



SUBMISSION TO THE SELECT COMMITTEE ON THE PERTH MINT AND COMMONWEALTH REGULATORY COMPLIANCE FROM THE STATE OF WESTERN AUSTRALIA

Introduction

The State takes regulatory compliance very seriously, and will continue to work constructively and transparently with all stakeholders, including regulators, with the aim that The Perth Mint operates in a manner that represents regulatory best practice.

The State Government's commitment in this regard is demonstrated through its \$34 million investment in The Perth Mint's AML Remediation Program, and its ongoing statutory guarantee of The Perth Mint.

The State accepts that The Perth Mint has been subject to media reporting regarding historical issues. These issues are largely outside this Committee's Terms of Reference as they do not relate to The Perth Mint's compliance with Commonwealth legislation.

Governance of The Perth Mint

The Perth Mint is the trading name for Gold Corporation, a Western Australian Government Trading Enterprise (GTE) established under the Gold Corporation Act 1987 (WA) (GC Act).

As a Western Australian GTE, The Perth Mint is committed to ongoing compliance with relevant regulatory requirements.

Under section 4(3) of the GC Act, Gold Corporation is an agent of the Crown in right of the State and enjoys the status, immunities and privileges of the Crown.

Under section 22 of the GC Act, the payment of gold due, payable and deliverable by Gold Corporation and all moneys due and payable by Gold Corporation in respect of the exercise of its powers is guaranteed by the State's Treasurer.

As a result of the above legislative provisions, parties dealing with The Perth Mint are ultimately dealing with the State of Western Australia – one of only a handful of jurisdictions around the world with a triple-A credit rating from both major international ratings agencies (S&P Global and Moody's Investors Service).

The Perth Mint is governed by a Board of Directors (which includes a representative of the Department of Treasury), and is accountable to the Minister for Mines and Petroleum.

While it is outside the remit of this Committee, The Perth Mint is also required to comply with a broad range of State legislation. This includes operating under the *Financial Management Act 2006* (WA) (FMA), in the same way as general government sector agencies.

Coverage under the FMA means that Gold Corporation is also subject to the Treasurer's Instructions in relation to matters that fall within the scope of the FMA. These matters include the requirement for an independent Audit Committee, and external audit by the State's Auditor General.

Other State legislation which provide governance of The Perth Mint includes:

- *Work Health and Safety Act 2020 (WA);*
- *Freedom of Information Act 1992 (WA);*
- *Public Interest Disclosure Act 2003 (WA);*
- *Corruption, Crime and Misconduct Act 2003 (WA);*
- *Auditor General Act 2006 (WA);*
- *Procurement Act 2020 (WA); and*
- *State Records Act 2000 (WA).*

Furthermore, the State Parliament recently passed the *Government Trading Enterprises Act 2023* (GTE Act), which provides for stronger and more consistent Government oversight of GTEs, including increased requirements for Ministerial approval of significant transactions, enhanced reporting requirements, and the ability for policy orders to be issued. It is intended that Gold Corporation will be included in the second tranche of GTEs to have their enabling legislation amended in accordance with the GTE Act.

Commonwealth Regulatory Requirements Relevant to the Inquiry

Anti-Money Laundering and Counter-Terrorism Financing

The Perth Mint is a regulated reporting entity that provides designated services as defined under the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth) (AML/CTF Act), administered by the Australian Transaction Reports and Analysis Centre (AUSTRAC).

On 30 August 2022, AUSTRAC announced that it had ordered the appointment an external auditor to undertake a procedural compliance audit of The Perth Mint with the AML/CTF Act and Rules during the period 14 January 2021 to 30 August 2022. This is broadly the same period examined by AUSTRAC through its Compliance Assessment of The Perth Mint undertaken between January 2021 and June 2022.

The Perth Mint strongly supported the previous Compliance Assessment by AUSTRAC in 2021-22, and has actively engaged with AUSTRAC and the external auditor to support the Compliance Audit in 2022-23 in a similar manner.

It is important to note that the external auditor is assessing procedural compliance by The Perth Mint during a historical period – it is not investigating any concerns regarding the potential facilitation of money laundering or other financial crime.

The Western Australian Government has committed \$34 million to the AML Remediation Program to strengthen The Perth Mint's systems and processes. The Perth Mint's AML Remediation Program, commenced in March 2021, and has continued to be a key element of a major uplift in AML/CTF systems and processes across the enterprise in 2022-23.

Trade Measurement

The Perth Mint is subject to the *National Measurement Act 1960* (Cth) and *National Trade Measurement Regulations 2009* (Cth) which provide for the buying, selling and valuating of precious metals when using a measuring instrument, such as a scale or a balance scale.

The Perth Mint has a range of systems and processes in place to support compliance with the Commonwealth regulatory requirements administered by the National Measurement Institute.

As an additional governance mechanism, The Perth Mint is externally certified as compliant with International Standard 9001 (ISO9001) and undergoes annual audits by an external auditor to confirm compliance.

Privacy

The Perth Mint is not subject to the *Privacy Act 1988* (Cth) (Privacy Act) and has no legal obligation to comply with the Privacy Act.

Notwithstanding this, The Perth Mint recognises that it collects personal data on a continuous basis due to the nature of the precious metal trade and the requirements of relevant Acts, including the AML/CTF Act.

The Perth Mint elects to operate in accordance with the Privacy Act and has voluntarily adopted stringent standards for the protection of personal data.

The Perth Mint has policies and procedures that aim to provide customers and employees with equivalent rights as those granted by the Privacy Act.

Non-Commonwealth Regulatory Matters

London Bullion Market Association

The State notes that the London Bullion Market Association (LBMA) is not subject to the jurisdiction of the Commonwealth regulatory framework.

The LBMA is an international trade association based in London. The LBMA maintains a Good Delivery List of refiners which produce bars to specified standards and comply with the Responsible Gold Guidance under the LBMA Responsible Sourcing Program.

On 9 March 2023, the LBMA announced an Incident Review Process (IRP), following media reports regarding The Perth Mint. The Perth Mint worked with the LBMA to support the IRP.

On 4 April 2023, the LBMA publicly announced that it had concluded its IRP and affirmed that The Perth Mint remains on the LBMA Good Delivery List as an accredited refiner. See the accompanying **Attachment** to this submission.

Shanghai Gold Exchange

The State notes that the Shanghai Gold Exchange (SGE) is not subject to the jurisdiction of the Commonwealth regulatory framework.

The Perth Mint sells gold to a range of intermediary ‘counterparties’, such as financial institutions, which then on-sell the gold to international gold exchanges, such as the SGE.

In March 2023 there were media reports regarding a historical issue relating to the silver content of one-kilogram bullion bars sold by The Perth Mint. At all times, Perth Mint gold bars have contained their stamped gold content or greater. There has never been any allegation to the contrary.

The issue was resolved promptly by The Perth Mint, and the State understands that the SGE considers the matter closed. The issue was not related to The Perth Mint’s compliance with Commonwealth legislation.

The SGE has continued to be a key market for bullion kilobars and other precious metal products made by The Perth Mint.

The Perth Mint: History and Operations

The Perth Mint is Australia’s oldest operating mint. The minting facility was established in 1899, and has operated continuously from the original building in East Perth, which is listed on the State Heritage Register.

These days, The Perth Mint is a unique, vertically integrated enterprise operating across the precious metals value chain including refining, manufacturing, distribution, investing and storage. The Perth Mint directly supports 700 local jobs (and indirectly supports thousands more), a diversified economy, and export income derived from a range of precious metal products.

The Perth Mint plays a critical role in supporting Australia’s gold mining industry, which is the second largest employer in Australia’s mining sector, employing approximately 31,000 people in 2019-20. The Perth Mint refined 263 tonnes of gold (an estimated 79% of the nation’s newly mined gold doré) in 2021-22.

Since 1986, The Perth Mint has been designing and producing non circulating precious metal coins for investors and collectors. The Perth Mint is one of a select group of world mints producing these investor and collector coins, which represent a major export market for Australian precious metals.

Since 1994, The Perth Mint has also provided a secure precious metals depository service for Australian and international customers to buy, sell and store gold, silver and platinum. The depository holds more than \$6 billion worth of precious metal.

The Perth Mint also operates a popular tourist attraction at its historic premises in East Perth. In 2022-23, there were 79,000 visitors to the long running Perth Mint Gold Tour.

The Perth Mint Gold Tour raises awareness of the gold industry's key role in the State's history and ongoing economic prosperity, and promotes Western Australia as a premier tourist destination.

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As the Independent Authority for Precious Metals, LBMA maintains the highest standards for responsible sourcing. It, therefore, takes very seriously the recent allegations relating to The Perth Mint Refining business, which has resulted in LBMA invoking its [Incident Review Process \(IRP\)](#). The focus of the IRP was on Perth Mint's conformance to the Responsible Gold Guidance; the credibility of its assay lab was never in question. As an iterative process, this IRP has involved extensive discussions with the refiner, auditor, and market participants.

Following the conclusion of this IRP, The Perth Mint remains a Good Delivery List Refiner. LBMA did not find any instances of zero-tolerance non-conformance.

There are elements of The Perth Mint's management systems that are being strengthened through a Corrective Action Plan (CAP) to be audited by a third-party auditor.

LBMA reserves the right to re-visit this conclusion if new information relating to The Perth Mint becomes available.

Background

The London [Good Delivery List](#) of Acceptable Refiners of gold and silver is maintained by LBMA, by whom it is copyrighted. It lists those refineries whose gold and silver bars have been found, when originally tested, to meet the required standard for acceptability in the London bullion market.

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