

SUBMISSION TO:

*ANTI-MONEY LAUNDERING AND COUNTER TERRORISM
FINANCING AND OTHER LEGISLATION AMENDMENT BILL 2019*

AUSTRALIAN CHRISTIAN LOBBY



Committee Secretary
Legal and Constitutional Committee (Senate)
Parliament House
Canberra ACT 2600
LegCon.Sen@aph.gov.au

13 December 2019

Dear Sir/Madam,

The Australian Christian Lobby welcomes this opportunity to make a submission to the Inquiry into Anti-Money Laundering and Counter Terrorism Financing and other Legislation Amendment Bill. Our submission is attached along with a request that the legislation include money-laundering which occurs in the sex-trade throughout Australia.

Please feel free to contact me should you require any further information or clarification. I would also request an opportunity to speak to the committee regarding our submission. Thank you.

Yours sincerely,

Wendy Francis
Qld and NT Director
Spokesperson for Women and Children

About Australian Christian Lobby

Australian Christian Lobby's vision is to see Christian principles and ethics influencing the way we are governed, do business, and relate to each other as a community. ACL seeks to see a compassionate, just and moral society through having the public contributions of the Christian faith reflected in the political life of the nation.

With more than 170,000 supporters, ACL facilitates professional engagement and dialogue between the Christian constituency and government, allowing the voice of Christians to be heard in the public square. ACL is neither party-partisan nor denominationally aligned. ACL representatives bring a Christian perspective to policy makers in Federal, State and Territory Parliaments.

acl.org.au

Introduction

The Australian Christian Lobby welcomes this inquiry into Anti-Money Laundering and Counter Terrorism Financing and other Legislation Amendment Bill 2019.

The ACL submits that the sex industry be included in any legislation intended to address money laundering.

There is considerable evidence that the sex industry – legal and illegal – attracts the activities of bikie gangs, drug-trafficking, human-trafficking and other criminal practices, many of which depend on opportunities for money laundering to thrive.

In some Australian jurisdictions, such as the Northern Territory, brothel operators are not required to be permanent residents.

Recommendations

1. That the sex industry be examined in the course of this inquiry. Any industry in which there is a prevalence of cash payments is an ideal avenue for money laundering.
2. That this inquiry investigate use of crypto currency as a means of money laundering in the sex industry and the area of child sexual exploitation.

1. Sex- trade – legal and illegal – a symbiotic relationship

A legalised sex industry does not eliminate illegal exploitation. In all jurisdictions where prostitution has been decriminalised and brothels legalised there is a continued illegal trade often greater than the legal trade. In Melbourne, there are 91 licenced brothels, but around 500 illegal brothels according to Project Respect, a not-for-profit organisation providing support for women in the sex industry and women trafficked for sexual exploitation.¹ This ratio of 4:1 illegal brothels to legal brothels does not seem to have changed since 2011.²

Some illegal brothels are possibly also involved in people trafficking. An illegal brothel in the Canberra suburb of Reid was found to have employed four Thai women who were in breach of their visa conditions or without a valid visa.³ The women were deported. The brothel was operated by two women who were Chinese nationals with a very limited understanding of English.⁴ It is difficult not to question who the masterminds might be behind such operations, but it is unlikely that the women were operating on their own.

According to a senior police officer in Queensland, there is a lack of will to clean up illegal brothels.⁵ Women in the sex industry are never safe – whether they are in legal or illegal premises. Former prostitutes working in legal brothels report having been raped or assaulted but say that it was part

¹ <https://www.sbs.com.au/language/english/the-majority-of-illegal-brothels-are-massage-shops-say-police>

² <https://www.theage.com.au/national/victoria/the-secret-world-of-melbournes-sex-trade-20110304-1bi88.html>

³ <https://newsroom.abf.gov.au/releases/illegal-brothels-in-reid-shut-down>

⁴ <https://www.canberratimes.com.au/story/6001857/alleged-illegal-brothel-madams-face-court/>

⁵ <https://www.news.com.au/lifestyle/relationships/sex/the-crackdown-on-rub-and-tug-parlours-and-how-its-affecting-workers/news-story/f447a9659f203785e1047d3ad3327e83>

of the job. “I’m not shocked by it, but it saddens me because I think violence and murder is part of our job,” sex worker Jessie Lee Pierce told news.com.au after the murder of Michaela Dunn.⁶

Payment in cash

Any industry in which cash, or more recently cryptocurrency, is the preferred form of payment, is a target for money laundering. This is certainly the case in the sex industry as the clients prefer cash in order to maintain anonymity.

Massage parlours are used as a cover for many illegal operations. Payment is generally made in cash, with the girls negotiating the fees for particular services.⁷

Many clients of ‘legal’ brothels also pay in cash and it is difficult to determine how much money is declared in official tax records. Former prostitute, Genevieve Gilbert, estimated that the elite Melbourne brothel ‘Boardroom’ where she worked for seven years would have had an annual income of \$18,817,920.⁸

Illegal brothels have similar turnovers. Multimillion-dollar prostitution rackets have been operating in Melbourne for several years with one of the largest operated by [REDACTED]

[REDACTED]

Organised crime – sex trafficking

Legalised prostitution provides a vestige of respectability over a cluster of criminal activities such as drug trafficking, sex trafficking, and organised crime.

Bikie gangs known to be associated with drug trafficking also have an interest in prostitution. The Comancheros bikie gang in Victoria has interests in brothels, tattoo parlours and gyms.¹⁰ Two bikie gangs, the Rebels and the Finks were planning to move into prostitution activities in South Australia in anticipation of legalisation of prostitution in that State.¹¹ Interestingly, the Rebels, and other bikie gangs have been expanding into South-East Asia.¹²

The AFP and police from Australian States are working with these southeast Asian countries to help them deal with the threat. “Through the National Anti-Gang Squad, Australia is leading the fight against the gangs’ criminal highways through South East Asia”, said former Justice Minister Michael

⁶ <https://www.news.com.au/lifestyle/real-life/news-life/murder-is-part-of-our-job-sex-worker-calls-for-protections-after-sydney-stabbing/news-story/8ccb05130f6a84c20ab04543068ba3b9>

⁷ <https://www.news.com.au/lifestyle/relationships/sex/the-crackdown-on-rub-and-tug-parlours-and-how-its-affecting-workers/news-story/f447a9659f203785e1047d3ad3327e83>

⁸ Genevieve Gilbert, Director, Pinkcross Foundation Australia, a charity supporting people involved in the adult entertainment industry. Response letter to Kate Iselin, author of opinion piece “Liberals endorses Nordic Model’ The Saturday Paper, 18 May 2018, in support of brothel owner Milan Stamekovic. Media release <https://pinkcross.org.au/media-releases/>

[REDACTED]

¹⁰ <https://www.news.com.au/finance/work/at-work/comanchero-bikie-gang-dealt-significant-blow/news-story/4012736831ae5a8f32d4b2beb589947>

¹¹ <https://www.adelaidenow.com.au/truecrimeaustralia/bikie-gangs-preparing-for-the-decriminalisation-of-sex-industry/news-story/88ff370da1b69df56169492dcef6bd24>

¹² <https://www.dailytelegraph.com.au/news/nsw/aussie-bikies-invade-asia-gangs-on-overseas-recruiting-drives/news-story/72076e407345e8b0661a9d21f655aa73>

Keenan. "They are violent predators who profit from the misery of drug trafficking, drug manufacturing, extortion, prostitution and firearms trafficking," he said.¹³

The image of gang members is changing where they are no longer the bearded blue-collar types. The ACT Policing's manager of criminal investigations, Detective Superintendent Scott Moller said members were now free to be "Nike bikies" — young men who preferred designer labels and luxury cars over the old-school motorbikes and leather...If you look at the way organised crime has developed, certainly locally in Canberra, it's not about riding a motorbike, it's about making money."¹⁴

2. Crypto currency prostitution and child sex-trafficking

In Australia we have seen how Westpac allowed 23 million breaches of the law and allowed \$11 billion dollars of transactions related to child sexual abuse. These transactions could be traced. There is another area of potential financial transactions which relate to drug trafficking and child sexual abuse in the area of unregulated bitcoin and cryptocurrencies.

Neil Walsh, chief of the Cybercrime and Anti-Money Laundering arm of the UN's Office on Drugs and Crime, said that the anonymizing and pseudo-anonymizing attributes of cryptocurrencies provide a "new layer of secrecy that favours the criminals."¹⁵

The US is investigating ways of controlling cryptocurrencies. In a testimony to Congress David Murray, vice president for product development and services at Financial Integrity Network, recommended that Congress create a new class of regulated financial institutions known as "virtual asset transaction validators," that is, crypto miners. These validators would have to know who they are dealing with, just like other financial institutions but very much unlike today's miners.¹⁶ Such measures would place significant restrictions on the use of cryptocurrencies and may not be desirable by traders, however some measures of control are necessary.

3. Conclusion

There need to be concerted efforts at eliminating the harms that surround the sex industry. Closing money-laundering loop-holes is one way. Another way is to change the way in which Australian jurisdictions deal with prostitution. ACL recommends the implementation of the Nordic Model as a means of offering protection for women and allowing them real choices in protecting themselves and even exiting from prostitution. The Nordic model decriminalises the selling of sex while making the buying of sex a criminal offence. Under such a system, exploited women would not fear retribution for reporting assault and rape as they would not suffer penalties, but the perpetrators could be brought to account.

¹³ <https://www.dailytelegraph.com.au/news/nsw/aussie-bikies-invade-asia-gangs-on-overseas-recruiting-drives/news-story/72076e407345e8b0661a9d21f655aa73>

¹⁴ <https://www.abc.net.au/news/2019-02-26/bikies-gang-myths-busted-canberra/10847918>

¹⁵ <https://www.coindesk.com/un-official-cryptocurrency-makes-policing-child-trafficking-exceptionally-difficult>

¹⁶ <https://finance.yahoo.com/news/human-trafficking-expert-urges-us-173001024.html>