



Question on Notice 4

What is the ABA's view on its members' use of temporary contractors in anti-money laundering roles? Does the ABA agree with research that finds this can lead to incentives to cut corners?

ABA Response - QON 4

The ABA is not involved in the operational decisions of our member banks, accordingly, does not have a view on the workforce planning of individual members.

The analysis of the investor advocacy group, the Australasian Centre for Corporate Responsibility, as highlighted in the media article by Charlotte Grieve in the *Sydney Morning Herald* on 27 August 2021, covered 37 of the country's 100 largest listed companies. None of the 37 companies covered were banks or entities within the financial services, accordingly the ABA does not have a view.



Question on Notice 5

What level of vetting do banks undertake to ensure their own staff are not involved in using the banks' systems for money laundering? How common is it that banks have to report their own staff to law enforcement for this reason?

ABA Response - QON 5

Banks take their obligations under the AML/CTF Act incredibly seriously and invest heavily in systems and technology to detect, deter and disrupt money laundering and other serious crime.

Given the obligations under s123 of the AML/CTF Act, should any of AUSTRAC's 16,000+ reporting entities submit, or be required to submit a suspicious matter report (SMR), the reporting entity must not disclose any information about the report, except in certain limited circumstances. Accordingly, the ABA would not be aware of instances where banks have to report their own staff (or any other entity and/or individual) to AUSTRAC.

Question on Notice 6

What is the level of collaboration between the major banks' cybersecurity and anti-money laundering teams? Is the ABA concerned about Australian bank accounts being sold on the dark web? How often is this detected? What is the threshold for reporting customer accounts on the dark web to the privacy commissioner/Australian Information Commissioner?

ABA Response - QON 6

Australians trust their bank to keep data safe and secure. They also trust their bank will be transparent and let their customers know of any change in how that data is used or if there is a breach.

Cyber resilience and data security is one of the highest priorities for banks and they disrupt and prevent a vast range of threats on a daily basis; working closely with teams across the banks (not just the AML/Financial Crime Teams) to ensure the highest level of security.

The Office of the Australian Information Commissioner (OAIC) is the independent national regulator for privacy and freedom of information. A data breach happens when personal information is accessed or disclosed without authorisation or is lost. If the Privacy Act 1988 covers an organisation or agency, that organisation or agency must notify affected individuals and the OAIC when a data breach involving personal information is likely to result in '*serious harm*'.



Question on Notice 7

How many of the ABA's members use KPIs to encourage AML workers to process alerts efficiently?
How do banks balance efficiency with quality assurance when clearing alerts in the AML team?

ABA Response - QON 7

The four major banks have recently provided information on the operation of their respective AML in response to Questions on Notice arising from the House of Representatives Standing Committee on Economics - *Australia's four major banks and other financial institutions*.

Question on Notice 8

How the cost of business and finance could be reduced for Australian firms with the introduction of Tranche 2 (or, conversely, how the continued failure to implement these reforms could result in increased costs in accessing finance and conducting business for Australian banks and firms)?

ABA Response - QON 8

The ABA supports the modernisation of Australia's Anti-Money Laundering and Counter-Terrorism Financing Act.

The ABA testimony contained six recommendations to enhance the effectiveness of the Anti-Money Laundering and Counter-Terrorism Financing Act. In particular, the requirements relating to customary due diligence are overly complicated. Simplification and modernisation of know-your-customer obligations (to allow the use of newer technologies) is one area where this would have the greatest regulatory impact.

In addition to simplification of the legislation, the provision of more advice and guidance by AUSTRAC for its regulated population would provide greater certainty on how reporting entities can best comply with AML obligations. An expansion of AUSTRAC guidance would also assist in reducing regulatory costs for new and existing reporting entities.

Question on Notice 9

How the technological environment in which banks operate, and the criminal risks and threats which arise within that, has changed since the introduction of Tranche 1 AML-CTF laws?

ABA Response - QON 9

Criminals constantly adapt and develop new methods to subvert Australia's AML/CTF regime. New technology creates new vulnerabilities. An effective AML/CTF regime must evolve to manage those risks at a whole-of-system level and also balance the regulatory burden of AML/CTF regulation.



Question on Notice 10

Whether AML-CTF legislation and regulation has kept pace with evolving criminal threats and technological developments.

ABA Response - QON 10

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