



Australian Government  

---

AUSTRAC

FIGHTING  
FINANCIAL  
CRIME  
TOGETHER

2019–  
23

AUSTRAC  
CORPORATE PLAN

## 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 2019.



# CONTENTS

CEO foreword	01
About us	02
Our environment	08
Performance	16
Capability	22
Risk oversight and management	36

**“... AUSTRAC is at the heart  
of the framework designed to  
protect Australia’s financial system,  
businesses and the wider community  
from criminal abuse.”**



# CEO FOREWORD

I, Nicole Rose PSM, as accountable authority of AUSTRAC, present the 2019–20 AUSTRAC Corporate Plan, which covers the period of 2019–23, as required under paragraph 35(1)(b) of the *Public Governance, Performance and Accountability Act 2013*.

AUSTRAC holds a unique position as Australia's anti-money laundering and counter-terrorism financing (AML/CTF) regulator and financial intelligence unit. By virtue of our interconnected dual functions, AUSTRAC is at the heart of the framework designed to protect Australia's financial system, businesses and the wider community from criminal abuse.

Internationally, our interconnected and complementary functions are seen as best practice. To be a global leader in financial intelligence and regulation, we want our partners, international and domestic, to value the services and products we deliver.

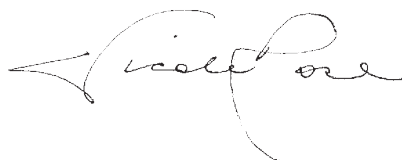
This Corporate Plan highlights our key capabilities and the actions we will take to strengthen Australia's financial system and protect it from criminal exploitation. It also outlines how we will continue to use our regulation and foster our partnerships to produce actionable and near real-time financial intelligence to detect and disrupt money laundering, terrorism financing and other serious crimes.

AUSTRAC's operating environment is constantly evolving. This presents both opportunities and challenges for our work. By focussing on streamlining AML/CTF processes, contributing to legislative reform and providing ongoing education and feedback, we will look to reduce compliance costs and to help businesses understand their AML/CTF reporting obligations. We will increasingly influence regulatory behaviour across our 14,000 reporting entities by deploying our suite of regulatory tools, including enforcement, to address and deter non-compliance, ensuring we are receiving the data we need and maintaining public confidence in Australia's AML/CTF regime. We will continue to collaborate with our partners to extend their access to our data, and introduce new analytic and visualisation tools that will deliver high volumes of better quality information.

Knowing the expertise and dedication of our people, I am confident in AUSTRAC's ability to enhance its capabilities and optimise the value we provide to our partners. Implementing the activities and initiatives outlined in the 2019-23 Corporate Plan is an important step towards achieving our purpose and meeting our vision of a financial sector free from criminal abuse.

**Nicole Rose PSM**

Chief Executive Officer  
AUSTRAC



# 02

## ABOUT US

### OUR VISION

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

## 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.

## OUR VALUE

AUSTRAC is Australia's financial intelligence unit and its anti-money laundering and counter-terrorism financing (AML/CTF) regulator. Our regulatory and financial intelligence functions are interconnected and complementary.

We regulate more than 14,000 businesses to ensure they have robust AML/CTF processes and systems that protect them from criminal abuse. We analyse and generate financial intelligence based on suspicious matter reports that our reporting entities provide us every day. These reports allow our intelligence analysts to identify risks and develop intelligence products to support law enforcement and national security activities.

Our intelligence function supports our regulatory role by providing information that reveals high-risk areas and threats. We use this information to educate industry and collaborate with them in strengthening Australia's financial system against criminal abuse.

Our dual regulatory and intelligence functions put AUSTRAC at the centre of the framework designed to protect Australia's financial system from criminal abuse. We use our specialist expertise in anti-money laundering and counter terrorism financing, and our collaborative approach to working with our industry and government partners, to make the most of our dual functions and work toward our vision.

To deliver our value we aim to:

- **Discover** new and emerging risks posed by criminals who seek to exploit the financial system.
- **Understand** our environment by developing and sharing a comprehensive understanding of vulnerabilities within the global financial system at risk of criminal exploitation.
- **Strengthen** the financial system by ensuring risks within the financial system are mitigated through effective controls deployed by an engaged, capable and collaborative community.
- **Disrupt** criminal abuse of the financial system by collaborating with our partners to detect, understand and disrupt criminal exploitation of the financial system.
- **Optimise** our business by continuously evolving and adapting our business operations to improve our efficiency, effectiveness and sustainability in a dynamic operating environment.

# ORGANISATIONAL CHART





## OUR LEADERSHIP

AUSTRAC leaders work across national and international boundaries to provide Australia with the ability to fight money laundering, terrorism financing and other serious crime. Our leaders bring diverse expertise and experience to deliver value to our partners across industry, government and the intelligence community. We are committed to serving the national interest and building on AUSTRAC's proud history in leading and establishing key global forums in pursuit of our vision.

At AUSTRAC, we derive strength from the range of experience and technical backgrounds of our people. By embracing a culture of collaboration, we work together to achieve results.

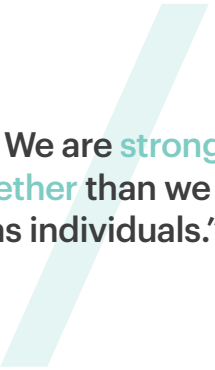
We will continue to invest in the leadership capability of AUSTRAC staff through a range of learning and development opportunities including programs offered through the Australian Public Service Centre for Leadership and Learning and the Women in Law Enforcement Strategy. AUSTRAC will build on the new Future Executive Leaders and Evolving Leader Programs that we have developed in partnership with the Australian Institute of Police Management and participate in various other programs developed for members of the National Intelligence Community. Our new Capability Development Framework will assist leaders at all levels to assess the capability needs of teams and support them in developing their leadership objectives.

**"By embracing a culture of collaboration,  
we work together to achieve results."**

## OUR CULTURE

At AUSTRAC, all staff are custodians of our culture. Our Culture Statement has been jointly developed with staff to describe the culture we uphold and aspire to strengthen, through our engagement with one another.

AUSTRAC's approach to culture is underpinned by its 'One AUSTRAC' philosophy that recognises that we are stronger together than we are as individuals. As an organisation, this is reflected in AUSTRAC's role and the interconnected and complementary nature of our regulatory and financial intelligence functions as well as the whole-of-agency support provided by our enabling functions.



**"... We are stronger  
together than we are  
as individuals."**

This means we are:

### TRUSTED

We are a trusted leader and partner and are widely respected for our expertise in financial intelligence and regulation.

### COURAGEOUS

We foster growth and self-development. We have the right tools to support an innovative and flexible workplace. Our environment encourages curiosity and courage. We take measured risks in pursuit of our purpose of fighting financial crime.

### FOCUSSED

We are individually and collectively responsible for delivering AUSTRAC's purpose and realising our vision. We are committed and set out to complete what we start.

# ONE AUSTRAC

TRUSTED • COURAGEOUS • FOCUSSED

UNITED	ACCOUNTABLE	EMPOWERED	COURAGEOUS	INCLUSIVE
				
<p>We work together as one AUSTRAC and have high expectations of ourselves and others. We embrace change and collaborate internally and with our partners to serve the community.</p>	<p>We are transparent and accountable for our actions. We are honest and consistent, which builds trust and earns us credibility.</p>	<p>We empower our people to share new ideas without fear. This empowerment upholds our high performing reputation across the community and with our partners.</p>	<p>We are innovative, flexible and embrace new ideas. We are bold enough to take risks and test new ideas to solve problems, but we are never reckless.</p>	<p>We recognise and celebrate our differences. We embrace diversity and are respected for it. People are our strength, we care for and support each other.</p>

# 08

## OUR ENVIRONMENT

"It is crucial that  
we continue  
to leverage our  
intelligence, grow our  
partnerships, explore  
the opportunities that  
new technologies  
provide..."

The financial system is increasingly vast and complex. Sophisticated and dynamic criminal syndicates are constantly developing new ways to exploit vulnerability and launder the proceeds of crime. Similarly, extremist and terrorist organisations will seek out opportunities to secure financing to fund terrorist groups and operations. It is crucial that we continue to leverage our intelligence, grow our partnerships, explore the opportunities that new technologies provide and ensure we are proactive in discovering and disrupting criminal abuse of the financial system, and ultimately making Australia safe and prosperous.

**“... criminal syndicates are constantly developing new ways to exploit vulnerability and launder the proceeds of crime.”**

## THREATS AND CHALLENGES

### Serious and Organised Crime

Australia must be prepared to face more complex and heightened national security threats. While the increasing volume in the movement of goods, persons and value provides Australia and our economy with wide-ranging benefits it also exacerbates the opportunities for criminal exploitation. The interconnectedness of communications, technologies and financial payments provides immediate accessibility across the world by removing physical barriers.

Our collective efforts with law enforcement partners strengthen industry and the public's understanding of transnational, serious and organised crime groups impacting Australia. In 2015, the Australian Criminal Intelligence Commission (ACIC) found that 70 per cent of Australia's serious and organised crime threats are based offshore or had strong offshore links.<sup>1</sup> Since then, technology has continued to evolve and it has become even easier to transfer money anonymously and instantaneously. As a result, offshore crime groups will continue to undertake criminal activities, such as drug trafficking, human trafficking, illegal firearm sales,

---

<sup>1</sup> Australian Criminal Intelligence Commission (ACIC), The costs of serious and organised crime in Australia 2013–14, Canberra, 2015, p. 5.

child exploitation, tax evasion and fraud in Australia. Profits from these crimes are laundered through Australia's financial system to facilitate further criminal activity, generate wealth or to support extravagant lifestyles.

The activities of serious and organised crime groups have a grave impact on Australians. The Australian Institute of Criminology estimates that serious and organised crime costs Australia up to \$47.4 billion per year.<sup>2</sup> 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<sup>3</sup>, 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 per cent from 2017 to 2018
- \$5.9 billion in tax fraud is occurring annually, eroding government revenue.

The threats and challenges we face continually evolve and with that evolution criminals are determined in their efforts to exploit the financial system to launder the proceeds of their crimes. Transnational, serious and organised crime threatens the safety, security and trust of our citizens, the prosperity of our economy and the integrity of our institutions. By providing financial intelligence and specialist expertise in money laundering, terrorism financing and other serious 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 from threats. In this environment, it is increasingly important that we continue to contribute to, domestically and internationally, protecting the integrity of the Australian financial system, by supporting the Australian Government's ongoing commitment to combatting serious and organised crime and terrorism.

---

2 Smith, R., Australian Institute of Criminology, Statistical Report 09, Estimating the cost of serious and organised crime in Australia in 2016–17, p.1

3 Australian Bureau of Statistics, Causes of Death in Australia, 2017.

## Terrorism

Profits from serious and organised crime can be diverted to fund other crimes including terrorism. Even when funding for terrorism is sourced from legitimate sources, terrorist groups are adept at finding new ways to move finances across borders. The nature of terrorism financing is increasingly complex as the global environment continues to rapidly 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. The terrorist attack in Christchurch, New Zealand in March 2019 has highlighted the rise of extreme right-wing terrorism.

## Regulatory disruption

The regulatory environment has changed considerably over the past 12 months. Domestically, the outcomes of the *Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry* have compelled industry and regulators to re-evaluate their obligations and roles in the Australian financial system to meet community expectations.

Coupled with this is the rapid emergence of new and evolving technologies being embraced by business and consumers. The financial sector is fluid, with the establishment of non-traditional digital banking models (such as cryptocurrency and neobanking), the entry into the financial system of technology companies and the endless possibilities being driven by financial technology (FinTech) and regulatory technology (RegTech) as examples. Some changes will be incremental, but some may be revolutionary. This will challenge the role of regulators in understanding new financial products and channels and combatting criminal exploitation. Importantly, new and emerging business may not understand their AML/CTF reporting obligations or have in place appropriate programs or resources to protect their business.

AML/CTF regulators globally need to work together on addressing critical vulnerabilities across the financial system by sharing knowledge, raising awareness of criminal methodologies and influencing compliance behaviours to strengthen the financial system. Further, government and industry must respond to these threats by leveraging opportunities to innovate and partner in detecting vulnerabilities of emerging technologies, products and services, by enhancing compliance, and importantly, by educating new market entrants about potential money laundering/terrorism financing risks to the economy and national security.

## OPPORTUNITIES

### Technology-based Solutions

AUSTRAC continues to support the development of technology-based solutions and opportunities driven by the agility and pace of change of the FinTech and RegTech sectors. Reporting entities of all sizes are adopting cost effective technological solutions and exploring open data, digital identity and artificial intelligence.

The value of these technological developments is underpinned by the willingness of industry partners to support collaborative efforts to drive innovation and change how we protect against, detect and deter financial crime across the financial system. Technology-based regulatory solutions developed in collaboration with both industry and policy-makers are critical in harnessing the expertise that exists across the private and public sectors to optimise approaches for regulatory best practice.

### Data and analytics

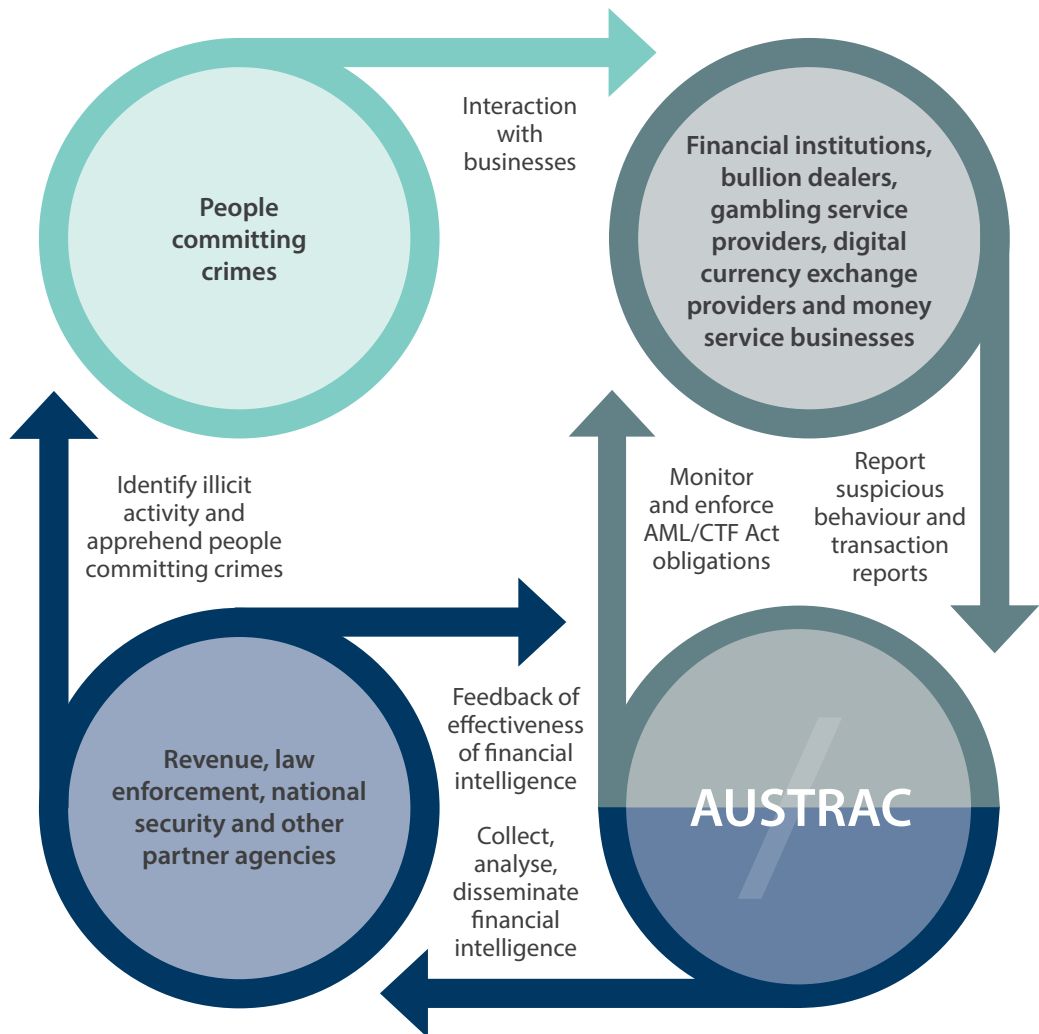
Data is central to our operations and critical to tracking down and dismantling the financial networks of criminals. AUSTRAC has built a foundational data capability to ensure data is effectively managed, interrogated and analysed to support timely decision-making. Our management of data quality risks is ongoing, to ensure that it does not undermine analysis and detection of threats and criminal activities.

Future opportunities for AUSTRAC include providing near real time information and data based on the reports we receive from more than 14,000 businesses. Expanding on the AML/CTF data sets we have traditionally held to broader, more diverse data sets will help make our intelligence products more responsive and useful to law enforcement operations. Building on our data analytics capability will maximise the value of the data provided to AUSTRAC, and the quality of the intelligence products and advice we can provide to our partners.



## PARTNERSHIPS

AUSTRAC's partnerships across government, industry and the community are crucial to achieving our vision of a financial system free from criminal abuse.



## Australian Government

Within both the Home Affairs portfolio and the National Intelligence Community, AUSTRAC is a conduit of intelligence between the financial sector and Australia's law enforcement, intelligence and national security agencies.

Our collaboration with Home Affairs portfolio stakeholders builds upon our longstanding relationships with federal, state and territory law enforcement, revenue and regulatory partners to deliver an efficient and effective AML/CTF regime. AUSTRAC will support the Department of Home Affairs to further implement the reforms recommended by the statutory review of the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* to strengthen our AML/CTF legislative framework.

Our inclusion in the National Intelligence Community on 20 December 2018 has generated more effective and focussed coordination with national intelligence partners.

We also maintain strong partnerships across government with each state and territory law enforcement network and federal partners including the Australian Taxation Office and the Department of Human Services. Our collaboration with regulators such as the Australian Securities and Investments Commission, the Australian Prudential Regulation Authority and the Australian Competition and Consumer Commission continues to grow. Through our work on taskforces and sharing actionable information and intelligence with our domestic partners, AUSTRAC is able to contribute to cross-government outcomes while combatting serious financial crime.



**“We also maintain strong partnerships across government with each state and territory law enforcement network and federal partners...”**

## Regulated Industry

As the global financial sector faces the challenges of disruptive technology and changing consumer sentiment, AUSTRAC's partnerships with regulated entities are increasingly important in detecting and mitigating vulnerabilities to financial crime.

Our approach to regulation highlights a risk-based approach to working with reporting entities, whereby we engage in a range of different regulatory activities depending on reporting entity needs and risks. By working together, AUSTRAC and reporting entities are able to improve our collective understanding and management of money laundering and terrorism financing risks and promote a culture of AML/CTF compliance. In instances where reporting entities fail to meet their obligations, well-targeted and proportionate enforcement action taken by AUSTRAC benefits compliant reporting entities and the wider community by contributing to the broader integrity of the financial system.

Through the Fintel Alliance, we connect government and financial sector entities to collaborate on a range of operational functions, contribute to key intelligence task forces with our partners and explore the application of new technology in sharing information more effectively.

## International Partners

As serious and organised crime groups operate across borders, it is essential that government and industry partners around the world unite against them. By working with our international partners, we continue to support efforts to strengthen the international environment against money laundering and terrorism financing.

Through AUSTRAC's strategic international engagement, we influence and promote existing AML/CTF regulations and standards within the Financial Action Task Force (FATF) and the Asia Pacific Group on Money Laundering (APG). Through the Egmont Group of financial intelligence units (FIUs) and with counterpart FIUs and AML/CTF regulators we collaborate in strengthening operational best practice across our region through information sharing, education and capability building opportunities through our technical assistance and training programs. Through our deployees and our analyst exchange programs around the world, and the regional Counter Terrorism Financing Summit, we work with our partners to progress specific strategic and operational outcomes.

# 16

## PERFORMANCE

"AUSTRAC's  
performance  
framework is designed  
to assess our agency's  
ability to deliver  
on our purpose."

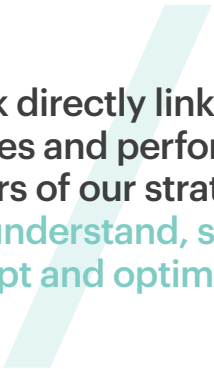
## MEASURING PERFORMANCE

AUSTRAC's performance framework is designed to assess our agency's ability to deliver on our purpose. The framework directly links and aligns our purpose, activities and performance criterion through the pillars of our strategic direction—discover, understand, strengthen, disrupt and optimise.

Over the course of 2019-23 AUSTRAC will continue to monitor our performance by gathering a range of qualitative and quantitative evidence to demonstrate achievement against our Portfolio Budget Statement (PBS) performance criterion.

For each year of this Corporate Plan, we will provide an assessment of our performance using the following measures in our Annual Performance Statement.

We also measure our performance against the six key performance indicators of the Regulator Performance Framework. Our performance in undertaking our regulatory functions is reported through an annual self-assessment validated by industry and published on our website by the end of each calendar year.





**“The framework directly links and aligns our purpose, activities and performance criterion through the pillars of our strategic direction — discover, understand, strengthen, disrupt and optimise...”**



PBS PERFORMANCE CRITERION:

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



1. DISCOVER NEW AND EMERGING RISKS - AUSTRAC identifies new and emerging risks posed by criminals who seek to exploit our financial system.

Measurement method	Assessment/reporting years				
	2019	-	2020	-	2021 - 2022 - 2023
Evidence of AUSTRAC enriching and linking data					
Evidence of more effective and proactive information and typology sharing					

**2. UNDERSTAND OUR ENVIRONMENT** - AUSTRAC develops and shares a comprehensive understanding of vulnerabilities to criminal exploitation within our financial system.



Measurement method	Assessment/reporting year
	2019 - 2020 - 2021 - 2022 - 2023
Evidence of partner agencies using AUSTRAC data and intelligence products	
Contributions to intelligence taskforces and interagency forums	

**3. STRENGTHEN OUR FINANCIAL SYSTEM** - AUSTRAC ensures risks within our financial system are mitigated with effective prevention and monitoring controls.



Measurement method	Assessment/reporting year
	2019 - 2020 - 2021 - 2022 - 2023
Evidence of regulatory efficiencies	
Evidence of positive behavioural change in the reporting entity population	

4. DISRUPT CRIMINAL ABUSE OF OUR FINANCIAL SYSTEM -

AUSTRAC collaborates with our partners to disrupt criminal abuse of the financial system.

Measurement method	Assessment/reporting year
	2019 - 2020 - 2021 - 2022 - 2023
Evidence of AUSTRAC’s contribution to disrupting criminal abuse of the financial system	
Evidence of strengthening the Fintel Alliance	

5. OPTIMISE OUR BUSINESS - AUSTRAC continuously evolves and adapts our business operations to improve our efficiency, effectiveness and sustainability in a dynamic operating environment.

Measurement method	Assessment/reporting year
	2019 - 2020 - 2021 - 2022 - 2023
Evidence of delivering innovative, co-designed technological solutions to drive business productivity and address operational challenges	
Evidence of AUSTRAC business improvements that generate long-term efficiencies and uplift capability	





# 22

## CAPABILITY

“We will focus  
on enhancing our  
abilities to Discover,  
Understand,  
Strengthen, Disrupt  
and Optimise...”



People and corporate optimisation



Data and Analytics



Regulation



Intelligence



The Fintel Alliance

AUSTRAC's focus for 2019–23 is enhancing our capabilities and optimising the value we deliver to our partners. We will focus on enhancing our abilities to Discover, Understand, Strengthen, Disrupt and Optimise in a volatile and complex operating environment.

## People and corporate optimisation

---

At AUSTRAC, our people are our greatest asset. Investing in the development of our people, ensuring they have the right skills and resources, and that they are in the right location enhances the value we deliver to our partners. We have developed best practice flexible work capabilities and have commenced the investment of leadership programs for our people leaders.

We aspire to be an employer of choice. Over 2019-23, AUSTRAC will continue to invest in measures to build the strength of our culture and the capacity of our people, including our safety, wellbeing and flexible workplace initiatives. Our Culture Statement along with staff engagement, survey outcomes and feedback will guide our initiatives to enhance our performance and grow the inclusive work practices that enable all of our people to contribute their best to the outcomes of the agency. We will continue to develop our leaders through targeted programs and to build technical expertise across our operational divisions, through our regulatory and intelligence training programs.

Our Agency Resource Strategy supports decision-making to ensure our approach to our people, operations and technology is fit for purpose and in line with our strategic intent into the future. Over 2019-23, this resourcing strategy will help ensure AUSTRAC continues to respond quickly to changes in our complex operating environment and that our people will continue to skilfully adapt to changing priorities.

We will integrate our strategic planning, performance and finance capabilities to ensure that our resourcing decisions are aligned to efficiently meet our strategic direction, and effectively deliver key outcomes against agency priorities and purpose. By enhancing our internal planning and performance frameworks, we will be able to better monitor, assess and articulate our performance in achieving our purpose and delivering value.

By optimising our business in this way, we will be more agile in responding to change, more efficient in the delivery of outcomes and remain a partner of choice both domestically and internationally.



## Key initiatives - People and corporate optimisation

### SHORT TERM 2019–20

- Commence implementation of the Agency Resource Strategy
- Integrate our Strategic Planning and Finance functions
- Commence our Culture Refresh
- Continue to roll out leadership development programs

### MEDIUM TERM 2020–23

- Continue to implement the Agency Resource Strategy
- Roll out corporate optimisation processes and technology
- Harness corporate initiatives in collaboration with the Department of Home Affairs and National Intelligence Community

## Data and Analytics

AUSTRAC's financial information and intelligence holdings are a unique and critical national asset. In recent years, AUSTRAC has developed a strong data analytics capability, management and culture across the agency.

Our new data platform provides a seamless way to process and analyse our data in response to current and emerging business needs. Redesigning the way we process, analyse and share our data with our partners enables us to deepen our understanding of the rapidly changing AML/CTF environment. We have built in access to near real-time datasets for AUSTRAC, partners and other external sources and will continue to improve the speed at which intelligence can be produced following data collection and analysis.

Over 2019-23, we will extend access to our data and new data analytics and visualisation tools to our broad range of partners. Combined with our scalable data-matching algorithm and greater automation and connectivity, we'll be delivering higher volumes of quality data, more quickly to support the operations of our government partners. We will continue to improve data stewardship and data literacy, and enhance our business intelligence capability to support decision making across our regulation, intelligence and corporate functions.

We will continue to harness data, intelligence and other information streams, and apply appropriate analytics capabilities to further enhance risk profiling and triage across our regulatory and intelligence functions. Through these efforts we enhance our understanding of risk across AUSTRAC's reporting population and ensure that our resources are allocated to manage the highest financial crime risks across the Australian financial system.



As the volume of data AUSTRAC receives continues to rise, so too does the need for Artificial Intelligence (AI) solutions. In-house research and development and collaboration across the portfolio and the National Intelligence Community, other agencies and research organisations will enable us to continue to develop our AI capability and increase the efficiency of analysts within AUSTRAC and partner agencies. We are working alongside Home Affairs Portfolio agencies on an Investigative Analytics project that seeks to build a common software platform to build state-of-the-art Machine Learning solutions on rich, complex databases. Machine learning and AI solutions such as this will further improve our ability to surface risk across the large and heterogeneous datasets collected by AUSTRAC.

In addition, we will look to leverage AI solutions to integrate corporate systems and realise operational efficiencies, in support of a growing organisational footprint in a scalable manner.

In 2019-20, an AI-enabled bot will be implemented to provide employees with AUSTRAC specific digital assistants to support completion of their work tasks. The use of bots provides an alternate approach to larger system integration and offers the potential to be significantly more effective and efficient than traditional methods of system integration. Over time, we will assess its suitability for broader application including its potential support of our regulatory and intelligence functions.

AUSTRAC will build on our successful, innovative partnerships with industry, academia, partner agencies, and research organisations to further enhance and derive greater value from our data and analytics capabilities. Following the successful collaboration with major financial institutions, CSIRO's Data61 and the Australian National University, AUSTRAC will implement the learnings of the Fintel Alliance 'Alerting' project to continue solving problems in detecting, disrupting and deterring financial crime.

## Key initiatives - Data and Analytics

### SHORT TERM 2019–20

- Extend our data platform and new analytical tools to our government partners.
- Develop our data strategy, for enhanced ingestion and processing of transaction reports and onboarding new data sets, and to establish strategic data sharing opportunities.
- Continue to develop and deploy the enterprise analytics lab capability, including enhanced entity resolution within our data and analytical tools.
- Continue to contribute to the co-design of the National Technology and Innovation Centre.

### MEDIUM TERM 2020–23

- 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.
- Integrated enterprise data analytics environment on a consolidated platform.



## Regulation

In 2018-19, we published AUSTRAC's 'Approach to regulation' to outline our framework for collaborating with our reporting entities and partner agencies and exercising our enforcement powers into 2019-20 and beyond. We also continued our multi-year transformation of our regulatory capability to deliver a professional, knowledgeable and agile AML/CTF regulatory capability, working in collaboration with government and industry partners to co-design key components. Under this transformation, we redesigned the annual compliance report.

Our regulatory transformation will continue throughout 2019-23. We will focus on streamlining compliance to help regulated entities better understand and comply with their regulatory obligations. We will continue to develop and implement more efficient processes.

Through our regulatory education and outreach program, we will share regulatory insights and encourage the capability and compliance of the reporting entity population in identifying and mitigating the risk of financial crime. In July 2019, we launched a new AUSTRAC website to support our engagement with reporting entities.

We will mature our regulatory capability through the development of regulatory analysis and compliance training for our analysts and our partners.

We will use our supervisory and enforcement powers to apply a forceful and credible deterrent to serious and systemic non-compliance to maintain public confidence in Australia's AML/CTF regulatory framework and financial system. We will implement an enforcement strategy to effectively respond to instances of serious non-compliance. We will continue to employ new analysis tools to enable our regulatory analysts to identify, prioritise and respond to regulatory risks, and enhance our capability to detect and manage non-compliance.

Through our involvement in the Financial Action Task Force (FATF), we will contribute to building an AML/CTF regime that recognises the current and emerging financial crime threats and risks across our economy.

We will support Australia's 5th year follow up report on the Mutual Evaluation of Australia's AML/CTF regime to the FATF/Asia Pacific Group on Money Laundering (FATF/APG) in 2019. We will also support Australia's hosting of the APG Annual Plenary in Canberra in 2019.



## Key initiatives - Regulation

### SHORT TERM 2019–20

- Implement our enforcement strategy
- Streamline regulatory processes
- Develop Regulatory Analysis and Compliance training and look to partner with industry and other regulators
- Support Australia's response to the FATF/APG 5th year follow up report in October 2019
- Deliver a new website

### MEDIUM TERM 2020–23

- Develop a measurement framework to evaluate the 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.
- Deliver upgraded regulatory systems, including a digital interface for engaging with reporting entities, refined transaction reporting technology and new internal case management systems

## Intelligence

AUSTRAC always works with and for our partner agencies by providing actionable intelligence. During 2018-19, we have embedded new intelligence arrangements, practices and governance processes to improve our capabilities.

We have striven to provide greater value to our range of partners across state and federal law enforcement, revenue and regulatory agencies and extend our support to partners within the Home Affairs Portfolio and the National Intelligence Community.

Over 2019-23, we will continue to focus on providing our specialist expertise in money laundering and terrorism financing, including financial intelligence and strategic advice, and deepening our collaboration with partners in the Home Affairs Portfolio and National Intelligence Community.

We will share client-focussed financial intelligence products that are aligned to the operational priorities of our partners. Through information sharing and contribution to task forces and interagency forums our financial intelligence will support broader national security and cyber security efforts, transnational serious and organised crime—including serious financial crime—and priority matters for the Government including combatting illicit drugs, the exploitation of children and illicit tobacco markets.

We will continue to educate our industry partners on money laundering trends and typologies. Through our Risk Assessment Program, we will provide our contemporary understanding of risks within specific industry sectors and products in the Australian environment. In 2019-20 we will focus on complex sectors of Australia's economy exposed to criminal abuse including banking, gambling and remittance services sectors. Further, we will look to explore the measurement of ML/TF harm to the community, with a view to enhancing our understanding of harm impacts and the value of our disruption efforts.



AUSTRAC will increasingly leverage our strategic international engagement to share intelligence, enhancing the quality and value of our information exchanges with our international counterparts and improve AML/CTF operations globally. Our regional engagement framework with our ASEAN partners is focussed on achieving operational outcomes against joint terrorism financing and criminal priorities. Through the Counter Terrorism Financing Summit and the Financial Intelligence Consultative Group, we work with our operational partners in the region to counter regional threats. Beyond our region we continue to strengthen our strategic cooperation and collaboration with the Egmont Group of FIUs and our Five Eyes partners, including through our participation

in fora like the International Supervisors Forum and through the establishment of Memoranda of Understanding with other FIUs, such as the United States and Saudi Arabia. With officers deployed internationally we are enhancing existing partnerships, knowledge and information sharing opportunities.

We will continue our commitment to building regional AML/CTF capability through our Technical Assistance and Training and analyst exchange programs. In delivering the Financial Intelligence Analyst Course to partners we will continue our efforts to build the high standard and consistency of financial intelligence practitioners in the application of analytical tools, methodologies and tradecraft.



## Key initiatives - Intelligence

### SHORT TERM 2019–20

- Further leverage engagement with Home Affairs portfolio and the National Intelligence Community to provide financial intelligence and expertise.
- Deliver client-focussed intelligence products to support our partners and interagency taskforces.
- Deliver Risk Assessments for banking, gambling and remittance sectors.
- Continue to professionalise intelligence practitioners through the FIAC program, domestically and regionally.
- Deliver the 2019 Counter Terrorism Financing Summit in the Philippines and related Financial Intelligence priorities.

### MEDIUM TERM 2020–23

- Extend bilateral and multilateral intelligence engagement and information sharing to support transnational disruption outcomes.
- Explore opportunities to measure ML/TF harm and understand the impact of our disruption efforts.
- Build multi-agency intelligence collaboration on ML/TF.

## The Fintel Alliance

The Fintel Alliance was established in early 2017 as a world first public-private partnership to help grow Australia's economy and protect it from criminal abuse. The Fintel Alliance brings together financial institutions, state and Commonwealth law enforcement and intelligence agencies. Each of the Fintel Alliance's 25 partners offers a unique perspective. Working together, the alliance develops shared intelligence and delivers innovative solutions to detect, disrupt and prevent money laundering and terrorism financing. By harnessing the resources of industry, government and international partners, our collective ability to detect crime and share information with the financial sector has increased.

With our Fintel Alliance partners, AUSTRAC will continue to enhance and mature the Fintel Alliance to share actionable intelligence between industry and government across a broad spectrum of threats, including terrorism financing, tax avoidance, drug trafficking and cybercrime. The threats faced by the regulated sector are not finite; they are enduring, and increasingly transnational in nature. The Fintel Alliance continues to evolve and respond to complex crime challenges, while contributing to the further uplift in the capability of the private sector thereby complementing its demonstrated commitment to combatting and disrupting ML/TF and serious crime.

### OPERATIONS HUB

The Operations Hub is a set of physical spaces where members collaborate, exchange and analyse intelligence in real time. Through the Operational Hub, members have timely access to AUSTRAC data and financial intelligence and contribute to an improved understanding of national security and organised crime threats. Fintel Alliance partners have identified a set of financial and other serious crime themes upon which to focus the value of the alliance partnership framework and seek to look beyond law enforcement outcomes to encompass preventative and interventional outcomes that deliver broader socio-economic benefits.

### INNOVATION HUB

The Innovation Hub enables members and partners to collaborate, co-design and test innovative technology solutions to augment the operational outcomes and effectiveness of contributions to the Fintel Alliance.

In the Innovation Hub over 2019-23, we will test new intelligence sharing capabilities and alerting technology. Our focus will be on responding to the most complex money laundering efforts through innovative approaches to data and information.



## Key initiatives - The Fintel Alliance

### SHORT TERM 2019–20

- Deliver targeted Fintel Alliance intelligence outputs
- Provide Fintel Alliance partners access to new AUSTRAC intelligence tools
- Expand the reach of intelligence and risk insights gained through the Fintel Alliance to the wider regulated community
- Improve feedback and reporting mechanisms including communicating the public value of the Fintel Alliance and successes being generated.

### MEDIUM TERM 2020–23

- Develop the Information sharing platform to support Fintel Alliance operations, including exploration of international access
- Establish a secure, privacy preserving alerting platform for Fintel Alliance partners

# 36

## RISK OVERSIGHT AND MANAGEMENT

“Embedding mature  
risk management  
practices and behaviours  
in our decision-  
making and business  
processes enables us to  
continuously improve...”



## RISK MANAGEMENT

The effective management of risk is an essential component for achieving our purpose over the next four years. Embedding mature risk management practices and behaviours in our decision-making and business processes enables us to continuously improve the quality of our work and our performance against our strategic objectives. Our vision is to build a risk culture where staff are empowered to pursue and exploit opportunities, and where risks to the agency's objectives are managed effectively through routine practices and established systems of monitoring and control.

The design and composition of our risk oversight and management system is based on adherence with the Commonwealth Risk Management Policy (CRMP) with our 2019 Risk

Management Policy and Risk Management Framework setting out how AUSTRAC addresses all nine performance elements defined by the CRMP. Our risk policy and framework are reviewed on an annual basis, ensuring that our ongoing risk capability building program and risk management projects align with the strategic and operational requirements of the agency.

Our approach to risk management is informed by the Australian Standard for risk management AS ISO 31000:2018 Risk management – Guidelines. In accordance with the Australian Standard, we define risk as the 'effect of uncertainty on objectives' and risk management as the 'coordinated activities to direct and control an organisation with regard to risk'.



**“Our vision is to build a risk culture where staff are empowered to pursue and exploit opportunities, and where risks to the agency’s objectives are managed effectively...”**

## Overview of AUSTRAC Risk Management

Risk Management Policy	Alignment to AUSTRAC strategic objectives	Risk management approach	Principles for managing risk
	Risk Appetite	Risk Tolerance	Defined responsibilities for managing risks
Risk Management Framework	Risk assessment and management process	Risk communication and reporting arrangements	Risk culture development program
	Embedding of systemic risk management process	Approach for managing shared and cross jurisdictional risk	Measurement of risk management performance
	Review and improvement of risk		
Risk Management Strategy	CRMP Capability Improvement Program	Risk Management Projects	
Risk Management Support	Risk Guidance and Training	Risk Templates and Tools	Risk Advice and Support Services

## Strategic Risk Environment

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

risk in this environment requires effective coordination, collaboration and trust between Australian law enforcement, regulatory authorities, industry and our international partners. In practice, we work with partners to identify shared risks and to manage control and mitigation strategies.

### Key initiatives - Risk management

#### SHORT TERM 2019–20

- Building workforce capacity to meet increasing demand for data, intelligence and analyst support.
- Ensuring continuity of high-quality data and client focussed 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.
- Expand regulatory, data and risk assessment insights generated by AUSTRAC operational and Fintel Alliance supported programs.

#### MEDIUM TERM 2020–23

- Delivering on AUSTRAC regulatory transformation and compliance streamlining reform programs
- Supporting the implementation of reform recommendations from the statutory review of the AML/CTF Act.
- Expanding the secure information sharing and operational capability of the Fintel Alliance Operations Hub
- Deepening AUSTRAC collaboration and specialist involvement within the National Intelligence Community

## Governance and Accountability

Strong governance remains at the forefront of AUSTRAC's operations and decision-making to ensure as an agency we meet our legislative requirements and are becoming smarter, more agile and more responsive in how we perform our role and fulfil our purpose.

In 2018-19 AUSTRAC refreshed its Governance Framework and established a governance operating model to support good decision-making across the agency. From 2019, strategic decision-making processes will be streamlined and enhanced through the close interaction of three primary committees—AUSTRAC's Governance Committee, Finance and Resourcing Sub-Committee and Capability Enhancement Program Board. These three committees, along with other Executive strategic discussions, ensure that the agency's financial planning and performance and its capability development and investment will be aligned to support our strategic direction. Further committees, as outlined in the following diagram, support the work of the agency by providing oversight, enabling consultation and providing direction and assurance on our regulatory and intelligence operations.

In 2019-20 AUSTRAC will bring together its strategic planning and finance functions to identify, prioritise and explore new opportunities, allowing AUSTRAC to better orient itself to actualise optimal strategies for long term gain. By more closely aligning our planning and resourcing efforts, we also stand to more effectively deploy the resources at our disposal to drive and enhance agency performance in a more proactive and agile way.

We will continue to undertake risk and evidence-based decision-making, forward planning and careful evaluation of our performance, within the context of our ever-changing operating environment, to build future resilience in the financial system and use financial intelligence to disrupt money laundering, terrorism financing and other serious crime.

## AUSTRAC Committee Structure

