

**SENATE FOREIGN AFFAIRS, DEFENCE AND TRADE
REFERENCES COMMITTEE**

**INQUIRY INTO PAPUA NEW GUINEA AND THE
ISLAND STATES OF THE SOUTH-WEST PACIFIC**

SUBMISSION

Submission No: 69

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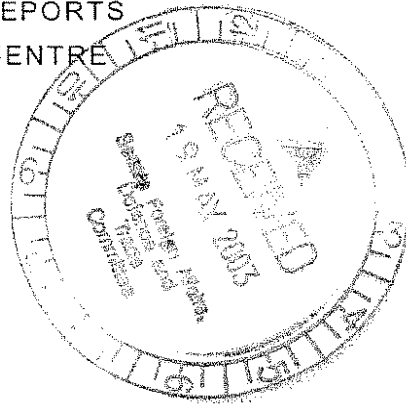
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AUSTRALIAN
TRANSACTION REPORTS
AND ANALYSIS CENTRE



Ref: 03/395

12 May 2003

Mr B Holmes
Secretary
Senate Foreign Affairs, Defence and Trade References Committee
Parliament House
Canberra ACT 2600

Dear Mr Holmes

**Re: INQUIRY INTO AUSTRALIA'S RELATIONSHIP WITH PAPUA NEW
GUINEA AND THE ISLAND STATES OF THE SOUTH-WEST PACIFIC**

Please find attached AUSTRAC's submission to the inquiry into Australia's relationship with Papua New Guinea and the island states of the South-West Pacific.

Establishment of strong anti money laundering and counter terrorist financing programs across the Asia-Pacific is important for national, regional and global efforts to combat transnational crime and terrorism. This submission provides an outline of AUSTRAC's relationship with the countries concerned, with a focus on bilateral relationships and technical assistance work being conducted to support establishment of these programs in the Pacific.

Unfortunately AUSTRAC is not in a position to provide analysis of financial transaction reports information relating to these jurisdictions due to the sensitive nature of that information. It may be possible to provide some information concerning the region in camera if required. AUSTRAC's Director would be pleased to appear before the Committee in its deliberations on this matter, should that be required.

If you or the Committee require any clarification or further information, I may be contacted on (02) 9950 0016 or paul.ryan@austrac.gov.au.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Paul Ryan'.

Paul Ryan
Deputy Director

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Submission to the Senate Foreign Affairs, Defence and Trade References Committee

**Inquiry into Australia's relationships with Papua New Guinea and the Island States
of the South-West Pacific**

6 May 2003

EXECUTIVE SUMMARY

The Australian Transaction Reports and Analysis Centre (AUSTRAC) is Australia's anti-money laundering regulator and specialist financial intelligence unit.

AUSTRAC's mission is to make a valued contribution towards a financial environment hostile to money laundering, major crime and tax evasion and does this both domestically and internationally with particular focus on the Asia-Pacific region.

AUSTRAC considers Papua New Guinea and the Pacific Island states a priority area in its international work, with a particular emphasis on providing support for the developing anti money laundering (AML) and counter financing of terrorism (CFT) programs in Pacific Island jurisdictions.

AUSTRAC's involvement in the region is as follows:

- AUSTRAC has a Memorandum of Understanding (MOU) with the Financial Intelligence Unit (FIU) in Vanuatu. MOUs are being progressed with the FIUs in the Cook Islands and the Marshall Islands. AUSTRAC has a close interest in working with other jurisdictions in the Asia-Pacific region to develop their FIUs.
- Through participation in the Financial Action Task Force (FATF) and the Asia Pacific Group on Money Laundering (APG), AUSTRAC has worked alongside representatives from the Cook Islands, Fiji, Marshall Islands, Federated States of Micronesia, Nauru, Niue, Palau, Samoa, Tonga and Vanuatu.
- The Director of AUSTRAC is Head of the Egmont Group's¹ Oceania Region, comprising; Australia, Marshall Islands, New Zealand and Vanuatu.
- In November 2002 an AUSTRAC Analyst provided some operational assistance to the Vanuatu FIU.

The rest of this submission will explore these points in detail as well as expand upon AUSTRAC's work in the areas of international partnerships and agreements, provision of

¹ The Egmont Group of Financial Intelligence Units currently comprises FIUs from 69 countries. The goal of the group is to provide a forum for FIUs to improve support to their respective national anti-money laundering programmes. This support includes expanding and systematising the exchange of financial intelligence, improving expertise and capabilities of the personnel of such organisations, and fostering better communication among FIUs through the application of new technologies.

technical assistance and training and the future of AUSTRAC's relationships with PNG and the island states of the South-West Pacific.

BACKGROUND

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

In our regulatory role, we oversee compliance with the reporting requirements of the *Financial Transaction Reports Act 1988* by a wide range of financial services providers, the gambling industry and others. In our intelligence role, we provide financial transaction reports information to Commonwealth, State and Territory law enforcement and revenue agencies².

Recent events and consequential international efforts to identify and suppress terrorist financing have highlighted the importance of international strategies to combat the financing of crime and terrorism. AUSTRAC seeks to support Government policy through advancing international efforts directed at the suppression of money laundering, major crime, tax evasion and terrorist financing. AUSTRAC contributes to, and benefits from, international efforts directed at the suppression of money laundering and terrorist financing.

The development of a regional and international environment hostile to all types of financial crime, and in particular to money laundering and the sponsorship of terrorism, is a priority focus for AUSTRAC.

AUSTRAC continues to build effective relationships with international counterparts and to work within Technical Assistance and Training (TA&T) initiatives, with a focus on our neighbours in the Asia Pacific region.

AUSTRAC'S INTERNATIONAL EFFORTS

AUSTRAC has a significant international role to play in identifying and assisting in the exchange of financial information relating to terrorist financing and the financing of major crime. International cooperation in the exchange of financial intelligence is fundamental in the fight against terrorism, money laundering and other transnational crime.

Bi-Lateral

During the past decade, a number of countries have created specialised government agencies as part of their systems for dealing with the problem of money laundering. These entities are commonly referred to as "Financial Intelligence Units" or "FIUs". These units increasingly serve as the focal point for national anti-money laundering and counter terrorist financing programmes because they provide the possibility of rapidly exchanging information (between financial institutions and law enforcement / prosecutorial authorities, as well as between jurisdictions), while protecting the interests of the innocent

² For further information about AUSTRAC see our website www.austrac.gov.au.

individuals contained in their data. AUSTRAC's bilateral work focuses primarily on building bilateral relationships between AUSTRAC and international counterpart FIUs.

AUSTRAC's existing international role was enhanced by the enactment of the *Suppression of the Financing of Terrorism Act 2002 (Cth)*. The Director of AUSTRAC can now enter into Memoranda of Understanding with overseas FIUs to facilitate the exchange of financial intelligence. Under these agreements, financial intelligence can be exchanged either spontaneously or 'upon request'.

Australia currently has 13 Memoranda of Understanding with international counterparts³. Signings of MOUs with Thailand and Korea are imminent, and many more are currently being negotiated.

AUSTRAC currently has one MOU with a Pacific Island partner, the Financial Intelligence Unit in Vanuatu. MOUs are being progressed with the FIUs in the Cook Islands and the Marshall Islands. As PNG and many of the island states of the South-West Pacific establish FIUs, AUSTRAC will look forward to exploring the establishment of bilateral links with them and opening formal MOU negotiations with them.

Regional and International Cooperation

AUSTRAC is committed to participate in international initiatives in the fight against money laundering. Notably this includes participation in the FATF and the APG. Through participation in these international fora, AUSTRAC has worked alongside representatives from many island states of the South-West Pacific, including; the Cook Islands, Fiji, Marshall Islands, Federated States of Micronesia, Nauru, Niue, Palau, Samoa, Tonga and Vanuatu.

AUSTRAC is an active participant in the Egmont Group of Financial Intelligence Units and AUSTRAC's Director is co-vice Chair of the Egmont Committee. The Egmont Group currently comprises FIUs from 69 countries. The goal of the group is to provide a forum for FIUs to improve support to their respective national anti-money laundering programmes. This support includes expanding and systematising the exchange of financial intelligence, improving expertise and capabilities of the personnel of such organisations, and fostering better communication among FIUs through the application of new technologies.

In 2002, regional groupings of the Egmont member FIUs were established to ensure regional interests and issues are raised and considered. The Director of AUSTRAC is now Head of the Oceania Region, comprising; Australia, Marshall Islands, New Zealand and Vanuatu. AUSTRAC has a close interest in working with other jurisdictions to develop FIUs and become members of Egmont. Through his role in the Egmont Outreach Working Group, AUSTRAC's Director is currently playing a part in assisting the Cook Islands FIU to become a member of the Egmont Group.

In July 2003 Australia is hosting the 11th Egmont Annual Meetings in Sydney. Participants from the FIUs of 95 jurisdictions are expected to attend. This includes the FIUs from the Cook Islands, Marshall Islands and Vanuatu.

³ Belgium, Canada, Denmark, France, Isle of Man, Israel, Italy, Malaysia, New Zealand, Singapore, United Kingdom, United States, Vanuatu.

TECHNICAL ASSISTANCE AND TRAINING

Technical Assistance

Seen to be a world leader in this field, AUSTRAC is increasingly being called upon to provide advice and assistance to countries establishing financial intelligence units. AUSTRAC's primary technical assistance project at present is the Australia Indonesia Financial Intelligence Unit Cooperation Project. As part of a \$10 million, four year initiative announced by the Prime Minister in October 2002, AUSTRAC has been engaged by AusAID to support the Government of Indonesia in the development of an effective and fully operational FIU as a key component in the global fight against AML and CFT.

The information and expertise AUSTRAC is providing to assist Indonesia will serve as a platform for development of future technical assistance initiatives for other jurisdictions in the Asia Pacific.

Training

AUSTRAC is often called upon by international bodies and organisations to participate in training initiatives in the Asia-Pacific region. To the extent that funding and internal needs for expertise allow, AUSTRAC provides such assistance.

In November 2002 an AUSTRAC analyst spent a week with the Vanuatu Financial Intelligence Unit, hosted by the Australian Federal Police (AFP). Assistance was provided in relation to use of basic information technology (IT) programs to analyse financial transaction reports.

THE NEAR HORIZON FOR AUSTRAC RELATIONSHIPS WITH PNG AND THE SOUTH-WEST PACIFIC

Many countries in the Pacific are now in the process of implementing AML and CFT programs. FIUs are an essential element in an AML/CFT framework.

AUSTRAC continues to work as part of the Australian Government's international commitment to encourage the establishment of AML and CTF regimes in the South West Pacific region, with partner agencies such as the AFP, and also with other government organisations including the Attorney-General's Department (AGD), the Australian Agency for International Development (AusAID) and the Department of Foreign Affairs and Trade (DFAT).

AUSTRAC has expertise which would be of benefit to Papua New Guinea and the island states of the South-West Pacific in the development of their regulatory programs directed at countering money laundering, terrorist financing and other major crimes. Any assistance that could be provided, would likely result in enhanced information sharing and intelligence exchange between the FIUs and strengthening of the region's anti-money laundering and counter terrorist financing capacity.