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8 March 2006

The Chair
Senate Legal and Constitutional Legislation Committee
S161
Parliament House
Canberra ACT 2600

By e-mail delivery to legcon.sen@aph.gov.au

Dear Senator,

RE: Inquiry into the Exposure Draft of the Anti-Money Laundering and Counter-Terrorism Financing Bill 2005

I am pleased to enclose on behalf of Suncorp Metway Limited ("Suncorp"), our brief submission on the Government's Exposure Draft to the above Bill.

Suncorp supports fully in principle the need for an effective and efficient framework to prevent money laundering and counter terrorism activity in Australia.

Our purpose in making this submission is to highlight our views on some high level strategic issues such as the timetable, completeness of the Exposure Draft and other matters set out in the attachment, so these matters can be considered and resolved well in advance of the legislation becoming final.

We are a national financial services conglomerate, serving a customer base which is predominantly Australia-wide and Australian -domiciled and which conducts the majority of its business within Australia. Our submission therefore discusses the particular issues which relate to us as an organisation which is based in Australia without any material overseas operations.

Should you Committee require further information or input from us, please contact our Group Manager Regulatory Affairs, Chris Cunningham, tel 07 3835 5437, e-mail chris.cunnington@suncorp.com.au, who can assist your further.

Yours sincerely,

A handwritten signature in black ink, appearing to read "John Mulcahy". The signature is fluid and cursive, with a long, sweeping underline.

John Mulcahy

Chief Executive Officer



**Submission to the Senate Legal and Constitutional Legislation Committee
On its Inquiry into the Exposure Draft of the Anti-Money Laundering and
Counter-Terrorism Financing Bill 2005**

Date: 8 March 2008.

Background

On 9 February 2006, the Senate referred the Exposure Draft of the Anti-Money Laundering and Counter-Terrorism Financing Bill 2005 to the Senate Legal and Constitutional Legislation Committee for inquiry and report by 13 April 2006.

The Exposure Draft of the Bill proposes a number of amendments to Australia's anti-money laundering and counter-terrorism financing system, in line with international standards issued by the Financial Action Task Force on Money Laundering. The Exposure Bill will provide a framework enabling individual businesses to manage money laundering and terrorism financing risks specific to their industry sector. The general principles underpinning the proposed system are set out in legislation, supplemented by legally-binding Rules, and non-binding Guidelines.

The Committee has invited written submissions to its inquiry by **close of business on 8 March 2006.**

The Committee has noted that the Attorney-General's Department is also currently conducting a public consultation process in relation to the Exposure Draft of the Bill and the Rules. The Committee will accept submissions prepared as part of that consultation process.

Purpose of submission from Suncorp-Metway Limited

Suncorp-Metway Limited on behalf of its Group subsidiaries and related entities (referred to as "**Suncorp**") wishes to make a short submission highlighting more immediate, key strategic issues it has identified in the Exposure Draft and its proposed timetable.

These issues have already been identified as part of Suncorp's preparation for a submission to the Attorney-General's Department, either directly and/or as a contribution to the submission proposed by the Australian Bankers Association (ABA). Suncorp is a member of the ABA and has actively participated in the ABA's AML Technical Working Group. Suncorp may also provide input to submissions on this topic from other industry bodies of which it is a member.

This short submission excludes any detailed analysis or comment on the technical aspects of the Exposure Draft.



SUNCORP Group overview

The Suncorp Group is one of Australia's leaders in banking, insurance, investment and superannuation. The Group focuses on retail consumers and small to medium business.

The Group can demonstrate the following record of growth and consolidation:

- Suncorp-Metway Ltd is one of Australia's top 25 companies and is Queensland's biggest corporation with a market value of around \$11 billion.
- The Suncorp Group is Australia's 6th largest bank and 4th biggest general insurance group.
- The Group's acquisition of GIO and AMP's general insurance business in 2001 increased the customer base and diversified the business mix with growth in personal and commercial insurance and workers compensation.
- The Group also has a 50% share in RACQ Insurance Limited and RAA Insurance Limited, with the major motor clubs, RACQ (Qld) and RAA (SA), and acquired RACT Insurance (100%) in Tasmania in 2004.
- In Queensland, the Suncorp Group is market leader in Compulsory Third Party insurance (52%), a major force in motor insurance (29%) and home and contents insurance (30%) and number 2 in Agribusiness lending.
- Australia-wide, Suncorp's insurance market share is 21% home, 21% motor, 19% workers' compensation and 21% commercial.

Customers have access to 172 Suncorp retail outlets, including branches and agencies and 56 business banking outlets, predominantly in Queensland. There are also 34 GIO agencies in NSW and Victoria.

Suncorp employs approximately 8700 staff nationally.

The Group reported a 7.2% increase in underlying profit to \$491 million for the six months to December 2005, in its half-yearly results announcement to the market on 24 February 2006.

Summary of Suncorp's position on AML Exposure Draft

Suncorp is expressing a view from the perspective of a national financial services conglomerate, with a largely Australia-wide and Australian-domiciled customer base, with minimal overseas or global business.

Suncorp supports in principle the need for an effective and efficient framework to prevent money laundering and counter terrorism financing activity.

This framework must in turn align as smoothly as possible with Australia's financial services framework. It must be introduced with a reasonably generous lead time to enable institutions to build systems and processes to comply, plus educate both staff and customers, whilst minimising any impact or overhead to their customers.



Key Points

Suncorp has concerns with the scope, timing, and the incomplete nature of the Exposure Draft.

We believe the Federal Government should address and resolve these points as a matter of urgency, ahead of any finalisation of the Exposure Draft and its introduction into the Federal Parliament.

Our key points of concern include: -

1. The Exposure Draft is currently incomplete in a number of areas. It contains limited definitions and is unclear on scope. For example, the generic term “insurance” is used, yet, when read in conjunction with all supporting material it appears that this only refers to Life Insurance products, where a material transfer of value can occur (annuity product for example). It therefore appears that General Insurance products are not included as a designated service, and thus not caught by the Exposure Draft.
We support that view, as we see GI products as extremely low risk means of money laundering or terrorist funding.
This accords with what the Federal Govt. has advised the GI industry is its intent, and aligns with comparable legislation in the UK and USA.
However, definitions need to be tightened to remove any ambiguity, as in our stated example, that GI products are outside the scope of this proposed legislation.
2. The Exposure Draft does not appear to cater for conglomerate operations like those of Suncorp, where customers have multiple products and services and where the Group potentially needs to monitor multiple activities of those class of customers to satisfy AML requirements. A number of complex issues are triggered here, such as information sharing and common view concessions . We ask that the Federal Govt. consider and consult more fully on principles to help cater for conglomerates.
3. The deadline for responses to the Attorney –General on the content of the Exposure Draft is 13 April 2006.
However, this timeframe is far too tight, given the incomplete nature of the Draft. Point 1 is an illustration of one of the gaps. We simply cannot assess what we have not yet seen.
We therefore recommend that the Fed Govt. extend the deadline for responses or develop some other reasonable extended timeframe or process for ongoing industry feedback or comment as parts of the Exposure Draft are progressively finalised.



4. The sponsoring Minister and his advisors are targeting to bring the final AML bill to Parliament by 30 June 2006. In our view, it will be extremely difficult for industry to make a thorough assessment of the completed Exposure Draft prior to this date. Therefore, we believe the target date should be moved to allow for that assessment to be completed.
5. We are concerned that the Attorney-General's Dept, and AUSTRAC, the Agency assisting on AML implementation, ("AGD/AUSTRAC") are not sufficiently responding to comments and issues raised by the financial services industry. We noted one example of material submitted by industry in November 2005, which was not fully dealt with by AGD/AUSTRAC until early February 2006, despite the known tight timeframes imposed by the Fed Govt.
We also have seen instances of proposed obligations in the Exposure Draft that might be better fulfilled by leveraging existing regulations governing the industry. For example, employee screening rules could be satisfied by adopting APRA's proposed new fitness and propriety standards for licensed ADI's, GI's and Life Companies, and the existing comparable standard for Super Funds.
In our view there would be useful for the AGD / AUSTRAC to engage agencies like APRA and ASIC to assist in identifying potential leveraging efficiencies and thus simplify the Exposure Draft.
6. We suggest that the final version of the Exposure Draft be rigorously compared by AGD / AUSTRAC to assess parity with existing UK and US AML legislative models. Australian requirements should not exceed those in other (similar) jurisdictions.
7. The Fed Govt. has indicated it will decide on what transition time will be permitted after the Bill is passed. Further, AGD/ AUSTRAC has indicated it may not publish all the AML Rules until after the Bill is passed and has so far provided no assurance on what consultation will occur on those.
In our view, a lack of certainty about the full extent of the changes will delay implementation and system changes. This lack of certainty is a key concern.
8. Management must plan and budget for implementation of AML, in particular any changes to our systems capturing, processing and monitoring customer data. This must be explained to our Boards so it can approve funding and properly monitor governance, risk mitigation, and implementation of the project.
Code changes to these systems are complex, time consuming and expensive. For institutions like Suncorp, this will require an enterprise-wide set of solutions to disparate systems.
We therefore need to know well in advance not only what we must do, but also how long we have to implement such changes.
The Federal Govt. should therefore state its proposed transition period for AML as soon as possible, based on what is already known, then invite industry to respond on that proposed period.



9. A useful precedent to guide the Federal Govt in determining transition times would be the Financial Services Reform legislative package, passed by Parliament in 2002. The package allowed for a 2-year transition to March 2004. This date was stated well in advance of the final package reaching Parliament. Suncorp believes the AML implementation effort will approximate that of FSR, so suggests a minimum of 2 years is an appropriate minimum transition period for AML.
10. The transition time must cater for the full spectrum of financial services entities operating in Australia, both big and small. Some whose business is global and who are listed entities in countries such as the US and UK will have already put in place systems and processes to comply with those jurisdictions. Conversely, many entities in Australia will not be so advanced and in some cases, may need to begin from scratch. A generous transition period for AML will help keep the playing field level for all players in the financial services industry within Australia.
11. Suncorp believes including Superannuation and Super Fund operations as a designated service within AML's scope, warrants some further discussion and consideration of key factors by this Committee.

Suncorp is still considering the overall impacts of AML requirements for customer identification and ongoing customer due diligence / monitoring of independently managed and APRA –regulated Super Funds.

However some key factors to consider include:-

Is the risk material enough, given access to laundered funds other than on a long term basis, is only through hardship? Could just those payouts be AML-regulated? The Exposure Draft contains very little reference or detail overall to a risk-based approach to AML. Does this present a risk that the Bill will be applied with greater attention to strict compliance activity, rather than on outcomes?

Are there other existing methods to adequately identify members and monitor payments, eg, via TFN's?

Should Superannuation be postponed to a later phase of AML, taking a risk management approach and given that more rigorous ID, etc, will be a new and significant impost on Super Funds' administration?

The Committee would be aware that Australian Super Funds already face a more pressing regulatory requirement to comply with APRA's new Regulated Superannuation Entity (RSE) licensing obligations under SIS legislation, by 30 June, 2006.



This will involve some bedding down after that date, so Suncorp suggests Super Funds be excluded from the first stage of AML.