




Australian Government
Department of Home Affairs

A stylized blue globe with a digital grid pattern, showing the continents of Europe and Africa. The globe is set against a dark blue background with light streaks and a diagonal blue triangle on the right side.

Department of Home Affairs supplementary submission to the Inquiry into the capability of law enforcement to respond to money laundering and financial crime

Parliamentary Joint Committee on Law Enforcement

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Introduction

The Department of Home Affairs (Home Affairs) and the Australian Border Force (ABF) welcome the opportunity to make a submission for the Inquiry into the capability of law enforcement to respond to money laundering and financial crime.

The ABF is Australia's frontline border security agency and customs service. It plays a critical role at the border – which is one of Australia's most significant national assets – to provide a secure, resilient and prosperous Australia. Established in 2015, the ABF sits within the department of Home Affairs. It is led by an ABF Commissioner, who has control of ABF operations, working closely and collaboratively with the department, other Commonwealth agencies, industry and international partners in the delivery of functions and powers under the *Australian Border Force Act 2015* (ABF Act), *Customs Act 1901* (Customs Act), *Migration Act 1958* (Migration Act) and other relevant legislation. It is the second largest revenue collector in the Commonwealth with \$15.39 billion in Customs revenue collected in the 2023-24 financial year.

The ABF has a strategic focus to ensure Australia's border settings keep pace with the growth of travel and trade—while protecting Australia from those that continue to target the border in more frequent and sophisticated ways. It works to enhance economic growth through streamlined trade and traveller processes, while maintaining a dedicated focus on trade enforcement to protect Government revenue and the security of international trade.

The ABF recognises the vital importance of safeguarding the integrity of Australia's financial and trade sectors against criminal exploitation. It remains committed to supporting whole-of-government priorities in addressing financial crime, including revenue evasion, illicit financial flows, money laundering, and terrorist financing threats.

The ABF undertakes a multi-pronged approach to advancing its trade enforcement objectives. In the context of combatting revenue evasion and the broader focus on anti-money laundering and counter-terrorism financing (AML/CTF), the ABF places a strong emphasis on implementing appropriate tactical approaches to effectively identify and respond to risk—while ensuring that they do not obstruct or complicate trade facilitation. The ABF considers robust enforcement measures are necessary to deter and disrupt border related financial crimes including illicit financial flows across the border, thereby crippling the financial networks that sustain transnational serious and organised crime (TSOC) groups.

1. Emerging trends and threats of money laundering and financial crime in Australia

The fundamentals that make Australia a prosperous nation also make it an attractive target for TSOC entities seeking to exploit vulnerabilities across the trade sector. Convergences between border crime methodologies and the scope for high profits will continue to drive increased connections between organised criminal actors in Australia and abroad. As such, the ABF works actively to broaden and deepen its understanding of the evolving crime methodologies with a nexus to the border in developing its combatting approach.

The ABF undertakes an integrated risk management and targeting approach to monitoring trade and travel across the border to identify and mitigate threats—both traditional and emerging. The illegal cross-border movement of cash and bearer negotiable instruments (BNIs) continues to occur at accelerating pace, while the proliferation of trade-based money laundering (TBML) has become a significant threat to both the national and economic security of Australia. The ABF's active targeting and disruption of border-related activities involving TBML provides an evidence base to inform a whole-of-government understanding of this existential threat. The ABF anticipates an upward trend of TBML used by TSOC groups as they are highly adaptable and adept at changing their methods and illicit operations to circumvent regulations and law enforcement efforts or take advantage of shifts in trade policies. The continued strengthening of regulatory oversight on the financial and other high-risk sectors for AML/CTF purposes could shift risks further towards international trade.

The Australian Transaction Reports and Analysis Centre (AUSTRAC) National Risk Assessment on Money Laundering 2024 (NRA) highlights the prevalence of TBML, acknowledging the complexity of international trade and its associated vulnerabilities. These vulnerabilities are systemically exploited by TSOC groups to intentionally obscure their illicit transactions, often combined with complex foreign exchange transactions or diverse trade financing arrangements. The NRA further notes that despite a sustained focus and effort across Australia's public and private sectors, money laundering remains an intractable issue due to it being highly intertwined with all profit-generating crimes.

1.1 Trade-Based Money Laundering (TBML)

The ABF acknowledges the Financial Action Task Force (FATF) definition of TBML being: 'the process of disguising the proceeds of crime and moving value through the use of trade transactions in an attempt to legitimise their illicit origins or to finance their activities.'

TBML methodologies vary in complexity and are frequently used in combination with other money laundering techniques to further obscure the origins of criminal proceeds. TBML techniques range from simple fraud involving the misuse of cargo reporting to misrepresenting prices, quantities and the quality of goods on an invoice, to the deliberate structuring of trade transactions or exploiting complex trade routes.

Patterns of trade are becoming less predictable with goods being traded through increasingly complex global supply and value chains. Economic integration and the complexity of trade rules present opportunities for TSOC to obscure sources, origins, destinations and associated actors. These issues are amplified by advancements in technology and electronic communications (particularly encrypted devices), and rapidly changing corporate structures, procurement and manufacturing methodologies.

A common methodology of TBML involves fraudulent invoicing. The key element of this technique is the misrepresentation of the price of the goods to transfer value. In this type of arrangement, the importer and exporter are often both complicit in the misrepresentation.

- Over-invoicing involves inflating the invoice price for goods, leading to a larger payment than the actual market value of the goods. The difference between the invoice price and the market price is essentially a transfer of value, which is a method of TBML.
- Under-invoicing, conversely, involves understating the invoice price, allowing a smaller amount to be transferred officially while the difference is moved off-balance sheet.
- Ghost shipments are where commercial documents, including invoices and receipts, are exchanged without there being actual cargo moving across borders.

In addition to being a money laundering risk, TBML is increasingly recognised as being an enabler linked to terrorism and extremism, corruption, violence, human trafficking and economic destabilisation. These criminal enterprises have a significant impact on public safety, government revenue, national sovereignty and a fair and equitable economy accessible to legitimate business enterprises.

1.2 Illegal cross-border movement of cash

The illegal movement of money across the border continues to be a method utilised by TSOC groups to launder the proceeds of crime. This occurs via the movement of currency and the use of BNIs due to the ease of accessibility of this method of money laundering, the ability to recruit expendable money mules, and the difficulties associated with its detection. Working collaboratively with AUSTRAC and law enforcement, the ABF applies a number of capabilities aimed at identifying and intercepting illegal cash movements across the border, including intelligence and specialist detector dogs trained to detect undeclared cash in cargo or carried by international passengers.

2. Challenges and opportunities

TBML is an enduring threat for the ABF and its counterparts abroad. It creates significant challenges for customs authorities and other regulators to detect and combat, especially where criminals intentionally plot trade transactions to disguise the origins of illicit funds (and to avoid detection and reporting by financial institutions).

The ABF views TBML through a multi-dimensional lens – from both customs and law enforcement perspectives. Combatting TBML successfully depends on a blend of human capabilities, technological solutions and partnership with both domestic and international customs and law enforcement counterparts.

The intricate connections between TBML and other TSOC threats that occur in the customs environment, such as illicit trade and revenue evasion, require a nationally coordinated approach to intelligence sharing and enforcement efforts. Collaboration between the ABF, AUSTRAC and law enforcement partners is vital to address the complexities of the nexus, ensuring that both physical and financial borders are fortified against criminal exploitation.

2.1 Legislative reform opportunity

TBML remains a threat to the international trade system and the ABF is required to evolve its capability and powers to remain adept in its response. This requires the ABF to not only consider its own capacity to deal with the fluid threat to the Australian border and economy, but also its ability to work seamlessly with both domestic and international customs and law enforcement partners.

The ABF will continue to consider legislative reform opportunities and submit these at an appropriate time.

3. Domestic and international cooperation

The ABF is a key partner within the Commonwealth law enforcement community, contributing to AML/CTF outcomes and leveraging its tactical and targeting capabilities in border protection and international trade. The ABF works collaboratively with AUSTRAC, the AFP and the Australian Criminal Intelligence Commission (ACIC) to support whole-of-government AML/CTF efforts.

The ABF is a member of several Commonwealth joint-agency initiatives tackling serious organised crime, some of which include:

- The Criminal Assets Confiscation Taskforce led by the AFP;
- The Fintel Alliance led by AUSTRAC. Under the auspices of the Fintel Alliance, the ABF worked in partnership with AUSTRAC and AFP in publishing the Trade-Based Money Laundering in Australia - Financial Crime Guide 2022 and Combating the Exploitation of International Students as Money Mules – Financial Crime Guide 2024. Both guides provide practical advice to help businesses to identify and report suspicious activities;
- The Serious Financial Crime Taskforce led by the Australian Taxation Office;
- The Serious Organised Crime Coordination Committee; and
- The Criminal Justice and Law Enforcement Forum led by the Attorney-General's Department.

The ABF has strong relationships with international partners, such as the World Customs Organization (WCO) and the Oceania Customs Organisation (OCO). The ABF plays an active role in multilateral and regional initiatives and provides support to its overseas counterparts in developing capabilities to address AML/CTF risks, including TBML. This includes support to WCO initiatives under their AML/CTF Programme such as Operation Tentacle and Project Octagon that focus on a customs-centric approach to countering TSOC and money laundering activities that seek to exploit vulnerable borders.

3.1 Initiatives to enhance regional capability

As TBML occurs within environments subject to customs oversight and regulation, the ABF considers it is critical to elevate the level of awareness of this threat with partner agencies in the international customs community. The ABF is a committed advocate for advancing the international discussion on TBML issues, including through the World Customs Organization (WCO).

- The WCO is an independent intergovernmental body whose mission is to enhance the effectiveness and efficiency of Customs administrations. The WCO represents 186 Customs administrations throughout the world that collectively process approximately 98% of international trade. The ABF is dedicated to supporting the WCO and regional partners in leveraging customs expertise to enhance the collective capabilities to tackle the smuggling of currency, gems and precious metals and the use of TBML to move the proceeds of crime across international borders.

3.1.1 The ABF TBML Lighthouse Project

As part of the ABF's multi-pronged response to addressing TBML, the ABF initiated the TBML Lighthouse Project focused on the Asia-Pacific region. The TBML Lighthouse Project is a two-year pilot designed to bring together a range of select stakeholders to bridge the gaps in identifying and addressing TBML in the customs and broader AML/CTF environments. Through the Lighthouse Project the ABF will deliver and coordinate regional capacity building activities, foster greater interagency and international cooperation, leveraging the principles of public-private-partnerships.

The TBML Lighthouse Project has four main pillars of focus, including:

- Research, policy and outreach support;
- Capacity building;
- Data, technology and information sharing; and
- Joint agency operations.

The ABF commenced the Lighthouse Project on 1 July 2025. A key element of the Lighthouse Project is supporting the development of a regionally consistent analytical capability that can help identify, support, and coordinate joint and multi-agency operational activity to address the threat of transnational serious and organised crime groups utilising TBML to facilitate their criminal activities.

3.1.2 International Capacity Building

Since July 2023, the ABF has been delivering its Trade Enforcement International Capacity Building Program (Trade Enforcement ICBP) to Pacific Island partners, aimed at:

- Strengthening relationships and building capacity with partnering customs authorities on trade enforcement, customs fraud, revenue evasion, illicit financial flows and TBML;
- Enhancing Pacific partners capability to uplift customs revenue, enhance targeting and disruption of organised trade crime networks; and
- Establishing mutually beneficial data exchanges and communities of practice.

The Trade Enforcement ICBP has proven to be an effective program in enhancing regional capabilities across the trade enforcement topics, through the delivery of well-structure workshops, ongoing training and mentoring to customs officers from 14 Pacific Island Countries (PICs). It is evident from stakeholder feedback across the PIC that there is a considerable increase in the awareness of trade enforcement principles and enhanced capability to disrupt threats including trade-related financial crime and customs fraud, TBML and serious and systemic revenue evasion.

Under the auspices of the Trade Enforcement ICBP, the ABF and OCO jointly delivered the Pacific Trade Operation DOMINO focused on targeting customs fraud across the Pacific. The operation has reinforced the benefits of international collaboration to combat TSOC networks across a range of financial crime and money laundering threats.