

PARLIAMENTARY JOINT COMMITTEE ON LAW ENFORCEMENT

Inquiry into financial related crime

Questions on Notice

Agency: Australian Transaction Reports and Analysis Centre (AUSTRAC)

Question: 2

Senator O'Sullivan asked the following question at the hearing on 9 September 2014:

Page 48 of Proof Hansard:

Senator O'SULLIVAN: Do you know on how many occasions AUSTRAC has engaged with individuals who are not registered and you have had this exploratory discussion to find out why that is so?

Mr Schmidt: We would have to come back to you on that...

Question: 3

Senator O'Sullivan asked the following question at the hearing on 9 September 2014:

Page 52 of Proof Hansard:

Senator O'SULLIVAN: Can I use an example as a segue to that: I recently had an inquiry where a government agency admitted that in the course of a year, they had 44,000 complaints in a particular category—and they prosecuted three of them. And, as hard as I tried, I could not determine whether their prosecution rate cleaned up the problem; whether three complaints were 100 per cent of the valid cases.

I have listened very carefully and I am none the wiser. I am wondering if there is some sort of question we can ask you to answer on notice, so that you can go away and take all the time in the world to deal with this—because where there are 8,000 registered people, I am going to bet you London to a brick that there are 1,000 or 1,500 who are operating outside of the regulatory temperament. That is just how it is. I am 58 years of age, sadly, I have been around a while—

Mr Schmidt: We are the same age!

Senator O'SULLIVAN: Yes, there you go! So I would be surprised if it there was not some number, Mr Schmidt; I don't know what it is. Sometimes, the fact that prosecutions are not occurring is the result of people being focused on more important things, or a resource issue, or one of a whole range of things. The bee is going to stay in my bonnet on this, because of the terms of reference of this inquiry. We keep coming back to them.

We could skip over this, and make all the recommendations in the world, and leave one good, solid, active, black hole—and we would have achieved nothing out of this inquiry. So could you take a question on notice: I don't know; perhaps I will just put a question mark and you can fill in the blank backwards! Would you help us just to have a bo-peep, to see whether this is an issue or not. I don't know whether you have research capacities within your organisation; whether you have people who can turn their heads towards the sun here for a month or two, and have look at it and give us some advice. But we are in your hands, essentially, on the question.

Mr Schmidt: Senator, what I will do then, to try and assist—and obviously I want to try and assist with this question—is this: I will go back to the organisation and see what information I can find about examples which have come to our attention of unregistered remittance service provisions, say in the last 12 months; how that implication arose—whether it was from law enforcement or from other sources; what action we have taken; and any other information which I can find which might flesh out the way those matters have been handled. Would that answer your question?

Senator O'SULLIVAN: That would be much appreciated.

The answer to the honourable senator's questions is as follows:

AUSTRAC does not maintain a list of the number of times it has engaged with unregistered remitters since commencement of the registration obligations under the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (AML/CTF Act). However, in general, wherever AUSTRAC becomes aware of a business that operates as an unregistered remitter, AUSTRAC engages with that entity.

AUSTRAC has worked on 66 matters involving entities suspected of being unregistered remitters in the past 12 months. These matters originated from a number of sources:

- AUSTRAC compliance assessments
- AUSTRAC and partner agency intelligence information
- information from other reporting entities
- information from the general public.

AUSTRAC has several options for resolving cases of suspected unregistered remitters, dependent upon the money laundering and terrorism financing risk posed by the suspected unregistered remitter and the reliability of the information at hand. The fact that a particular business has been brought to AUSTRAC's attention as potentially operating as a remitter does not necessarily mean that, upon closer examination, it will be concluded they actually have AML/CTF Act obligations.

In the past 12 months, AUSTRAC has taken action to refuse one registration, cancel one registration and impose conditions on one registration, where those entities had been identified as offering remittance services prior to being registered with AUSTRAC.

Two entities that were operating unregistered businesses discontinued their remittance business once AUSTRAC initiated formal engagement with them.

In November 2013, AUSTRAC issued an infringement notice for \$225,000 to a registered remittance network provider for providing a remittance network service to unregistered affiliates of their network.

AUSTRAC has written to 58 entities to enquire whether they have registration obligations under the AML/CTF Act. Of these 58 entities, two have applied for registration. The remaining 56 entities responded to advise they do not have registration obligations or did not respond. AUSTRAC is following up on these responses.

AUSTRAC has also referred a matter to law enforcement for consideration as to whether criminal action should be taken against a suspected unregistered remitter.