



## Supplementary Comments – Mr Adam Bandt, MP, Deputy Leader, Australian Greens

1. The Reserve Bank of Australia (RBA) is a key pillar of the country's economy. It needs to operate free from the shadow that hangs over it because of the banknote printing bribery scandal.
2. The recent appearance of senior RBA officials before the committee to address the issues surrounding the bank and its subsidiaries, Securrency and Note Printing Australia, has left many questions unanswered.
3. Most significantly, there is still no satisfactory explanation as to why the police weren't called when the RBA was first presented with credible allegations of illegality, possible corruption and impropriety.
4. The hearings have confirmed that in the middle of 2007, a credible RBA whistleblower raised serious concerns - many have which have since proven to be well-founded - about public money being used to bribe foreign officials and politicians, in contravention of Australian law.
5. After receiving such a complaint, a senior official within such a central public institution should have informed the Australian Federal Police and/or the Australian Securities and Investment Commission.

6. Instead, the response of the RBA and its subsidiaries - to commission a commercial law firm to conduct an internal review - was manifestly inadequate. A commercial law firm does not have the power to question witnesses, seize documents or conduct investigations in the way that an investigatory body acting with the force of law can. Indeed, the hearings revealed that the law firm didn't even interview the agents subject to the whistleblower's allegations nor examine any of their financial records.
7. A director cannot contract their duties out to a third party. However, that was in effect what the RBA officials did. Their evidence was that as the lawyers' report did not disclose any crime had been committed nor recommend approaching the AFP, the RBA officials felt no obligation to do so. It is questionable whether a director of a private company today would be able to rely on such a defence.
8. In any event, in evidence and other statements the RBA overstates the lawyers' report's findings: at its highest, the report did not provide a clean bill of health. It found in one instance, for example, that simply because there were a number of equally compelling explanations for one of the allegations, no positive adverse finding could be made. The report wasn't positive evidence of the absence of wrongdoing, but rather a statement that no conclusive findings of illegality could be made. It should have been obvious on the face of the report that no relevant interviews had taken place and no financial documents examined, and thus the reliance to be placed on it by a director should have been very limited indeed.
9. The RBA also placed reliance on their internal audits. However, as was admitted in the hearings, these internal audits had less breadth and depth than an external audit and had fewer resources. Again, an external investigative agency such as the AFP would have had much greater powers and resources.
10. At the conclusion of his evidence to the Committee, the Governor acknowledged that in a similar situation in the future the police should be called in earlier. It has taken many years of questioning for the Governor to make this admission and the approach of the RBA to the Committee's past and current inquiries does not instil

great confidence that the RBA accepts that grave errors have been made.

11. The Australian Greens remain concerned that the corporate governance of the Reserve Bank of Australia has been found wanting and we are not confident that the lessons have been learned. A cloud will remain over the Reserve Bank and its governance until a full inquiry is conducted.

**12. Recommendation: That the government establish an inquiry into the Reserve Bank and its subsidiaries with regard to the bank note bribery scandal to make recommendations on strengthening corporate governance at the Reserve Bank.**

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