



TALKING POINTS

Subject	Project s 22
Date	Updated 19 November 2019
Type	Agency

ISSUE

These talking points have been prepared in anticipation of AUSTRAC's enforcement action commencing in 20 November 2019.

It is proposed that AUSTRAC use the below standard talking points to ensure consistency when responding to media enquiries.

TALKING POINTS

About the enforcement action

- On 20 November 2019, AUSTRAC applied to the Federal Court of Australia for civil penalty orders against Westpac Banking Corporation (Westpac).
- The *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (the Act) requires reporting entities to identify, mitigate and manage the risk that their services may be used to facilitate money laundering or other serious crimes.
- AUSTRAC alleges Westpac failed to comply with the Act on over 23 million occasions.

AUSTRAC alleges that Westpac has failed to:

- appropriately assess and monitor the ongoing money laundering and terrorism financing risks associated with the movement of money into and out of Australia through correspondent banking relationships. Westpac has allowed correspondent banks to access its banking environment and the Australian Payments System without conducting appropriate due diligence on those correspondent banks and without appropriate risk assessments and controls on the products and channels offered as part of that relationship.
- report over 19.5 million International Funds Transfer Instructions (IFTIs) to AUSTRAC over nearly five years for transfers both into and out of Australia. The late incoming IFTIs received from four correspondent banks alone represent over 72% of all incoming IFTIs received by Westpac in the period November 2013 to September 2018 and amounts to over \$11 billion dollars. IFTIs are a key source of information from the financial services sector that provides vital information into AUSTRAC's financial intelligence to protect Australia's financial system and the community from harm.

- c. pass on information about the source of funds to other banks in the transfer chain. This conduct deprived the other banks of information they needed to understand the source of funds to manage their own AML/CTF risks.
 - d. keep records relating to the origin of some of these international funds transfers.
 - e. carry out appropriate customer due diligence on transactions to the Philippines and South East Asia that have known financial indicators relating to potential child exploitation risks. Westpac failed to introduce appropriate detection scenarios to detect known child exploitation typologies, consistent with AUSTRAC guidance and their own risk assessments.
- AUSTRAC's decision to commence civil penalty proceedings was made following a detailed investigation into Westpac's non-compliance.
 - Full details are set out in the concise statement and the statement of claim filed by AUSTRAC. The concise statement and statement of claim can be accessed on the AUSTRAC website via <https://www.austrac.gov.au/lists-enforcement-actions-taken>.

General talking points

- AUSTRAC's role as Australia's money laundering and terrorism financing regulator means it will take appropriate and necessary enforcement action against non-compliance.
- Non-compliance provides opportunity for criminal exploitation of Australia's financial system and can result in harm to the community.
- All reporting entities have a responsibility to ensure they devote the necessary resources, and apply processes, to comply with their obligations under the Act.
- This action is aligned with AUSTRAC's role as Australia's anti money laundering and counter-terrorism financing regulator, and community expectations.
- AUSTRAC will continue to work closely with Westpac to ensure they have appropriate systems in place to comply with the Act and mitigate the risks criminals will exploit the financial system.
- As the matter is before the court, AUSTRAC is unable to comment further on the details provided in the court documents.

s 22

Released by AUSTRAC under the FOI Act 1982 on 20 December 2019

s 22

What evidence does AUSTRAC have of Westpac customers enabling child exploitation in the Philippines? What does AUSTRAC do with the information on these child exploitation cases?

- AUSTRAC is unable to comment on Westpac's systems or provide further comment on the details provided in the court documents.
- Reports that AUSTRAC receives are analysed and the results are disseminated to relevant Commonwealth, State or Territory partner agencies—including law enforcement and national security agencies—and international counterparts.

s 22

Released by AUSTRAC under the FOI Act 1982 on 20 December 2015

s 22

Released by AUSTRAC under the FOI Act 1982 on 20 December 2019

s 22

Released by AUSTRAC under the FOI Act 1982 on 20 December 2019

- **CLEARANCE**

Cleared by	Title	Time/Date cleared
s 22		8/11/2019
s 22		13/11/2019
Kathryn Haigh		13/112019
Peter Soros		

Time/Date finalised

Released by AUSTRAC under the FOI Act 1982 on 20 December 2019