including the ongoing ML/TF risks of doing business with those customers.
- In six instances additional to those in the original statement of claim, CBA did not comply with the requirements of its own AML/CTF program to identify, mitigate and manage the ML/TF risks associated with intelligent deposit machines (IDMs).

The maximum penalty for an individual contravention alleged in the amended statement of claim is up to \$21 million.

Ms Rose said that AUSTRAC is continuing to work with the CBA to help strengthen its AML/CTF processes. She added that CBA is also collaborating with AUSTRAC in its private/public sector partnership, the Fintel Alliance and AUSTRAC's Smarter Regulation initiative.

'As Australia's AML/CTF regulator, we work with our 14,000 reporting entities to strengthen their AML/CTF programs and work to prevent future non-compliance, as well as collaborating on improving Australia's AML/CTF architecture. This is integral to protecting the community from serious and organised crime and terrorism', Ms Rose said.

Attachment A provides further details about the amended Statement of Claim.

Media contact:

Lancia Jordana: AUSTRAC Media and Communications:

P: (02) 9950 0488

M: 0418 103 107

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**ATTACHMENT A - FURTHER DETAILS ABOUT AUSTRAC'S AMENDED STATEMENT OF CLAIM
CROSS-REFERENCES TO PARAGRAPHS FOR NEW ALLEGED CONTRAVENTIONS**

New alleged contraventions	Relevant paragraph references in Amended Statement of Claim		
	Section 82	Section 36	Section 41
Six new alleged section 82 contraventions (now 14 in total) relating to the failure by CBA to follow its own procedures to identify, mitigate and manage the ML/TF risks of IDMs.	Para 20	N/A	N/A
Two new alleged section 36 (ongoing customer due diligence) and two new alleged section 41 (suspicious matter reporting) contraventions (four alleged contraventions in total) relating to a money laundering syndicate operating out of Perth.	N/A	Paras 1348–1353; 1359–1361; 1362–1364; 1370–1371	Paras 1348–1358; 1362–1369
34 new alleged section 36 (ongoing customer due diligence) and 52 new alleged section 41 (suspicious matters reporting) contraventions (86 alleged contraventions in total) relating to a money laundering syndicate operating out of Sydney alleged to be laundering funds for a drug and firearms distribution syndicate.	N/A	Paras 1262–1265; 1273–1304; 1312–1347	Paras 1262–1272; 1305–1311
Two new alleged section 36 (ongoing customer due diligence) and two new alleged section 41 (suspicious matter reporting) contraventions relating to customers connected to suspected terrorism financing.	N/A	Paras 1372–1390; 1400–1402; 1403–1406	Paras 1372–1399