

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

REVIEW OF THE FOUR MAJOR BANKS

NAB

NAB59QON:

Dr MULINO: Thanks for coming to give evidence today. I want to start with an issue that was reported late last year, which I asked a couple of questions of Mr Cronican about. It was the AML/CTF issues that were identified. This really follows on from some of the issues that Ms Hammond was talking about in relation to some of the non-financial risks. I'm just curious as to what actions have been undertaken following on from the identification of those issues?

Mr McEwan: We've got a major program here, running through the organisation, on anti-money laundering and knowing your customer. I assume you're talking about those issues.

Dr MULINO: Yes.

Mr McEwan: We've had a program running for a couple of years. We've got about 1,000 people now who are working on this part of the organisation to pick up on the point that Ms Hammond talked about: payments going in and out of the system and identifying what looks strange. We've been doing work on making sure we know in detail who our customers are and what activities they're involved in so that we can start detecting. We still have a lot to do. We've made very good progress, in my mind, but we still have a lot to do, and we need to be very open with the committee on that. But we have a program that we've shared with AUSTRAC. We've taken them through all the milestones we believe we'll achieve. It comes through a committee on this every month. It comes up to the board at the board meetings, and we do report regularly through into AUSTRAC on progress. This is to me a vital issue of keeping Australia safe and stopping parties that shouldn't be operating in the Australian marketplace operating here. So we don't see this as just 'we need to do this to stay out of trouble'. We need to make Australia safe, and that's the basis we've gone into it on as well. But there is lots of work still to do.

Dr MULINO: Are you able to identify how many extra staff and also how much extra investment in IT has been undertaken in the last six and 12 months? You might need to take that on notice.

Mr McEwan: I can give you an example. We can probably give you those numbers. If you look back, in 2018 we would have had about 200 staff in this area.

Mr Dooley: In the front line, and then a much smaller number on the subline.

Mr McEwan: A smaller number in the back. Right now, in our centralised area for looking after these areas, there's 1,000 staff, and now, on a remediation program, we're actually putting in another 200 to speed up the remediation and get our data into a much, much better shape. But our core numbers, not just in our front line but in our core operating parts of the bank, are about 1,000 colleagues working on this.

Answer:

NAB is continuing to enhance its AML/CTF capabilities to detect, deter and disrupt the flow of illicit funds to prevent crimes that harm the communities we operate in. Since 2017, NAB has invested ~\$300m to identify and address deficiencies in the financial crime prevention systems and controls. Sizable investment was made in hiring local and international AML/CTF expertise to design and operate a sustainable program and replacing ineffective legacy technology that was approaching end-of-life.

The size of the team performing AML/CTF duties grew from approximately 200 in 2018 to approximately 1000 in 2019 (614 in Financial Crime Operations, 68 in Financial Crime Risk, 164 in IT and 138 in transformation program).

In 2020, the number grew by another 150, predominantly in the technology and operations functions. NAB has 8 specialist roles dedicated to supporting the FINTEL Alliance, which is a first of its kind public private partnership between AUSTRAC and peer banks. An additional 200 FTE is targeted for hire by the end of 2020 to support ongoing remediation.

NAB spent \$53m on technology in 2020, compared to \$33m in 2019, and will continue to invest in a multi-year data and technology strategy to meet global standards.