

## QUESTIONS ON NOTICE FROM HANSARD

### Australia as a destination for laundered funds

- 1. Senator McKIM:** I'm not pushing back on any of your evidence that you've given today, but I'm just struggling with Mr Phelan's evidence from a few weeks ago, to be honest, where he said Australia is not a popular destination for laundered funds. Is that ACIC's view, or isn't it? It seems to have been contradicted—in fact it has been contradicted—by AUSTRAC, by FATF and by other significant evidence that this committee has received over the past 24 hours or so. Perhaps I could ask, if you're happy to take it on notice, 'Is Australia a popular destination for laundered funds or not?' because it's not clear to me what ACIC's view is on that now.

**Mr Rippon:** We're happy to take that on notice and provide you more clarity, if that would help, and perhaps we could characterise it in a way that is more digestible.

### Response:

The ACIC's remit is specific to serious and organised crime. Mr Phelan's response at Senate Estimates referred specifically to Australia not being a popular destination for offshore organised crime groups to send their money specifically for laundering. Australia has one of the most lucrative illicit drug markets in the world. As a result, a significant proportion of illicit funds which are generated here are also laundered from within Australia to offshore locations. The ACIC assesses that up to 70% of serious and organised crime impacting Australia is located overseas. While Australia has stable financial and valuable real estate markets, and criminals have a need to launder illicit profits, Australia is generally not considered a good place for serious and organised crime groups to send illegal proceeds, relative to other countries, as it is generally easy for law enforcement to trace assets.

## Professional facilitators - evidence

- 2. CHAIR:** In terms of an extension of the various regulatory frameworks to the so-called gatekeepers—the lawyers, accountants, real estate agents, off-service providers, liquidators, stockbrokers, bankers and luxury car dealers that you referred to in paragraph 20 of your opening statement—it's been put to us by various groups associated with those professions that there is no real problem. It's characteristic of the sort of work that you do that you make an assertion that that's a problem. The question for us is: what is the evidence to sustain that proposition? Intuitively, we could argue, it makes sense, but do you have any evidence that you could provide to this committee? I know you have provided us with an in-confidence statement, which I'm not referring to.

Do you have evidence that you could put to us in a form that we can use to demonstrate the extent of the problem in relation to any of these groups? I'd be particularly interested in this in relation to the lawyers. I'm asking you: Can you provide this committee with any evidence to sustain the claim you've made in clause 20 in a public form? Can you provide an evidential base to sustain the claim that you've made in clause 20?

**CHAIR:** I've indicated to you that it's the nature of your work. ASIO make similar sorts of statements about the nature of their work. Police make similar sorts of statements: 'Our investigations lead us to believe this.' But do you have any statistical or empirical evidence to sustain that belief?

**CHAIR:** All I'd like to know is if we have any basis on which we can ascertain the extent of that problem, to sustain the assertion that these gatekeeper professions are being misused and to sustain the thesis that you're presenting.

**Mr Rippon:** On notice, we'll look at how we might characterise that for you. What we can say is that, for the highest-threat TSOC actors and groups that are attacking this country now, it is a part of their business model to focus on those types of professional facilitators, both onshore and offshore.

### Response:

The ACIC has identified at least 185 individuals who are facilitating the activities of 16 current and/or former Australian Priority Organisation Targets (APOTs); the most significant targets impacting Australia. Of these 185 facilitators, approximately one quarter are lawyers, financial advisors, accountants or real estate agents who have been identified as assisting at least 10 of the 16 APOTs.

The ACIC will submit a supplementary submission to the committee which will include some de-classified information on the types of services provided by professional facilitators which have been identified in ACIC investigations.

### Gaps in enforcement and compliance of financial crimes

- 3. CHAIR:** I have a few other questions. I'm trying to map out the regulatory framework from your point of view. Could you provide on notice your view of who's responsible for what in terms of enforcement and compliance work—and I know that's strictly not your work, but, as an intelligence agency, you've got to know who's responsible for what—and where the gaps are? I'm particularly interested in your advice to this committee on where the gaps are in terms of tracking the enforcement of financial crimes, such as money laundering and other matters.

**Mr Rippon:** Just for clarity, with the regulatory and enforcement roles not falling to us, there is an intersection, obviously, between us and other agencies.

**CHAIR:** I know that. I'm asking all the agencies a similar question. This is to assist us in the preparation of our report to get a perspective as to how the agencies see the bureaucratic minefield and where the gaps are. That's what I'm trying to establish. That's the point of these questions I might put to you.

**Mr Rippon:** Understood.

#### Response:

As enforcement and compliance sits outside of the remit of the ACIC, we will defer AUSTRAC and the Australian Federal Police to provide further detail on their work.

## International, national and state agencies and partners

4. **CHAIR:** And could you indicate to us the international agencies that you work with and the agencies that you work with not just at the Commonwealth level but at the state level? Could you provide that on notice, please?

### Response:

The ACIC works with a broad number of agencies at a state, national and international level. The ACIC Board consists of heads of Commonwealth law enforcement and intelligence agencies, state and territory police and regulatory agencies. These include AFP, ABF, Department of Home Affairs, ASIC, the Director-General of Security, the Commissioner of Taxation, the Commissioner of Police of each state and the Northern Territory and the Chief Police Officer of the ACT. AUSTRAC and the Attorney-General's Department sit on our Board as non-voting observers.

We are a member of the Serious Financial Crime Taskforce led by the ATO (and comprised of ACIC, ATO, AUSTRAC, AFP, ABF and ASIC), and the Fintel Alliance led by AUSTRAC, which is a private and public partnership.

Specific to money laundering, the ACIC also works closely with international partners as an active member of several international money-laundering working groups. These groups include a range of offshore partners, including the Drug Enforcement Administration (USA), Federal Bureau of Investigation (USA), Department of Homeland Security (USA), National Crime Agency (UK), National Police of the Netherlands, New Zealand Police, Royal Canadian Mounted Police, Canada Revenue Agency, Dutch Fiscal Intelligence and Investigation Service, Her Majesty's Revenue and Customs (UK), Internal Revenue Service (USA). Where relevant and lawful, the ACIC also discloses intelligence to other countries and agencies on an as needed basis.

The ACIC also shares and receives intelligence through a number of overseas Financial Intelligence Units who are members of the Egmont Group via AUSTRAC.

## Cases on money laundering

- 5. CHAIR:** You may not be able to assist me with the last question, but I will ask it anyway. I'm interested to know your assessment of the cases involving money laundering, misbehaviour and major noncompliance on financial crimes in this country that have been investigated and the extent to which the professionals who practice in these areas have been identified as being involved in misconduct. I'd like you to provide the areas, the extent and the evidence, where you can, on the public record. I know you've provided other materials. I don't want you to breach that, but provide us what you can with regard to that, and specifically the effect of the failure to provide a beneficial ownership test in regard to the regulatory framework in this country. What is the consequence of that? Can you provide us with any advice to that effect?

**Mr Rippon:** We'll take it on notice and we'll come back to the committee.

### Response:

The ACIC is not able to provide an assessment of these cases. The AFP or AUSTRAC would be in a better position to provide this information.

## Casinos and money laundering

6. **Senator O'NEILL:** Senator Carr has asked questions about where the regulatory gaps are. That's about the communication flows to make these things happen in a very prompt way. Is it your view that casino junkets simply pose too great a risk to be allowed to continue to operate into the future?

**Mr Rippon:** Casino junkets pose a high risk to the legitimate environment in Australia, and we've highlighted that through assessments that we've made previously. They are a concern to us, and they've been a concern to us for some period of time.

**Senator O'NEILL:** Can you tell me which agency or regulator is primarily responsible for detecting and preventing money laundering in casinos?

**Mr Rippon:** I might have to take that on notice, because, from a regulation perspective, we don't have that mantra. We do intersect with regulators, obviously, in our work.

**Senator O'NEILL:** I understand it's actually AUSTRAC.

### Response:

From the perspective of an intelligence agency, the ACIC considers that casino junkets pose a high risk to the legitimate environment in Australia, and they have been a concern to us for some period of time.

The operations of casinos are overseen by multiple state/territory enforcement and Commonwealth law enforcement regulatory agencies. The investigation and prosecution of criminal offences, including money laundering, terrorism financing and serious crime, is the responsibility of police forces around the country.

Casinos are also subject to a number of requirements under the AML/CTF regime, with AUSTRAC being the regulatory agency. However, not all activities that occur within casinos are fully covered under the AML/CTF regime, so are beyond the purview of AUSTRAC. For example, junkets are not specifically covered under the AML/CTF Act. Junket operations are vulnerable to criminal exploitation due to their lack of transparency, the concealment of ownership and distribution of funds and the anonymity of participants.

## Russian Federation and money laundering

7. **CHAIR:** I have one for you on notice. We've tabled a letter from the embassy of the Russian Federation—I note your interest in international high-risk operational matters—where it has been said that there has been no contact with the Russian Federation regarding AML/CTF related requests for three years. I seek your advice as to whether or not that's true and, if so, why.

**Mr Rippon:** I'll take that on notice. I'm not aware of the correspondence.

**CHAIR:** We've tabled it, so you'll get a copy of it. If you can, provide that.

### Response:

The ACIC is not in contact with the Russian Federation on the matters raised in the tabled correspondence.