



Australian Government

AUSTRAC

Incoming Government Brief

Released by AUSTRAC under the FOI Act 1982 on 2 July 2019



Australian Government

AUSTRAC

Chief Executive Officer

The Hon Peter Dutton MP
Minister for Home Affairs
Parliament House
Canberra ACT 2600

Dear Minister

Congratulations on your re-appointment. I look forward to continuing to pursue the Government's agenda and protecting Australia's financial system from criminal abuse.

As you are aware, AUSTRAC holds a unique position as Australia's **regulator** of anti-money laundering and counter-terrorism financing, and **financial intelligence unit**. By virtue of our dual function, we sit at the heart of the framework established to protect Australia's financial system and we come at no cost to the Government.

As regulators and supervisors we ensure that financial institutions are providing vital financial information and insights. Our intelligence analysts then use this information to work with law enforcement and security agencies to target money laundering and terrorism financing. This allows the Australian Government to disrupt criminals from exploiting the financial system and harming our community.

Under your leadership over the last 12 months, we have delivered significant operational outcomes, including:

- initiating the largest civil penalty in Australia's corporate history, resulting in the Federal Court ordering the Commonwealth Bank of Australia to pay a **\$700 million** penalty for non-compliance with the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006*
- providing actionable financial intelligence to law enforcement operations that:
 - contributed **\$208.8 million** in income tax assessments through 2,874 cases (totalling **\$2.8 billion** of Australian Government revenue over the past 10 years)
 - supported 1,596 reviews by the Department of Human Services and **\$26.67 million** in savings from increased detection of welfare fraud
 - contributed to the outcomes of the Serious Financial Crime Taskforce, raising **\$207.4 million** in tax liabilities, with **\$79.6 million** recouped by the Australian Taxation Office
- enhancing collaboration with international counterparts, resulting in a **41% increase** in international intelligence exchange.

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In addition, through our world-first public-private partnership, Fintel Alliance, we have generated new intelligence to disrupt serious crime such as child sexual exploitation, terrorism financing, tax evasion and cybercrime, including:

- protecting over **2,500 Australians** from becoming victims of crime, including cybercrime and fraud
- providing intelligence in support of law enforcement efforts leading to the seizure of **more than \$200 million worth of illicit drugs**
- providing intelligence that led to **101 persons of interest** being detained or arrested for serious and organised criminal matters
- providing over **40 referrals** of actionable targets to law enforcement, related to child sexual exploitation, with a **316% increase** in reported suspicious matter reports relating to the purchase of child exploitation material.

I enclose AUSTRAC's incoming government brief for your information. The brief outlines our functions, key strategic challenges and opportunities facing the agency, and items requiring your immediate attention.

I look forward to meeting with you again in the near future.

Kind regards

Nicole Rose PSM
Chief Executive Officer

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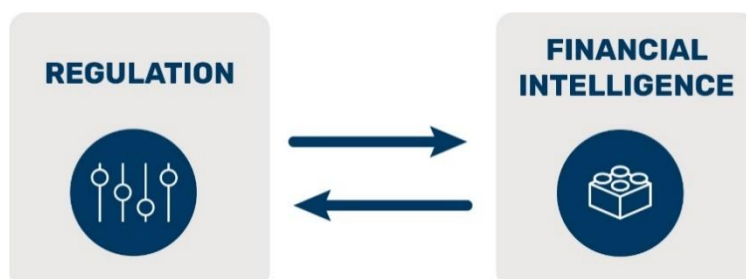
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Agency overview

The Australian Transaction Reports and Analysis Centre (AUSTRAC) performs a dual role as Australia's regulator of anti-money laundering and counter-terrorism financing (AML/CTF) and financial intelligence unit.



AUSTRAC is part of the Home Affairs portfolio and one of the 10 agencies that form the Australian National Intelligence Community. With total full-time equivalent staffing of 357¹, AUSTRAC is physically located across four state offices and has staff posted in six offshore locations across Asia, the United Kingdom and the United States of America.

AUSTRAC's total budget appropriation is fully offset by an industry contribution levy, which renders the agency's combined functions as cost neutral to government. The funding model also provides a cost offset mechanism for any new policy proposals.

AUSTRAC's regulatory enforcement activities also provide a source of government revenue, as all monetary penalties are directly returned to consolidated revenue.

AUSTRAC's dual role

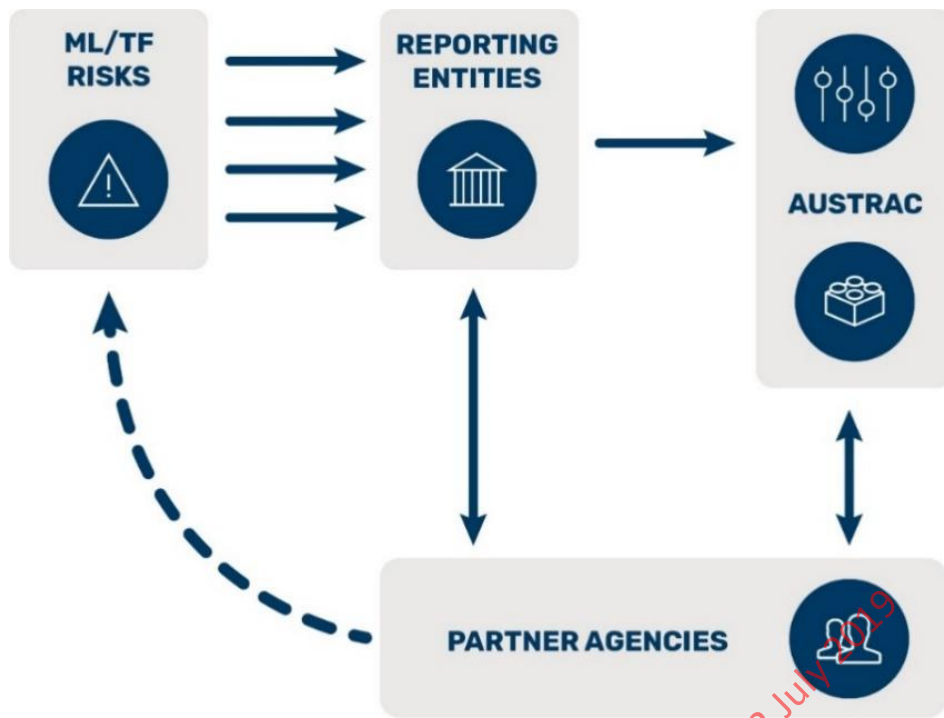
AUSTRAC's regulatory and financial intelligence functions are interconnected and complementary. This builds resilience in the financial system and uses financial intelligence and regulation to disrupt money laundering, terrorism financing and other serious crime. The combination of these two functions is seen as international best practice.

As Australia's AML/CTF regulator, AUSTRAC requires regulated entities to have processes in place to protect them from criminal abuse. They are also required to report financial transactions and suspicious activity. AUSTRAC monitors the quality of these reports and educates industry on associated money laundering/terrorism financing risks to ensure they continue to report high-quality information.

In turn, these reports give our financial intelligence arm the information needed to analyse potential risks and develop intelligence to support law enforcement, national security, human services and revenue agencies, and AUSTRAC's international counterparts.

Law enforcement and intelligence partners use this information to detect, prevent and disrupt money laundering, terrorism financing and other serious crime.

¹ Fulltime staffing figure correct as at 30 April 2019.



AUSTRAC's mandate

Australia's AML/CTF regime provides a distinctive legislative framework, tailored to support AUSTRAC's dual functions. The *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (AML/CTF Act) defines AUSTRAC's mandate and outlines Australia's AML/CTF regime. This regime is based on international obligations set out by the Financial Action Task Force—the intergovernmental policy-setting body that sets international AML/CTF standards.

The AML/CTF Act operates alongside its predecessor the *Financial Transaction Reports Act 1988*, which continues to impose some regulatory requirements on 'cash dealers' and solicitors.

Information about the powers granted to the Minister and AUSTRAC CEO under the AML/CTF Act is in the attachments to this brief.

As required by the AML/CTF Act, a one-off statutory review was completed in 2016 (see 'Recommended reading list' for further details). The review recommended that Australia strengthen and streamline its AML/CTF framework, and improve the effectiveness and efficiency of AUSTRAC's operations. Legislative reforms are being implemented in phases by the lead policy department—the Department of Home Affairs.

Threat environment

Australia is facing more complex and heightened national security threats than ever before. The increasing volume in the movement of goods, persons and value exacerbates the opportunities for criminal exploitation. The interconnectedness of communications, technologies and financial payments provides immediate accessibility across the world – removing physical barriers.

In 2017 the Australian Criminal Intelligence Commission's *National Criminal Target List* recorded 422 transnational, serious and organised crime groups impacting Australia. Of those, 70% are based offshore or had strong offshore links. Due to the evolution of technology and the internet, crime groups can continue to undertake criminal activities in Australia while still remaining offshore. These crime groups undertake criminal activities such as human trafficking, illegal firearm sales, child exploitation, drug trafficking, tax evasion and fraud - to generate profits. These profits are laundered through Australia's financial system to facilitate further criminal activity or support extravagant lifestyles.

The activities of serious and organised crime groups have a grave **impact on Australians**. The Australian Criminal Intelligence Commission estimates that serious crime costs Australia up to \$47.4 billion per year. This includes \$31.5 billion as the direct and consequential cost of serious organised criminal activity, and \$15.9 billion spent on prevention and response to these activities. However, indirect security, economic and social impacts make the true cost to Australians far greater. For example:

- wastewater analysis shows 9.6 tonnes of 'ice' is consumed in Australia annually
- each year more than 1,000 Australians die from illicit drug overdose,² equating to three Australians per day
- child sexual exploitation has been detected at unprecedented levels, with referrals of online abuse to the Australian Federal Police up 84% from 2017 to 2018 (and still increasing)
- \$5.9 billion in tax fraud is occurring annually, eroding government revenue.

Profits from these acts can then go on to fund other crimes—**60% of terrorist organisations are connected to the illicit drug trade**.³

The nature of terrorism continues to change, posing new threats and unanticipated challenges, such as the fall of the Islamic State in the Middle East, and the rise of extreme right-wing terrorism. Australia, like other jurisdictions, faces the challenge of returning foreign fighters and their families, as well as a clear pivot to our South-East Asian region as terrorist organisations shift their efforts away from the Middle East. In addition, recent events in Christchurch New Zealand have highlighted the rise of extreme right-wing terrorism in the western nations.

Advances in technology and pervasive social media have led to increases in cyber-attacks and the spread of disinformation from state and non-state actors. Blockchain and cryptocurrencies provide opportunities to move funds in ways that challenge law

² Australian Bureau of Statistics, *Causes of Death in Australia, 2017*.

³ Australian Institute of Criminology, *Financing Terrorism: Risks for Australia*.

enforcement detection. Easy access to encryption tools and the rise of the dark web also allow criminal organisations to obscure their activities from security and law enforcement.

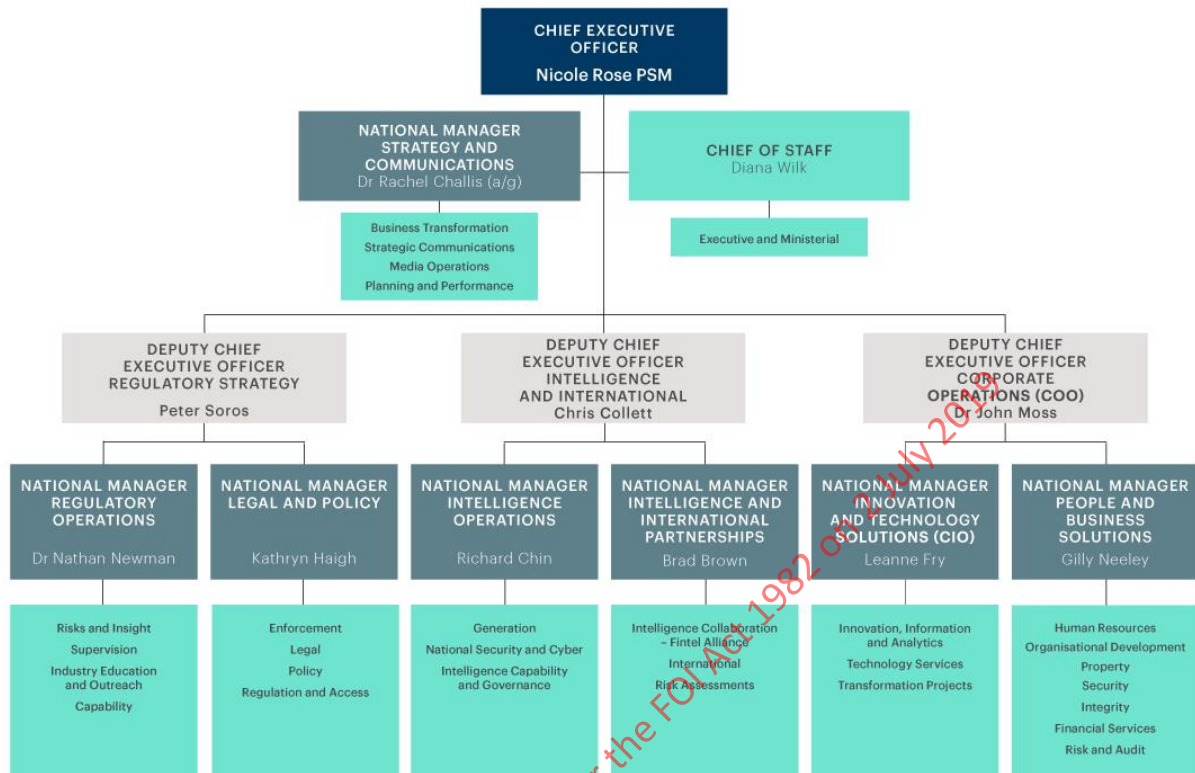
Shifts in the threat environment are challenging traditional law enforcement approaches and require Government and law enforcement to recalibrate their responses to these threats.

As money laundering is a key enabler of all the above mentioned serious crimes, law enforcement and security agencies agree that targeting the criminal business model will have a significant disruptive impact, reduce harm to the community, and minimise loss of Government revenue. Criminal syndicates rely on the generation of profit either as an end in itself, or to facilitate activities – which means the financial system is at major risk of exploitation. It is crucial to address critical vulnerabilities across the financial system and raise awareness of criminal methodologies. More work needs to be done to lift compliance and strengthen the financial system.

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AUSTRAC functions

AUSTRAC's organisational structure shows its functions.



Australia's AML/CTF regulator

AUSTRAC oversees the compliance of more than 14,700 Australian reporting entities. These include businesses such as banks and credit unions, lenders and stockbrokers, gambling and bullion service providers, remittance dealers and digital currency exchange providers.



AUSTRAC's approach to regulation recognises that reporting entities are the first line of defence in protecting the financial system. We adopt a **risk-based approach to regulation** and place the onus on reporting entities to identify, mitigate and manage their money laundering/terrorism financing risk.

AUSTRAC works with reporting entities to ensure they are knowledgeable, vigilant, and capable of preventing, detecting and responding to threats of criminal abuse and exploitation. AUSTRAC promotes compliance by providing education and guidance, and sharing information about money laundering/terrorism financing risks.

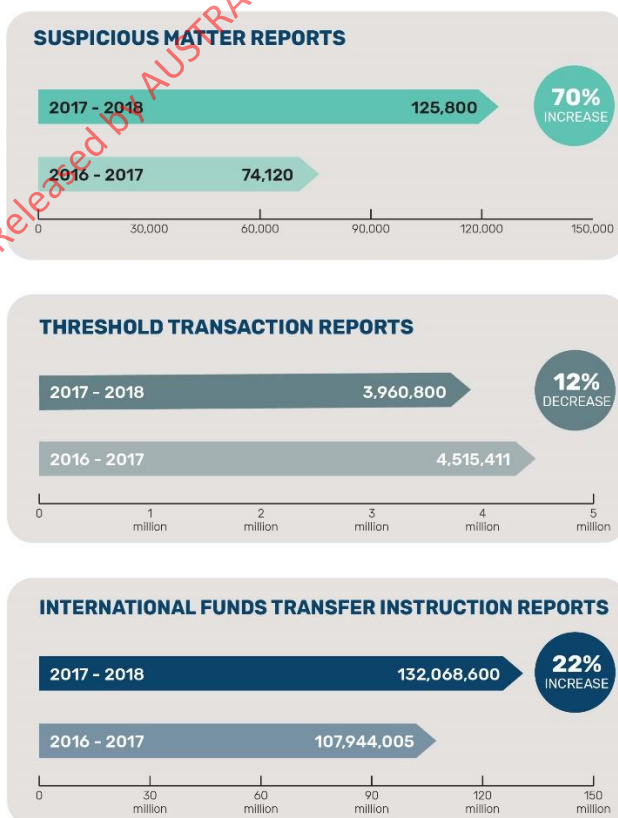
AUSTRAC also monitors and assesses reporting entities against their obligations and where appropriate, applies a forceful and credible deterrent to non-compliance by undertaking enforcement action. Reporting entities must:

- take steps to know their customer (including by verifying each customer's identity)
- provide reports to AUSTRAC about financial transactions and suspicious matters, including:
 - international funds transfer instruction reports, which include electronic or remittance transfers of value, transmitted out of or into Australia
 - threshold transaction reports, involving the transfer of physical currency of AUD10,000 or more (or the foreign currency equivalent)
 - suspicious matter reports, which must be submitted to AUSTRAC when a reporting entity forms a suspicion of criminal activity on 'reasonable grounds'
- implement systems and controls to identify, mitigate and manage the risk that their business will be exploited for money laundering/terrorism financing purposes.

All reports provided from regulated entities form the crucial data that AUSTRAC requires to perform its intelligence function.

Recent regulatory activities

In 2017-18 AUSTRAC received 136,201,200 reports from reporting entities. This equates to more than 370,400 reports per day. The reports included:



In 2017-18 AUSTRAC also received 46,100 reports of cross-border movements of physical currency (AUD10,000 or more, or the foreign equivalent). This reporting obligation applies to any person departing or entering Australia, and any person who ships or mails currency into or out of Australia.

In the past 12 months, **AUSTRAC's regulatory activities** included:

- more than 50 compliance assessments of reporting entities, resulting in the identification of more than 100 breaches of the AML/CTF Act
- implementing a new triage capability, which has considered more than 230 instances of potential non-compliance with the AML/CTF Act, identified through sources such as referrals, tip-offs and self-disclosures
- handling more than 14,000 contacts (email and phone) from reporting entities and the public
- processing more than 2,000 applications to be registered on the Remittance Sector Register and Digital Currency Exchange Register
- registering more than 240 digital currency exchange providers, and refusing three registrations, since the regulation of these entities commenced in April 2018
- developing material to support reporting entities harden their business against money laundering and terrorism financing, including new industry-specific guidance for pubs and clubs, digital currency exchanges and superannuation trustees
- enhancing understanding of money laundering and terrorism financing risks, through industry workshops and webinars
- launching a redeveloped annual compliance report for the 2018 calendar year, which requires reporting entities to provide information about the risks they face and their maturity, to inform AUSTRAC's regulatory and industry education priorities
- cancelling the registration of four remittance businesses and refusing to register three remittance businesses.

Australia's financial intelligence unit

Australia's financial intelligence unit, AUSTRAC, is internationally recognised as a global leader. As the custodian of the financial data received from reporting entities, AUSTRAC collects information to develop targeted financial intelligence. AUSTRAC safeguards, analyses and provides this data to law enforcement and partner agencies, in raw form and actionable intelligence.

The key focus of intelligence work is to identify financial transactions that may involve money laundering, terrorism financing, tax evasion or other serious criminal activity. AUSTRAC produces operational intelligence reports to understand emerging and current threats, and provides tactical intelligence to directly support law enforcement investigations and intelligence activities.

AUSTRAC also assesses risks across sectors and shares this information with law enforcement and industry partners. s37(2)(b)

s37(2)(b)

AUSTRAC's data holdings are its biggest asset, containing records of more than **one billion** transactions. The majority of these are international funds transfer instructions. This data provides valuable intelligence leads and is directly accessible to 'designated agencies' (described in the AML/CTF Act) that have online access. AUSTRAC uses these reports to perform macro-level monitoring of funds flows. AUSTRAC has a suite of sophisticated financial profiles to detect entities of interest, or patterns of transactions that may indicate serious financial crime or terrorism financing.

Recent intelligence activity

In 2017-18 AUSTRAC's intelligence activities included:

- 628 intelligence products disseminated to law enforcement and intelligence partners in Australia
- 4,603 exchanges of financial intelligence with 87 international financial intelligence units (a significant increase of 41% from 2016-17)
 - more than 200 of these exchanges built on AUSTRAC's collaboration with national security partners, to assist in understanding and identifying new threats and risks
 - AUSTRAC also facilitated 115 outgoing international requests for information on behalf of domestic partner agencies
- nine methodology briefs disseminated to assist reporting entities to identify money laundering/terrorism financing, which enhances suspicious matter report quality and reporting
- three million partner agency searches of AUSTRAC's intelligence systems.

AUSTRAC's public-private partnership



The combination of the dual functions of regulator and financial intelligence unit allow AUSTRAC to align public and private sector efforts to prevent, detect and disrupt money laundering, terrorism financing and other serious crime.

In 2017 AUSTRAC established a world-first public-private partnership called the **Fintel Alliance** to fight financial crime and terrorism financing in a way never done before. The Fintel Alliance brings together 25 member organisations from industry, non-government organisations, law enforcement and national security agencies, working side-by-side to harness opportunities to prevent and disrupt crime, and keep our community safe.

The Fintel Alliance:

- develops and shares financial intelligence, risk models and risk insights
- shares close to real-time information in a secure and targeted way
- provides a centre of excellence for financial intelligence by shaping standards and developing highly skilled financial intelligence analysts.

The Fintel Alliance achieves the above through two core capabilities:

- **Operations Hub:** a set of physical spaces across AUSTRAC offices where Fintel Alliance partners collaborate, exchange and analyse intelligence in **real-time**
- **Innovation Hub:** where Fintel Alliance partners collaborate, co-design and test new, innovative technology solutions/methodologies to support the Operations Hub.

The Fintel Alliance's operational efforts are directed at the following themes:

- crimes affecting the most vulnerable (ie. integrating Fintel Alliance's capabilities to support the new Australian Centre to Counter Child Exploitation)
- exploitation of government revenues
- networked/complex financial crime (criminals exploiting multiple businesses, ie. money mules, account layering, tax evasion, phoenixing, and black economy)
- nationally significant task forces and important campaigns, ie. *Australia's Most Wanted*, illicit drugs, transnational crime and firearms
- responding to regional and community harms
- technology and sophistication, responding to the most challenging money laundering efforts, through innovative approaches to data and intelligence.

Collective efforts of Fintel Alliance partners have led to the following operational outcomes:

- providing intelligence that led to 101 persons of interest being detained or arrested for serious and organised criminal matters
- protecting more than 2,500 Australians from becoming victims of crime, including cybercrime and fraud
- providing intelligence in support of law enforcement efforts, leading to the seizure of more than \$200 million worth of illicit drugs
- over 40 referrals of actionable targets to law enforcement related to child sexual exploitation, (a 316% increase in related suspicious matter reports).

As part of the 2019-20 budget, you agreed to provide AUSTRAC with an additional **\$28.4 million** over the next four years to continue and expand the Fintel Alliance. This funding allocation will enable the Fintel Alliance to deliver expanded capabilities as follows:

- tactical intelligence uplift to expand the intelligence resourcing in the Fintel Alliance
- increasing the provision of AUSTRAC's money laundering/terrorism financing risk assessments, with a focus on enhancing operational risk insights
- delivering a reporting framework to provide improved feedback to industry on the use of financial report information and intelligence
- establishing a shared operating platform for collaborative information sharing and intelligence development
- integrating currently disparate and distributed data, and exploring technologies to enhance our detection capabilities.

The funding includes additional allocation of 14 staff in the 2019-20 financial year, and a total expansion of 24 staff over four years.

AUSTRAC collaboration

Domestic partnerships

AUSTRAC strives to implement a whole-of-government approach to better service to its partners and providing client-focused intelligence products. For example:

- AUSTRAC is one of the 10 members of the Australian National Intelligence Community that contributes to broader national intelligence efforts.
- AUSTRAC has 46 memoranda of understanding to facilitate the exchange of financial intelligence with domestic regulatory, policy and law enforcement agencies.
- AUSTRAC is an active member of various multi-agency task forces, providing specialist financial intelligence expertise and operational support. These include:
 - the Black Economy Standing Taskforce, led by the Australian Taxation Office, which focuses on disrupting tax evasion enabled by the cash economy
 - the Australian Centre to Counter Child Exploitation and Joint Anti-Child Exploitation Teams, led by the Australian Federal Police, which focuses on disrupting child exploitation
 - the Fraud and Anti-Corruption Centre, led by the Australian Federal Police, which focuses on fraud and corruption
 - the Serious Financial Crime Taskforce, led by the Australian Taxation Office, which focuses on disrupting crime targeting the tax system
 - the Illicit Tobacco Taskforce, led by the Australian Border Force, which protects Commonwealth revenue by targeting crime syndicates that deal in illicit tobacco
 - the Phoenix Taskforce, led by the Australian Taxation Office, which provides a whole-of-government approach to combating illegal phoenix activity
 - Taskforce Trident, led by Victoria Police, which focuses on waterfront corruption and vulnerabilities
 - Operation Vitreus, led by the Australian Federal Police, which focuses on disrupting the importation of methamphetamine (Ice)
 - Operation Athena, led by the Australian Federal Police, which focuses on disrupting the importation of firearms
 - Operation Themis, led by the Australian Federal Police, which focuses on economic crime
 - The National Anti-Gang (state-based) Task Forces and Operation Morpheus, led by the Australian Federal Police, which focus on disrupting illicit activities of outlaw motorcycle gangs

s37(2)(b)

- Taskforce Cadena, led by the Australian Border Force, which focuses disrupting criminal syndicates that profit from the criminal exploitation of Foreign workers and Australia's migration system.
- South Australian Joint Australian Ice Strike Team, led by South Australia Police, which focuses on targeting supply and distribution of methylamphetamine (Ice) in South Australia
- National Disruption Group, led by the Australian Federal Police, which focuses on terrorism and related criminal activity
- other state-specific task forces and groups.
- AUSTRAC has staff embedded in several Commonwealth partner agencies to support law enforcement and intelligence operational efforts.

International partnerships and regional capacity building



AUSTRAC is a founding member of the Egmont Group, an international body comprising 158 financial intelligence units from around the world. Given the threat context, international engagement and support is essential for AUSTRAC to deliver its mission. Active Egmont membership enables AUSTRAC to engage with the 158 other nations, facilitating the secure exchange of financial intelligence with chosen counterparts.

In 2017-18 AUSTRAC facilitated 4,603 international exchanges of financial intelligence. These were in response to requests from Australian Government agencies, foreign financial intelligence units and for AUSTRAC's own intelligence purposes.

Further to the Egmont Group collaboration, AUSTRAC's international collaboration is also facilitated through the following:

- AUSTRAC has 96 memoranda of understanding to share information (both intelligence and regulatory information) with international counterparts and other organisations, primarily through financial intelligence units.
- AUSTRAC has **seven** officers outposted overseas at the Australian Embassy, or embedded in the financial intelligence unit in Indonesia (Jakarta), the Philippines (Manila), Malaysia (Kuala Lumpur), USA (Washington DC), United Kingdom (London) and China (Guangzhou).
- AUSTRAC contributes to various international bodies including:
 - the Financial Action Task Force—the policy-setting intergovernmental body that assesses the effectiveness of a country's (including Australia's) AML/CTF regime
 - the Asia/Pacific Group on Money Laundering—the regional body tasked with aligning its members with the Financial Action Task Force's mandate, and co-chaired by Australia (the Australian Federal Police).
- AUSTRAC collaborates closely with its **Five Eyes counterparts** to ensure a consistent approach to engaging among regional partners and across multilateral forums. AUSTRAC achieves this through the **Five Eyes Heads of Financial**

Intelligence Units group, the **International Supervisors Forum** and significant and ongoing operational intelligence engagement.

- AUSTRAC co-hosts the annual CTF Summit with regional partners. The CTF Summit is aimed at securing regional undertakings to progress strategic priorities, sharing information and coordinating actions and efforts to operationalise work to combat terrorism financing in the region.
- AUSTRAC co-chairs the Financial Intelligence Consultative Group (FICG), which brings together the 10 ASEAN countries, Australia and New Zealand, to strengthen the region against money laundering and terrorism financing. The Group is currently focusing on:
 - counter-terrorism disruption strategies
 - regional assessments of high-risk money laundering threats
 - guidance on the regulation of cryptocurrencies
 - a regional information-sharing platform to better accommodate fast, targeted and secure intelligence sharing.
- AUSTRAC supports capacity building for ASEAN partners through:
 - the regional **Financial Intelligence Analyst Course**, delivered in four ASEAN nations to date, equipping participants to conduct financial intelligence analysis
 - the **Multilateral Analyst Exchange Program** ('analyst hub'), delivered twice to date, to collaborate and examine specific cross-border or regional counter-terrorism/CTF intelligence issues.
- AUSTRAC works closely with the Department of Foreign Affairs and Trade to deliver capacity-building programs to address money laundering and terrorism financing threats. This is primarily focused on delivering technical assistance and training for financial intelligence agencies, as follows.
 - Programs with Indonesia's financial intelligence unit (PPATK):
 - PPATK-AUSTRAC Partnership Program—to enhance PPATK's capabilities with regards to international assessment, regional engagement and systems enhancement
 - the Australia Indonesia Partnership for Justice—to improve interagency coordination and collaboration between Australian agencies and Indonesian counterparts, particularly on serious and organised crime in the region.
 - The Philippines Anti-Money Laundering Council-AUSTRAC Partnership Program—to build capabilities in intelligence, IT and data analysis through analyst exchanges targeting money laundering and terrorism financing.
 - The Supporting Papua New Guinea's Effective AML/CTF Reform program—to strengthen AML/CTF systems and capabilities, increase domestic coordination and enhance international intelligence sharing.

Innovation and technology

AUSTRAC's ability to manage and leverage data provided from Industry and partners is critical to meeting the agency's core objectives. To do this, AUSTRAC invests heavily in staff and technology to ensure the agency is a leader in innovation and operational delivery solutions.

AUSTRAC leverages user-friendly and agile technology to: minimise the regulatory burden on reporting entities; ensure the reporting population is compliant with their obligations; and give AUSTRAC the capability to provide accurate and actionable financial intelligence, generate insights and provide raw data to its partners in near real-time. Three current examples to demonstrate this:

- Collaboration** - AUSTRAC partners with Australian universities and other organisations to develop innovative solutions to increase enforcement, streamline compliance, improve intelligence capability, and produce high-quality client-focused intelligence. An example is the **Fintel Alliance Alerting Platform**, which is a partnership with the Australian National University and Data61. It is aimed at building capability to detect financial crime risks only visible by joining data silos. The project will provide a technological platform that uses world-class research in encryption, privacy-preserving record linkage mechanisms, and distributed machine learning.
- Ensuring quality data** - AUSTRAC continuously refines and standardises the data received from reporting entities. AUSTRAC's data scientists have created a state-of-the-art algorithms to manage inconsistencies between data sets and recognise linkages between them to identify persons of interest.
- Transforming and integrating legacy platforms** - AUSTRAC is focused on being adaptable to meet future technological challenges by shifting to open source, component based platforms and systems to join various data silos, enable faster operational response, greater data access and enhanced sharing capabilities – such as a modern intelligence appliance, development of a specialised case management system and deployment of a mobility solution for users.
- Data-driven regulation**: Our regulatory operations have undergone a significant investment in using data analysis and advanced analytics to increase our understanding of compliance and risk across the financial sector, and apply near real-time monitoring to identify and respond to non-compliance. This enables AUSTRAC to respond rapidly and intervene early, preventing further non-compliance and extending our operational reach with existing resources.



Funding

Industry contribution levy

AUSTRAC's funding model is seen as best practice. Like many regulators, AUSTRAC's budget appropriation is completely offset by an industry contribution levy. This is done through the *Australian Transaction Reports and Analysis Centre Industry Contribution (Collection) Act 2011* (Collection Act). This Act imposes the levy on 'leviable entities' regulated and supervised by AUSTRAC.

The levy recovers 100% of costs, comprising base appropriation and budgeted depreciation. The levy is collected by AUSTRAC as administered revenue, with all monies being returned to the Government as consolidated revenue. The operation of the industry contribution model means that the net cost to government for operations is nil.

As per the Collection Act, the determination of the levy (that is, to set the levy charging model for each financial year) is made by you as the responsible Minister (see 'Immediate ministerial consideration' below for information on the 2019-20 levy determination).

The total amount to be recovered from industry for 2018-19 was \$76.031 million. AUSTRAC is due to recover **\$78.795 million for 2019-20**.

Budget 2019-20

AUSTRAC's budgeted **departmental appropriation** for 2019-20 is **\$72.678 million**, as per the April 2019 Portfolio Budget Statements. This is an increase of \$4.265 million (6.2%) over the appropriation for 2018-19 of \$68.413 million.

The increase is primarily due to the new funding measure 'Strengthening Australia's public private partnership to disrupt serious financial crime – AUSTRAC Fintel Alliance' of \$5.161 million.

AUSTRAC's **own-source revenue for 2019-20** includes:

- \$1.577 million from the Confiscated Assets Account (Proceeds of Crime Act) to support AUSTRAC's international intelligence and regulatory network
- \$2.264 million from Proceeds of Crime Act to support the Fintel Alliance risk assessment program
- \$0.441 million to support the Illicit Tobacco Taskforce
- \$1.310 million for international technical assistance and training programs:
 - Indonesia: Department of Foreign Affairs and Trade PPATK-AUSTRAC Partnership Program, \$0.840 million
 - Papua New Guinea: Attorney-General's Department Papua New Guinea program, \$0.470 million.

AUSTRAC's own-source revenue for 2018-19 is currently estimated at \$7.739 million. This is \$2.251 million higher than budget, thanks to a new Proceeds of Crime Act-funded initiative to establish an enhanced national money laundering and terrorism financing risk assessment program over three years.

AUSTRAC's **total capital budget** from all sources for 2019-20 (departmental capital budget and equity injections) is **\$7.488 million**. The departmental capital budget for 2019-20 is \$3.049 million (compared with \$3.046 million in 2018-19). AUSTRAC will receive an equity injection of \$4.439 million in 2019-20, consisting of:

- \$3.600 million for the measure 'Strengthening Australia's Defences against Money Laundering and Terrorism Financing', announced in the 2017-18 Mid-Year Economic and Fiscal Outlook
- \$0.839 million for new funding measure 'Strengthening Australia's public private partnership to disrupt serious financial crime – AUSTRAC Fintel Alliance'.

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Immediate ministerial consideration

The following provides initial advice of items that will require immediate attention by you. Further information on each item will follow in due course.

Egmont Group Plenary: June 2019

The AUSTRAC CEO will attend the annual Egmont Group Plenary meetings in The Hague, The Netherlands, in July 2019 (see *International Partnerships* above). Financial Intelligence Units from across the globe will focus on facilitating operational financial intelligence exchange. In the margins, the CEO will attend a meeting of the Five Eyes Cooperation Group (heads of financial intelligence units), which was an outcome of the last Five Country Ministerial meeting.

s 47C(1)

s37(2)(b)

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Independent review of AUSTRAC's industry contribution levy arrangements

Section 17 of the Collection Act requires the responsible Minister to cause an independent review of the operation of the levy, by the fourth anniversary of its commencement. The fourth anniversary was 22 October 2018.

The commencement of, and terms of reference for, the independent review were agreed by the former Minister for Law Enforcement and Cyber Security on 16 August 2018. The report was completed by an independent reviewer, Dr Darryn Abraham from Acacia CRE Pty Ltd, and provided to you for noting on 18 April 2019, as per the statutory requirement.

s47C(1)

Industry contribution levy determination

The Collections Act requires the relevant Minister to make a determination to set the industry contribution levy calculation for each financial year. The ministerial determination specifies the amount of levy payable by a leviable entity for a financial year.

s47C(1)

Counter-Terrorism Financing Summit

As referred to in the above section *International Collaboration*, in support of the continued growth in collaboration and cooperation across ASEAN, AUSTRAC co-hosts the annual CTF Summit with Indonesia's financial intelligence unit in a different ASEAN country each year.

The CTF Summit brings together officials and international experts from financial intelligence units, as well as senior representatives from policy, regulatory, law enforcement and national security agencies, FinTech/RegTech industry, financial industry, multilateral bodies, think tanks and academia, from across the region and the globe.

s47C(1)

AUSTRAC contacts

Primary

Contact	Role	Phone/mobile	Email
Nicole Rose	Chief Executive Officer	s22(1)(b)(ii)	s22(1)(b)(ii)
Diana Wilk	Chief of Staff	s22(1)(b)(ii)	s22(1)(b)(ii)

Other

s22(1)(b)(ii)	Executive Assistant to the CEO	s22(1)(b)(ii)	s22(1)(b)(ii)
Executive and Ministerial	Responsible for all ministerial and parliamentary engagement.		s22(1)(b)(ii)

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Recommended reading list

The following reading is recommended for reference/information. Hyperlinks below will be provided in an electronic copy of this brief sent to your office.

Legislation

- [Anti-Money Laundering and Counter-Terrorism Financing Act 2006](#) (AML/CTF Act)
- [Anti-Money Laundering/Counter-Terrorism Financing Rules](#)
- [Australian Transaction Reports and Analysis Centre Industry Contribution Act 2011](#)
- [Australian Transaction Reports and Analysis Centre Industry Contribution \(Collection\) Act 2011](#)
- [Financial Transaction Reports Act 1988](#)
- [Report on the statutory review of the AML/CTF Act and associated Rules and regulations](#)

Corporate documents

- [AUSTRAC annual reports](#)
- [AUSTRAC corporate plans](#)

Risk assessments published

- [Money laundering/terrorism financing risk assessments](#)

Approach to regulation

- [AUSTRAC's Approach to Regulation](#)