



Economics Legislation Committee

Currency (Restrictions on the Use of Cash) Bill 2019

AUSTRAC responses to Questions on Notice

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AUSTRALIAN TRANSACTION REPORTS AND ANALYSIS CENTRE**

**Parliamentary Inquiry
Spoken Question on Notice**

Economics Legislation Committee
Inquiry into Currency (Restrictions on the Use of Cash) Bill 2019

6 December 2019

QoN Number: 001

Subject: Breakdown of the 2.6 million dollar transactions

Asked by: Katy Gallagher

Question:

Senator GALLACHER: Finally from me, are the 2.6 million transactions people going to their bank and taking out \$15,000, or is that going to your bank and putting in \$15,000?

Mr Chin: It's both.

Senator GALLACHER: That's what it is? A nod doesn't get on Hansard.

Ms Haigh: Yes.

Mr Chin: Yes, that's right.

Senator GALLACHER: So that's just simple transactions which the bank report where cash moved across their counter, either in or out, over \$10,000?

Mr Chin: Yes.

Senator GALLACHER: Two point six million?

Ms Haigh: That's right.

Senator GALLACHER: And 160 million was business doing business—people paying wages, buying things?

Ms Haigh: I don't think at this stage we can provide you with a further breakdown of exactly what that 2.6 million was. We will take that on notice and provide some more information about how we use that information, with the rest of our holdings, to give you some figures around the financial intelligence reports that are generated as a result, if that would be helpful.

Answer:

Please refer to QoN Number: 007.

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**Parliamentary Inquiry
Spoken Question on Notice**

Economics Legislation Committee
Inquiry into Currency (Restrictions on the Use of Cash) Bill 2019

12 December 2019

QoN Number: 002

Subject: Submission to Inquiry

Asked by: Rex Patrick

Question:

Senator PATRICK: My first question is: noting that we hold these inquiries to work out whether to pass, amend or reject legislation, and you would appear to be one of the beneficiaries of this particular legislation, why did AUSTRAC not make a submission to this inquiry? Who made that decision?

Ms Haigh: AUSTRAC didn't make a submission to the inquiry on the basis that we were a member of the Black Economy Taskforce throughout the process, and, as part of those recommendations, AUSTRAC's reporting entities are exempt from the application of the cash payments limit. Our views on the cash payment limit were taken into account during the Black Economy Taskforce process, and we engaged regularly with Treasury throughout the development of this bill.

Senator PATRICK: Respectfully, that doesn't answer my question. We're trying to understand the benefits of this particular legislation. You are in fact the entity that would receive this information, and you don't feel it necessary to describe to the Senate exactly how you might use this information, to allow us to read in advance of your appearing as to how you intend to benefit from this, such that we're not bogged down asking the sorts of questions—very good questions—that Senator Gallacher was asking? Who made that decision not to submit?

Ms Haigh: I'd have to take that on notice.

Answer:

The AUSTRAC Executive decided not to make a submission to this inquiry.

The cash payment limit is a Treasury-led initiative. AUSTRAC provided comment on the proposal through our participation in the consultative processes conducted by the Black Economy Task Force (BETF). Treasury has provided a submission to this inquiry.

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**Parliamentary Inquiry
Spoken Question on Notice**

Economics Legislation Committee
Inquiry into Currency (Restrictions on the Use of Cash) Bill 2019

12 December 2019

QoN Number: 003

Subject: Rate of increase in the number of registrations

Asked by: Rex Patrick

Question:

Senator PATRICK: Could you provide the committee, on notice, the rate of increase in the number of registrations? Are you saying it only started last year?

Ms Haigh: Yes. We became responsible for this in April 2018. As at 30 November, there were 306 digital currency exchange providers registered with us.

CHAIR: Do you track the total volume of exchanges, the value of exchanges? Do you know how much money is going through each of those exchanges?

Ms Haigh: I will take that on notice. I would say the answer is no because we don't regulate the currency, but I can clarify that with my colleagues and provide you with a definitive answer.

Answer:

As at 7 January 2020, 310 digital currency exchanges were actively registered with AUSTRAC. Between April and August 2018, AUSTRAC received between 20 and 45 new registrations per month. Since that time, monthly registrations have remained below 20.

A full overview of monthly registration numbers is provided below. (Please note that the figures in the table do not align due to registration cancellations or removals that have occurred over time.)

MONTH	REGISTRATIONS	TOTAL REGISTRATIONS
Apr-18	45	44
May-18	58	102
Jun-18	20	122
Jul-18	23	145
Aug-18	35	180

Sep-18	13	192
Oct-18	12	204
Nov-18	21	219
Dec-18	14	232
Jan-19	13	244
Feb-19	12	254
Mar-19	5	259
Apr-19	0	242
May-19	2	241
Jun-19	17	258
Jul-19	16	272
Aug-19	13	284
Sep-19	5	285
Oct-19	10	293
Nov-19	10	302
Dec-19	9	310

AUSTRAC does not monitor the total volume of digital currency exchanges, and does not monitor the total amount of money that passes through digital currency exchanges.

Please also refer to AUSTRAC's response to QON Number 004 for further information regarding digital currency exchange reporting obligations.

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**Parliamentary Inquiry
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Economics Legislation Committee
Inquiry into Currency (Restrictions on the Use of Cash) Bill 2019

12 December 2019

QoN Number: 004

Subject: Cryptocurrency

Asked by: Rex Patrick

Question:

Senator PATRICK: Perhaps on notice you could provide the committee with any thoughts that AUSTRAC may have, noting your limited visibility and the registration activities that you have on the question I raised about whether or not this bill will drive people into the cryptocurrency space and, if indeed that were to occur, whether or not you would be able to deal with it effectively.

Ms Haigh: Yes, certainly; we can do that.

Senator PATRICK: Thank you.

Answer:

AUSTRAC considers that it is unlikely that the implementation of the cash payment limit will drive people into the cryptocurrency space at this point in time. Despite being available for the past ten years, cryptocurrencies remain a relatively niche market. The price of virtual assets is volatile, and the ability to use cryptocurrency in the course of every day consumer and business transactions is limited.

Australia was among the first countries to respond to the ML/TF risks posed by virtual assets, extending AML/CTF regulation to digital currency exchanges in December 2017.

Since April 2018, AUSTRAC has regulated digital currency exchanges that facilitate the exchange of money (fiat currency) to virtual assets and vice versa.

Digital currency exchanges have obligations under the AML/CTF Act to:

- register and enrol with AUSTRAC
- identify and verify their customers
- adopt and maintain an AML/CTF program that mitigates and manages the business's money laundering and terrorism financing risks

- report suspicious matters and threshold transactions to AUSTRAC, as well as compliance reports
- keep records relating to customer identification, transactions, and the business' AML/CTF program.

As at 7 January 2020, AUSTRAC had 310 registered DCE providers.

AUSTRAC is monitoring the emerging risks associated with virtual assets.

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**Parliamentary Inquiry
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Economics Legislation Committee
Inquiry into Currency (Restrictions on the Use of Cash) Bill 2019

6 December 2019

QoN Number: 005

Subject: Cash transactions

Asked by: Alex Gallacher

Question:

Senator GALLACHER: Bear with me, I pay \$11,000 in cash now and it is completely legal, no problem. After the inaction of this bill if it's through an ABN holder that will have to be done electronically or it will be illegal. Is that right?

Ms Haigh: That's my understanding.

Senator GALLACHER: How many more transactions are you going to see? Has anybody done the snapshot of that?

Ms Haigh: That would be a question I would have to take on notice.

Answer:

Any analysis of the regulatory impacts of the cash payment limit (CPL), including impacts on the community and businesses, are a matter for Treasury.

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**Parliamentary Inquiry
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Economics Legislation Committee
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6 December 2019

QoN Number: 006

Subject: Black Economy taskforce

Asked by: Alex Gallacher

Question:

Senator GALLACHER: Did the Black Economy Taskforce attempt to guesstimate how much increased work AUSTRAC and other entities who do this reporting were going to see?

Ms Haigh: I'd have to take that on notice.

Answer:

Please refer to QoN Number: 005.

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**Parliamentary Inquiry
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Economics Legislation Committee
Inquiry into Currency (Restrictions on the Use of Cash) Bill 2019

6 December 2019

QoN Number: 007

Subject: Intelligence interest

Asked by: Alex Gallacher

Question:

Senator GALLACHER: What percentage of your 2.6 million are in the intelligence interest area?

Ms Haigh: All of them, I would say. But I might defer to my colleague Richard Chin.

Mr Chin: Senator, certainly you're correct in the sense that there is a reasonable proportion. What that proportion is we can't say definitively.

Senator GALLACHER: Can you take that on notice?

Mr Chin: Yes, absolutely. But, as to your points, we have to combine that information with a lot of other information that we receive, including the suspicious matter reporting from our regulated entities, as well as our work with law enforcement and other agencies to give context to those transactions. That's where the value really is.

Answer:

AUSTRAC considers that all Threshold Transaction Reports (TTRs) are of potential intelligence value. TTRs are designed to detect and monitor a known high-risk money laundering typology – namely, the placement, movement and integration of large quantities of illicit cash into the financial system.

Cash has long been recognised as the lifeblood of the criminal economy. Many illicit markets, such as the illicit drug and firearms markets, still rely heavily on cash. As a result, criminals often accumulate large quantities of illicit cash that need to be placed and integrated into the legitimate economy.

Reporting of TTRs from the various industry sectors AUSTRAC regulates enables us to detect another high-risk money laundering typology known as 'scattering' - when criminals attempt to deposit large amounts of illicit cash across different institutions (such as different banks) to avoid triggering suspicions in individual institutions. This

is particularly important for detecting money mules and identifying money laundering networks, including new persons of interest beyond known suspects.

TTRs have provided valuable intelligence on major crime threats such as the black economy, tax evasion, money laundering through casinos and casino junkets, and cross-border cash smuggling. Analysis of TTR data (amongst other datasets) also allows AUSTRAC to assess money laundering and terrorism financing risks across reporting entity sectors. Similarly, TTRs when matched with other sources of information enable AUSTRAC's regulatory function to identify serious and at times systemic non-compliance among reporting entities.

In addition to AUSTRAC's use of TTRs for financial intelligence, a wide range of our partner agencies (law enforcement, national security, revenue protection, and social welfare agencies) also access and use AUSTRAC information.

Efforts made to avoid a TTR can also provide financial intelligence value. Often, criminals and other individuals who want to obscure illicit wealth will attempt to avoid TTR reporting obligations by making multiple cash deposits of less than \$10,000. This money laundering typology is known as "structuring", and is an offence under s.142 of the Anti-Money Laundering and Terrorism Financing Act 2006.

When a reporting entity identifies a customer engaging in suspected structuring activities, they will submit a suspicious matter report to AUSTRAC. These reports allow AUSTRAC and law enforcement to identify individuals who are actively seeking to obscure their financial activities.

The intelligence value of some TTRs may only become apparent at a later time. For example, a TTR may not become relevant to an investigation until future information surfaces linking the original report to suspected criminality.

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6 December 2019

QoN Number: 008

Subject: Red Flag

Asked by: Slade Brockman

Question:

CHAIR: Okay. On notice, then, can you tell us what percentage you red-flag? You must then analyse a percentage of those as suspicious transactions.

Mr Chin: Yes.

CHAIR: So can you give us some sense of that or take that on notice?

Mr Chin: We'll have to take that on notice, and it is informed by the context from other sources of data. I also note that money laundering is sometimes perpetrated in a way that is deliberately set up to look innocuous on occasion, so we need to be able to work out where that is.

Answer:

Please refer to QoN Number 007.