

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

REVIEW OF THE FOUR MAJOR BANKS

Westpac Banking Corporation

WBC28QW: In relation to the approximately 23 million breaches of Australia's money laundering and financing of terrorism laws by Westpac which have been identified by AUSTRAC:

(a) what was the net profit to the bank accrued across those transactions?

(b) what was the net profit to the bank accrued across those transactions that AUSTRAC has now identified as potentially supporting child exploitation?

Answer: (a) AUSTRAC alleges that Westpac failed to:

- a) report 19,502,512 international funds transfer instructions (IFTIs) within the required time period;
- b) pass to another financial institution information about the origin of the international funds transfers on 10,521 occasions; and
- c) retain records of the origin of funds in relation to 3,516,238 IFTIs.

Westpac estimates that it made a net profit of \$1,874,166 from the transactions that are the subject of these allegations over the relevant period (November 2013 to November 2018). This estimate:

- includes transaction fees and estimated foreign exchange margin;
- includes expenses charged by Westpac's Nostro service provider in relation to the transactions; and
- does not include indirect expenses that would have been incurred by Westpac, such as costs of use of payment channels, operating costs and technology costs, as these are difficult to quantify and attribute to particular transactions.

The majority of these transactions were inbound recurring payments from corporates and government pension funds to people living in Australia, made through our Australasian cash management product.

(b) The Westpac Board and senior management are devastated that anyone may have been exposed to a risk of harm as a result of any failing by Westpac. Westpac is carefully analysing the allegations made in paragraphs 92 to 115 of AUSTRAC's Statement of Claim regarding transactions that

were processed by Westpac and which AUSTRAC alleges were consistent with child exploitation typologies. This analysis is complex and will take time to complete. Westpac is not currently in a position to calculate what its net profit (if any) was from those transactions.