



DR DAVID HONEY MLA

MEMBER FOR COTTESLOE

SHADOW MINISTER FOR ENERGY; RENEWABLES & HYDROGEN; WATER; INDUSTRIAL DEVELOPMENT; LANDS



Select Committee on the Perth Mint and Commonwealth Regulatory Compliance
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Select Committee,

Firstly, I thank the Senate for agreeing to establish this Committee.

Unfortunately, the Parliament of Western Australia has been prevented from properly examining the troubling matters surrounding the Perth Mint by the current Labor government's use of its Parliamentary majority.

In effect, there is effectively no public accountability on matters that may cause the government embarrassment despite the democratic right of Parliament and the public to know what our government is doing and why.

The Perth Mint is a critical institution in Australia because it ensures that Australian Gold producers can obtain the maximum value for any gold produced in the country. If Australia was reliant on overseas gold refiners, they could be forced to sell their impure products at a discount to the contained gold value. Having a reputable, local refiner ensures that gold miners and, more generally, Australia gains the maximum financial benefit from gold production. This ultimately benefits every Australian.

There were two distinct issues at the Perth Mint that have raised proper questions but which the government has refused to provide sufficient answers.

The two matters are:

- failure to comply with the AUSTRAC international funds transfer instruction (IFTI) requirements for gold trades facilitated with the GoldPass App that enabled electronic gold trading. In turn, this lack of compliance could have facilitated criminal money laundering locally and internationally.
- doping of gold bars which resulted in gold bars being sold that had a different make-up to customer-expected standards.

Failure to comply with AUSTRAC anti-money laundering regulatory requirements

The Perth Mint is an experienced and sophisticated international trading organisation. It beggars belief that the mint was not aware of the requirements to report international gold transactions carried out using their GoldPass App that met the reporting thresholds set by AUSTRAC.



(08) 9383 1505



cottesloe@mp.wa.gov.au



drdavidhoney



www.davidhoney.com.au



589 Stirling Highway Cottesloe WA WA 6011

The greater majority of adults would be aware that precious metals are a commonly used vehicle for illicit money transfer. It is difficult to believe that anyone at the Perth Mint was unaware of this risk, let alone the senior managers and the Board who are responsible for the proper governance of the organisation. Whilst the responsible Minister is obviously not required to be aware of individual transactions, they are expected to ensure that proper governance procedures are in-place.

At the very least, any responsible organisation would have sought competent legal advice about any regulatory requirements triggered by the use of their newly developed GoldPass online application.

Publicly available information indicates that there appear to have been major shortcomings in the use of the GoldPass App:

- the requirements for proper identification of the original and subsequent online purchaser were weak and identification information was not archived for subsequent review;
- transfer of ownership of the gold, including transfer overseas, could be carried out in a way that avoided scrutiny from AUSTRAC; and
- the Perth Mint was failing to report transactions that met AUSTRAC reporting thresholds.

Therefore, I urge the Committee to ensure that you gather documents and verbal evidence on the following points:

- was any regular training carried out at Perth Mint to inform staff and the Board about their responsibilities to prevent money laundering and, if so, when and how often;
- was there any audit process at the Perth Mint to ensure statutory compliance and, if so, how often was this carried out;
- if any audits of statutory compliance were carried out, were there any findings in relation to the GoldPass APP and, if so, what actions were taken as a result of the audits;
- did the Perth Mint obtain any legal advice regarding requirements for anti-money laundering protections at the Perth Mint generally and, otherwise, specifically in relation to the implementation of the GoldPass App;
- if advice was sought, who provided the advice;
- if advice was sought, who received the advice;
- if advice was received, what actions were taken in response;
- when did the Board become aware of the GoldPass App's shortcoming with regard to the legal requirements including AUSTRAC reporting requirements;
- when they became aware of the shortcomings, what actions did they take to correct the shortcomings and when were these actions undertaken;

- when was the Minister and any other Cabinet member, including the Premier, aware of the App shortcomings; and
- when the Minister and any other Cabinet member, including the Premier, became aware of the shortcomings, what actions did they take to correct the shortcomings and when were these actions undertaken?

It is important to assess whether the Mint's failure to adopt anti-money laundering requirements was a matter of ignorance, incompetence or something more troubling such as deliberately facilitating illegal money transfers to grow business or some other illegal reason.

The Committee would also serve the public well by seeking an explanation as to why the GoldPass app was shut down rather than being improved to comply with AUSTRAC anti-money laundering requirements since, given that it was lauded as a commercially useful tool that had cost a considerable amount of money to develop.

Doping of gold bars

This matter concerns the manufacture and sale of gold bars that had a higher silver content than was expected by the buyers.

In relation to this matter, the Perth Mint have stated that they have always complied with the fundamental requirement that the gold bars had a gold content that exceeded 99.99%. This fact is not in contention.

The principal issue in relation to the Perth Mint's gold doping practices was that they unnecessarily altered the amount of silver impurity and that this came as a surprise to the customers, risking their reputation. This is a serious matter as it undermines confidence in the Perth Mint. The Mint's reputation is critical to maintain its standing as an internationally recognised and respected gold trading institution.

Once again, the State government has not explained why this occurred. Why did the Perth Mint risk its reputation in this way?

In that context, I urge the Committee to establish the following facts in relation to changes in the gold dilution (doping) practices and the resulting customer concerns:

- when was the gold dilution process altered and what was the justification for this change;
- who authorised the change in the gold dilution process;
- where there any change-management control processes in place to ensure that such process changes had senior management authorisation;
- when did senior management at the Perth Mint become aware of the customer concerns about gold impurity levels;

- when senior management at the Perth Mint became aware of these concerns, when did they take action to resolve the customer concerns and what action did they undertake;
- when did the Minister and any other Cabinet member, including the Premier, become aware of customer concerns about the gold impurity levels;
- when the Minister and any other Cabinet member, including the Premier became aware of these concerns, what action did they undertake;

Regarding the gold doping matter, some media reports indicated that the doping exercise was widely known within the Perth Mint and that some staff objected to it.

It would seem worthwhile for the Committee to seek out those staff members to ascertain their understanding of why and how the changes in doping practices occurred.

As a last point, I hope the Committee will use whatever powers it has to bring before the Committee Mr Richard Hayes, the Mint's former CEO during the period when these matters occurred, something the State Parliament has not been able to do.

I thank you in anticipation of giving this submission your due consideration.

Yours sincerely,

Dr DAVID HONEY MLA BSc (Hons), PhD, CChem, FRACI

Member for Cottesloe

Shadow Minister for State Development; Energy; Hydrogen; Science, Innovation & ICT and Small Business

31 July 2023