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Committee Secretary,
Senate Legal and Constitutional Affairs Committee,
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The adequacy and efficacy of Australia's anti-money laundering and counter-terrorism financing (AML/CTF) regime.

Dear Sir/Madam,

Thank you for providing me with the opportunity to attend the public hearing on the 9th November 2021 and for your subsequent email requesting additional information in response to Senator Deborah O'Neill's questions, which I have outlined below.

Question 1 - Based on the New Zealand experience what sort of costs would small and medium-sized businesses face for their initial AML/CTF implementation and their ongoing compliance costs? Can you give us some up-front and recurring estimates, based on the actual experience in NZ when they introduced equivalent laws?

According to the National Profile of Solicitors report 2020, there were 83,643 practicing solicitors and 16,393 private practices across Australia. 82% (13,442) are sole practitioners; 10% (1,639) have 2-4 solicitors; 1% (164) have 5-10 solicitors and 1% (164) have 11+ solicitors.

The Law Council of Australia estimated the annual compliance cost for the industry to be \$748,000 (Large); \$523,000 (Medium) and \$119,000 (Sole Practitioners/Small), giving an approximate annual cost for smaller firms of AUD\$1.8bn per annum, which we believe to be significantly overstated for a number of reasons:

A. AML/CTF laws would NOT apply to every DNFBPs only those offering 'designated services'

The Law Council of Australia's submission appears to have assumed that all law firms will be caught by AML/CTF laws, which is highly unlikely to be the case, which is consistent with our experience in New Zealand, with many law firms not falling under the requirements of AML/CTF laws.

AML/CTF laws only apply to legal professionals offering certain designated services, including:

- Property Law – buying and selling of real estate or transfer of real-estate in relation to wills/estates or separation etc.
- Managing of client money, securities, or other assets
- Managing bank, savings, or securities accounts (including interest-bearing trust accounts and money held under direction)
- Organisation of contributions for the creation, operation, or management of companies, trusts and other structures
- Creation, operation or management of legal persons or arrangements; and
- Buying and selling of business entities.

AML/CTF laws do not typically apply to legal professionals offering general legal services, including:

- Family Law – divorce, separation, custody, and division of assets
- Commercial Law – general contract negotiations and mediation of contractual disputes; and
- Wills and Estate Law – probate on estates, drawing up and mediation of contested wills.

A large proportion of the legal industry would not be engaged in legal services that would bring them under AML/CTF laws, so the assumptions that all law firms will incur these costs is fundamentally flawed.

In New Zealand, many solicitors that derive only a small proportion of their revenues through AML/CTF “designated services”, made the decision to stop offering these services.

It would be helpful for the Committee to understand the following information from the DNFBPs, to be able to estimate the cost of compliance more accurately:

- What proportion of law practices, accountants or real-estate agents do or do not offer any of the AML/CTF “designated services”?
- What proportion of law practices, accountants or real-estate agents that do offer AML/CTF “designated services” would consider not providing these services, due to extra compliance effort?
- How many new and existing clients on average does a typical law practice, accounting firm or real-estate agent serve on an annual basis and what is the average percentage breakdown of each customer type (e.g., individuals vs. non-individual entities – companies, trusts etc.)?

The answer to these questions would indicate the proportion of these industries that will and will not be expected to comply with AML/CTF laws. Also, the number and type of new client’s each law firm deals with on an annual basis has a direct correlation to the cost estimates.

Regulating DNFBPs is a core requirement of the FATF and there are only 5 countries that have not yet implemented this (from 200 FATF member countries) – Australia, Madagascar, Haiti, United States and China.

Of the latter two countries, following the ICIJ's exposure in the [Pandora Papers](#), in August 2021, the United States introduced a Bill called the "[Enablers Act](#)" into the US congress and the FATF noted in its October 2021, follow-up in China that "AML laws in China are under revision and will include general provisions of AML/CTF and supervisory framework of DNFBP sectors".

Australia's lack of action on professional enablers leaves the country exposed to [risk](#) including likely sanctions by the FATF and unless Tranche 2 is enacted in Australia soon, it seems very likely that Australia is at risk of being placed on the grey-list by the FATF and potentially the EU grey-list, which would have implications on our economy.

B. Estimates in the Jan 2017 Queensland Law Society survey¹ are significantly overstated

The tables used in the Law Council of Australia submission for cost-estimates appear to be significantly overstated, based on our experience, and certain costs have been double counted or are questionable.

In Appendix 1 and 2, we have expanded on the additional information supplied at the hearing, breaking down all cost estimates for each legal firm size, with commentary relating to our experiences in Australia with Tranche 1 businesses and Tranche 2 businesses in New Zealand.

We have consulted with several other RegTech providers and consulting services to obtain actual costings (some of whom requested to remain anonymous given the commercial sensitivity of this information) and these are significantly lower than other estimates provided to the Committee.

Measures	Observations / Comments
Implement client due diligence for every client of the firm, on-going client re-identification and verification using reliable, independent source documents, data, or information.	<ul style="list-style-type: none"> Customer due diligence is only required for all new customers at onboarding (or when existing customers undertake new services) and depending on the reporting entities AML/CTF policy can decide the frequency of performing re-identification (aka KYC refreshes). <p><u>Note:</u> In the banking sector (<i>a higher risk sector than the DNFBP sectors</i>), it is common for higher risk customers to be re-verified every 1-2 years (or sooner if trigger based) and medium risk customers every 3-5 years. There is not a re-identification requirement on an annualised basis for all individual customers, nor is there any requirement to retrospectively identify existing customers (until such time as they may be offered new 'designated services'), so the Committee should clarify the basis on which cost estimates for client re-identification (e.g., KYC refreshes) was based.</p> <ul style="list-style-type: none"> Further, most customers of DNFBPs will be Individuals (as opposed to non-individuals, such as companies, trusts and partnerships etc.), which are cost effective and efficient to identify electronically for a full suite of AML (PEP/Sanctions/Adverse Media) and Electronic Identity Verification (e-IDV) checks costing between \$4.47 and \$6.87 per individual customer and \$16.15 for entity verification using ASIC (see next section for Ultimate Beneficial Owners and controllers or non-individual entities)².

¹ Queensland Law Society – 2017 AML/CTF cost survey - <https://www.surveymonkey.com/r/GDLWQR8> - provided little context on the typical services/solutions or associated costs, requiring respondents to estimate/guess the costs without this understanding.

² See Appendix 2 – these are actual costings from a leading Australian KYC provider, who requested that these be included anonymously due to the commercially sensitive nature of this data.

Measures	Observations / Comments
	<ul style="list-style-type: none"> • These charges are the <u>same</u> regardless of whether the regulated entity is large, medium, or small – but in the 2017 QLS Survey indicated a variance – Large (\$80k), Medium (\$100k) and Small (\$30k), presumably based on an assumption of a mix of client volume and customer types etc. <ul style="list-style-type: none"> ○ For arguments sake, assuming 85% of sole practitioner/micro law firms, customers are individuals and 15% non-individuals – the \$30k estimate would mean that each small law firm could identify 3,700 <u>new</u> individual customers and 278 <u>new</u> non-individual customers every year. ○ Most sole practitioners/small law firms would be stretched to service ~480 <u>new</u> individual customers a year (<i>10 new customers a week, every week for 48 working weeks</i>) x \$6.87 (full AML and e-IDV checks) = \$3,298, which is nearly ten times less than the Law Council of Australia estimate.
<p>Identify the beneficial owner in a transaction or in the case of legal person arrangements take measures to understand the ownership and control structure.</p>	<ul style="list-style-type: none"> • Customer due diligence is required for <u>new</u> non-individual customers (e.g., companies, trusts, partnerships, associations, registered co-operatives etc.), to identify the ultimate beneficial owner (UBO) to a 25% threshold (or less depending on the regulated entities AML/CTF policy – e.g., some may set threshold to 10%) • For most DNFBPs, most of their customers would be individuals, with a minority of customers being non-individuals, and the majority would be simple single entities for UBO check purposes, with only a small proportion requiring multiple UBO checks. • The costs of the checks are the <u>same</u> regardless of the size of the regulated business and range between \$16.15 (single non-individual) and \$33.65 (multiple non-individuals) – the Law Council of Australia quoted between \$50 and \$122, per transaction (<i>which even at the higher end of the search cost spectrum</i>) is between \$33.85 and \$88.68 per transaction over the actual costs of performing these checks. • It may be the case that the estimates provided included fully loaded operational costs for additional staff, however, for both individual and non-individual customer checks, technology-based approaches mean that these are able to be conducted within seconds, in an automated way, with only a small percentage requiring any manual exception handling. Very small firms with low volumes can do manually.
<p>Obtain information on the purpose and intended nature of each client matter.</p>	<ul style="list-style-type: none"> • DNFBPs need to understand for what purpose the client is engaging them, which is typically established within minutes and is not an additional requirement for AML. • We are of the opinion that the cost estimates provided - \$275k (Large), \$150k (Medium) and \$16.5k (Small) a year, is entirely avoidable or already part of BAU. • Existing regulated businesses typically have an application form or similar, which asks the client to specify the products and services that they want to be provided with.
<p>Implement a risk mgmt. system to determine whether a client is a politically exposed person, obtaining senior mgmt. approval for establishing a business relationship with such a client, take reasonable steps to establish source of wealth of the person and source of funds. Conducting enhanced ongoing monitoring of the business relationship.</p>	<ul style="list-style-type: none"> • Checking if customers are politically exposed persons (PEP) is already factored into the above costs – no additional costs for the checks. • Obtaining senior management approval – in the banking sector (that deal with tens of millions of customers), typically 1-5% of customers are identified as PEPs, so the amount of management time approving these is negligible and many firms adopt a policy to simply not provide designated services to certain PEPs (e.g., foreign PEPs or PEPs identified as matches based on negative information, such as criminal match) • Establishing source of wealth / funds is a simple process (often a tick-box field on a customer onboarding form – income, investments, inheritance, windfall, other etc.) and is <u>not</u> required to be verified (and is often difficult to in any case). • Conducting enhanced ongoing monitoring – this is also included in the above costs – if a client has been onboarded without a PEP status for example, but information changes and a previously onboarded customer subsequently is flagged as a PEP match (or potential PEP match, based on thresholds set), then this would be alerted to the regulated entity without them having to actively monitor the customer.

Measures	Observations / Comments
Conduct risk ratings of clients to determine whether a client is a higher risk of being involved in money laundering.	<ul style="list-style-type: none"> Risk rating of customers is also included with many KYC solution providers and is included in the cost of KYC checks – so no additional cost for the checks. Transaction monitoring is performed by financial institutions that hold accounts on behalf of customers, which would also be monitored by them – so no additional cost for the DNFBPs sector.
Implement ongoing AML/CTF financing programmes including: <ul style="list-style-type: none"> Risk-rating clients Development of internal policies, procedures, and controls including compliance management arrangements. Employee screening Ongoing training Audit function and testing of AML/CTF programmes. 	<ul style="list-style-type: none"> Risk rating clients – as highlighted above, this is included in KYC checks, no extra cost Development of internal policies, procedures and controls – there are solution providers (including www.arctic-intelligence.com), that provide business wide risk assessments and AML/CTF Programs that are used by hundreds of clients to develop strong control frameworks – these solutions are intuitive to use and reduces/ removes any need to engage an AML risk expert – which further helps to reduce the cost of compliance – annual licenses for small businesses are <\$5,000. <ul style="list-style-type: none"> Arctic Intelligence’s AML Accelerate Platform has been tailored to every DNFBPs sector and can be made available to every DNFBP directly or via the industry association at reduced rates, lowering the cost for these entire sectors. Employee screening – pre and post -employment screening checks are available for <\$50 per employee from providers like CV Check and XRef. AML/CTF Training – online courses are available for <\$50 from providers like GRC Solutions, depending on volumes, costs can be significantly reduced. Independent audit and control testing – are typically conducted every 3 to 5 years (<i>although this is a major flaw in the AML/CTF regime, and it is our recommendation that this should be mandated to occur every 2-years at a minimum</i>) and cost \$5,000 for small businesses and \$25,000 for large businesses.

In order to assess the likely initial and ongoing cost, we have made some assumptions based on our experience with Tranche 1 and Tranche 2 businesses, to provide a clearer indication of these costs:

Assumptions	Large (19+)	Medium (5 to 19)	Micro (2 to 4)	Sole (1)
Number of private law practices in Australia (16,393) ³	164 (1%)	164 (1%)	1,639 (10%)	13,442 (82%)
Total number of <u>new</u> individual customers on-boarded per annum after AML laws come in ⁴	2,280+	600 – 2,280	240 - 480	120
% Of new individual customers that are PEPs requiring any management decisions – 3% ⁵	68+ PEPs	18 to 68 PEPs	7 to 14 PEPs	4 PEPs
Total number of <u>new</u> non-individual customers on-boarded per annum after AML laws come in ⁶	2,280+	600 – 2,280	240 - 480	120

³ Source: [National Profile of Solicitors 2020](#) – Prepared for The Law Society of NSW – 16,393 private practices across Australia. 1% 5 – 10 principals (164) and 1% 11+ principals (164).

⁴ Assumed each private practice on-board 10 new individual customers every month, per solicitor

⁵ In the banking sector between 1 to 5% of individual customers having PEP status is typical and assumed 3% for DNFBPs.

⁶ Assumed each private practice on-board 10 new non-individual customers every month, per solicitor (e.g., 50% individual and 50% non-individual, although the split may be more likely to be 75% / 25% for sole practitioner/micro and medium sized law firms).

Assumptions	Large (19+)	Medium (5 to 19)	Micro (2 to 4)	Sole (1)
Proportion of non-individual customers with a single entity structure/single UBO check (75%) ⁷	1,710+	450 – 1,710	180 - 360	90
Proportion of non-individual customers with a complex entity structure/multi UBO checks (25%)	570+	150 – 570	60 - 120	30

Based on the above assumptions, we have estimated the annual implementation costs to be as follows:

Compliance Measure	Large (19+)	Medium (5 to 19)	Micro (2 to 4)	Sole (1)
Cost of conducting <u>new</u> individual AML & e-IDV checks (Highest cost of \$6.87 per individual) ⁸	\$15,664+	\$4,122 - \$15,664	\$1,649 - \$3,298	\$824
Cost of management time to accept/reject PEPs – assumed 15 mins each x \$100 an hour (\$25)	\$1,700+	\$450 - \$1,700	\$175 - \$350	\$100
Cost of conducting <u>new</u> non-individual UBO checks – single organisation verification (\$16.15 per check)	\$27,617+	\$7,268 - \$27,617	\$2,907 - \$5,814	\$1,454
Cost of conducting <u>new</u> non-individual UBO checks – multi organisation bundled (\$33.65 per check)	\$19,181	\$5,048 - \$19,181	\$2,019 - \$4,038	\$1,010
Customer risk scoring (already included)	\$0	\$0	\$0	\$0
Collect source of funds / wealth (on app form)	\$0	\$0	\$0	\$0
Conducting enhanced customer due diligence on higher risk customers – assumed max 5% of customers and 30 min each x \$100 an hour (\$50)	\$6,000+	\$3,000 - \$6,000	\$1,200 - \$2,400	\$600
Conduct ongoing monitoring for PEP changes (already included in above costs) ⁹	\$0	\$0	\$0	\$0
Development of an ML/TF risk assessment and development of an AML/CTF Program ¹⁰	\$10,000	\$5,000	\$5,000	\$5,000
Employment screening – maximum \$50 per head	\$665+	\$175 - \$665	\$100 - \$200	\$50
Online AML training – \$10 to \$50 per head based on size (e.g., volume discount for large entities)	\$665+	\$175 - \$665	\$100 - \$200	\$50
Independent Review – every 2 years (annualised) ¹¹	\$12,500	\$5,000	\$2,500	\$2,500

⁷ Assumed that 75% of non-individual entities, would require a single entity UBO check (e.g., 1 layer in structure)

⁸ See Appendix 2 – for KYC transaction cost breakdown, and assumed the highest cost/most comprehensive checks in estimates.

⁹ Customer KYC re-screening (e.g., KYC refreshes) typically occur for higher risk customers (usually <5%) every 2-years and for medium risk customers every 3 to 5-years and can also be done as part of a batch-re-screening exercises.

¹⁰ Arctic Intelligence, provide this as part of our [AML Accelerate](#) solution, which is available from <\$5k per legal entity per year, assumed large DNFBPs would have more complex operations and multiple entities, or require some additional support to complete.

¹¹ There is currently no mandated timeframe for conducting independent reviews and many regulated businesses conduct these too infrequently (every 3 to 5 years), but we recommend that this is mandated every 2-years, like in New Zealand to prevent issues remaining undetected and unresolved for many years. We have therefore costed on an annualized basis every 2-years.

Compliance Measure	Large (19+)	Medium (5 to 19)	Micro (2 to 4)	Sole (1)
Additional Considerations: <ul style="list-style-type: none"> Dedicated resources (e.g., MLRO, Ops staff) Ongoing oversight – Board reporting on AML and Board/Senior Mgmt. education Record-keeping – 7-year retention of records Regulatory relationship management Administration (e.g., AUSTRAC registration) Regulatory reporting (e.g., SMRs, annual compliance reports etc.) 	\$100,000 (Optional if FTE) [Assumes 1 dedicated resource]	\$50,000 (Optional if FTE) [Assumes 0.5 dedicated resource]	\$0 [Assumes 0 dedicated resource]	\$0 [Assumes 0 dedicated resource]

The table above is meant for illustrative purposes and is based on the listed assumptions. Further cost reductions could be applied based on a number of key factors such as customer composition (e.g., individuals vs. non-individuals), number of new customers on-boarded post AML laws coming into effect, risk profile of customer base, the maturity of existing internal policies, procedures and controls and volume-based discounts that can be negotiated with solution providers or industry-wide discounts provided through industry associations etc.

It is incumbent on regulated entities to conduct an ML/TF risk assessment to identify and assess their risks, prior to implementing risk-based systems and controls to mitigate and manage these risks in a manner which is both appropriate and proportionate, given the entities ML/TF risk profile and the nature, size, and complexity of their business.

To conclude using the above estimates and assumptions, we believe that the cost estimates provided in other submissions is significantly overstated:

Annual Compliance Cost Estimate Source	Large (19+)	Medium (5 to 19)	Micro (2 to 4)	Sole (1)
Provided by the Law Council of Australia	\$748,350	\$523,298	\$119,298	\$119,298
Provided by Arctic Intelligence ¹²	\$174,811	\$131,492	\$17,986	\$10,578
Approximate amount of cost overstatement	\$573,539	\$392,000	\$101,312	\$108,720

Further, The Law Council of Australia's submission stated (c130, page 35) that "While the National Profile categories do not exactly align with the QLS categories, using this data one can approximate the cost for smaller Australian firms to be a total of \$1.8 billion per annum", which assumes the above cost estimates and assumes that every law practice offers designated services and is subject to AML/CTF laws.

¹² The highest cost range has been included, but many DNFBPs would fall in the low to mid-range so likely that cost savings could be substantial reduced further.

Only DNFSBP's that offer 'designated services' will be subject AML/CTF requirements and many businesses in New Zealand, simply decided not to provide these specialised services and therefore rule themselves out of the need to comply with AML/CTF laws, which we expect will likely be the case in Australia too.

Question 2 – What role can technology play in reducing the cost of compliance and supporting regulated businesses to achieve AML/CTF compliance?

When the AML/CTF Act was first introduced in Australia in December 2006 the level of technology available to support regulated entities with AML/CTF compliance was either non-existent, expensive, or immature.

Over the last 15-years, there have been major technology advancements and with the emergence of hundreds of different Regulatory Technology (RegTech) providers offering, Software-as-a-Service (SaaS) solutions on either an annualised, or transaction-based basis, this has substantially driven the costs of compliance down and allow regulated entities to meet obligations in an efficient and cost-effective manner.

The main areas of technology innovation within the financial crime compliance space includes (but is not limited to the following):

- **Enterprise ML/TF risk assessments** – used to be offered by expensive consultants but in recent years, RegTech firms like Arctic Intelligence provide SaaS based solutions to identify, assess, mitigate, and manage ML/TF risks and strengthen control frameworks, developing robust AML/CTF Programs
- **Know Your Customer** – collection and electronic verification of KYC data can be done using sophisticated bio-metric data capture, optical character recognition (to convert scanned data – passports/driving license) and screening against PEP/Sanctions screening and other 3rd party data sources. KYC technology is mature, competitive, and cost effective for individuals and non-individuals
- **Enhanced Customer Due Diligence** – there has been an emergence of outsourced providers that take on processes related to ECDD and ongoing customer re-screening (e.g., KYC refreshes)
- **AML Training** – there are a range of providers that deliver online training courses, with in-built competency testing and completion tracking making it easier to demonstrate suitable controls
- **Pre and Post Employment Screening** – there are also a range of providers that provide electronic checks (e.g., police checks, banned director checks, employment history and academic history checks and AML checks on employees)
- **Independent Reviews** – these are increasingly being delivered using RegTech to assist organizations in testing the design and operational effectiveness of controls and manage any identified gaps
- **Transaction Monitoring** – there are numerous providers that offer SaaS and deployed transaction monitoring solutions that apply detection rules/thresholds over client, account and transaction data and produce real-time alerts to be managed in case management queues. Whilst primarily a requirement for Tranche 1 businesses operating in the financial services sectors, the costs have significantly reduced.
- **Regulatory Reporting** – companies like [Identities](#) offer SaaS platforms for reporting Threshold Transaction Reports (TTRs) and International Funds Transfer Instruction (IFTI) reports.

Further, there is heightened interest in RegTech, with the formation several years ago by the [Australian RegTech Association](#) (RTA)¹³, which has driven active engagement from regulated entities, regulators, like ASIC and AUSTRAC, professional services firms, investors, Government and RegTech providers to develop industry-wide capabilities and foster wider and faster adoption of RegTech in Australia, which will further reduce the costs of compliance, through innovation.

The RTA regularly publishes industry perspective reports¹⁴ which outlines the many challenges and opportunities to accelerate RegTech adoption and the benefits that this is expected to deliver to regulated entities and regulators alike.

In Appendix 3, we have attached a list of RegTech members to illustrate the types of solutions that are now available to regulated entities.

Thank you again for the opportunity to provide this follow-up to your questions and if there is further information or clarification please do not hesitate to contact me.

Yours Sincerely,

Anthony Quinn
Founder / Director

¹³ Arctic Intelligence was a founding member of the RTA and Anthony Quinn, Arctic's founder serves on the Advisory Board.

¹⁴ RTA Industry Perspectives 2021 - [Link](#)

Appendix 1 – Additional Information – AML Implementation and Ongoing Costs

The table below is based on the additional information supplied to the committee by Arctic Intelligence, Initialism and AML Experts at the hearing and further information has been provided. * See Appendix 2 for actual costings obtained from RegTech and professional services providers in Australia.

#	Measures	Law Council Australia Estimate (Annual)			Our Experience	Our Estimate*	Additional Info.
		Small	Medium	Large			
1	Implement client due diligence for every client of the firm, on-going client re-identification and verification using reliable, independent source documents, data, or information.	\$30,000 (Annually)	\$100,000 (Annually)	\$80,000 (Annually)	<p>There are multiple options available, including asking clients to present their identity documents so they can be sighted, or undertaking electronic verification on the identity information provided by the client.</p> <p>These measures do not have significant additional cost implication and are already in most cases part of business practices.</p>	Between \$4.47 and \$6.87 per individual (see Appendix 2)	The majority of customers of small/micro businesses will be individuals. There are providers that offer free checks of cost effective one-off PEP/Sanctions and E-IDV checks on a PAYG basis or other providers that offer integration between application forms and KYC screening software, where volumes warrant this level of solution.
2	Identify the beneficial owner in a transaction or in the case of legal person arrangements take measures to understand the ownership and control structure.	\$65.53 per transaction or up to \$14,803 (Annually)	\$122.33 per transaction or up to \$148,876 (Annually)	\$50 per transaction or up to \$275,000 (Annually)	The same measures for clients are included in the above measures. It is noted that the LCA claim that the cost of the same activity varies depending on the size of the business.	Between \$16.15 per check (non-individual) and \$33.65 per check (assuming multiple non-individuals)	A small minority of customers would be non-individuals, requiring identification checks of the ultimate beneficial ownership (UBO) of directors/controllers and the majority of these would be simple single entities with a smaller minority being more complex, multi legal entity structures.

Law Council Australia Estimate (Annual)				Our Experience	Our Estimate	Additional Info.
#	Measures	Small	Medium	Large		
3	Obtain information on the purpose and intended nature of each client matter.	\$76.80 per transaction or up to \$16,589 (Annually)	\$76.80 per transaction or up to \$16,589 (Annually)	\$50 per transaction or up to \$275,000 (Annually)	Due to current professional obligations, this information will be readily available, as the DNFBPs need to understand for what purpose the client is engaging them. This measure does not require verification.	\$0. The costs of understanding the services clients need from a law firm are the same (\$0) regardless of the size of the DNFBPs and not varied. This measure would be undertaken irrespective of AML requirements and typically manifests itself in the services that are requested, which should be able to be established within minutes.
4	Implement a risk management system to determine whether a client is a politically exposed person, obtaining senior management approval for establishing a business relationship with such a client, take reasonable steps to establish source of wealth of the person and source of funds. Conducting enhanced ongoing monitoring of the business relationship.	\$7,688 (Annually)	\$35,000 (Annually) [Medium sized entities incurring twice the cost of larger entities is questionable].	\$17,100 (Annually)	PEP screening can be easily undertaken through the client engagement process or the use of commercial databases. Source of funds (SoF) and source of wealth (SoW) information is only required for higher risk clients, which account for a maximum of between 5% and 7.5% of clients (but usually collected for all). The SoF and SoW measure requires to understand where the funds being dealt with are from and does not require verification through documents. This should be part of a normal client engagement process.	Cost of between 50 cents and \$3 per check on average. Cost of collecting SoF and SoW information as part of client engagement (most simply add fields to application form and capture for all customers). Only new individual customers onboarded after AML laws come into effect or existing customers applying for new “designated” products or services are in-scope. Many DNFBPs do not offer designated services (or may cease doing so to reduce compliance activities). RegTech solutions offer PAYG PEP/Sanctions and e-IDV checks for low-volumes or integrations for higher vols.

		Law Council Australia Estimate (Annual)			Our Experience	Our Estimate	Additional Info.
#	Measures	Small	Medium	Large			
5	Conduct risk ratings of clients to determine whether a client is a higher risk of being involved in money laundering.	\$9,219 (Annually)	\$18,929 (Annually)	\$21,250 (Annually)	<p>Risk rating customers involves assessing the information collected against higher risk criteria, such as PEP status, and high-risk country of domicile.</p> <p>This is one additional discrete step in the existing client acceptance and risk management process.</p>	Cost of assessing the information collected as part of client engagement.	Many KYC solutions offer customer risk scoring as part of their solution or otherwise regulated businesses develop triggers based on geography, industry sector, customer type or product and services the customer is seeking.
6	Implement ongoing AML/CTF financing programmes including: <ul style="list-style-type: none"> • Risk-rating clients • Development of internal policies, procedures, and controls including compliance management arrangements. • Employee screening • Ongoing training • Audit function and testing of AML/CTF programmes. 	\$41,000 (Annually)	\$70,000 (Annually)	\$80,000 (Annually)	<p>The development and maintenance of an AML/CTF Program is largely administrative and can be linked to office protocols and procedures.</p> <p>The extent of employee due diligence required is not mandated and limited to employees in high ML/TF risk roles and can be satisfied by professional standards checks.</p> <p>AML/CTF Training can be part of additional CPD/CLE training. DNBPS are required to be regularly audited for compliance with of requirements, including compulsory audits.</p>	<p>The development of an AML/CTF Program will be from \$5,000 and maintenance from \$2,500 per year depending on the size nature and complexity of the business.</p> <p>Employee screening cost ~\$5 to \$50 per head.</p> <p>Training will cost between \$10 and \$50 per person.</p> <p>Independent Reviews cost \$5,000 to \$25,000 every 3 – 5 years.</p>	<p>Risk rating clients is included above.</p> <p>Development of internal policies and procedures depends on maturity of the organisation but if starting from scratch for AML doing a risk assessment and building an AML/CTF Program this could be done for <\$5k a year.</p>

Appendix 2 – Know Your Customer – Pricing Schedule (Note: vendor requested to remain anonymous given commercial sensitivity of pricing data)

Transaction fees by product:

Individual Electronic Know-Your-Customer (eKYC) searches:

ANZ	Search type	Price Range	Currency
AU	eKYC AML rulesets:		
	Safe Harbour 2+2	\$2.00-\$3.00	AUD
	GovID - DVS	\$0.65-\$1.65	AUD
	Safe Harbour 2+2 w/GovID	\$2.65-\$4.65	AUD

Anti-Money Laundering (AML) / Counter-Terrorism Financing (CTF) searches:

Search type (all Geographies)	Price Range	Currency
Politically Exposed Persons (PEP) & Sanctions databases - incl. 1yr ongoing monitoring	\$0.41-\$0.61	AUD
Adverse Media	\$1.41-\$1.61	AUD

eKYB – Organisation Verification (Australia)

Region	Search type	Price Range	Currency
AU	Single Organisation Verification (ASIC)	\$16.15	AUD
	Bundled multi-level UBO report (Recursive)	\$33.65	AUD

Appendix 3 – ML/TF RegTech Solution Providers - Australia

In Australia, there are nearly 100 RegTechs that are members of the Australian RegTech Association that offer a range of innovative solutions to assist regulated entities, regulators, and professional services firms to implement and maintain AML/CTF compliance in a cost-effective manner.

<https://regtech.org.au/regtech-directory>