



Australian Government

AUSTRAC

/FIGHTING FINANCIAL CRIME TOGETHER/

Combating money laundering, terrorism financing and serious crime

BRADLEY BROWN

NATIONAL MANAGER EDUCATION, CAPABILITY &
COMMUNICATIONS, AUSTRAC

FTA CPD BORDER COMPLIANCE PROGRAM

About AUSTRAC

Serious crime is motivated by profit, and no matter the size, most criminal acts leave a financial trail.

AUSTRAC is the Australian Government agency responsible for **detecting, deterring and disrupting criminal abuse** of the financial system to protect the community from serious and organised crime.

Criminals seek to exploit vulnerabilities within the financial sector to disguise illicit funds to enable other **serious crimes** such as terrorism, slavery, drug trafficking, child exploitation, fraud and corruption.

Through **strong regulation, and enhanced intelligence capabilities**, AUSTRAC collects and analyses financial reports and information to generate financial intelligence.

This vital information about potential criminals and criminal activity **contributes to our national security and law enforcement** investigations.



How AUSTRAC works

AML/CTF regulator

AUSTRAC regulates more than **16,000 businesses** to protect them, and Australia's financial system and community, from criminal abuse.

We ensure regulated businesses **comply with their obligations** to have systems and controls in place to manage their money laundering and terrorism financing risks.

We provide regulated businesses with **guidance and education** to help them protect themselves from being exploited by criminals.

We protect the **integrity of the financial system** by ensuring regulated entities comply with the law. We can take legal action in cases of non-compliance.

Financial intelligence unit (FIU)

Our financial intelligence specialists **collaborate with law enforcement, revenue protection and national security** partners to identify national security threats, and detect and disrupt criminal networks and the proceeds of their crimes.

The businesses we regulate detect and submit **suspicious matters** and report **financial transactions** to us.

Our financial intelligence specialists analyse this information to **identify potential criminal activity** or risks to national security.

We use this information to **generate financial intelligence** that contributes vital information about criminals and criminal activities to national security and law enforcement investigations.

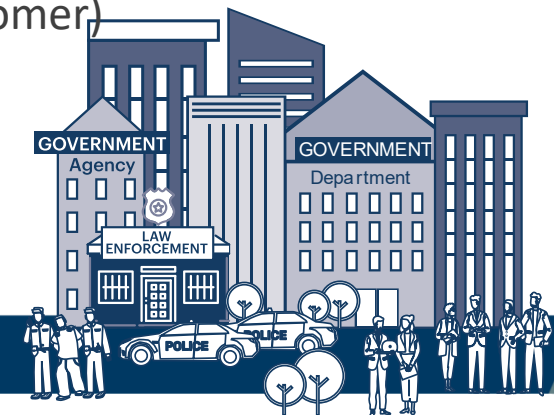
All transactions and suspicious matters reported to AUSTRAC are also **directly available to over 4,600 users** within federal, state and territory partner agencies.



AML/CTF obligations

Our legislation

- AUSTRAC and Australia's AML/CTF regime are established under the ***Anti-Money Laundering and Counter-Terrorism Financing Act 2006*** (AML/CTF Act).
- Obligations under the AML/CTF Act broadly include:
 - enrolment with AUSTRAC
 - registration (remittance and digital currency exchanges only)
 - developing and maintaining an AML/CTF program and preventative measures to identify, mitigate and manage the risk of services being used for money laundering or terrorism financing.
 - meeting customer due diligence requirements (Know Your Customer)
 - reporting certain transactions and suspicious matters
 - record-keeping.



Reporting obligations

Reporting entities must submit the following types of reports to AUSTRAC

- **Threshold transaction reports (TTRS):** Transactions involving the transfer of physical currency of AUD10,000 or more (or foreign currency equivalent).
- **International funds transfer instruction (IFTI) reports:** Instructions to send or receive money or property to or from a foreign country.
- **Suspicious matter reports (SMRs):** Where a reporting entity suspects on reasonable grounds that the customer or transaction may be involved with money laundering, terrorism financing, or violation of a Commonwealth, State or Territory law.
- **Cross-border movement (CBM) reports:** Travellers must declare cross-border movement of physical currency of AUD10,000 or more (or foreign currency equivalent). On request, cross-border movement of bearer negotiable instruments of any amount must also be declared.

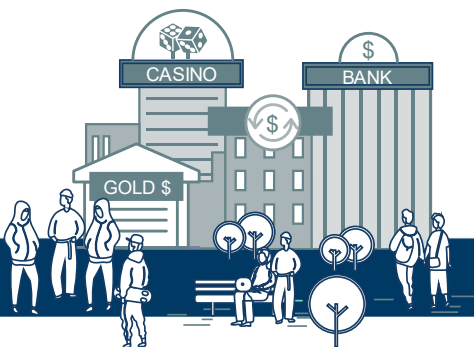


Who we regulate

Industries regulated by AUSTRAC

AUSTRAC regulates businesses across the financial services, gambling and bullion industries. These services are known as 'designated services'. Businesses that provide designated services are known as 'reporting entities'. Some examples include:

- Financial services
 - Banks and non-bank lenders
 - Superannuation funds
 - Stockbrokers
 - Managed investment funds
 - Also includes remittance services and digital currency exchanges
- Gambling services
 - Casinos
 - Pubs and clubs with electronic gaming machines
 - Wagering and sports betting
- Bullion dealers





Money laundering and terrorism financing

What is money laundering and terrorism financing?

- Money laundering and terrorism financing are serious crimes.
- The goal of most crimes is to **generate a profit**.
- **Money laundering** is the process by which criminals try to **disguise the origin** of their illegal profits and introduce these funds into the legitimate financial system.
- **Terrorism financing** includes the financing of terrorist acts, and of terrorists and terrorist organisations.
 - Terrorist groups also move funds to disguise their source, purpose and destination.



The Money Laundering Cycle

1. PLACEMENT



Dirty Money Integrates into the financial System

Collection of dirty Money



2. LAYERING



Transfer funds between various Offshore / Onshore Banks

3. INTEGRATION



Purchase of Luxury Assets
Financial Investments
Commercial / Industrial Investments

Wire Transfer



Fintel Alliance

Fintel Alliance

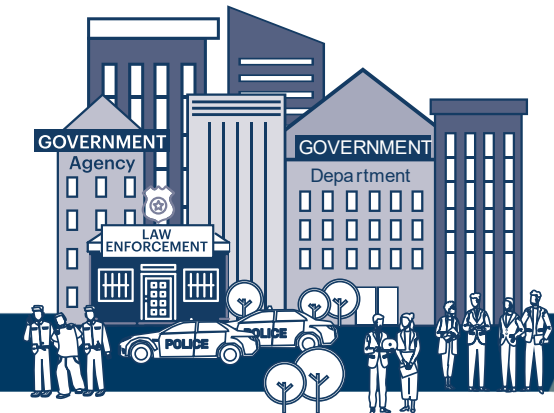
- **Fintel Alliance** was established in 2017 as a world-first private-public partnership.
- An AUSTRAC initiative to increase the resilience of the financial sector and support law enforcement investigations into serious crime and national security.
- Fintel Alliance brings together experts from a total of 29 financial institutions, state and commonwealth law enforcement and intelligence agencies, as well as academic and research institutions.
- Fintel Alliance partners work together to develop shared intelligence and deliver innovative solutions to detect, disrupt and prevent money laundering and terrorism financing.



Trade-based money laundering

Trade-based money laundering

- Trade-based money laundering (TBML) is defined in 2006 by the Financial Action Task Force as “... **the process of disguising the proceeds of crime and moving value through the use of trade transactions in an attempt to legitimise their illegal origin or finance their activities.**”
- Criminal groups take advantage of the **size** and **complexity** of the international trade finance system to obscure illicit transactions by exploiting –
 - the **complexities** involved in dealing with multiple foreign exchange transactions
 - the **co-mingling** of legitimate and illicit funds
 - the **limited** resources of most customs agencies to detect suspicious trade transactions.



Trade-based money laundering techniques

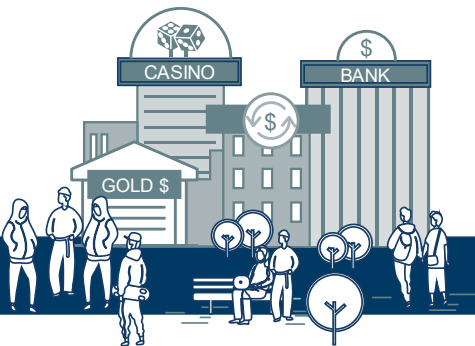
- According to the FATF, the primary methods of TBML commonly involve collusion (between the seller and the buyer) and include the following techniques:
 - **Over and under-invoicing** of goods and services to change the market value of the goods being shipped.
 - **Multiple invoicing** for goods and services, so the importer transfers more value to the exporter.
 - **Over and under-shipment of goods.** In the first instance, the exporter transfers greater value to the importer; in the second case, the importer transfers greater value to the exporter.
 - **Falsely describing** goods or services on the invoice and other documentation as being of a higher quality – and therefore of a higher value – than they actually are, so the importer transfers greater value to the exporter.
 - **Deliberate obfuscation of the type of goods.** Parties may structure a transaction in a way to avoid alerting any suspicion to financial institutions or to other third parties, which become involved. involved and may be for a variety of reasons or purposes.
 - **Phantom shipping.** No goods are shipped and all documentation is falsified.



How businesses can help

TBML - How other businesses can help

- Adopt a proactive approach to identifying and reporting anomalies or inconsistencies to the Australian Border Force or Police.
- Freight forwarders can assess and review relevant documentation that might contain indications of TBML, including:
 - Ensuring the necessary licences and documents are in place
 - Review commercial invoices and bills of loading, for example, for the purposes of
 - Confirming the goods have been loaded.
 - Evidences that the terms of the contract of the carriage
 - Confirming correct title over the goods has been made to the named consignee or lawful holder
 - Confirming correct payment of duties and taxes.
 - Checking the classification and valuation of goods, ensuring the right commodity codes are used.



Thank you





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