



Australian Government

**Australian Transaction Reports
and Analysis Centre**

Parliamentary Joint Committee on the Australian Crime Commission

**Inquiry into the legislative arrangements to outlaw
serious and organised crime groups**

**Australian Transaction Reports and Analysis Centre (AUSTRAC)
Submission**

September 2008

AUSTRAC welcomes the opportunity to make a submission to the Committee. We would also be pleased to appear before the Committee to expand on any of the matters outlined in this submission.

Who we are and what we do

AUSTRAC has a unique dual role as Australia's anti-money laundering and counter-terrorism financing regulator and specialist financial intelligence unit (FIU). AUSTRAC was established under the *Financial Transaction Reports Act 1988* and continues under the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006*.

AUSTRAC collects financial intelligence from a regulated population across a diverse range of industries. No other agency in Australia has AUSTRAC's legislative mandate and capacity to collect this information.

We supervise the compliance of around 17,000 reporting entities and we receive in the order of 17.7 million financial reports per year.

AUSTRAC analyses and disseminates this financial intelligence to national and international partner agencies. The intelligence supplied by AUSTRAC aids law enforcement agencies in combating money laundering, terrorism financing, serious and organised criminal activity and transnational criminal syndicates. In 2007-08, AUSTRAC information featured in a record 2698 operational matters of partner agencies.

The importance of financial intelligence

As Australia's specialist FIU, AUSTRAC supports the emphasis of the Australian Crime Commission (ACC) in their submission to the Committee on improved use of financial intelligence to identify crime targets and high-risk money flows.

Recent practical examples of this approach include:

Operation Inca – AUSTRAC analysts worked to detect the members of the criminal syndicate behind the world's largest single seizure of ecstasy (at 4.4 tonnes).

- On 8 August 2008, sixteen people were arrested in connection to this ongoing investigation.

Operation Girra – AUSTRAC intelligence detected unusual financial transfers, leading to the discovery of 250kg of cocaine with an estimated potential street value of AUD87.5 million.

- Three people were arrested and charged with importing and attempting to possess a commercial quantity of cocaine.
- One additional person was charged with dealing with proceeds of crime worth AUD1 million or more.

Drugs and firearms seizure (joint investigation) – AUSTRAC information on suspicious international transaction patterns initiated a five month investigation involving three partner agencies.

- Illicit drugs, 50 firearms, ballistic vests and small hydroponic set-ups were seized. In addition, more than AUD6,000 in cash and five vehicles were seized under the proceeds of crime legislation.
- Four people were arrested in connection to this seizure.

The use of AUSTRAC information

Australia’s law enforcement and intelligence agencies rely on AUSTRAC as their source of raw financial intelligence data. As noted above, no other agency collects this data. AUSTRAC also produces enhanced intelligence reports, either proactively or on request, which are disseminated to our partner agencies.

Law enforcement agencies use AUSTRAC information for both immediate operational (tactical) purposes and strategic or longer-term purposes.

AUSTRAC information assists law enforcement to uncover previously undetected criminal activity and connections among crime groups, as well as to identify emerging patterns and threats.

AUSTRAC plays a vital role in supporting the ACC and other law enforcement and security agencies through supplying the financial intelligence expertise needed for this approach. AUSTRAC’s ability to link financial data and cross-match information assists in detecting suspicious activity as it is evolving. AUSTRAC’s expertise in data mining and real time tracking allows analysts to detect criminal activity and track resources moved in preparation for planned activities.

Intelligence assessments provided by AUSTRAC have initiated a number of investigations which have uncovered organised criminal activity and connections between crime groups. AUSTRAC is confident that through the application of new technologies and systems, our detection of anomalous activity and criminal connections will continue to improve.

Moreover, in instances where an investigation is initiated through conventional law enforcement AUSTRAC information often plays a critical role. Financial intelligence can be used to trace connections and linkages between targets, entities and geographical locations. Likewise, transaction information can be analysed to provide background and enriched intelligence on targets, such as their modus operandi and the criminal or market environment in which they operate. Case specific data can then be interpreted in the context of known trends and methods to create predictive indicators and patterns of behaviour.

The serial nature of organised crime and the importance of profit in maintaining the order and structure of criminal syndicates create predictable transaction patterns. As a result, financial intelligence is a powerful tool for law enforcement in combating organised criminal activity.

Concentrating on the flow of funds assists in:

- a. identifying the upper echelon of criminality and in particular those that may only direct or lead activities
- b. linking criminal groups and individuals that may otherwise be considered separate

- c. identifying individuals that appear to have no criminal background or history but significant wealth and connections-this is particularly relevant when considering transnational crime
- d. identifying convergence between independent investigations

The ACC note in their submission to the Committee that there is a risk of displacing criminal activity and driving crime syndicates underground as an unintended consequence of legislation to outlaw serious and organised crime groups. From our perspective as Australia's FIU, we agree with this assessment. This risk and the associated repercussions for law enforcement and intelligence need to be weighed carefully when considering the overall impact of legislative solutions of this nature.

Our work with domestic and international partners

We note the importance and success of Australia's system of taskforce operations that capitalise on the specialised skills and data sources of a wide range of agencies. Taskforce operations will continue to provide the flexibility to respond to shifting patterns of criminal activity and the fluid formation of crime groups and to address emerging threats based on financial intelligence, as outlined in the ACC submission to the Committee.

Currently AUSTRAC has memoranda of understanding with 34 Commonwealth, State and Territory law enforcement, national security, revenue and social justice agencies.

AUSTRAC has established an extensive liaison network nationally by placing Senior Intelligence and Liaison Officers on-site within its partner agencies.

AUSTRAC also has exchange instruments in place with 53 international FIUs. Through AUSTRAC, partner agencies are able to share information on operational cases with international counterparts. AUSTRAC's exchange instruments provide access to an international network of financial intelligence and enables Australia to trace transactions as funds flow across borders.

AUSTRAC has also established strong official links with regional FIUs – these ties are vital to the early detection of and response to emerging money laundering and terrorism financing threats and trends in the region.
