

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

REVIEW OF THE FOUR MAJOR BANKS

CBA

CBA23QW: Anti-money laundering:

(a) Can you please provide a copy of your anti-money laundering, or like, policy?

(b) How many cases have you reported to AUSTRAC over the past decade?

(c) Of those cases, how many relate to:

(i) money laundering?

(ii) terrorist financing?

(iii) organised crime?

(iv) human trafficking?

(v) child exploitation?

(vi) crimes of a sexual nature?

(vii) other serious crimes not captured by (i) – (vi)?

(d) Can you please provide an update on your initiatives, including details of programs, staff numbers and financial resources toward initiatives to combat:

(i) money laundering?

(ii) terrorist financing?

(iii) organised crime?

(iv) human trafficking?

(v) child exploitation?

(vi) crimes of a sexual nature?

(vii) other serious crimes not captured by (i) – (vi)?

(e) How frequently have you reported to AUSTRAC on a scheduled basis over the past decade?

(f) Please outline the occasions you have reported to AUSTRAC on an ad hoc basis over the past decade?

- (g) Over the past decade, how many AUSTRAC investigations into the bank have been:
- (i) opened
 - (ii) completed with penalties
 - (iii) completed without penalties
 - (iv) abandoned
- (h) How many fines have been paid to AUSTRAC over the past decade, and what were their values?
- (i) Have any AUSTRAC notifications or investigations resulted in terminations of employment or other penalties for employees?
- (j) Have any AUSTRAC notifications or investigations resulted in terminations of employment or other penalties for executives?
- (k) What staff training is provided to assist anti-money laundering and other serious crime detection?

Answer:

- (a) The CBA Group AML/CTF Policy sets out the AML/CTF principles which apply to all entities of CBA and its subsidiaries. The policy contains principles in relation to:
- The identification, mitigation and management of ML/TF risk
 - Governance
 - Training and Awareness
 - Customer Due Diligence including On-going Customer Due Diligence
 - Employee Due Diligence
 - Outsourcing and agents
 - Reporting
 - Record-keeping
 - Independent Review
 - The Customers and transactions that are outside the Group's ML/TF risk tolerance

All CBA Group entities are required to comply with the Group AML/CTF Policy irrespective of their geographic location. Where the laws of a particular overseas jurisdiction are of a higher standard than that prescribed in the Australian Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth), then the higher standard is to be applied. For further information please refer to: www.commbank.com.au/about-us/opportunity-initiatives/opportunity-from-good-business-practice/sustainable-business-practices/anti-money-laundering-and-counter-terrorism-financing.html.

(b) The AML/CTF Act provides for measures to detect, deter and disrupt money laundering, the financing of terrorism, and other serious financial crimes in Australia. Among those measures, the AML/CTF Act requires reporting entities, including CBA, to submit various reports to AUSTRAC as part of a broader risk mitigation framework. The reports that CBA submits include:

- Threshold transaction reports (TTRs). CBA is required to submit threshold transaction reports for transfers of physical currency of AUD \$10,000 or more (or the foreign currency equivalent). TTRs are due to AUSTRAC within 10 business days after the date of the transaction.
- International funds transfer instruction reports (IFTIs). CBA must submit [international funds transfer instruction reports \(IFTIs\)](#) for transfers of funds of any value into or out of Australia, made either electronically or under a [designated remittance arrangement](#). IFTIs are due within 10 business days after the transfer instruction is sent or received.
- Suspicious matter reports (SMRs). CBA must submit suspicious matter reports whenever we have formed a suspicion on reasonable grounds that a customer or transaction is related to criminal activity. SMRs are due within 24 hours of CBA forming a suspicion if the matter relates to terrorism financing, or within three business days for suspicions relating to any other offences. SMRs are made available to law enforcement through AUSTRAC.

CBA submits TTRs, IFTIs, and SMRs to AUSTRAC on a daily basis, using AUSTRAC's online reporting system, 'AUSTRAC Online.'

Further information provided on a confidential basis.

(c) Provided on a confidential basis.

(d) CBA continues to strengthen its financial crime capabilities, and has invested significantly, recognising the crucial role that it plays, including in its AML/CTF Compliance team and through the Program of Action with coverage across all aspects of financial crime (including anti-money laundering/counter-terrorism financing, sanctions and anti-bribery and corruption) and all business units. The Group has dedicated significant resources to running the Program of Action.

CBA employs staff with expertise in analysing transactions with a view to identifying suspicious patterns. It is not possible to divide these staff numbers into the requested categories above as most staff will work across a range of these areas of concern.

(e) Provided on a confidential basis.

(f) See response to (e).

(g) AUSTRAC commenced proceedings on 3 August 2017 in the Federal Court of Australia, seeking declarations that CBA had contravened various provisions of the AML/CTF Act (the Proceedings). The resolution of the Proceedings was approved by the Federal Court on 20 June 2018 with CBA paying a civil penalty in the amount of AUD \$700 million plus AUSTRAC's legal costs.

CBA is not aware of any other investigations that may have been opened by AUSTRAC but either abandoned or completed without penalties.

(h) See Question 1(g) above. Apart from the civil penalty paid in connection with the resolution of the Proceedings, CBA has not paid any additional fines to AUSTRAC.

(i) Following the commencement of the Proceedings, CBA released its 'Statement from the Commonwealth Bank of Australia Chairman of the Board' from Catherine Livingstone AO, dated 9 August 2017.

The Chairman noted in her statement that in response to the statement of claim filed in the Proceedings, *"the Board's immediate action has been to reduce to zero the Short-Term Variable Remuneration outcomes for the CEO and Group Executives for the financial year ended 30 June 2017, as well as reduce fees for non-executive directors by 20 per cent during the current 2018 financial year."*

Some executives below the level of Group Executive have also faced impacts on their remuneration, and there have been changes in responsibilities in divisions that manage CBA's AML obligations.

As Commonwealth Bank has acknowledged, a complex set of factors contributed to the unacceptable compliance failures that were the subject of the AUSTRAC action. These actions were not limited to any individual or single team of individuals, nor were they the result of deliberate misconduct on behalf of any employee.

(j) See Question 1(i) above.

(k) As part of recent initiatives to uplift financial crimes compliance capability, CBA has invested in further resourcing and strengthening the training of its personnel.

In addition to uplifting the Group Mandatory Learning for all staff and targeted training for specified high-risk roles, the Group is implementing a holistic approach to strengthen role-based training across the Group. This approach includes mapping learning outcomes to specific roles and obligations, and

delivering targeted collateral with a human-centred approach to drive appropriate behavioural change and create a stronger risk culture.

In addition to the above, we also refer to the Statement of Agreed Facts and Admissions (SAFA), which was annexed to the settlement approval for the Proceedings and is available on CBA's website. In relation to AML/CTF training, the SAFA provides further details on enhanced training provided to the Transaction Monitoring and Customer Risk teams, including compulsory training in respect of the AML/CTF Act and AML/CTF Rules, CBA's reporting and customer monitoring obligations, financial crimes typologies and offence types, use of electronic systems and tools available to the teams for the purpose of transactional and customer analysis, and ad hoc additional areas of focus.

The SAFA also refers to CBA's recent assessment and refresh of its financial crime training program, with a focus on building financial crime capability across CBA. This includes tailored programs for specific business units and teams within CBA where those personnel have responsibility for certain transaction monitoring activities or suspicious matter reporting, engage with customers, or are in senior positions.