

# CHAPTER 1

## INTRODUCTION

### Background

1.1 On 8 November 2006, the provisions of the Anti-Money Laundering and Counter-Terrorism Financing Bill 2006 (the Bill) and the Anti-Money Laundering and Counter-Terrorism Financing (Transitional Provisions and Consequential Amendments) Bill 2006 (the Amending Bill) were referred to the Legal and Constitutional Affairs Committee for inquiry and report by 28 November 2006.

1.2 The Attorney-General explained in his Second Reading Speech that the purpose of the Bill is to combat money laundering and financing of terrorism by ensuring Australia has a financial sector which is hostile to criminal activity and terrorism. The Bill implements a first tranche of anti-money laundering (AML) and counter-terrorism financing (CTF) reforms which cover the financial sector, gambling sector and bullion dealers as well as lawyers and accountants (to the extent that they provide financial services).<sup>1</sup>

1.3 The Bill will impose obligations on businesses (referred to as 'reporting entities' under the legislation) including customer due diligence, reporting, record-keeping and developing and maintaining an AML/CTF program. The banking sector will also be obliged to conduct due diligence on its correspondent banking relationships and ensure appropriate identifying information is included in international electronic transfers of funds.<sup>2</sup>

1.4 The Legal and Constitutional Legislation Committee reported on 13 April 2006 on the exposure draft of the Anti-Money Laundering and Counter-Terrorism Financing Bill 2005 (the Exposure Bill).

1.5 As noted in that report, the Exposure Bill was not a static document.<sup>3</sup> The Attorney-General's Department (Department), in conjunction with the Australian Transaction Reports and Analysis Centre (AUSTRAC), was conducting simultaneous public consultations which resulted in over 120 submissions to the Department. After consideration of those submissions and the committee's report, the Minister for Justice and Customs released a revised exposure draft of the Bill and further consultation was undertaken by the Department and AUSTRAC.

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1 The Hon. Philip Ruddock MP, Attorney-General, Second Reading Speech, *House of Representatives Hansard*, 1 November 2006, p.1.

2 Second Reading Speech, 1 November 2006, p.2.

3 Senate Legal and Constitutional Legislation Committee, *Exposure Draft of the Anti-Money Laundering and Counter-Terrorism Financing Bill 2005*, April 2006, p.1.

1.6 For the purposes of this inquiry, the committee has focused upon how the Bill materially differs from the Exposure Bill. Where appropriate, reference will be made to the committee's earlier report. Chapter 2 sets out the main provisions of the Bill which have been revised since the Exposure Bill.

### **Conduct of the inquiry**

1.7 The committee advertised the inquiry in *The Australian* newspaper on 13 and 22 November 2006, and invited submissions by 17 November 2006. Details of the inquiry, the Bill, and associated documents were placed on the committee's website. The committee also wrote to 86 organisations and individuals.

1.8 The committee received 42 submissions which are listed at Appendix 1. Submissions were placed on the committee's website for ease of access by the public.

1.9 The committee held public hearings in Melbourne on 14 November 2006 and in Sydney on 22 November 2006 and 23 November 2006. A list of witnesses who appeared at the hearings is at Appendix 2 and copies of the Hansard transcript are available through the Internet at <http://aph.gov.au/hansard>.

### **Acknowledgement**

1.10 The committee thanks those organisations and individuals who made submissions and gave evidence at the public hearing.

### **Note on references**

1.11 References in this report are to individual submissions as received by the committee, not to a bound volume. References to the committee Hansard are to the proof Hansard: page numbers may vary between the proof and the official Hansard Script.