

# AUSTRALIAN TRANSACTION REPORTS AND ANALYSIS CENTRE

## STATEMENT OF EXPECTATIONS – 2024

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* (the 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 an integral role in safeguarding the Australian community and economy by deterring, detecting and disrupting money laundering, terrorism financing, and other serious and organised crime, as well as building resilience in the financial system against criminal exploitation.

Under the AML/CTF Act, AUSTRAC's function is to assist its Chief Executive Officer (CEO) in the performance of their 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
- 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 the regulatory regime established 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.

#### Major reforms to Australia's AML/CTF regime

The Government is committed to protecting the integrity of the Australian financial system and improving Australia's AML/CTF regime. On 20 April 2023, I announced the commencement of public consultation on proposed large-scale reforms to Australia's AML/CTF regime. The reforms will:

- extend the regime to designated non-financial businesses and professions (tranche-two entities) and virtual asset service providers
- simplify the regime across key areas to reduce regulatory burden, and

- address deficiencies in the regime to improve crime prevention and law enforcement outcomes.

The proposed reforms will have significant and wide-reaching impacts on AUSTRAC's operations. If enacted in full, AUSTRAC's reporting entity population will increase in size and diversity, and significant changes will be required to its operating model and staffing profile. I expect AUSTRAC to regularly review and, where necessary, adjust policies, protocols and operating procedures, to ensure it can respond to the context in which it operates. This includes taking a proactive and responsive approach to guidance and education with regard to any new entities who may be brought into the regulatory regime.

AUSTRAC should continue to support and work closely with the Attorney-General's Department (the department) to reform Australia's AML/CTF regime. I expect any changes to the regime to be subject to extensive consultation across government and with affected industry sectors.

### **Regulatory reform agenda**

The Government is looking at ways to boost productivity through reducing unnecessary or duplicative regulatory costs. Working with the States and Territories and learning from international partners highlights opportunities to improve the quality of regulation, and lower the cost of living for Australians. Under its regulatory reform agenda, the 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* 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*, 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 risk insights products, 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
- 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*.

### **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.

### **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 Financial Action Task Force (FATF) and the Asia-Pacific Group on Money Laundering (APG) to promote effective implementation of the FATF standards across the Global Network, recognising their paramount importance in protecting and upholding the integrity of the financial system.

Australia's AML/CTF regime will next be subject to a comprehensive Mutual Evaluation by the FATF's global standards over 2025-27. A poor Mutual Evaluation performance risks Australia being publicly identified as having significant AML/CTF weaknesses. This could have serious economic and reputational consequences, and lead to perceptions of Australia having an increased exposure to illicit financing, money laundering and terrorism financing. I expect AUSTRAC, as Australia's AML/CTF regulator and FIU, will continue to support the department, other portfolio agencies, State and Territory agencies and private sector stakeholders 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.