



Attorney-General

Reference: MS23-000191

Ms Nicole Rose PSM
Chief Executive Officer
AUSTRAC
4 National Circuit
BARTON ACT 2600

By email: Nicole.Rose@austrac.gov.au

Dear Ms Rose

I am writing to acknowledge the invaluable work of AUSTRAC as Australia's anti-money laundering and counter-terrorism financing regulator, and to provide you with strategic direction in the form of the attached Ministerial Statement of Expectations (MSoE).

As outlined in the *Regulator Performance Resource Management Guide 128* (RMG 128),¹ while regulators are often operationally independent of government, this does not mean they are independent of expectations or guidance about how they fulfil their statutory roles. Commonwealth regulators are typically accountable to the Parliament, including through Senate Estimates and Australian National Audit Office scrutiny. Clear expectations from Government to regulators can help drive better regulator performance by providing an environment that supports the implementation of best practice.

Consistent with RMG 128, the enclosed Statement of Expectations outlines the principles I expect AUSTRAC to observe as Australia's anti-money laundering and counter-terrorism financing regulator.

I would appreciate your response to this letter in the form of a Statement of Intent by the end of the transition period of 30 June 2023. The Statement of Intent should outline how AUSTRAC proposes to meet the expectations outlined in the attached MSoE.

To ensure transparency and accountability, the MSoE and your responding Statement of Intent should be published and made available on your website by 30 June 2023. The statement should also be integrated into your performance reporting processes as required under the *Public Governance, Performance and Accountability Act 2013* as part of your 2023–24 corporate planning process and for your Annual Report prepared for the 2023–24 reporting period.

Thank you for your timely assistance with this matter.

Yours sincerely

THE HON MARK DREYFUS KC MP

9/3/2023

Encl. *Statement of Expectations*

¹ Available on the Department of Finance's website.

AUSTRALIAN TRANSACTION REPORTS AND ANALYSIS CENTRE

STATEMENT OF EXPECTATIONS – 2023

Ministerial Statements of Expectations provide greater clarity about government policies and objectives relevant to the regulator in line with its statutory objectives, and the priorities the Minister expects it to observe in conducting its operations. As the responsible Commonwealth Minister for the Australian Transaction Reports and Analysis Centre (AUSTRAC) under the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (AML/CTF Act), this statement sets out my expectations of AUSTRAC.

Overview

AUSTRAC is Australia's anti-money laundering and counter-terrorism financing (AML/CTF) regulator and financial intelligence unit (FIU). AUSTRAC plays a valuable role in safeguarding the Australian community and economy by building resilience in the financial system and disrupting money laundering, terrorism financing, and other serious and organised crime.

Under the AML/CTF Act, the function of AUSTRAC is to assist the AUSTRAC Chief Executive Officer (CEO) in the performance of the CEO's functions, which are broadly to:

- retain, compile, analyse, disseminate and facilitate access to AUSTRAC information in order to support domestic and international efforts to combat money laundering, terrorism financing and other serious crimes
- promote compliance with the AML/CTF regime and advise and assist reporting entities and their representatives in relation to AML/CTF obligations, and
- assist in the development of government policy or academic research.

The Government recognises and respects the independence of the CEO of AUSTRAC and their responsibility for regulation under the AML/CTF Act. I expect AUSTRAC to continue to exercise its functions and powers in good faith and to the best of its ability.

The Government's policy priorities and objectives

In addition to the core functions noted above, the Government expects AUSTRAC to observe and contribute to the following Government priorities and objectives.

Regulatory reform agenda

The Government's regulatory reform agenda is a key component of the Government's plan to support economic recovery by working with States and Territories to effect regulatory reform to reduce duplication and boost productivity, and to account for impacts of regulation on individuals (not just businesses). Ensuring our regulatory settings are the best they can be helps boost productivity and competitiveness and supports well-functioning markets, business investment, job creation and growth.

Under the regulatory reform agenda, the Australian Government is also focusing on improving regulator performance, capability and culture through regulatory stewardship.

I expect AUSTRAC to contribute to the regulatory reform process by:

- seeking opportunities to remove duplication and streamline processes in order to improve efficiency and lift productivity,
- acting in accordance with regulator best practice in its decision-making, policies, processes and communication practices, in order to maximise transparency and minimise compliance costs,
- applying the Regulator Performance Resource Management Guide to its regulatory functions to assess its performance and engagement with stakeholders,
- incorporating regulator performance reporting into the entity's reporting processes, as required by the [*Regulator Performance Resource Management Guide \(December 2022\)*](#) under the *Public Governance, Performance and Accountability Act 2013* and *Public Governance, Performance and Accountability Rule 2014*, in order to support greater transparency and accountability of regulator performance.

Principles of regulator best practice

Under the *Regulator Performance Resource Management Guide (December 2022)*, the principles of regulator best practice are:

1. **Continuous improvement and building trust:** regulators adopt a whole-of-system perspective, continuously improving their performance, capability and culture, to build trust and confidence in Australia's regulatory settings.
2. **Risk-based and data-driven:** regulators maintain essential safeguards, using data and digital technology to manage risks proportionately to minimise regulatory burden and to support those they regulate to comply and grow. To drive AUSTRAC's understanding of risk, I expect AUSTRAC to continue its work developing sectoral risk assessments, and to work toward a comprehensive national risk assessment.
3. **Collaboration and engagement:** regulators are transparent and responsive communicators, implementing regulations in a modern and collaborative way. Consequently, I expect AUSTRAC to:
 - seek opportunities to engage and consult genuinely with stakeholders,
 - be receptive to feedback and diverse stakeholder views,
 - seek to increase transparency in decision-making processes,
 - provide up-to-date, clear and accessible guidance and information to assist regulated entities with compliance,
 - engage closely to educate reporting entities and improve their compliance with obligations under the AML/CTF Act
 - continue its risk-based approach to monitoring and supervising reporting entities' compliance with their AML/CTF obligations
 - take enforcement action against reporting entities that is proportionate to the nature of, and harm resulting from, the non-compliance with the AML/CTF Act
 - adopt a risk-based, transparent approach to regulation and decision-making and leverage data and digital technology to inform its approach to compliance and enforcement

- engage closely with law enforcement and intelligence partners and produce intelligence to enable other agencies to more effectively achieve their mandates, and
- engage proactively, and where requested, with partners in the Pacific and Asia, consistent with Government's principles for respectful and meaningful engagement, to build capacity and strengthen the region's resilience to bad actors.

I expect AUSTRAC to embed and act in accordance with the Government's principles of regulator best practice when conducting its operations, as well as strive for continuous improvement against these principles.

In exercising its functions and powers in accordance with these principles, I expect AUSTRAC to be an exemplar of the Government's commitment to the effective governance and performance of its agencies, governed by the Public Governance, Performance and Accountability Act 2013 (PGPA Act).

Innovation and regulatory change

I expect AUSTRAC to continually monitor the environment it operates in to ensure that regulatory approaches keep pace with changes in technology, industry practices and community expectations. I also expect AUSTRAC to regularly review and, where necessary, adjust policies, protocols and operating procedures, to ensure it can respond to the changing social, technological and commercial context in which it operates. In developing policy responses and AML/CTF Rules, AUSTRAC should continue to take new and emerging risks and new technologies into account.

Promote and protect the integrity and public confidence of the Australian financial system

AUSTRAC should continue to support Government efforts to promote and protect the integrity and public confidence of the Australian financial system through the enactment and implementation of controls and use of its powers to detect, deter and disrupt money laundering, terrorism financing and other serious crimes.

I expect AUSTRAC to continue to collaborate closely with law enforcement and national security partners, including through sharing crucial data and financial intelligence information, to increase the resilience of the financial sector, and support investigations.

AUSTRAC operates in a complex and challenging environment with money laundering and terrorism financing techniques becoming increasingly sophisticated as new technologies and financial products provide opportunities for criminal methods to evolve. I encourage AUSTRAC to continue to enhance intelligence capabilities and use new technologies to detect and address these emerging threats.

Ensuring Australia's AML/CTF regime remains fit-for-purpose and effective

AUSTRAC should continue to support and work closely with the Attorney-General's Department (the department) to ensure Australia's AML/CTF legislative framework remains effective against sophisticated criminal enterprises and in line with international standards as

set by the Financial Action Task Force (FATF). I expect any changes to the framework to be subject to extensive consultation across government and with affected industry sectors.

Trust in community, industry and government

I expect AUSTRAC to continue to meet the high standard of ethics expected in performing its functions as Australia's AML/CTF regulator and FIU, including operating in line with relevant legislative requirements and upholding the Australian Public Service Values and Code of Conduct.

I am confident that AUSTRAC will maintain its high performing reputation and trust across the community, industry and government.

Reinforcing international standards and norms

AUSTRAC should continue to support the department in engaging with the FATF and the Asia-Pacific Group on Money Laundering (APG) to promote effective implementation of the FATF standards across the global network, recognising their importance in protecting and upholding the integrity of the financial system. I expect AUSTRAC, as Australia's AML/CTF regulator and FIU, will continue to support the department and other portfolio agencies in preparing for Australia's next mutual evaluation by the FATF.

Relationship with Minister and portfolio

AUSTRAC plays an essential role in ensuring that I, as the Minister responsible for the AML/CTF Act and the Government, are well placed to respond promptly to AML/CTF issues. The department also supports and advises me by providing advice on policy development and the performance of the portfolio's regulatory systems. The department takes into account the knowledge and expertise of AUSTRAC when considering changes to policy and legislation that impact on AML/CTF.

Accordingly, I expect AUSTRAC to work collaboratively with the department to provide accurate and timely policy advice on significant issues relating to the work of AUSTRAC.

As the responsible Minister, I will provide an enabling environment for AUSTRAC to consistently implement best practice by ensuring it is well informed of the Government's policy direction, as specific initiatives and strategies are being considered.