

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

REVIEW OF THE FOUR MAJOR BANKS

Westpac Banking Corporation

WBC29QW: 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 Westpac Group AML/CTF Policy sets out the key principles and measures that Westpac follows to comply with its AML/CTF obligations. A summary of the Policy is available on the Westpac website at <https://www.westpac.com.au/about-westpac/westpac-group/corporate-governance/aml-counter-terrorism/aml-group-policy/>.
- (b) One of Westpac's key roles is to analyse transactions to identify suspicious activity and report this information to the authorities. Westpac reports suspicious matters to AUSTRAC in accordance with the requirements of section 41 of the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth) (**AML/CTF Act**). The "tipping off" provisions under section 123 of the AML/CTF Act strictly limits the disclosure of information related to suspicious matters that Westpac has reported to AUSTRAC. We are therefore unable to provide any further information.
- (c) Please refer to our response to part (b).
- (d) Westpac continues to progress a program of work to improve its management of financial crime risks (including Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF), sanctions, Anti-Bribery and Corruption, FATCA and Common Reporting Standards). This work includes a review of our AML/CTF policies, the completeness of data feeding into our AML/CTF systems and our AML/CTF processes and controls. Westpac continues to implement a number of improvements to its AML/CTF Program, governance, policies, systems and controls together with related remediation work in respect of certain controls and reporting practices. These efforts relate to matters such as customer on-boarding, customer and payment screening; ongoing customer due diligence, transaction monitoring and regulatory reporting (including in relation to International Funds Transfer Instructions (IFTIs), Suspicious Matter Reports and Threshold Transaction Reports).

On 24 November 2019, Westpac also released its Response Plan (the Plan) in response to the issues raised by AUSTRAC's civil proceedings against Westpac.

The Plan released by Westpac includes a comprehensive set of actions across three areas:

Immediate fixes, including closing two products;

Lifting our standards, including priority screening and improving cross-industry data sharing; and
Protecting people, including investments to reduce the human impact of financial crime.

In relation to the immediate fixes component of the Plan, the majority of these actions have already been completed. Westpac is moving quickly on the other aspects of the Plan and will provide regular updates to stakeholders. The Plan and all updates are available on the Westpac website at <https://www.westpac.com.au/about-westpac/media/austrac-civil-proceedings/>

- (e) Westpac regularly engages with AUSTRAC in relation to its intelligence, compliance and policy making functions. From a compliance perspective, Westpac provides updates to AUSTRAC on a regular periodic basis. Westpac also submits an annual compliance report to AUSTRAC on how Westpac has met its AML/CTF compliance obligations. The compliance report is a requirement under section 47 of the AML/CTF Act.
- (f) Please refer to our response at part (e).
- (g) The only AUSTRAC investigation into Westpac which we are aware of relates to the civil proceedings that AUSTRAC launched against Westpac on 20 November 2019.
- (h) Westpac has not paid any fines to AUSTRAC.
- (i) In response to the issues raised by AUSTRAC's civil penalty proceedings against Westpac, the Westpac Board determined that either all or part of the grant of the 2019 Short Term Variable Reward will be withheld for the full Executive team and several members of the general management team subject to the assessment of accountability. Promontory has been appointed to undertake the accountability assessment as part of the External Accountability and Financial Crime Review outlined in Westpac's Response Plan (see paragraph (d) above). Westpac will make the Review's recommendations public.
- (j) In response to the issues raised by AUSTRAC's civil penalty proceedings against Westpac, the Westpac Board determined that either all or part of the grant of the 2019 Short Term Variable Reward will be withheld for the full Executive team and several members of the general management team subject to the assessment of accountability. Promontory has been appointed to undertake the accountability assessment as part of the External Accountability and Financial Crime Review outlined in Westpac's Response Plan (see paragraph (d) above).

Westpac will make the Review's recommendations public.

- (k) Westpac provides AML/CTF training to Westpac employees appropriate to the nature, scale and complexity of their role. At a minimum, all Westpac employees must complete the 'Doing the right thing in Westpac' training which includes a module on AML/CTF. Westpac employees that are in roles defined as 'increased risk roles' are required to complete an additional mandatory AML/CTF training module.