Australian Government
AUSTRAC

Fintel
Alliance
An AUSTRAC initiative

Fintel Alliance
EXTRACT

2020–21 **AUSTRAC**
ANNUAL REPORT

AUSTRAC ANNUAL REPORT

This report is an extract of the AUSTRAC Annual Report 2020-21. Download the full AUSTRAC Annual Report 2020-21: https://www.austrac.gov.au/about-us/corporate-information-and-governance/reports-and-accountability/annual-reports

For annual report enquiries, contact CORPORATE_PLANNING@austrac.gov.au

Find more information about AUSTRAC's Fintel Alliance: https://www.austrac.gov.au/about-us/fintel-alliance

ATTRIBUTION

THE YEAR IN REVIEW

The past year has seen the Fintel Alliance's collaborative approach enhance the fight to protect the Australian community against serious and organised crime. Fintel Alliance has been able to strengthen the role of government, law enforcement and the financial industry to disrupt and prevent financial crime in a challenging operating environment.

As serious and organised crime groups adapted to take advantage of changes in the way Australians live their lives, the Fintel Alliance has been able to leverage the public private partnership to better protect the community. This has been achieved through an increased focus on information sharing between public and private partners, with learnings from the Fintel Alliance shared with a wider audience through the release of financial crime guides.

In the 2020-21 reporting period, the Fintel Alliance has been able to regularly demonstrate the value of government, law enforcement and the financial industry working in partnership to detect, disrupt and deter financial crime impacting the Australian community.

Industry insight

"The Fintel Alliance provides significant benefit to our financial institution by offering a structured and well-coordinated way of sharing information and improving AML/CTF detection across the industry. We've benefited across our entire organisation and the fundamental premise of connecting law enforcement and financial services organisations is where we've truly been able to put our intelligence gained via Fintel into action. As a result our bank has been able to connect with the Fintel Alliance privately to provide direct references to SMR reporting on key actors that we believe may need urgent attention. Fintel has connected the Bank with the relevant law enforcement body to escalate and help resolve these cases related to tax evasion, organised crime, child exploitation and modern slavery. Furthermore, the Bank has had a channel to feed these outcomes into, so the financial crime prevention industry can all take action and learn together – ultimately disrupting illicit activity in our communities. That said, Fintel is more than a collaboration forum, it provides us all with best practice insights, thought leadership and innovation. Most importantly a way of uniting around a common goal and prioritising efforts around this goal in a meaningful and concerted way."

- Fintel Alliance industry partner

YEAR IN REVIEW - HIGHLIGHTS

- Contributed to arrests of offenders for money laundering, cuckoo smurfing, scam activity, child exploitation and fraud against different stimulus measures.

- **243** intelligence products provided to law enforcement and intelligence partners.

- Released public reports to stop the illegal trafficking of Australian wildlife, prevent fraud against the National Disability Insurance Scheme and respond to cuckoo smurfing.

- Established working groups to bring together experts, analysts and practitioners on the complex topics of trade-based money laundering and tax crime.

- **5,258** suspicious matter reports were lodged relating to Fintel Alliance areas of focus.

ABOUT FINTEL ALLIANCE

Fintel Alliance is an AUSTRAC initiative, established in 2017 as a world-leading public-private partnership to increase the resilience of the financial sector to prevent exploitation by criminals and support investigations into serious crime and national security matters.

Fintel Alliance brings together experts from financial institutions, state and commonwealth law enforcement and intelligence agencies, as well as academic and research institutions. Each partner provides a unique perspective on the financial sector. Working together, Fintel Alliance develops shared intelligence and delivers innovative solutions to detect, disrupt and prevent money laundering and terrorism financing.

Fintel Alliance has strengthened AUSTRAC's role as Australia's Financial Intelligence Unit (FIU) and anti-money laundering/counter-terrorism financing (AML/CTF) regulator. By harnessing the resources and knowledge of industry, government and international partners, our collective ability to detect crime and share information on the financial sector has been enhanced.

For more information on Fintel Alliance visit austrac.gov.au/about-us/fintel-alliance.

OPERATIONAL STRATEGY

The Fintel Alliance Operational Strategy outlines key initiatives and strategic enablers for the public private partnership, as well as how it will achieve desired outcomes and measure success.

The 2020-2023 operational strategy identifies the following strategic priorities:

- develop a stronger shared understanding of the threats posed by money laundering, terrorism financing and serious financial crime

- build resilience to serious financial crime through the activities and learnings of Fintel Alliance by enhancing the capabilities of public and private partners and the broader regulated community

- pursue improved sharing and innovative exploration of information including by building supporting infrastructure between public and private partners

- deliver the money laundering and terrorist financing risk assessments program

- identify and pursue operational activities that will deliver broader socio-economic benefits to the Australian community in addition to producing prevention and disruption outcomes

demonstrate and make visible the value of Fintel Alliance through effective performance reporting and communication of outcomes.

Fintel Alliance activities are subject to the oversight of the AUSTRAC Governance Committee and the AUSTRAC CEO, underpinned by a three-tiered governance structure consisting of the Fintel Alliance Strategic Advisory Board, Experts Group and Working Group. With an update in governance these groups were renamed in July 2021 to Executive Board, Management Committee and Working Group respectively and this will be reflected in the next annual report.

OUTCOMES AND PROGRAM OF WORK

Fintel Alliance has an established program of work based on priority themes including; crimes targeting our most vulnerable community members, exploitation of government revenue, disrupting professional money laundering, and crimes and threats to Australia's domestic and international interests.

Fintel Alliance prioritises operations that require a joint public private approach and access to the capabilities of the public-private partnership such as concentration of resources and rapid access to data, analytical and investigative tools.

Fintel Alliance operations produce a range of outcomes, including:

- intelligence products such as threat alerts and financial crime guides designed for industry to incorporate into their detection capabilities;

- targeted intelligence reports to contribute to law enforcement investigations and the broader intelligence knowledge pool about specific crime types or threats; and

- building capability and uplift across AUSTRAC's wider regulated population to identify, report and respond to money laundering and terrorism financing risks through the transfer of knowledge and insights.

Principle themes of operation

- crimes affecting our most vulnerable community members – protecting children, the elderly and people with disability

- exploitation of government revenues – protecting Australia's tax system and other government programs from abuse

- networked and complex financial crime – disrupting organised criminal enterprises that seek to exploit multiple businesses and industries

- nationally significant task forces and campaigns – supporting national operations including targeting Australia's most wanted criminals, illicit drugs, transnational and serious organised crime, illegal firearms and support to other national efforts

- responding to regional and community harms – helping to address localised crime, address regional programs, and collaborate with regional partners

- technology and sophistication – responding to the most complex money laundering efforts through innovative approaches to data and information.

CASE STUDY:
OPERATION IRONSIDE

The Fintel Alliance presents an opportunity for law enforcement to engage with key industry partners in a trusted environment in support of active operations. This supports the achievement of favourable outcomes and ensures proceeds of crime are identified and restrained.

As part of Operation Ironside, the Australian Federal Police (AFP) were able to work with AUSTRAC and major bank partners in the lead up to resolution to identify any unknown assets and accounts being controlled by persons of interest. In keeping with the partnership model of the Fintel Alliance, representatives of the major banks and the AFP worked with AUSTRAC to enable the flow of information in real time through close collaboration.

On the days of action, a total of 49 urgent requests were actioned to confirm and resolve identities for warrants and production orders for 75 persons of interest. The information brokered through Fintel Alliance led to the restraint of over $3 million that would have otherwise gone undetected.

Risk Assessment program

AUSTRAC's money laundering and terrorism financing (ML/TF) risk assessment program includes the completion of eight risk assessments focusing on the banking, remittance and gambling services sectors. This series of risk assessments is funded by the Minister for Home Affairs under the *Proceeds of Crime Act 2002*, with the aim of assisting Australia's largest financial sectors in identifying, understanding and disrupting serious criminal activity.

In December 2020, AUSTRAC published the first risk assessment in the series, examining junket tour operations in Australia, and the following seven assessments will be published in 2021-22:

- banking – four risk assessments, examining Australia's major banks, Australia's other domestic banks, foreign bank branches in Australia, and foreign subsidiaries in Australia;

- remittance – two risk assessments, examining remittance network providers and their affiliates, and independent remittance service providers; and

- gambling – one risk assessment examining Australian casinos.

The risk assessments will enable the banking, remittance and gambling sectors to understand, identify, mitigate and manage the ML/TF risks and vulnerabilities in their sectors, enhance their transaction monitoring programs and enterprise risk assessment processes, and strengthen their Suspicious Matter Reporting (SMR).

INNOVATION PROJECTS

As a genuine public private partnership, Fintel Alliance presents opportunities for government, law enforcement and financial institutions to explore new and innovative ways to detect and disrupt financial crime. Different innovation projects present the opportunity to develop new capabilities aimed at leveraging different systems and approaches in a collaborative manner.

Alerting project

The objective of the Fintel Alliance Alerting project is to deliver a capability to detect sophisticated financial crimes, where criminal networks attempt to conceal their activities by distributing them across multiple bank accounts held at Australia's major financial institutions.

This project commenced on 1 July 2019. The platform is expected to be built within the next 18 months and implemented at the participating reporting entities over the next 18-24 months.

Once delivered, the Fintel Alliance will be able to trace suspicious funds as they move through the financial system, and identify indirect financial links between different financial institutions. The platform will leverage cutting-edge privacy preserving algorithms - developed by AUSTRAC - in order to protect the privacy of innocent customers.

Information related to innocent customers will not be shared between the participating organisations or be accessible to AUSTRAC. This will represent a significant boost in capabilities for the Fintel Alliance and AUSTRAC.

Information sharing project

To enable government, law enforcement and financial institutions to communicate effectively on operational matters, an information sharing platform has been established allowing partners to collaborate in real time. The establishment and rollout of a secure information sharing platform has enabled partners to collaborate through video, chat and the co-authoring of intelligence products at a classified level.

Benefits of the information sharing project has extended to enhance government to government, and government to industry collaboration beyond the Fintel Alliance and become an integrated communication platform. This has been critical to progressing different streams of work and collaboration during the COVID-19 pandemic when the traditional approach to working in partnership was disrupted. The introduction of the platform has enabled efficiencies and the streamlining of processes to enhance the engagement of partners to combat financial crime impacting the Australian community.

The rollout of a secure information sharing platform with governance and security controls in place has further enhanced the collaboration between government, law enforcement and financial industry partners. The platform continues to support and enhance the effectiveness of the Fintel Alliance in targeting, disrupting and preventing financial crime. Learnings from the rollout of the platform are assisting the development and integration of a platform to enable information to be shared at a higher classification.

INTERNATIONAL ENGAGEMENT

Recognising the important role different public and private institutions play in the fight against financial crime, public private partnerships continue to be established and expended in countries and regions throughout the world.

Fintel Alliance plays a leading role in supporting the establishment of new public private partnerships, sharing insights around governance frameworks, challenges faced and key learnings in the formation of new partnerships.

Over the past 12 months, Fintel Alliance's international engagement has included:

- Collaboration with United Kingdom Financial Intelligence Unit and The Anti-Money Laundering Council (Philippines FIU) on a joint intelligence project and analyst exchange program focusing on child exploitation. This project led to an increase in the value of international engagement and suspicious matter reporting in the prevention of child exploitation.

- Participation in the Asia Pacific Group on Money Laundering Technical Seminar to explore key aspects of establishing successful public private partnerships.

- Representation at the J5 PPP Steering Group, a collaboration of representatives from the US, UK, Canada, The Netherlands and Australia, established to share best practice on public private partnership arrangements and collaborate internationally on specific common threats.

- Sharing tactical, operational and strategic strategies to enhance the capabilities of Asia Pacific public private partnerships to detect, deter and disrupt financial crime in the region.

- Creation of a public private partnerships roundtable with New Zealand Financial Crime Prevention Network ,The UK Joint Money Laundering Intelligence Taskforce (JMLIT), the Canadian 'Project' Initiatives to Combat Financial Crimes through Partnerships, and the US FinCEN Exchange. The roundtable enables collaboration on financial crime trends, new and emerging risks whilst strengthening relationships as a public private partnership community.

Recognising the leading role being played in the promotion of public private partnerships, representatives from the Fintel Alliance have shared expertise on panels including the Wolfsberg Group Annual Forum, the Deloitte Financial Crime Symposium 2021 and Association of Certified Anti-Money Laundering Specialists (ACAMS) Australasia Anti-Financial Crime Conference.

FINTEL ALLIANCE OPERATIONS

Fintel Alliance focusses the efforts of government, law enforcement and industry partners on projects that would benefit from a public private partnership approach. In most instances, this can be due to an emerging crime or complex crime type requiring greater understanding.

AUSTRAC has a dedicated team to lead and support the operational efforts of Fintel Alliance. The Fintel Alliance Operations team is responsible for leveraging the public private partnership to develop actionable intelligence for government, law enforcement and industry partners, as well as the broader financial industry.

Fintel Alliance projects operate for a period of time allowing greater understanding of a crime type, identification and targeting of suspected offenders and the sharing of learnings with a wider audience to assist in hardening the environment. At the closure of a project, an evaluation is undertaken to capture and share learnings before the effort is transitioned into standard operational activity.

Assisting industry to protect the community

In addition to operational outcomes, the Fintel Alliance has a focus on increasing the ability for financial institutions to understand, detect and disrupt financial crime to protect the Australian community.

In the past 12 months, Fintel Alliance partners and the wider financial industry have utilised the public private partnership to:

- Enhance systems and processes to better identify and respond to money laundering risks.

- Develop algorithms and scenarios to better detect financial crimes including tax evasion, child exploitation, illegal phoenixing and exploitation of government stimulus measures.

- Tighten controls in response to identified risks associated with third party cash deposits, leading to the limiting of cash services to high risk customers.

- Enable real time support to significant national operations to identify assets and the proceeds of crime for restraint.

- Increase the understanding of risks associated with high risk customer groups resulting in enhanced customer due diligence.

- Develop agile analytics and new investigative tools to support complex network and transactional investigations.

Through the Fintel Alliance and wider engagement with AUSTRAC, reporting entities have been able to enhance suspicious matter reporting through the inclusion of narratives around suspected offending, link analysis charts and the inclusion of closed circuit television imagery. This has been achieved through regular feedback from law enforcement and government partners to the reporting entities on the effectiveness of suspicious matter reporting to initiate and support investigations into criminal offending.

CASE STUDY: CATCHING A SMURF

Fintel Alliance partnered with the Western Australia Police Force (WAPF) to commence a joint intelligence operation, targeting Perth-based syndicates suspected of laundering criminal proceeds using third parties to deposit cash via Automated Teller Machines (ATMs). This intelligence project led to the discovery of an individual making multiple, low-value cash deposits at various ATMs and bank branches across Perth.

A subsequent investigation established the individual had laundered approximately $430,000 on behalf of an offshore money laundering syndicate. The individual was provided with cash by another Perth-based member of the syndicate, and received directions from an offshore member of the syndicate using a secure messaging service. This included specific instructions to deposit amounts of cash into bank accounts at various locations across Perth.

The individual was charged and pled guilty to four counts of property laundering under section 563A *Criminal Code Compilation Act 1913* (WA) under charges laid by the WAPF Money Laundering Squad.

Financial crime guides

Fintel Alliance publishes resources to help businesses understand, identify and report suspicious financial activity to detect and prevent criminal activities.

Financial crime guides provide detailed information about the financial aspects of different crime types. They include case studies and indicators to help the financial services sector identify and detect suspicious transactions.

DETECT AND REPORT CUCKOO SMURFING

Organised criminals use 'cuckoo smurfing' as a method of laundering money to disguise and integrate their funds across borders to profit from and further enable their illegal activities.

To protect Australia's financial system against exploitation, the Fintel Alliance developed a financial crime guide explaining how cuckoo smurfing takes place, and specific indicators to help remittance service providers, banking and financial services businesses understand, identify and report suspicious transactions related to this activity.

Help detect and report
Cuckoo smurfing: a distinct breed of money laundering

DETECT AND REPORT
CUCKOO SMURFING
FINANCIAL CRIME GUIDE   JUNE 2021

NEW FINANCIAL CRIME GUIDE

STOPPING THE ILLEGAL TRAFFICKING OF AUSTRALIAN WILDLIFE

Australia boasts a diverse range of unique animals and plants that are not found anywhere else in the world. Organised criminals target our native animals for profit, removing them from their habitat and mistreating them. This cruel crime puts some of Australia's most vulnerable species at further risk and has the potential to cause significant environmental damage.

To protect Australia's native wildlife against this crime, Fintel Alliance, in partnership with the Department of Agriculture, Water and the Environment (DAWE) developed a financial crime guide on illegal wildlife trafficking. The guide detailed how illegal wildlife trafficking takes place, and specific indicators to assist financial institutions identify and report this type of activity.

The release of the Fintel Alliance's financial crime guide enabled engagement with INTERPOL's Wildlife Crime Working Group and the United for Wildlife Financial Taskforce. These forums facilitate global attention on the identification of Australia's illicit wildlife trade, how this crime can be detected through financial transactions and the benefits of public private collaboration.

NATIONAL DISABILITY INSURANCE FRAUD PREVENTION

The National Disability Insurance Scheme (NDIS) provides eligible Australians with a permanent or significant disability with funding to assist them in their daily life.

Developed in collaboration with National Disability Insurance Agency (NDIA), the financial crime guide helped financial services sector to identify, monitor and report suspected fraud against the NDIS ensuring vital financial support reaches Australians living with a disability.

CASE STUDY: PROTECTING THE COMMUNITY

The Fintel Alliance partnered with the NDIA and the AFP in Operation Pegasus to investigate fraudulent claims against the NDIS. In April 2021, the operation culminated with six arrests and seizures of over $2 million in suspected tainted assets during the execution of search warrants across Sydney.

- **11** Search warrants executed

- **6** arrests

- **100** Investigators, forensic specialist

- **50** Partner agency members

- **8kg** of gold bullion valued at $600,000 seized

- **$600,000** in cash seized

- **$636,176** in cryptocurrency seized

- **$250,000** in luxury vehicles seized

The partnership of government, law enforcement and financial institutions assisted in identifying suspected fraudulent activity by several NDIS providers in Western Sydney.

Methodologies used to obtain fraudulent NDIS funds included:

- obtaining NDIS funding for people without a genuine disability

- skimming NDIS funding from genuine NDIS participants without their knowledge

- over claiming services provided to genuine NDIS participants.

Working in partnership assisted law enforcement with the identification of key persons and locations of interest linked to the syndicate, locations of stored funds, bullion and luxury assets.

The warrants executed in April 2021 resulted in approximately $2 million in seized assets excluding cash assets in bank accounts and 6 arrests for alleged involvement in a criminal syndicate responsible for receiving over $10 million in NDIS funding since 2017; a significant portion of which is alleged to be the result of fraudulent claims.

The dismantling of this criminal syndicate is a demonstration of the public-private cooperation to detect and prevent the exploitation of government revenues, importantly protecting vulnerable Australians from being exploited for monetary gain. The misappropriation of these funds deprives genuine NDIS participants from receiving financial assistance.

OPERATIONAL HIGHLIGHTS

Responding to illegal wildlife trafficking

Recognising the diverse range of unique animals and plants that are vulnerable to criminal exploitation, the Fintel Alliance established a project working in partnership with the DAWE. The project presented opportunities to identify, target and disrupt wildlife trafficking in Australia; specifically, the trafficking of Australian native reptiles for the international exotic pet market.

EDUCATING THE FINANCIAL SECTOR

An initial aim of the project was to better understand how Australian reptiles are targeted for criminal exploitation. The Fintel Alliance worked closely with environmental professionals, undertaking targeted analysis of financial data and real time analysis across disparate datasets to develop financial profiling capabilities.

The increased insight into the financial aspects of the offending has led to the development of a public Financial Crime Guide titled Stopping the illegal trafficking of Australian wildlife to assist financial institutions to identify and report suspicious activity.

ENHANCED INTELLIGENCE SUPPORTING INVESTIGATIONS

The increased awareness has been reflected through enhanced intelligence reporting identifying significant reptile trafficking networks. This has resulted in the establishment of four wildlife trafficking investigations, with a further 10 investigations benefiting from actionable intelligence. The enhanced intelligence has furthered the capabilities of investigators to identify offending and increased knowledge of different methodologies used by offenders.

INTERNATIONAL RECOGNITION

Fintel Alliance received international recognition from leading bodies for this world-leading approach, including the United for Wildlife taskforce, recognising the benefit of the public private partnership approach to protecting wildlife. Fintel Alliance and DAWE further published insights into the project through an article in the Interpol Wildlife Crime Working Group Newsletter, encouraging collaboration between the public and private sector in responding to the global issue of wildlife trafficking.

Combating third party cash deposits

Fintel Alliance commenced a joint project with law enforcement and industry partners, aiming to understand and disrupt organised crime groups laundering the proceeds of crime through ATMs.

Fintel Alliance collected and analysed transactional data to identify patterns of deposits consistent with money laundering typologies. Suspicious activity was referred to law enforcement partners and contributed to significant operational outcomes, including arrests and the seizure of cash suspected to be the proceeds of crime.

Findings and outcomes from this project have assisted in tightening system controls, further hardening the financial system against exploitation by criminal groups.

CASE STUDY: TARGETING PROFESSIONAL MONEY LAUNDERERS

Fintel Alliance partnered with Victoria Police to support several investigations into large-scale cash deposit activity throughout Melbourne. A referral from Fintel Alliance led to the identification of one individual conducting regular low-value cash deposits at ATMs across Melbourne, suspected to be sourced from criminal proceeds. Information provided by industry partners resulted in three intelligence reports prepared by Fintel Alliance in support of the investigation.

Live intelligence and analytical work provided by Fintel Alliance partners enabled Victoria Police to target the depositor and gather crucial evidence. The individual was subsequently arrested, and made full admissions to laundering $1.4 million over two years. Over $730,000 cash was seized from the individual's residential address, with a further $150,000 restrained in a bank account. The individual was ultimately charged with money laundering, and criminal proceeds and structuring offences, which carry a maximum penalty of 25 years.

Information provided by industry partners was instrumental in identifying and targeting offending. Operational outcomes continue to demonstrate the importance of collaboration between industry and law enforcement to disrupt and prevent organised crime groups from exploiting the financial system.

Learnings from the COVID-19 pandemic

The COVID-19 pandemic continues to have an impact on the Australian community including individuals and businesses. Reflecting the changing environment, in excess of 21,000 suspicious matter reports relating to COVID-19 were submitted to AUSTRAC since March 2020.

To assist financial institutions to protect customers and identify suspected exploitation of stimulus measures, the Fintel Alliance developed a series of indicator reports to assist financial institutions to identity, target and report instances of criminal exploitation of different stimulus measures designed to assist the community during the pandemic. The reports included fraud typologies, case studies and indicators of the various methodologies being used by criminal groups.

In response to the COVID-19 pandemic, the Fintel Alliance identified learnings for addressing financial crime in Australia:

- In the wake of the global COVID-19 pandemic, transnational and serious organised crime groups adapted operations to seek out new criminal opportunities.

- Scam syndicates continue to modify existing scams to exploit the changing environment and create methodologies to fraudulently gain access to stimulus packages and obtain financial advantage.

- Organised criminal groups remain agile and respond quickly to changes in the community, taking advantage of the opportunities presented by a pandemic and significant changes to the way people live their lives.

- Focusing on financial crime assists in identifying offending in the early stages, assisting to determine offenders benefiting from crimes and support taking the profit out of crimes against the community and government.

The value of rapid information sharing between government, law enforcement and the financial industry continues to be integral in responding to the COVID-19 pandemic to combat the changing nature of financial crime.

WORKING GROUPS

The Fintel Alliance has established working groups to bring together experts, analysts and practitioners on the complex topics of trade-based money laundering and tax crime.

Tax Crime and Evasion working group

In July 2020, the Fintel Alliance Strategic Advisory Board endorsed the development of a working group focused on information sharing and capability development around tax crime and evasion risks.

In response, a Fintel Alliance Tax Crime and Evasion Working Group was established to bring together public sector and financial industry representatives jointly led by Government and private sector representatives from the Westpac Bank, National Australia Bank, AUSTRAC and the Australian Taxation Office.

Over the past 12 months the key areas of focus for the working group have been:

- Exploitation of the COVID-19 stimulus measures administered by the ATO;
- Illegal phoenix activity, illegal labour hire and 'pay as you go withholding' fraud (payroll tax fraud); and
- Offshore tax evasion

EXPLOITATION OF COVID-19 STIMULUS MEASURES

In order to uplift capability to assist in the detection and disruption of fraud, the working group developed and released reports, including indicator and risk insights of fraud against stimulus measures administered by the ATO. These reports were also shared with International partners, including the UK public private partnership and Europol.

The risk insight and indicator reports assisted financial institutions in detecting potential fraud in relation to the Early Release of Superannuation (ERS), JobKeeper and Boosting Cashflow for Employers programs.

The reports led to the reporting of actionable intelligence in the form of over 3,700 Suspicious Matter Reports in relation to suspected ERS fraud and over 700 relating to Jobkeeper fraud. The intelligence has led to new investigations and supported ongoing investigations into fraud against the different stimulus measures. The increased detection has also aided and enhanced the ATO's risk management approach to cyber enabled identity fraud.

A PROJECT TO PROTECT WORKERS

Illegal labour hire and payroll tax fraud has far reaching implications for individuals, businesses, government and the community as a whole. This includes loss of wages and entitlements, non-payment to suppliers, avoidance of regulatory obligations and loss of government revenue. Building on operational activity of the AFP, the working group provided key insights for partners into illegal labour hire and payroll tax fraud.

Suspicious matter reports and the development of a data analytical algorithm led to increases in the detection of labour hire fraud.

The collaborative and innovative partnership approach has resulted in $2.9 million in tax liabilities being raised (as at 30 June 2020). Additional liabilities are anticipated for the 2021-22 financial year. Information generated through the project has also fed into ongoing investigations of the Serious Financial Crime Taskforce[1] to disrupt and dismantle organised labour hire fraud.

Trade-Based Money Laundering

In May 2020, Fintel Alliance formed a Trade-Based Money Laundering (TBML) working group, co-led by AUSTRAC and Australian Border Force (ABF), bringing together frontline experts from industry and law enforcement to increase understanding and develop capabilities to better detect and disrupt TBML.

In the first 12 months of operation the working group has focused on:

- The development and release of a joint Financial Action Task Force (FATF) – Egmont Group report titled 'Trade-Based Money Laundering: Trends and Developments'. The report was accompanied by fact sheets for the private sector and public sector. The Fintel Alliance TBML working group provided key inputs to the final report, including insights into how the financial industry can play an important role in identifying and disrupting TBML.
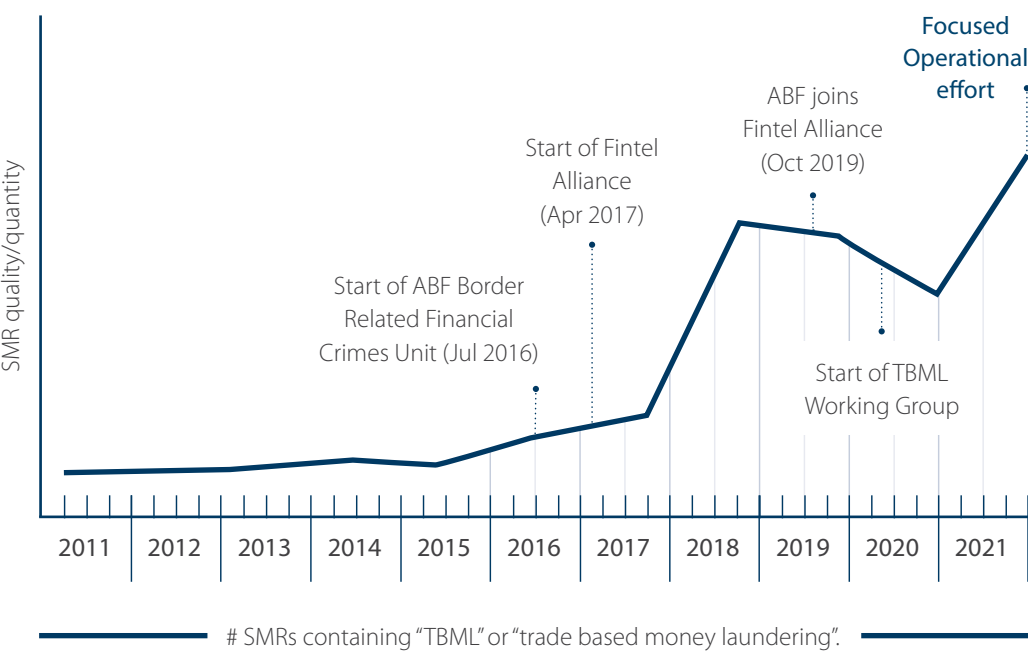
---

1   The Serious Financial Crime Taskforce (SFCT) is an ATO-led joint-agency taskforce established on 1 July 2015. It brings together the knowledge, resources and experience of relevant law enforcement and regulatory agencies to identify and address the most serious and complex forms of financial crime.

- Following the release of the joint FATF and Egmont Group report, Fintel Alliance representatives participated in international forums to promote learnings from the report and the working group to support international bodies including the World Customs Organization, Organisation for Economic Co-operation and Development and the United Nations Office on Drugs and Crime.

- Fintel Alliance TBML working group members have presented to international forums and engaged international counterparts to promote a public private partnership approach to combating TBML. This is highlighted by engagement with Her Majesty's Revenue and Customs to understand global trends and share best practice.

- The Fintel Alliance TBML working group has enabled government, law enforcement and financial institutions to share knowledge through training sessions and ongoing engagement on TBML as a complex financial crime, resulting in an uplift in capabilities of partners to detect and respond to TBML.

The increased engagement between government, law enforcement and financial institutions has led to increases in the quantity and quality of suspicious matter reports being submitted to AUSTRAC. The increased reporting has provided greater insight into the way organised crime attempt to use trade to move the proceeds of crime and exploit the financial system.

ENHANCED AWARENESS: TBML SMRs - REPORT COUNT BY REPORTED YEARS

SMR quality/quantity

Focused
Operational
effort

ABF joins
Fintel Alliance
(Oct 2019)

Start of Fintel
Alliance
(Apr 2017)

Start of ABF Border
Related Financial
Crimes Unit (Jul 2016)

Start of TBML
Working Group

2011   2012   2013   2014   2015   2016   2017   2018   2019   2020   2021

——— # SMRs containing "TBML" or "trade based money laundering". ———

Industry engagement:

- Workshops
- Training sessions
- Interbank forum
- Financial Crimes week
- Webinars

Result:

SMR increase in quality and quantity.

PARTNERS

- Australia and New Zealand Banking Group Limited (ANZ)

- Australian Border Force

- Australian Competition and Consumer Commission (ACCC)

- Australian Criminal Intelligence Commission (ACIC)

- Australian Federal Police (AFP)

- Australian Financial Crimes Exchange Ltd (AFCX)

- Australian Government Treasury

- Australian Securities and Investments Commission (ASIC)

- Australian Taxation Office

- Bendigo and Adelaide Bank Ltd

- Commonwealth Bank of Australia (CBA)

- Deakin University

- Department of Home Affairs

- HSBC Bank Australia Limited

- Macquarie Bank Limited

- MoneyGram Payment Systems Inc.

- National Australia Bank Limited (NAB)

- National Crime Agency (UK)

- New South Wales Crime Commission

- New South Wales Police Force

- New Zealand Police - Financial Intelligence Unit

- PayPal Australia Pty Limited

- Queensland Police Service

- Tabcorp Ltd

- Services Australia

- Western Australia Police Force

- Western Union Financial Services (Australia) Pty Ltd

- Westpac Banking Corporation