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Friday 13 December 2019

COMMITTEE SECRETARY  
SENATE LEGAL AND CONSTITUTIONAL AFFAIRS COMMITTEE  
PO BOX 6100  
PARLIAMENT HOUSE  
CANBERRA ACT 2600

To the Committee Secretary reviewing the provisions of the Anti-Money Laundering and Counter-Terrorism Financing and Other Legislation Amendment Bill 2019.

NorMAC is a secular organisation directed by and for survivors of commercial sexual exploitation in Australia, a harmful cultural practice that we seek to end.

We note that your Explanatory Memorandum discusses organised crime but fails to identify the role that sex industry plays in money laundering in Australia. We consider this to be a considerable oversight which we hope that you will rectify with further amendments to the Anti-Money Laundering and Counter-Terrorism Financing and Other Legislation Amendment Bill 2019.

We note that Australian Legal and Advisory service 'Nyman Gibson Miralis Defence Lawyers' specifically highlights the challenges of human trafficking and the sex trade. They state; *"Human trafficking is estimated to be one of the most profitable crimes in the world, with the International Labour Organisation estimating that forced labour generates over USD 150 billion per year. Due to these sizeable proceeds, human trafficking is often a predicate crime to money laundering. Financial flows from this type of crime can differ significantly from one case to another, presenting unique challenges to law enforcement. The July 2018 Financial Action Task Force (FATF) report Financial Flows from Human Trafficking outlines the key forms of human trafficking, and issues to consider in combatting these crimes."*<sup>1</sup>

We also would bring to attention of the Committee that FATF specifically highlights three primary forms of human trafficking and note that one of these is human trafficking for the purpose of prostitution or

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<sup>1</sup> <https://ngm.com.au/money-laundering-human-trafficking/>



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other forms of sexual exploitation.

Trafficking of women into debt-bonded prostitution is the major reported form of human-trafficking in Australia. The Victorian Government's 2010 report titled *Inquiry into people trafficking for sex work*, revealed that the majority of women are trafficked from Thailand, South Korea and China. The report also suggested that Sydney was a main gateway for a mobile population of trafficked women readily shifted between states and through both the legal and non-legal sex trade.<sup>2</sup>

Australia has seen many cases of criminal networks operating within the legal sex industry and sadly deregulated jurisdictions such as New South Wales (NSW) with its so-called "*decriminalisation*" of the sex trade is an approach which has helped to hide the extent of criminality including exploitation, human trafficking and money laundering within the sex trade.

New South Wales has proven to be an unregulated minefield of exploitation and abuse with an ever expanding illegal sector associated with other criminal activities. Media reports over years indicate that New South Wales has even allowed criminals to run brothels in the state despite having criminal convictions recorded against them in other Australian states (specifically Victoria) for, amongst other things, employing under-age prostitutes.<sup>3</sup>

A New South Wales police officer investigating sex trafficking commented on the effects of decriminalisation: "*Although the intention was to provide a safe working environment for sex workers the reverse has occurred in that pimps and brothel operators were empowered and enriched*".<sup>4</sup>

In 2012 Dr Jennifer Burn, the director of Anti-Slavery Australia stated that since 2003, 324 investigations into human trafficking in Australia have identified 207 victims but claimed this was the tip of the iceberg and of 148 women in a support program for those trafficked into the sex industry, 119 were from New South Wales.<sup>5</sup>

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<sup>2</sup> [http://www.parliament.vic.gov.au/images/stories/committees/dcpc/Trafficking\\_Final\\_full\\_report\\_with\\_cover.pdf](http://www.parliament.vic.gov.au/images/stories/committees/dcpc/Trafficking_Final_full_report_with_cover.pdf)

<sup>3</sup> <http://www.dailytelegraph.com.au/news/nsw/brothel-owners-banned-in-victoria-for-employing-underage-prostitutes-now-running-big-brothels-in-sydney/story-fni0cx12-1226848537447?nk=269f499e0d84b5af747fa64738b2bb94>

<sup>4</sup> <http://www.smh.com.au/nsw/licensing-law-to-tighten-screws-on-brothel-chiefs-20111010-1lhm7.html>

<sup>5</sup> <http://www.smh.com.au/nsw/brothel-owner-charged-over-human-trafficking-20120202-1qvoo.html#ixzz1k01NQSCy>



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We acknowledge that the proposed changes to the legislation offer expansions of the reporting requirements for entities/agencies. This is particularly important given recent allegations of Westpac's failure to obey anti-money laundering and counter-terror finance laws which resulted in payments being processed for the purposes of facilitating child sex trafficking and live-streaming child sexual abuse.<sup>6</sup>

Even though we support increased reporting requirements and penalties against those agencies which enable money laundering, we would like to see a more robust approach which includes a broader range of reporting agencies. It is our understanding that the current legislation heavily focuses on those agencies/entities with reporting requirements to Australian Transaction Reports and Analysis Centre (AUSTRAC). This is a very narrow scope which limits reporting requirements to primarily banks, corporations, insurances agencies etc. We believe there needs to be an expansion of these reporting agencies to include agencies such as local governments and their employees. Particularly given the important role that Local Government plays in permitting businesses to operate within their jurisdictions along with monitoring ongoing compliance of businesses. When we are talking about the sex industry and money laundering we cannot ignore the fact that councils have been incriminated as for allowing this corruption to flourish and we consider increasing their accountability as a reporting agency to be essential.

An example of this is The Sydney Morning Herald report in 2009 which stated Victoria Police had launched an investigation into council officials who had been incriminated in taking tens of thousands of dollars in bribes to turn their backs on illegal brothels operating in their districts. This same article reported the Brothel, Nadira in inner-city Sydney, had been sexually exploiting Korean women and was closely linked to the Comanchero outlaw motorcycle club and senior Asian organised crime figures as well as a Chinese syndicate involved in the operation of illegal brothels. Further a joint investigation by the Sydney Morning Herald and ABC's Four Corners in 2011 examined details regarding federal police investigations which found evidence of two legal Sydney brothels and three legal Melbourne brothels linked to international human trafficking. The Sex slavery syndicate convinces Asian women to come to

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<sup>6</sup> <https://www.theguardian.com/australia-news/2019/nov/21/legal-breaches-allowed-westpac-customers-to-pay-for-child-sex-undetected-austrac-alleges>



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Australia under the pretense of study; when they arrive here they are kept against their will, stripped of passports and forced to work as sex slaves in brothels. One member of the brothel syndicate was charged with killing a Melbourne man who was helping a Korean sex slave to escape. The investigation also found that state and local authorities responsible for approving legal brothels have taken no action, despite court documents in August 2011 detailing federal police allegations against brothels and their managers. Senior police sources said the links between organised crime, sex trafficking syndicates and legal brothels highlighted the need for stronger state regulation and criticised New South Wales and Victoria for their woeful oversight of the industry.<sup>7</sup>

In 2013 investigation by Fairfax media reported that 34 illegal brothels were operating within a five-kilometre radius on the north shore with 15 illegal brothels continuing to operate daily from premises across Chatswood, Willoughby and Artarmon despite having been issued with closure notices two years prior.<sup>8</sup>

Willoughby Council deserves further attention, An Independent Commission Against Corruption 'ICAC' investigation into corruption at Willoughby Council. The inquiry found the council's building inspector Edward Karkowski had been given sexual services at the Chatswood-based Oriana Bath House in return for his ongoing silence about the true nature of the business. In 2012, he was found guilty of five counts of corruptly receiving a benefit and sentenced to six months' jail, though he was deemed "suitable" to serve the term in home detention.<sup>9</sup>

The problems of an illegal and unregulated sex industry are not unique issues to New South Wales. In 2011 Western Australia 'WA' was also highlighted as a trafficking destination with the West Australian reporting that – *"A prostitution racket operating between Perth and Hong Kong is flourishing under the cover of temporary visas promoted by the Australian and Chinese governments"*. The article went on to state that women are aged between 18 and 30 were being encouraged via websites, seminars and pamphlets in Hong Kong to take one-year working holidays to Western Australia.

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<sup>7</sup> <http://m.smh.com.au/national/legal-brothels-linked-to-international-sex-trafficking-rings-20111009-1lfxs.html>

<sup>8</sup> <http://www.smh.com.au/nsw/new-redlight-zone-as-illegal-sex-trade-expands-north-20131116-2xnlb.html#ixzz3iz16vrwm>

<sup>9</sup> <http://www.smh.com.au/nsw/i-give-up-lawless-sex-industry-prompts-brothel-buster-to-call-it-quits-20150401-1mcswx.html#ixzz3iz1J44oF>



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One female from Hong Kong responded to the ad and spent almost a week at a massage business located in an eastern Perth suburb. She gathered evidence showing that the business allegedly operated as a brothel and claimed women were encouraged to offer "extra services" to earn more money and tips.<sup>10</sup>

Problems of monitoring the sex industry were also raised in 2014 by Queensland's Legal Affairs and Community Safety Committee. Parliamentary Report No. 82 stated; *"it has been estimated that up to 90% of prostitution ultimately remains beyond the scope of the regulatory regime. This includes both the State's unlicensed (but legal) private operators and 'a thriving illegal prostitution sector' which, despite significant police activity, has persisted since the regime's introduction and operates 'largely with impunity'. Estimates as to the precise size of the illegal sector vary widely... However, it is generally accepted that the number of illegal brothels exceeds the number of legal brothels in the State".*<sup>11</sup>

In 2015 New South Wales government inquiry into the regulation of brothels made a number of important findings.

- FINDING 8- Sexual services are being provided on a large scale and on many occasions in premises that do not have planning approval to do so, affording the police insufficient visibility over the industry and the criminal elements that may operate within it.
- FINDING 9- Unapproved massage parlours and karaoke bars where sexual services are provided without planning approval and in an underground manner, allow significant potential for them to be affiliated with organised crime or human trafficking and sexual servitude especially compared with the approved sector of the sex services industry in NSW.
- FINDING 11- Successful sex slave prosecutions and evidence from both the Australian Federal Police and the NSW Police Force make it probable that:
  - Sexual servitude occurs in NSW; and
  - Criminal networks do operate in some parts of the NSW sex services industry.<sup>12</sup>

We need to keep in mind that there has been an ongoing connection between illegal brothels and

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<sup>10</sup> <https://au.news.yahoo.com/thewest/latest/a/10076082/women-encouraged-to-come-to-wa-to-work-as-masseurs/>

<sup>11</sup> <http://www.parliament.qld.gov.au/documents/committees/LACSC/2014/CrimeInquiry2014/rpt-082-28Nov2014.pdf>

<sup>12</sup> [http://www.parliament.nsw.gov.au/prod/parlament/committee.nsf/0/545e0ced0ca425aeca257ef900185d16/\\$FILE/Final%20Report%20-%20Inquiry%20into%20the%20Regulation%20of%20Brothels.pdf](http://www.parliament.nsw.gov.au/prod/parlament/committee.nsf/0/545e0ced0ca425aeca257ef900185d16/$FILE/Final%20Report%20-%20Inquiry%20into%20the%20Regulation%20of%20Brothels.pdf)



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message parlours in Australia. This was highlighted in 2013 when the ACTU's confidential 457 visa hotline exposed an establishment in Port Melbourne where 40% of workers were on 457 Visas. The workers understood they were being employed as Thai masseurs, but once here have been told if they don't have sex with clients they would be sacked.<sup>13</sup>

Due to Councils (particularly in New South Wales) failures to act on businesses such as massage parlours operating as illegal brothels.<sup>14</sup> We consider it essential that councils are treated as a reporting agency/entity when it comes to the detection and prevention of money laundering and due to the fact that their inaction continues to result in significant harm to individuals exploited in the sex trade. We also support the proposed "tipping off" offence being extended to council employees.

We would also like to see some additional provisions to address any loopholes which may be present in the current legislation, particularly given recent allegations regarding Crown Casino being involved in prostitution and money laundering.

[REDACTED]

Although these allegations remain subject to investigation, it is deeply concerning that Crown Casino was also previously alleged to be involved money laundering and prostitution 10 years prior in 2009.<sup>16</sup>

In conclusion we consider it especially important that any proposed changes to legislation to prevent money laundering include and review the extent of money laundering and exploitation within the sex trade. This is essential now that the Northern Territory has recently adopted new legislation in the form of the Sex Industry Bill 2019 which is modelled on NSW decriminalised/deregulated model which has

<sup>13</sup> <http://workinglife.org.au/2013/04/22/fundamental-flaws-remain-in-457-visa-program/>

<sup>14</sup> <http://www.theage.com.au/nsw/brothel-barons-expand-as-councils-fail-to-act-on-illegal-activities-20131130-2yi9m.htm>

[REDACTED]

<sup>16</sup> <https://www.smh.com.au/national/thousands-of-crimes-at-crown-20091207-kfcb.html>



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criminal elements within the sex industry and allowed an underground sex trade to flourish.

This has been done despite the fact that South Australia recently opposed similar proposals due to credible concerns that the legislation would pave the way for organised crime, particularly Bikie gangs to become involved in the operation of the sex industry. In responding to the legislation, Assistant Commissioner (Crime) Linda Fellows said the proposed bill would result in a *“completely unregulated industry”*. Ms Fellows said because the industry predominantly used cash and not credit cards, *“It also makes it extremely attractive to organised crime because the cash industry is attractive and, again, if it were to be completely unregulated, that would make it open to infiltration for serious organised crime in terms of money laundering and being able to put tainted money through what would then be a legal business,”* she said.<sup>17</sup>

We appreciate this opportunity to contribute to your inquiry and we are willing to participate in any further avenues of inquiry.

Do not hesitate to contact us if you wish to discuss our concerns further.

Yours sincerely

Simone Watson,  
Prostitution Survivor,  
Director for NorMAC

Matthew Holloway-BSocSc Couns (Hons),  
National Secretary for NorMAC

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<sup>17</sup> <https://www.adelaidenow.com.au/truecrimeaustralia/bikie-gangs-preparing-for-the-decriminalisation-of-sex-industry/news-story/88ff370da1b69df56169492dcef6bd24>