



Australian Government

AUSTRAC

OFFICE OF THE DIRECTOR

Ref: 05/660

25 August 2005

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

Dear Mr Curtis,

Re: Review of the Australian Crime Commission Act 2002

Thank you for your letter of 27 July 2005 in which you invited me to make a submission to the Committee regarding the Review of the Australian Crime Commission Act 2002.

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.

PARLIAMENTARY JOINT COMMITTEE ON
THE AUSTRALIAN CRIME COMMISSION

REC'D: 25 AUG 05

FROM: AUSTRAC

AUTHORISED FOR PUBLICATION:

SECRETARY: [Signature]



Australian Government

AUSTRAC

Parliamentary Joint Committee on the
Australian Crime Commission

Review of the Australian Crime Commission Act 2002

Australian Transaction Reports and
Analysis Centre (AUSTRAC) Submission

August 2005

Background

AUSTRAC is both Australia's anti-money laundering regulator and specialist financial intelligence unit.

In its regulatory role, AUSTRAC is responsible for ensuring compliance with the financial transaction 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 under the FTR Act. Solicitors also have transaction reporting obligations placed on them under the FTR Act.

AUSTRAC collects, compiles and retains the information provided by cash dealers, solicitors 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 (17,212 last year);
- Significant cash transaction reports, involving transactions of \$10,000 and more (approximately 2.28 million provided by cash dealers or solicitors last year);
- International funds transfer instructions (approximately 10.24 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 (26,172 last year).

AUSTRAC collects up to 60,000 financial transaction reports per day, with over 99 percent 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

ACC access to FTR information

Section 17 of the *Australian Crime Commission Act 2002* (ACC Act) allows the ACC to cooperate with any other law enforcement agency. Under section 21 of the ACC Act the ACC may make an arrangement with a body or person, not being a State or an authority of a State, for the CEO to obtain from that body or person information or intelligence relating to relevant criminal activities.

Section 27 of the FTR Act allows the Director of AUSTRAC to authorise, in writing, a law enforcement agency to have access to FTR information for the purposes of performing its functions.

Pursuant to the above, a Memorandum of Understanding (MOU) is in operation between the Director of AUSTRAC and the Chief Executive Officer of the ACC. This MOU 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 numbers of staff in each of the ACC's offices allowed online access to AUSTRAC's database. 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 FTR Act.

Onsite support and training

Pursuant to the MOU between the Australian Crime Commission and AUSTRAC, AUSTRAC maintains an onsite presence within the Australian Crime Commission. Out-posted AUSTRAC staff work within the ACC to provide intensive analytical support, training and advice. The aim of this presence is to provide financial analytical expertise necessary to effectively integrate financial intelligence into investigations undertaken by the ACC. 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.

AUSTRAC officers are located part-time within the ACC's Sydney and Melbourne offices. In addition, AUSTRAC officers based in Canberra, Adelaide, Perth and Brisbane, provide training, support and advice to ACC staff in those locations. During 2004-05 AUSTRAC staff trained 10 ACC staff to effectively maximise their use and integration of FTR information.

AUSTRAC Participation in ACC Investigations and Operations

Section 7C(1)(e) and (f) of the ACC Act provides that a function of the Board of the ACC is to establish task forces and to determine, in writing the class or classes of persons able to participate in such operations or investigations.

Pursuant to this section the ACC Board has determined that AUSTRAC staff are persons able to participate in such operations and investigations. As a result AUSTRAC staff are involved in various task forces established by the Board including Task Force Gordian and the Financial Intelligence Assessment Team (FIAT), a multi-agency working group that forms part of the ACC's Midas Special Investigation.

The Financial Intelligence Assessment Team (FIAT)

FIAT prepares operational intelligence assessments arising out of suspicious financial activity from a variety of sources, including 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 ACC has a FIAT member based on-site permanently at AUSTRAC.

The FIAT working group aims to foster enhanced development of intelligence for consideration by agencies that are responsible for investigating and prosecuting major criminal activity, including money laundering and major tax evasion and also for seizing the proceeds of crime. The working group has access to a variety of intelligence sources including the financial intelligence derived from the AUSTRAC database. Value adding to intelligence product disseminated by AUSTRAC, using these intelligence sources, is a critical component of the work FIAT does and creates an effective forum for valuable cross-agency resource and information sharing. The work of FIAT is currently under review by the ACC.

The ACC plays a significant role in the fight against money laundering. The special powers conferred upon the ACC, particularly the powers to require the production of documents and to require persons to attend hearings and answer questions, play an important role in the development of financial intelligence as well as in the investigation of specific matters.

A major vulnerability of organised crime is the means by which they dispose of and secrete the proceeds of crime. The development of financial intelligence based on information reported to AUSTRAC by cash dealers and others exploits this vulnerability and fits well within the multi-agency task force framework. AUSTRAC believes that this framework is a major strength of the legislation.

It is important that this area of the ACC's work is and continues to be adequately and appropriately resourced. This means ensuring people with the appropriate level and type of skills are provided to hinder and act upon the new and complex technical issues arising in financial and other crimes. This will enable the ACC and its partners to maximise the value from AUSTRAC financial intelligence and the ACC's other intelligence sources.

Integration of FTR information into ACC Investigations and Operations

Pursuant to sections 17, 21 and 12(6) of the ACC Act, the ACC is able to integrate intelligence obtained from AUSTRAC into its investigations and operations.

Feedback provided to AUSTRAC pursuant to the MOU between it and the ACC has shown that AUSTRAC information shared with the ACC has been an important source of intelligence and has revealed previously unknown information including the following:

- address details of persons of interest
- 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/s of transaction
- patterns of financial activity.

Use of ACC Intelligence by AUSTRAC

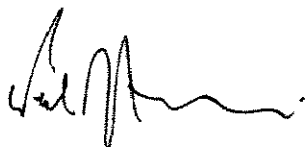
Pursuant to section 59 of the ACC Act the CEO of the Australian Crime Commission may, where he or she considers it desirable, furnish information derived from investigations or operations to a Commonwealth Department where that information relates to the performance of the functions of the Department.

Pursuant to this section information has been provided to AUSTRAC, in particular the Strategic Analysis Unit, which works in close cooperation with the ACC and other law enforcement agencies to identify emerging money laundering trends and methodologies. These information and intelligence products prepared by the ACC are beneficial to AUSTRAC and add value to our work. AUSTRAC recommends that the ACC continues to disseminate relevant intelligence to AUSTRAC.

Ongoing support for the ACC

The aims of the ACC are to reduce the incidence and impact of serious and organised criminal activity. Furthermore the ACC was established to bring a strong intelligence focus to the investigation of serious national criminal activity. AUSTRAC works effectively with the ACC by disseminating financial intelligence, consulting on intelligence product and providing support to ACC staff to help the ACC achieve its objectives.

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

25 August 2005