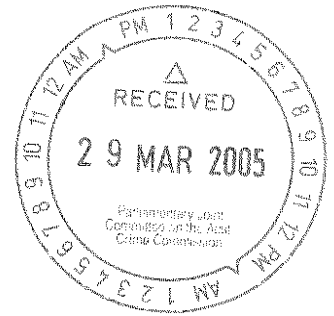




Australian Government
Australian Transaction Reports
and Analysis Centre



Ref: 05/068

22 March 2005

Mr Jonathan Curtis
 Committee Secretary
 Parliamentary Joint Committee on the ACC
 PARLIAMENT HOUSE
 CANBERRA ACT 2600

PARLIAMENTARY JOINT COMMITTEE ON
 THE AUSTRALIAN CRIME COMMISSION

REC'D:
 FROM: AUSTRAC
 AUTHORISED FOR PUBLICATION:
 SECRETARY: Neil Jensen

Dear Mr Curtis,

Re: Examination of the Annual Report of the Australian Crime Commission (ACC)

Thank you for your letter of 12 January 2005 in which you invited me to make a submission to the Committee's Inquiry into the ACC's Annual Report for 2003-04.

I am pleased to provide a submission, a copy of which is attached.

Should you require me to provide any further information or to give evidence at the Committee's public hearings, I can be contacted on (02) 9950 0014 or by email at neil.jensen@austrac.gov.au

Yours sincerely

Neil J Jensen PSM
 Director

encl.



Australian Government

AUSTRAC

Parliamentary Joint Committee on the
Australian Crime Commission

Inquiry into the Australian Crime Commission's Annual
Report 2003-2004

Australian Transaction Reports and
Analysis Centre (AUSTRAC) Submission

March 2005

Background

AUSTRAC is both Australia's anti-money laundering regulator and specialist financial intelligence unit. In its regulatory role it is responsible for ensuring compliance with the reporting and account signatory identification requirements of the *Financial Transaction Reports Act 1988* (C'th) (FTR Act) by a wide range of financial service providers, the gambling industry and others, defined as *cash dealers* within the FTR Act. AUSTRAC collects, compiles and retains the information provided by *cash dealers* and members of the public. It also issues guidelines and information circulars to *cash dealers* in relation to their obligations under the FTR Act and the Financial Transaction Reports Regulations 1990.

In its intelligence role, AUSTRAC collates, analyses and disseminates FTR information. This information and the intelligence derived from it is, in appropriate circumstances, disseminated to the Australian Crime Commission (ACC) and a range of other prescribed Commonwealth, State and Territory law enforcement, revenue, national security and social justice agencies and Royal Commissions, which are collectively referred to by AUSTRAC as its 'partner agencies'.

AUSTRAC's mission is to make a valued contribution towards a financial environment hostile to money laundering, terrorist financing, other major crime and tax evasion. This is done at both the domestic and international levels.

AUSTRAC collects, analyses and disseminates:

- Suspect transaction reports (11,484 last year);
- Significant cash transaction reports, involving transactions of \$10,000 and more (approximately 2.05 million provided by cash dealers or solicitors last year);
- International funds transfer instructions (approximately 8.68 million provided by cash dealers last year); and
- International currency transfer reports (cross-border cash), involving the physical transportation of cash of \$10,000 and more into or out of Australia (25,579 last year).

AUSTRAC collects up to 60,000 financial transaction reports per day, with over 99% of these reports collected electronically. More than 67 million reports are stored on a single database and are continuously analysed to identify persons of interest and unusual patterns of transactions which may be indicative of money laundering or other serious criminal activity.

AUSTRAC's relationship with the ACC

Onsite support and training

AUSTRAC has an onsite presence in a number of law enforcement agencies including the ACC. Out-posted AUSTRAC staff work within the ACC to provide intensive analytical support, training and advice. The ultimate aim of this presence is to provide financial analytical expertise that is necessary in effectively integrating financial intelligence into criminal intelligence and investigative matters relevant to the ACC's Determinations and other work. This includes but is not limited to assistance in matters relating to money laundering, identity fraud, vehicle re-birthing, established criminal networks, firearms trafficking and people trafficking for sexual exploitation.

An AUSTRAC officer is located part-time within the ACC's Sydney office. In addition, AUSTRAC officers based in Canberra, Melbourne, Adelaide, Perth and Brisbane, provide training, support and advice to ACC staff in those locations. During 2003-04 AUSTRAC staff trained 26 ACC staff to effectively maximise their use and integration of FTR information.

ACC usage of the AUSTRAC database

The FTR Act provides for access by ACC personnel to AUSTRAC's FTR information. A Memorandum of Understanding (MOU) between the Director of AUSTRAC and the Chief Executive Officer of the ACC sets out the conditions for access to and use of FTR information. The MOU specifies the levels of access to FTR information as well as the categories and number of staff in each of the of the ACC's offices who may have online access to the AUSTRAC. An ACC staff member authorised by the Director to have online access to the AUSTRAC database may not access, record, divulge or communicate such information except as permitted by the MOU.

The total number of ACC users and logons to the AUSTRAC database per quarter for the 2003-04 financial year is shown in the table below:

Category	Type	Jul-Sep 2003	Oct-Dec 2003	Jan-Mar 2004	Apr-Jun 2004
Users	Registered Users	38	39	48	49
Users	Active Users	31	27	40	37
Logons	Total Logons	918	880	1183	1016

In addition to ACC operational requirements, the increase in statistics from the December 2003 quarter to the March 2004 quarter can be attributed to the on-going promotion, support and training provided by AUSTRAC outposted staff.

The Financial Intelligence Assessment Team (FIAT) and the use of AUSTRAC assessments

At page 68 of its 2003-04 Annual Report, the ACC makes reference to the Financial Intelligence Assessment Team (FIAT). This is a multi-agency working group that forms part of the ACC's Midas Determination. FIAT prepares operational intelligence assessments arising out of suspicious financial activity detected by AUSTRAC's automated monitoring system (TargIT). FIAT currently comprises members from the ACC, AUSTRAC, the Australian Taxation Office, the Australian Federal Police, the Australian Securities and Investments Commission and the Australian Customs Service.

The FIAT working group facilitates the collaborative assessment of suspicious financial activity before further investigations are carried out. This creates an effective forum for valuable cross-agency resource and information sharing. FIAT aims to foster enhanced development of intelligence for consideration by agencies that are responsible for investigating and prosecuting money laundering and major tax evasion and also for seizing proceeds of crime.

AUSTRAC's financial intelligence assessments form the centrepiece of FIAT's work. During 2003-04, a total of 82 assessments were prepared and disseminated by AUSTRAC for analysis by FIAT. Following analysis of these assessments by FIAT, the ACC disseminated 33 value added intelligence reports to other Commonwealth, State and Territory law enforcement agencies that led to significant outcomes being achieved by those agencies. The matters that were investigated following FIAT disseminations included major tax evasion, illegal prostitution, embezzlement and money laundering.

Integration of FTR information by the ACC

Information contained on the AUSTRAC database has proven to be an important source of intelligence. It often provides identifying information not previously known to intelligence officers and investigators, including:

- address details
- bank account information
- dates of birth
- details of account ownership
- details of when and where transactions have taken place
- links to known or previously unknown associates
- purpose of transaction
- patterns of financial activity.

Numerous major single agency, multi agency, and Commonwealth, State and Territory task force investigations have been initiated following the dissemination of FTR information to the ACC.

AUSTRAC's Strategic Analysis Unit has also recently been working in close cooperation with the ACC and other agencies in identifying and determining emerging money laundering trends and methodologies.

A number of investigations have been referred to in the ACC's 2003-04 Annual Report. Although the Annual Report does not contain any specific references to the use of AUSTRAC's FTR information, it is important to note that FTR information was extensively used by ACC financial investigators and analysts in many of the reported investigations. Of particular significance was the use of FTR information during Operation Bokusen, where funds were identified as being moved offshore from Australia to Hong Kong. AUSTRAC's FTR information identified the beneficiaries of the funds and the structuring of transactions to avoid the reporting of large cash transactions under the provisions of the FTR Act. FTR information was also important to many other operations, including Katakana (page 67), Pleco (page 70), Dashi (page 70), Carlby (page 48), Pewsey (page 57), and Senatus (page 61).

FTR information was also of significant benefit during Task Force Schumacher (page 61), with regular disseminations of FTR information reports and other financial intelligence to the investigating team.

Ongoing support for the ACC

The ACC's 2003-04 Annual Report states that the aims of the ACC are to reduce the incidence and impact of serious and organised criminal activity. It is further stated that the ACC was established to bring a strong intelligence focus to the investigation of serious national criminal activity.

AUSTRAC's financial intelligence support role contributed significantly towards the ACC's endeavours throughout 2003-04.

AUSTRAC will continue to work closely with the ACC in meeting their future objectives.

Neil J Jensen PSM
Director
Australian Transaction Reports and Analysis Centre

March 2005