



Chief Executive Officer

Senator Nita Green
Chair
Senate Legal and Constitutional Affairs Legislation Committee
PO Box 6100
Parliament House
CANBERRA ACT 2600

Via email: legcon.sen@aph.gov.au

Dear Senator Green

Inquiry into the Identity Verification Services Bill 2023 and Identity Verification Services (Consequential Amendments) Bill 2023

Thank you for the Committee's invitation dated 13 October 2023 to make a submission to the abovementioned inquiry. As you are aware, AUSTRAC is Australia's anti-money laundering and counter-terrorism financing (AML/CTF) regulator and financial intelligence unit (FIU).

AUSTRAC's dual role

As a regulator, AUSTRAC oversees the compliance of more than 17,000 Australian businesses ('reporting entities') with the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (AML/CTF Act) and associated Rules. AUSTRAC's regulated population includes a broad range of businesses. These businesses must comply with obligations in the AML/CTF Act, and implement effective AML/CTF systems and controls to identify and mitigate money laundering and terrorism financing risk.

As Australia's FIU, AUSTRAC is the custodian of the financial data received from reporting entities. AUSTRAC provides financial transaction data and actionable financial intelligence to partner agencies (including law enforcement, national security and regulatory agencies) and international counterparts. Partner agencies use this information to assist them to detect, prevent and disrupt money laundering, terrorism financing and other serious crime.

The Attorney-General's Department is the relevant policy lead on these legislative reforms. On this basis, AUSTRAC defers to the department's specific views on the bills.

Identity verification services

Efficient and secure identity verification services enable reliable and independent verification of a person's identity.

A core obligation under the AML/CTF Act is the requirement for reporting entities to conduct customer due diligence ('know your customer'/KYC procedures). These procedures reflect AML/CTF obligations to collect KYC information about the customer and beneficial owner, and verify it using 'independent and reliable' documentation or electronic data (or both). Reporting entities must document the procedures they use, in their AML/CTF program.

AUSTRAC promotes on our website the use of the Document Verification Service (DVS), as an option for verifying individual customer and beneficial owner identification, using electronic data. Many reporting entities use the DVS to satisfy their AML/CTF obligations.

The department's submission to the inquiry illustrates how identity verification services (primarily the DVS) can meet KYC obligations under the AML/CTF Act (paragraphs 18-20 refer). Similarly, the submission includes an example at paragraph 45 as to how this might work operationally.

AUSTRAC will continue to work with the department to ensure the government's whole-of-economy digital identity program complements existing requirements. This allows AUSTRAC's reporting entities to better meet their obligations to protect the financial sector from criminal abuse.

Yours sincerely

Peter Soros
Acting Chief Executive Officer
23/10/2023