

July 2024



Clubs Australia

CLUBS AUSTRALIA SUBMISSION

INQUIRY INTO THE CAPABILITY OF LAW ENFORCEMENT TO RESPOND TO MONEY LAUNDERING AND FINANCIAL CRIME

A. INTRODUCTION

Clubs Australia welcomes the opportunity to comment on the inquiry into the capability of law enforcement to respond to money laundering and financial crime.

Clubs Australia represents over 5,000 licensed clubs that employ more than 140,000 people. Clubs are not-for-profit, member-owned organisations that provide hospitality services and sporting and recreation infrastructure to their members and the wider community.

Clubs in Australia have a long history of providing gambling as a legal and enjoyable recreational activity. As a highly regulated industry, clubs have embraced a strong culture of governance and compliance, especially regarding gambling services.

Clubs strive to be leaders in anti-money laundering and counter-terrorism financing (AML/CTF) practices by implementing and promoting evidence-based and risk-based measures, including through employee training.

Clubs have distinct features that distinguish them from other industries and help them detect, reduce, and avoid money laundering. These include mandatory sign-in processes, CCTV monitoring, and a skilled staff presence.

Clubs take their AML/CTF obligations seriously by implementing measures and controls to prevent money laundering, monitoring monitor patrons' activity, and reporting suspicious activity to AUSTRAC.

Clubs Australia acknowledges the role of Commonwealth agencies, such as AUSTRAC and law enforcement, in preventing and dealing with money laundering. Effective cooperation between reporting entities and industry bodies is essential to combating financial crime.

Clubs Australia will continue to work with all forms of government to reduce financial criminal behaviour and assist clubs in fulfilling their AML/CTF obligations.

B. SUMMARY OF RECOMMENDATIONS

In summary, Clubs Australia supports:

1. A clear, certain, and robust legislative and regulatory framework to enable clubs to meet their AML/CTF obligations.
2. A consistent, measured, and sensible compliance approach adopted by AUSTRAC.
3. Commonwealth agencies, including law enforcement and AUSTRAC, working collaboratively with reporting entities and their industry bodies to prevent, mitigate, and deter money laundering.
4. Continuing to enable information sharing with authorities in other jurisdictions.

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C. CLUB RISK PROFILE

Due to clubs' distinct features, they are well-placed to identify, mitigate, and prevent money laundering. These include:

- Not-for-profit structure and owned by members—clubs are established for a social purpose and owned by their members. Clubs cannot be purchased or controlled by private interests.
- Compulsory sign-in procedures—patrons must sign in before accessing club facilities, enabling clubs to conduct simplified CDD.
- CCTV surveillance—clubs employ CCTV systems to monitor their facilities, which deters criminal behaviour and supports investigations where necessary.
- Physical identification verification—clubs require patrons to provide photo identification (ID) when conducting large payouts, mitigating the risk of criminals using stolen identities to illicit funds.
- Not incentivised by revenue generation—clubs are not incentivised by revenue generation, unlike other hospitality industries (i.e., employees are prohibited from receiving gambling-related bonuses).
- Trained staff presence—gaming staff complete AML/CTF training, which assists them in recognising, preventing, and deterring money laundering.

Clubs Australia acknowledges that gaming machine operation carries some inherent money laundering risk. However, EGMs also have several additional legislative features that mitigate that risk relative to other gambling products, including in-person service, low cash input limit, low bet limit, low cash-out limit, low return to player, and centralised monitoring.

D. EFFECTIVE LEGISLATIVE AND REGULATORY FRAMEWORK

Clubs Australia acknowledges the importance of reforming the AML/CTF regime to further prevent money laundering.

Introducing these changes will ensure that Australia remains compliant with the international standards established by the Financial Action Task Force (FATF).

Clubs Australia participated in the first and second rounds of consultation on the AML/CTF reforms. Our response emphasised that a clear, certain, and robust legislative and regulatory framework is crucial for clubs to fulfill their obligations under the AML/CTF regime.¹

In addition to these effective frameworks, adequate guidance materials developed by the Australian Government in collaboration with industry, will assist clubs in preventing and responding to money laundering.

Clubs Australia supports a consistent, measured, and sensible compliance approach. For instance, reporting entities should not be penalised for minor, unintentional mistakes.

¹ Clubs Australia. 2024. Clubs Australia's Submission – Second Consultation: Reforming Australia's AML/CTF Regime.

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We recommend offering clubs the opportunity to rectify any small issues, if identified, before imposing more severe penalties or actions.

Clubs Australia supports:

- 1. A clear, certain, and robust legislative and regulatory framework to support clubs in meeting their AML/CTF obligations.**
- 2. A consistent, measured, and sensible compliance approach adopted by AUSTRAC.**

E. COMMONWEALTH AGENCIES AND CLUBS

Clubs are committed to working with Commonwealth agencies, including law enforcement and AUSTRAC, to prevent, mitigate, and respond to money laundering. This includes lodging suspicious matter reports (SMRs) to AUSTRAC when they identify indicators of criminal activity.

Clubs Australia supports increased collaboration between AUSTRAC, law enforcement, reporting entities and their industry bodies to combat money laundering more effectively. These efforts will support information sharing, timely responses to emerging threats and an enhanced understanding of common themes.

By enhancing cooperation between Commonwealth agencies and reporting entities, public confidence is also strengthened.

Clubs Australia supports:

- 3. Commonwealth agencies, including law enforcement and AUSTRAC, working collaboratively with reporting entities and their industry bodies to prevent, mitigate, and deter money laundering.**

F. INFORMATION SHARING WITH AUTHORITIES

Clubs Australia supports information sharing between the Commonwealth and authorities in other states and territories, where appropriate.

This practice enables early detection of money laundering activities, leading to more effective law enforcement.

Clubs Australia recognises that coordination and cooperation among federal, state, and territory authorities fosters a unified approach to combating financial crime and optimises resource allocation.

Clubs Australia supports:

- 4. Continuing to enable information sharing with authorities in other jurisdictions.**

G. CONTACT INFORMATION

Clubs Australia appreciates the opportunity to provide a submission. For further information, please contact _____, Deputy Executive Director, Clubs Australia, at _____ or _____