

Extract from Hansard
[ASSEMBLY — Tuesday, 14 March 2023]
p855c-863a

Speaker; Mr Shane Love; Ms Libby Mettam; Mr Mark McGowan; Ms Rita Saffioti

GOLD CORPORATION — ROYAL COMMISSION

Matter of Public Interest

THE SPEAKER (Mrs M.H. Roberts) informed the Assembly that she was in receipt within the prescribed time of a letter from the Leader of the Opposition seeking to debate a matter of public interest.

[In compliance with standing orders, at least five members rose in their places.]

MR R.S. LOVE (Moore — Leader of the Opposition) [2.50 pm]: I move —

That this house calls on the McGowan Labor government to establish a royal commission into Gold Corporation as a matter of urgency given revelations around governance and compliance failures, the potential liability to WA taxpayers and reputational damage to WA.

The SPEAKER: Members, those of you who are leaving, could you leave the chamber. We have a little too much noise at the moment for Hansard to hear and report.

Mr R.S. LOVE: Many Western Australians would have been shocked to see the revelations on Monday, 6 March in the *Four Corners* episode titled “Tainted Gold” regarding the Perth Mint and its parent organisation, Gold Corporation. I was not one of those so shocked because, sadly, I had known of many failings in the management and governance of the Perth Mint in recent times. But for most people, the revelations were gobsmacking. It was disturbing to see the allegations about Gold Corporation, a state government-owned organisation, particularly when the Premier was directly responsible for the corporation for much of that time. In the past 18 months, I have been raising questions about the governance and management of the organisation and of the Perth Mint, so it should come as no surprise to the Premier and Minister Bill Johnston that they will be called to account for what has been occurring at the Perth Mint and Gold Corporation.

The McGowan Labor government needs to come clean about the circumstances surrounding Gold Corporation, especially given that there is a representative of the Treasurer’s own department, Treasury, on the board of Gold Corporation, and, as we were informed in question time, is able to provide that essential government viewpoint into the organisation. If the Premier cannot make a full explanation of all the issues surrounding Gold Corporation to Parliament, the Western Australian public deserves to have a royal commission look into the circumstances surrounding Gold Corporation.

I have here one example of what was aired on the ABC show that night. The person in the picture is a fairly well known person within Western Australia. I think members will have seen him on the news—Mr Dayne Brajkovich. The first revelation on the show was that Mr Brajkovich had been able to purchase \$27 000 worth of gold from the Perth Mint and all he had to do was show his driver’s licence. I am not making any allegations about where the \$27 000 came from; it may have been quite legitimate. But he is a person of notoriety and someone about whom a red flag should have been raised and some inquiries made as part of the “know your customer” requirements under the Anti-Money Laundering and Counter-Terrorism Financing Act that apply to organisations that trade in bullion, such as the Perth Mint.

Then came revelations that the Perth Mint had been dealing with the Bank of Cyprus. The Bank of Cyprus is known to have links to Russia and is known to have amongst its customers Russian oligarchs, including some under sanction. There is no evidence that the Perth Mint, when dealing with customers sent its way by the Bank of Cyprus, conducted its own “know your customer” inquiries. It simply relied upon the information that had been supplied to it by the Bank of Cyprus, which was of some interest as the organisation is considered to be at high risk of having a lax attitude and being open to dealing with oligarchs, terrorists and drug cartels, just to mention a few. For the Mint to hold gold on their behalf without undertaking all the due diligence of the “know your customer” requirements is quite shocking. We know that *Four Corners* claimed that as late as last year, the Mint was still holding gold for customers of that bank, even though I believe it ceased a relationship with the bank some time before.

Then it was revealed that the Euro Pacific Bank had made a \$US17 million—about \$A25 million—omnibus transaction through the Perth Mint. That meant that it put through a whole number of customers in one single transaction—bundled them up into one transaction—and transacted with the Perth Mint without the Perth Mint knowing who the customers were who underlay that omnibus transaction. It was a complete failure to understand the “know your customer” requirements by the Perth Mint. These transactions between the Euro Pacific Bank and the Perth Mint came to light due to the investigations of an international group of tax agents, the Joint Chiefs of Global Tax Enforcement, known as the J5, which includes Australia, the United Kingdom, the United States, Canada and the Netherlands. The Euro Pacific Bank was being investigated on suspicion of being involved in tax evasion and money laundering and was believed to be being used to move money around the world, and the Perth Mint may well have been enabling this as a store of gold. On what was known globally as a coordinated international day of action—some discussion about this was quite well laid out in the press—raids were carried out on 24 January 2020. The Perth Mint was apparently raided and documentation was seized that provided this

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information. The Perth Mint told the ABC that the relationship with the Euro Pacific Bank was terminated in November 2020. Interestingly, a similarly named organisation, Euro Pacific Capital, was claiming to have a relationship with the Perth Mint as recently as May last year—a fact which I raised during the budget estimates hearing and which of course was batted away by the minister. However, I noted that the new CEO, Jason Waters, was furiously writing on a piece of paper, so I hope he took some note of that matter because I understand that it is a related organisation.

We know that the Australian Transaction Reports and Analysis Centre investigation has been spoken about in this place. I went through all the circumstances of that investigation in a matter of public interest debate in this place in November, just a few months ago. Suffice to say, since then we have been seeking through freedom of information applications further information about all the circumstances. As outlined in that MPI and also in the *Four Corners* report, documents obtained under freedom of information exhibited the extent of the failures of the One-Future program, a technological program to assist the Perth Mint to keep track of its customers and all the transactions and to make sure that it was compliant with the law. We know that that program ran into trouble. We know that the board and the CEO were aware that that meant that there was an increased risk that the organisation would not be able to meet its requirements under the law. We also know that at the time that this was known, the Premier was in fact the minister responsible.

The Premier has outlined that this all started in 2006 when the Anti-Money Laundering and Counter-Terrorism Financing Act was introduced. I think at that stage the Carpenter government was in charge. The failure to be registered under that legislation took place right through until the caretaker period at the 2021 election. But four years of that were under this Premier's watch and it was during those four years that some of the more serious matters that have come to light took place.

Since we have been asking further questions and seeking other information through freedom of information requests, the screws have tightened somewhat. I have here an example of what I am now getting back from freedom of information requests. There is not very much information and there is not much freedom involved. They are black sheets with about two lines or four lines—that is it. That is a great deal of information! It is actually just the name of the organisation I was trying to get information on. That is the level of the transparency we are getting through the parliamentary processes. That is one of the reasons we need a better way of interrogating this matter. Parliamentary processes are being frustrated. Freedom of information has been frustrated. I get continual demands for extensions, which in some circumstances have gone on for nearly two to three months, and still nothing has come from my freedom of information requests. I pay good money for these freedom of information requests and I expect to get some return, but it is not happening at the moment. It is an indication that the government, or perhaps some of the entities, are beginning to feel a little bit of heat and do not want to provide much information at all.

When the Premier was responsible for the Mint, there was a dramatic uplift in the operations and risk of the Mint due to its launch of mobile phone apps and its cryptocurrency, the Perth Mint gold tokens, and its launch into trading in the American market with these apps, and, in fact, in 130 nations across the world. Trading was done both in Australian and US dollars. What an ideal way to trade wealth: just create a number of Perth Mint tokens and they become as good as gold. Without the appropriate “know your customer” activities and appropriate registrations of transactions, there is a real risk that money laundering will be enabled. That is important because money laundering is the lifeblood of the underworld. It makes drugs flow around the world and makes the money of human traffickers flow around the world. It helps terrorists and the people supporting regimes launching war against the Ukraine at the moment. They are all supported by the lax money laundering practices of organisations.

As a result of those failures, the penalties could run into the billions. In recent times we have seen combined fines given to the Commonwealth Bank of Australia and Westpac of around \$2 billion, and there have been at least 5 000 instances of failure to register as a remittance provider identified in an investigative window of only a few months. They could mount up and up and become a huge amount of money that the Western Australian taxpayer will have to foot the bill for because the Premier failed to outline any other source of funding today. When I asked him whether there were any contingencies put in place for the fines and costs of all these matters, he was unable to provide any. On 24 September 2021, three weeks after AUSTRAC announced its investigation, the Minister for Mines and Petroleum announced a root-and-branch review into the Gold Corporation. Outside of a brief mention in a media article, there are no terms of reference, so it is difficult to know what will be reviewed. It sounds good for a media grab, but it is akin to not taking much action at all, given that the CEO, Mr Waters, was asked to conduct the review only a few weeks, or a few months, after taking on the role without any level of corporate knowledge and, I am sure, with many other things on his plate at the time. How do we expect the new CEO to review an entity he has just been employed by? That does not make him independent of the entity. His future is bound up with that of the entity.

This again shows a level of misunderstanding of proper governance procedures, which seems to be at the heart of much of what has gone on at the Perth Mint. The product is great—\$20 billion. It is the world's largest refinery of new gold. Much of Australia's gold goes through it. It is a very fine institution, with 120 years or more of history, that plays a vital part in Western Australia. I am not here to drag down the Perth Mint. I want an investigation that

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will enhance its reputation, that will rip the bandaid off the wound, so we can heal the Mint and have an institution we can all be proud of, and that we should be proud of, because it basically represents one of the great industries of Western Australia, the gold industry. I think it is the third-largest export industry in Western Australia; it is something the state has been built on. To see the Mint being dragged down by such poor governance procedures is a crying shame. I believe we need a royal commission of inquiry to get to the bottom of the failures that have occurred so we can commence the process of putting in place the measures that will bring back the reputation of the Perth Mint.

I am at one with the Premier in not trying to bring down the value or the perception of the gold that is coming out of the Perth Mint. I would not like to see it spoken about in the media, but I cannot ignore the fact that the *Four Corners* report went into the issue of the “alloying”, as the Premier calls it, or “gold doping”, as others call it, which is the deliberate adding of a small amount of impurity to limit the give-away of gold that occurs. If gold is made at the standard required, anything over that standard is in fact being given away, so to speak. But let us get real about the amount of money involved here. There is \$20 billion of annual turnover, and the savings from the alloying total just over \$600 000 per annum. For such a comparatively minor amount of money—it is only two or three years of the Premier’s pension when he eventually retires—it is not worth putting at risk \$20 billion worth of product and industry. That shows a lack of proportion and a lack of understanding of the risk being taken at the Mint. It is another reason the whole episode needs to be fully investigated—who knew and why they engaged in the activity in the way they did. It is very worrying. It was not stopped until an issue was raised about two bars. They were retested and one was found to be compliant and the other was found not to be compliant and had, in fact, been red-flagged in the refinery itself. When we are faced with that situation, we can do one of two things. We can alert the customer, make good and do the right thing in that sense, but what it appears happened at the Perth Mint is that a decision was made not to tell the customer. Unless the customer asks or the gold is re-assayed —

Ms R. Saffioti: What are you referring to?

Mr R.S. LOVE: I am referring to what happened in the report on *Four Corners*. The member is welcome to watch the report. If she has not already, I would be very surprised.

To continue, the Mint, having made the decision not to tell the customer, apparently did not then tell the Premier. This practice was underway from 2018 to 2021. Once the practice had been found out by its customer, the Mint stopped, but did it ascertain the full damage? No. Did it tell the Premier? No. Apparently, someone told the minister a few months later. He found out in January after the revelation in September 2021. The minister responsible found out in January 2022. The Premier apparently found out on 6 March, which is surprising, because I would have thought the journalist asking the questions might have alerted him to the fact that something was going on. I asked questions in this place about the departure of the former CEO and was answered that he had just decided to go early, yet he departed very, very soon after alloying by the Perth Mint was found out. Within a couple of weeks he was gone.

We now know that this three-year program of potentially tainted gold was undertaken for very little return. Over the three years, there was probably less than \$2 million return with \$60 billion worth of gold churned through the refinery. The Premier is right: only one customer will not allow that impurity level in its gold bars. I am sure the gold is what is called four-nine gold—99.99 per cent pure. That is the world standard. I am not saying that it is not that standard, but it did not meet the standard of the customer. That customer had a different standard, and knowing that it did not meet that standard, the Perth Mint did not alert the customer. That is not good business practice at all.

We know that the Treasurer and Treasury guaranteed the gold that the Perth Mint holds and its transactions. It does not get the Western Australian taxpayer off the hook at all. If something had to be done with that gold—if it had to be recast or re-refined—there would be a cost to the Perth Mint. The Premier pointed out that a lot of the gold has been used in jewellery et cetera. However, I am sure that some of it is still sitting in bullion; we just do not know what those costs are. That is why I asked today whether the Mint had taken any steps to quantify these costs from either the fines and penalties from the AUSTRAC inquiry or the other inquiry that the Premier mentioned relating to the US model code, which I will get to in a minute.

It is very worrying when the Perth Mint’s troubles attract the attention of the LBMA, which is the independent authority for precious metals around the world. It used to be called the London Bullion Market Association, but it goes by just LBMA nowadays. It states that it maintains the highest standard for responsible sourcing and takes very seriously the allegations relating to the Perth Mint. It invoked an incident review process on 9 March. That process will run its due course. If the Perth Mint is found to have been trading in gold not of the correct standard, it could fall off what is known as the good delivery list. If you fall off the good delivery list, you get on the former delivery list, which means you will not be delivering much gold. That is a huge risk to a business with a \$20 billion turnover whose business is selling that gold. The amount of risk that has been taken on by this management team for the amount of return is stupendously out of whack. It shows the culture that has grown over the years. Perhaps it is because of the secrecy that surrounds the Perth Mint. We know that under sections of the Gold Corporation Act 1987, there are severe penalties for anyone who speaks out. Penalties range from imprisonment for one to five years,

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depending on which transgression of information flow it may be, and which class of person they may be when they do that. I think that is contributing to an organisation that has a very closed culture. It is not open to new ideas and it is not open to people airing complaints—that is, alerting the Premier; Treasurer when there is an issue that he should be alerted to. To have sat on that information for three years and not told the Premier is very worrying and I believe the Premier should be anxious to get to the bottom of it all so that he can be assured that the organisation he guarantees and that he as minister is in charge of is acting in the best interests of the state.

I am running out of time, but another matter I want to talk about briefly is the American situation. Twenty-three states have that particular model code. The Perth Mint could have done a number of things when it found that after 25 years it had failed to understand the requirement to give people gold when they bought it. Instead of keeping it in your own moneybox at home, you have to send it over there; that is what the code says. The Perth Mint could have applied for an exemption as a government organisation; that might have been granted in some of the states. It could have just traded in the 27 other states and not worried about those 23 or it could have made good the situation with the customers in those 23 states if nothing else could have been done. But it chose to ignore that it was contravening that code, that law, in the 23 states and just kept trading. An internal document spoken about on *ABC News* last night revealed that the Perth Mint made a conscious decision to accept advice that had been provided to it that one acceptable technique in this situation would be to continue trading as you were because you already have a historical legacy and it was not going to matter. Again, I think that shows a reckless disregard for the law and the regulations by which an organisation such as Perth Mint needs to abide when trading. If a business is trading in 130 countries \$20 billion worth of product and holding \$6 billion in reserve, it should have a pretty good idea of all the financial regulations around the world. If it is not able to do that, it should get out of that business and be more of a wholesaler instead of trying to retail to 27 000 people on a phone app and 60 000 customers around the world. Goodness knows how many transactions it is handling without the proper information flow.

There are good people who want to shine a light on this story and the governance breakdowns. As I said, there is draconian legislation around the Perth Mint. A royal commission would be a great way for people to come forward in safety and give their evidence about what they know. These people have been inside the organisation. I will finish with the words of one person I spoke to. After indicating the good insight that they had into the Gold Corporation and the Perth Mint, they said that they could not be quoted because they feared the legal ramifications under that law. They feared being detained for one to five years at His Majesty's pleasure. They finished by saying to me, "Maybe the Premier could grant permission for us to speak up." I will say that again: "Maybe the Premier could grant permission for us to speak up." Maybe you could, Premier, by calling a royal commission into the goings-on at the Perth Mint.