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Senate Standing Committees on Economics
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Parliament House
Canberra ACT 2600

Veda is a data analytics company, best known for consumer credit reporting but also a leading provider of on-line solutions for fraud, identity and credit risk issues.

We welcome the References Committee inquiry into a rapidly emerging issue. Wherever there is something of value, there will be fraud and money laundering – regardless if it is cash, property or a painting. Ascertaining as to whom regulatory obligations should fall and how accountability is enforced is a significant challenge, and we look forward to the Committee’s deliberations.

Regarding digital currencies, even if participants wished to avail themselves of basic features such as identity verification, the lack of legislative certainty hampers their access. We note the Anti-Money Laundering and Counter-Terrorism Financing Act (AML-CTF) requires basic identity checking. AUSTRAC has issued rules provide clear guidance on achieving identity safe harbour, requiring verification of:

- i. customer's name and residential address using reliable and independent electronic data from at least two separate data sources, and either*
- ii. customer's date of birth using reliable and independent electronic data from at least one data source, or*
- iii. that the customer has a transaction history for at least the past 3 years.*

Safe harbour, needing to satisfy three elements (name; DOB and address), from two separate “reliable” and ‘independent’ data sources, has provided impetus to find diversified ways to test identity claims. In short, market forces created solutions to what the regulations demanded. Today, the three data elements making up safe harbour are routinely met, on-line, with ease and low cost.

However, while identity can be verified against multiple public databases, (eg telephone directory), critical sources with very wide applicability and high integrity have their access restricted to those entities verifying identity for an AML-CTF purpose. In other words, even if a digital currency participant wanted to verify identity, their capacity to do so would be inhibited by restrictions in the best identity sources, as listed below:

Electoral roll

Section 91A of the *Commonwealth Electoral Act 1918* provides that information from the roll must not be used except for a permitted purpose. AML-CTF is one purpose, and organisations given access are individually gazetted by regulations under subsection 90B (4) of the Act.

Government-issued documents

The Attorney-General's Department's Document Verification Service enables on-line verification of government issued documents including drivers licences; medicare cards; passports; and visas. Current access rules requires an applicant for use to cite a Commonwealth legislated requirement - such as the AML-CTF Act.

Credit reporting information

Use of select personal information held by credit reporting bodies can be used for an identity purpose – but only to meet AML-CTF Act. This very limited carve out under the *Combating the financing of people smuggling and other measures Act 2011*.

Obligations under anti money laundering and counter terrorism financing are well understood for those entities captured. What is not clear is whether or not they apply to digital currencies, and to whom they would apply.

AML-CTF legislation is under review on two fronts; a scheduled legislative review conducted by the Attorney General's Department and an assessment of Australia's AML-CTF effectiveness conducted by Financial Action Task Force (FATF). Between these two processes, and the Economics Reference Committee inquiry, there is an opportunity to identify and close the gaps in AML-CTF coverage, including applicability to digital currencies.

As a provider of due diligence and identity verification services, Veda welcomes any clarity the Committee can bring to digital currencies. We recommend AML-CTF obligations should apply and in doing so, this will give access to the most efficient and trusted identity verification sources.

Regards

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