

Money-laundering regulator to get tough

Marsha Jacobs

The anti-money-laundering regulator is preparing to levy multi-million-dollar fines on banks, foreign exchange dealers and other businesses that have failed to comply with tough requirements designed to combat the international financing of terrorism and other illegal activities.

The laws compel companies to produce annual compliance reports and report activities of their clients to the Australian Transaction Reports and Analysis Centre (AUSTRAC), including "suspicious matters", transactions over \$10,000, and all instructions for international funds transfers.

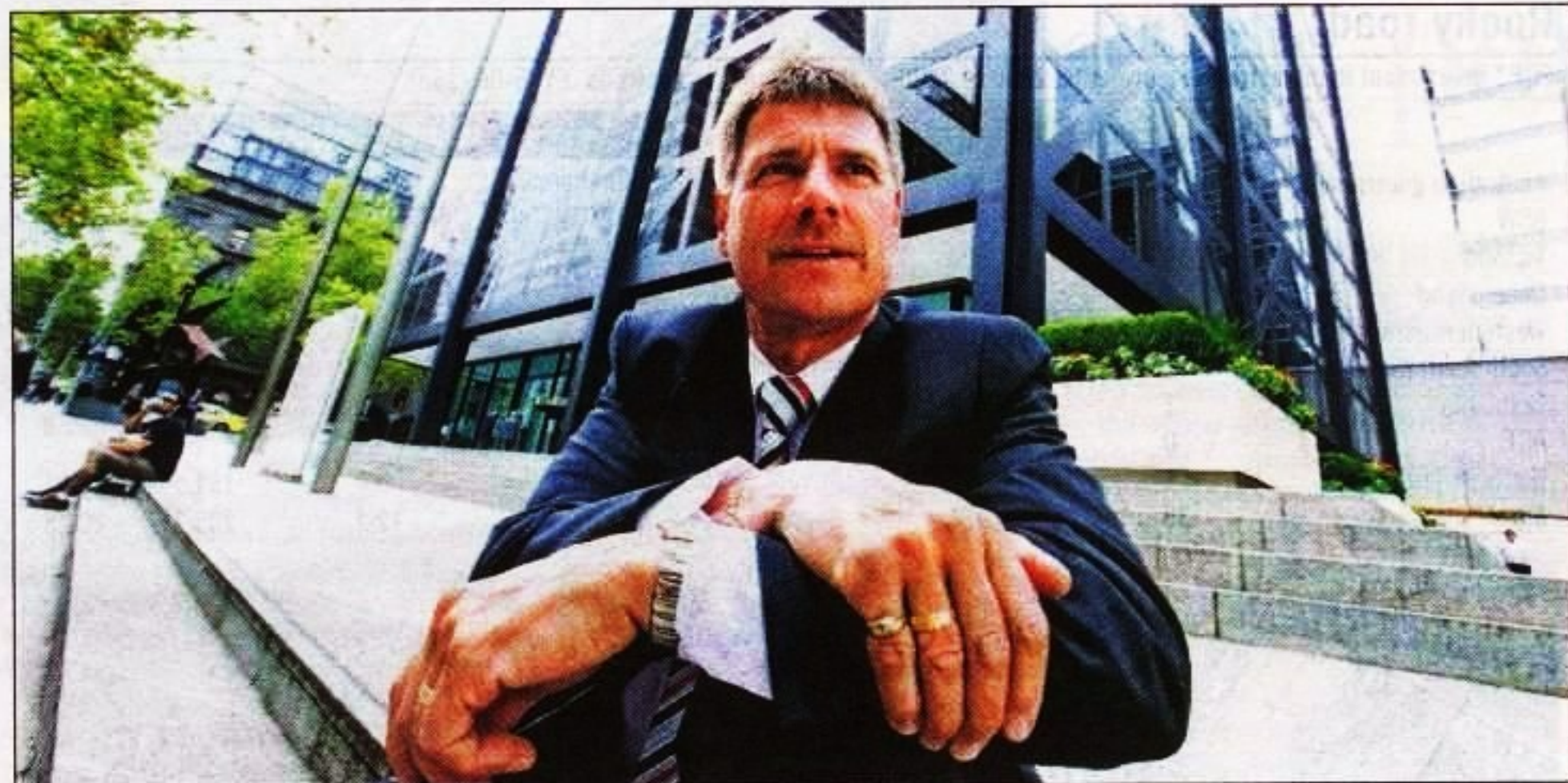
Ahead of yesterday's deadline for annual compliance statements, AUSTRAC chief executive Neil Jensen warned of "measured but firm" action against companies that fail to comply.

"We will be looking at all the issues on a case-by-case basis, and will continue to educate, but also use our enforcement tools. We will be measured but firm," Mr Jensen said.

The laws, introduced in December 2006, aim to curb money laundering and the financing of terrorism.

Compliance reporting began last March, and a second wave, which began in December, requires companies to collect information on their customers and monitor their transactions.

While AUSTRAC has not enforced civil penalties — fines of up to



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\$11 million for companies and up to \$2.2 million for individuals — for 15 months as long as businesses were taking "reasonable steps" to comply, that leeway period has now expired.

Mr Jensen warned that companies needed to be compliant and taking reasonable steps to comply was no longer enough.

Mr Jensen, who has headed the agency for seven years, will retire from his post on July 16, in a move planned for 12 months.

He denied rumours that the federal government preferred the regu-

lator to take a softer approach because of the recession.

"There has been absolutely nothing from government to that effect," Mr Jensen said.

AUSTRAC will target internet-based financial products, online betting accounts and low-doc loans as trouble areas for money laundering.

The number of reported suspected illegal transactions has risen by nearly 20 per cent over the past year and AUSTRAC activities have generated an extra \$76.7 million in tax revenue.

The laws apply to businesses such as banks, gaming companies and other financial services firms undertaking "designated services" in the anti-money-laundering legislation.

A second tranche of the laws, expected this year, will widen the scope of that definition to include lawyers, accountants, real estate agents and jewellers.

While Mr Jensen said early reporting was much higher than last year and that banks and finance sector entities were "doing well" with their compliance obligations,

small business was still "struggling a bit" and "we continue to work with them to ensure they are compliant".

Last year, 1500 businesses failed to produce reports. AUSTRAC expects to receive 13,500 reports this year, up from 11,000 last year. Mr Jensen said that just under 7000 reports had been received by close of business yesterday.

The financial services sector has spent an estimated \$1 billion on compliance so far.

Still, Deloitte partner Chris Cass said there were institutions that had done "very little" about their reporting obligations, but for many others it was driving "significant remedial action".

"Many clients are seeing challenges around effective and sustainable operation of their program as yet another risk management obligation at a time when staff numbers are reducing and workload is increasing," Mr Cass said.

Hall & Wilcox partner Harry New said the marketplace was still far from compliant with AUSTRAC requirements, and there was minimal awareness of the obligations in some areas.

"My sense is that AUSTRAC on the whole will still be accommodating, but there will be a point in time where they have to make examples," Mr New said.

A two-day conference on anti-money laundering and counter-terrorism financing will begin in Sydney today.