



Australian Banking
Association

10 September 2021

Committee Secretary
Senate Select Committee on Australia as a Technology and Financial Centre
Department of the Senate
Parliament House
Canberra ACT 2600

By email: fintech.sen@aph.gov.au

Dear Chair,

Please find below answers to questions taken on notice during the ABA's appearance at the committee.

The Australian Banking Association (**ABA**) is very supportive of the ongoing work of the Committee, particularly the whole-of-economy approach taken and the focus on removing more barriers to facilitate growth in the financial and technology sectors thereby attracting investment and creating jobs.

Yours sincerely,

Aidan O'Shaughnessy
Executive Director
Australian Banking Association



| Question | Answer |
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| <p>How many countries have implemented this travel rule?</p> | <p>In June 2019, the Financial Action Task Force (FATF) issued global standards for virtual assets and Virtual Asset Service Providers (VASPs) to prevent the misuse of virtual assets for money laundering and terrorist financing.</p> <p>In 2020, FATF undertook a 12-month review to measure how jurisdictions and the private sector have implemented these revised Standards.</p> <p>The report from the 2020 FATF review had a number of findings. FATF reported that many jurisdictions have continued to make progress in implementing the revised FATF Standards. 58 out of 128 reporting jurisdictions advised that they have now implemented the revised FATF Standards, with 52 of these regulating VASPs and 6 of these prohibiting the operation of VASPs.</p> <p>The other 70 jurisdictions have not yet implemented the revised Standards in their national law. These gaps in implementation mean that there is not yet a global regime to prevent the misuse of virtual assets and VASPs for money laundering or terrorist financing. While the supervision of VASPs and implementation of AML/CTF obligations by VASPs is generally emerging, there is evidence of progress.</p> <p>In particular, there has been progress in the development of technological solutions to enable the implementation of the 'travel rule' for VASPs. However, the lack of implementation of travel rule requirements by jurisdictions is acting as disincentive to the private sector, particularly VASPs, to invest in the necessary technology solutions and compliance infrastructure to comply with the 'travel rule'.</p> <p>FATF has requested all jurisdictions to implement the revised FATF Standards, including travel rule requirements, as quickly as possible. FATF have committed to undertake the following actions focused on virtual assets and VASPs.</p> <p>FATF will:</p> <ul style="list-style-type: none">• focus on implementing the current FATF Standards on virtual assets and VASPs, including through finalising the revised FATF Guidance on virtual assets and VASPs by November 2021;• accelerate the implementation of the travel rule; and• monitor the virtual asset and VASP sector, but not further revise the FATF Standards at this point in time (except to make a technical amendment regarding proliferation financing). |



| Question | Answer |
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| <p>What is your view—what is the view of Australian banks—on the opportunity of digital assets?</p> | <p>The ABA recognises the real risks that virtual assets present, but also the opportunity for Australia.</p> <p>The ABA agrees with the World Economic Forum position that:</p> <p><i>‘the advent of cryptocurrencies has led to the creation and operation of new global, decentralized networks that have been used by over 100 million people across the world to transfer trillions of dollars of value. Bitcoin, for example, is more than just a technology – it is a powerful social, political and cultural movement that asks us to imagine money, banking and payments in new and novel ways’.</i></p> |
| <p>Given your previous answer that you’re not sure who provides these services, maybe you want to take that question on notice.</p> | <p>Across the globe, banks offer services in accordance with their commercial strategy, their risk-appetite, the contractual expectations of overseas correspondent banks, their risk-profile, and the skills, capability and capacity of that bank to manage the legal obligations and risks associated with certain customers operating in certain sectors.</p> <p>As FATF has identified, the key risk across the global financial system, is that the identity of users of virtual assets are often unknown to banks and sometimes not adequately known to the operators of the exchanges where virtual assets are traded. Though banks can conduct due diligence on the markets-operators; there remains the question, given the anonymity, as to how exchanges can effectively conduct Know Your Customer (KYC) and Customer Due Diligence (CDD) on individuals and entities using virtual assets. Without improved global regulation and oversight (and potentially even then) governments, banks and the community remain exposed to risks arising from virtual assets, particularly if the difficulty in identifying the owner and the end-use of virtual asset transactions remains unresolved.</p> <p>While the ABA appreciates that this committee is looking at how the parliament can assist in setting up a more solid regulatory framework for digital assets, at present, compliance and adherence to the existing KYC and CDD obligations imposed on banks remains the priority.</p> <p>The ABA supports responsible innovation across the Australian financial services sector for digital currency exchange and virtual assets and supports the FATF pathway for Australia which has the potential to mitigate some of the associated money laundering and terrorist financing risks inherent in virtual assets. Banks, as AUSTRAC reporting entities, will continue their work to detect, deter and disrupt serious financial crime, and offer products and services in accordance with their commercial strategy, skills, capability, risk-appetite, and risk-profile.</p> |



| Question | Answer |
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| <p>If the banks are not wanting to do business with these organisations now—there are so many of them in Australia and it's a growing sector, and we've heard evidence today that there are more and more people working for these organisations — who's providing these services?</p> | <p>Australia's Fintech industry is growing rapidly, and ABA members seek to foster innovation by partnering and investing in their success. ABA support the development of a regulatory framework including the FATF VASP standards to mitigate the AML/CTF risks inherent in those product and services.</p> <p>There are over 140 banks licenced by APRA in Australia, however the ABA has been unable to identify a public data source to answer the question posed.</p> <p>A possible solution would be for the Committee to request AUSTRAC to include a number of questions in their Annual Survey/registration renewal of the approximately 400 digital currency exchanges, registered with AUSTRAC.</p> <p>The ABA and members have obligations under the <i>Competition and Consumer Act 2010</i>, therefore our members cannot provide to the ABA information that would signal the intention of that bank in relation to their products or services. If this information is deemed critical by government, regulatory or other stakeholders, a bank could provide this information bilaterally and confidentially, if it elects to. This information should not be subsequently distributed by that stakeholder.</p> <p>Further, given the obligations in the <i>Competition and Consumer Act 2010</i>, a bank must not answer ABA queries or questions which would signal an intent about the terms on which a product or service may be offered. Similarly, to adhere to our obligations under the <i>Competition and Consumer Act 2010</i>, it is the ABA's position and policy that a member bank cannot respond to ABA queries or questions about whether the bank would contemplate or offer/supply a product or service comparable to an existing product or service in the market, and which the bank doesn't currently offer/supply.</p> |