



FIH INSIGHTS

September Issue 2024

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Dr Daley Birkett

Dr Derwent Coshott

Dr Jamie Ferrill

Dr Hannah Harris

Researchers

Giang Nguyen

Ben Scott

Interns

Ayeh Becka

Meshi Rose Cthurmer

Citing reference: Financial Integrity Hub 'FIH Insights' (2024) 1(1) FIH, Sydney

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“To be globally recognised as an independent centre that leads in financial integrity research, promoting publication, education and collaboration for safer and more secure financial systems, and positive societal contributions.”

The Financial Integrity Hub (FIH) aims to establish itself as Australia’s leading centre for research on financial crime and to achieve global recognition for its excellence.

Central to our vision is fostering collaborative partnerships that enhance our research capabilities. We are dedicated to working closely with academia, and the public and private sectors to develop innovative approaches that address the complexities of financial crime and achieve meaningful contributions to integrity measures.

At the core of our mission is the development of a vibrant community. We are committed to nurturing an inclusive environment that fosters creativity, embraces diversity, and promotes continuous learning.

We thank our partner, WhiteLight AML, for their collaboration, which enables us to provide our readers with the latest updates, insights, and valuable content.

Since 2019, WhiteLight AML has been Australia’s trusted partner in navigating the complexities of AML and CTF. Specialising in risk assessments and tailored AML/CTF programs, they ensure comprehensive compliance. With fully outsourced AML/CTF operations, they take the burden off your shoulders, allowing you to focus on what you do best!

CONTACT US

Financial Integrity Hub
Michael Kirby Building Macquarie University NSW
2109, Australia
E: fih@mq.edu.au T: +61 (2) 9850 7074

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AUSTRALIA'S NATIONAL MONEY LAUNDERING & TERRORISM FINANCING RISK ASSESSMENTS



Image: taken at the official launch of the National Risk Assessments at the National Press Club, Canberra. From left: Armina Antoniou, Sue Bradford, Brendan Thomas, Isabelle Nicolas, Doron Goldbarsht, and Timothy Goodrick.

In this issue of FIH Insights, we consider the new money laundering and terrorism financing National Risk Assessments (NRAs). The NRAs aim to strengthen Australia's defences against major money laundering and terrorism financing threats.

Understanding the money laundering and terrorist financing risks is an essential part of developing and implementing a national anti-money laundering / countering the financing of terrorism (AML/CTF) regime. A national risk assessment allows countries to identify, assess and understand their money laundering and terrorist financing risks. Once these risks are properly understood, countries can apply AML/CTF measures that correspond to the level of risk, i.e. enabling the risk-based approach (RBA). The RBA which is central to the FATF Recommendations, enables countries to prioritise their resources and allocate them efficiently.

The Money Laundering in Australia National Risk Assessment 2024 is an important contribution to Australia's efforts to counter money laundering and other serious crimes. It brings together insights from across Australia's law enforcement, intelligence and regulatory agencies, private sector stakeholders and international financial intelligence units to assess risks associated with money laundering. It assesses crimes that generate illicit proceeds, as well as the methods and channels used to launder funds in Australia. It also examines the international and domestic drivers that influence the Australian environment and considers how Australia mitigates and combats money laundering activity, including where improvements could be made.

SECURING AUSTRALIA'S FINANCIAL INTEGRITY: TRANSPARENCY IN NATIONAL RISK ASSESSMENTS IS KEY

Doron Goldbarsht

Snapshot:

- AUSTRAC and the Australian Government unveil new National Risk Assessments (NRAs) to address major money laundering and terrorism financing threats.
- Upcoming AML/CTF reforms will expand regulations to include more professionals, but current NRAs contain only high-level summaries, limiting their utility for businesses.
- Effective AML/CTF efforts may be hampered by restricted information and the challenge of adapting risk assessments, especially for smaller businesses.



AUSTRAC, Australia's anti-money laundering and counter-terrorism financing (AML/CTF) regulator, strives for a financial system that is unattractive to criminal abuse. Achieving this goal requires close collaboration between the government, law enforcement, and the private sector. This teamwork is essential to prevent terrorist activities and protect the community from crimes like drug trafficking, scams, tax fraud, and child exploitation. Because when it comes to financial security, teamwork makes the dream work!

Money laundering is a fast-moving and adaptive environment, with criminals constantly changing methodologies, routes, and institutions to perpetrate and benefit from their crimes. On the 9th of July, Attorney-General Mark Dreyfus and AUSTRAC CEO Brendan Thomas shared their insights on the biggest money laundering and terrorism financing threats facing Australia. They launched two new National Risk Assessments, highlighting these risks and their context within Australia.

NRAs help identify and understand money laundering and terrorism financing risks. This process involves evaluating threats and vulnerabilities, determining risk levels, and developing strategies to mitigate these risks. It's like having a financial GPS that guides policy-making and fortifies AML/CTF measures, ensuring we're not caught off guard by local troublemakers or international schemers. And for the 17,000 plus businesses under AUSTRAC's watchful eye, NRAs serve as a playbook to stay one step ahead, shielding both their bottom line and our community from financial shenanigans. NRAs help identify and understand money laundering and terrorism financing risks. This process involves evaluating threats and vulnerabilities, determining risk levels, and developing strategies to mitigate these risks.

The Australian Government is strengthening its AML/CTF regime through reforms, including regulating high-risk services provided by professionals such as lawyers, accountants, and real estate agents. The new reforms to the AML/CTF regime suggest including these professionals under AUSTRAC regulations, which will increase the number of entities that should draw from the NRAs to over 120,000.

Ideally, NRAs should provide regulated businesses with sufficient information about crime threats at a national level to support business's risk assessment processes. However, many NRAs, including the two published, result in non-public reports with sensitive information. The government released only general high-level sanitised summaries of the NRAs, which may not be sufficiently informative to support accurate threat identification and assessment by businesses.

In AML/CTF, much attention is placed on public-private information-sharing partnerships, but they are often restricted to the largest regulated businesses in jurisdictions, and their benefit to smaller businesses can be negligible. The assumption is that a business that identifies criminal threats and vulnerabilities can also identify, design, and implement the most appropriate measures to mitigate these risks. While that assumption may hold for large financial institutions (such as banks, but not always), the bulk of AML/CTF-regulated businesses are small, and there is no reason why many of these could be assumed to have such expertise.

Without appropriate information, it is unlikely that regulated businesses will be able to make a meaningful contribution to combating AML/CTF risk. Compliance measures will still be implemented as required by law, incurring costs in time and resources, but they might not be as effective as they could be. Funny twist: The NRAs issued by AUSTRAC are built on the intel provided by the very businesses they regulate - from suspicious reports, threshold transaction reports, and international funds transfer information. This information is analysed by AUSTRAC alongside partner intelligence agencies. The NRAs therefore relied on businesses' ability to assess and define their own, existing risks.

Regulated businesses can only address the threats they are aware of and can assess. When the government withholds sensitive information from NRAs, businesses might inadvertently become involved in transactions they would normally avoid. Regulatory and law enforcement agencies need to reassure businesses that a zero-tolerance approach will not be adopted, allowing for reasonable discretion when approving transactions that, according to unpublished information in the NRAs, may pose a risk.

**Dr Doron Goldbarsht, LLB LLM (HUJI) PHD (UNSW), Associate Professor at Macquarie Law School,
Director of the FIH**

NATIONAL RISK ASSESSMENTS: FACTS AND SHADOWS

Louis de Koker

Snapshot:

- On 9 July 2024, AUSTRAC released its latest National Risk Assessments (NRAs) on money laundering (ML) and terrorist financing (TF), essential for the FATF's risk-based approach to AML/CTF.
- NRAs draw mainly on government expertise and data but are inherently speculative, relying on often incomplete and historical data, which may limit their effectiveness in identifying emerging risks.
- The quality of NRAs depends on methodology and stakeholder input. AUSTRAC's reports provide more methodological information than most. Readers should consider the methodologies employed to assess their processes and conclusions.
- New typologies are often old typologies recently discovered.



AUSTRAC released their latest money laundering (ML) and terrorist financing (TF) national risk assessments (NRAs) for Australia on 9 July 2024.

Accurate and informative NRAs are fundamental to the success of the FATF's risk-based approach. They draw on government expertise and government data, including reports received from reporting entities, to provide regulated institutions with information about national ML/TF threats, vulnerabilities, and consequences. And yet these risk assessments are by nature tentative and speculative.

The FATF describes an ML/TF risk assessment as 'a product or process based on a methodology, agreed by those parties involved, that attempts to identify, analyse and understand ML/TF risks and serves as a first step in addressing them. Ideally, a risk assessment involves making judgments about threats, vulnerabilities, and consequences' (FATF, 2013). It is therefore an attempt at understanding crime risks and that attempt involves a number of judgment calls. Regarding consequences or impact of events, the FATF even recognises that '(g)iven the challenges in determining or estimating the consequences of ML and TF it is accepted that incorporating consequence into risk assessments may not involve particularly sophisticated approaches.'

The challenges faced by those attempting to define and assess criminal threats are widely recognised. These exercises are undertaken with limited and often incomplete and inaccurate data. Criminal justice data, for example, reflect primarily only those crimes that were detected and reported. The data and intelligence we have are mainly reflective of past practices and typologies and may blind assessors to emerging and even prevalent dynamic illicit money flows today.

New typologies are often old typologies recently discovered.

Risk assessments rely on input by various stakeholders, but their input tends to be coloured by their understanding of crime threats. Their views and their interpretation of the data may also be influenced by subjective factors. Specialised agencies, for example, may have an inflated view of the importance of the crimes they are investigating.

The quality of an NRA depends heavily on the methodology that is employed. How are facts collected and data interpreted to ensure that reasoned and reasonable judgments are made about threats, vulnerabilities, and consequences?

Ferwerda and Reuter (2022) analysed the national risk assessments published by eight advanced economies (Canada, Italy, Japan, the Netherlands, Singapore, Switzerland, the UK and the USA). They found that the NRAs reflected different conceptualisations and analytic approaches and that each raised serious issues regarding the risk assessment methodology: "For example, most relied largely on expert opinion, which they solicited in ways that are inconsistent with the well-developed methodology for making use of expert opinion. They misinterpreted data from suspicious activity reports and failed to provide risk assessments relevant for policy makers. Only one described the methodology employed."

AUSTRAC's reports provide much more information about its methodology than those of other countries. That is important as an understanding of the methodology and a close read of the report on key elements, for example on consequences, will help readers to understand the value and the limitations of the reports. A close read will also help critical readers to reflect on the methodologies employed in their own institutional risk assessments. Are their risk assessment processes designed to identify their key risks or mainly to record and reflect the findings of the NRA?

How do they deal with potential personal biases of those who contribute to the institutional assessment process and how do they prevent an overly conservative or overly liberal assessment of risks?

Ferwerda and Reuter's analysis also prompts us to consider whether the risk-based approach can deliver the value envisaged in 2012 when the risk-based approach was made mandatory by the FATF. If the largest economies are struggling to get the NRA basics right, where does that leave countries with less capacity? And where does that leave all smaller regulated institutions that have very limited criminal risk assessment expertise and relevant institutional or sectoral data?

Is the RBA really the most effective and efficient way to combat money laundering and the financing of terrorism and proliferation? Should it be an element but not necessarily the foundation of AML/CTF? How can risk assessments be improved to provide the value intended?

Crime risk assessments raise important questions. They are typical of the challenges that might be best addressed by the multi-stakeholder collaboration fostered by the Financial Integrity Hub.

Some of these risk assessment questions feature in two 2024 edited collections of the Financial Integrity Hub:

- Doron Goldbarsht and Louis de Koker (eds), Financial Crime and the Law Identifying and Mitigating Risks (Springer) (June 2024).
- Doron Goldbarsht and Louis de Koker (eds) Financial Crime, Law and Governance: Navigating Challenges in Different Contexts (Springer) (due September 2024).

Dr Louis de Koker, LLB LLM (UFS) LLM (Cantab) LLD (UFS) FSALS, FIH Advisory Board Member, Professor at the La Trobe Law School.

KEY FINDINGS OF AUSTRAC'S NEW NATIONAL RISK ASSESSMENTS

Anna Lewkowicz

Snapshot:

- AUSTRAC's new National Risk Assessments (NRA) identify key money laundering and terrorism financing threats in Australia, highlighting the country's vulnerability due to its stable economy and financial systems.
- The money laundering NRA identifies illicit drugs, tax fraud, and government program fraud as top threats, with criminals increasingly using both traditional and digital methods to conceal illegal proceeds.
- The terrorism financing NRA emphasises self-funding and the use of social media, crowdfunding, and legitimate organisations, urging businesses to enhance their AML/CTF programs to mitigate these risks.



AUSTRAC recently published two new national risk assessments, one on money laundering and one on terrorism financing in Australia. Bringing together insights from across national intelligence, law enforcement, regulatory and private sector stakeholders, and international financial intelligence units, they provide a contemporary and consolidated picture of Australia's risk environment. While AUSTRAC completed these national risk assessments as Australia's Financial Intelligence Unit, more than 50 partner agencies made important contributions.

Money laundering

The money laundering national risk assessment found that Australia remains an attractive destination to store and integrate criminal proceeds because of its stable political system, open and free economy, independent legal system, well-developed financial services sector and strong real estate market. For example, core features of Australia's domestic economy, such as cash, bank accounts, payments technology, business structures and trusts, are used by money launderers to place, layer and integrate criminal proceeds.

A key finding is that criminals persist in using established channels such as cash, luxury goods, real estate, domestic banks, casinos and remitters to launder funds in Australia. Criminal use of digital currency, digital currency exchanges, unregistered remitters and bullion dealers is also increasing.

Persistence was also a key theme identified in the exploitation of high-value assets like luxury watches, vehicles and real estate; and persistent involvement of professional service providers to help establish complex business structures and associated banking arrangements to help individuals launder funds and conceal wealth. The three highest money laundering threats identified in Australia are illicit drugs, tax and revenue crime, and government-funded program fraud, all of which are assessed as increasing threats.

Underpinning many money laundering activities in Australia is opacity, anonymity and a lack of transactional visibility. The use of cash, trusts, identity crime, mule accounts and third-party transactions that obscure identity, beneficial ownership or financial flows continues to be a mainstay of money laundering.

Terrorism financing

The national risk assessment of terrorism financing considers financing risks associated with all forms of violent extremism and acts of terrorism, including ideologically and religiously motivated violent extremism.

The terrorism financing process generally involves three distinct stages; raising funds, moving funds and using funds for direct and indirect costs associated with terrorist activity.

Self-funding was identified as the main method of raising funds for both ideological and religious actors. Other high-risk methods identified were the use of social media, communication applications and crowdfunding platforms, and the use of Australian registered charities and legitimate non-profit organisations.

The small scale of terrorism financing in Australia and the use of less sophisticated methodologies means that few channels and methods appear to be exploited for moving funds. The assessment found that terrorist financiers prefer readily available and proven methods to move funds, such as banking, remittance and online payment services, over complex schemes.

What do AUSTRAC reporting entities need to do now?

Undertaking a detailed ML/TF risk assessment and taking AUSTRAC guidance into account will help AUSTRAC's reporting entities mitigate and manage their ML/TF/PF risks, and protect their business and customers.

The information in the national risk assessments is important for businesses to consider as it may alert risks that they are not aware of, noting that levels of risk are constantly changing, as are the crimes that generate illicit funds for ML/TF/PF activity.

Reporting entities must have an AML/CTF program in place to identify, mitigate and manage the risk of money laundering and terrorism financing. Reporting entities should review their KYC, ongoing customer due diligence, enhanced customer due diligence procedures and transaction monitor program.

For more information on the National Risk Assessments on AML/CTF obligations, please visit the AUSTRAC website.

Anna Lewkowicz, Director, Risk Assessments & Strategic Insights, AUSTRAC.

AUSTRALIA'S PROFESSIONAL SERVICES SECTOR IS BEING USED TO LAUNDER MONEY. IT'S TIME FOR TOUGHER LAWS.

Jamie Ferrill

Snapshot:

- **New Risk Assessments:** On 9 July 2024, AUSTRAC released new national risk assessments highlighting Australia's vulnerabilities to money laundering (ML) and terrorism financing (TF), emphasising that current regulations are inadequate.
- **High-Risk Sectors:** The assessments identified sectors such as real estate, luxury goods, and financial services as high-risk for ML, exacerbated by the lack of regulation for key gatekeeper entities like lawyers and accountants.
- **Need for Reform:** The article underscores the urgency for reform, with \$166.4 million allocated for updating AML/CTF measures. It criticises Australia's failure to meet FATF standards over 17 years, leaving gaps that criminals exploit and stressing the importance of stronger controls to prevent abuse.



Australia's stable political and legal systems – and relatively resilient economy – make it an attractive place to do business. But they also make it an alluring place for criminals to launder ill-gotten gains, heightened by the fact our anti-money laundering regulations are not up to par.

In a joint address to the National Press Club on the 9th of July, Attorney-General Mark Dreyfus and AUSTRAC chief executive Brendan Thomas jointly announced the release of two new national risk assessments on ML and TF in Australia.

This followed the closure of a second round of consultation on AML and CTF reforms last month. Dreyfus and Thomas painted a bleak picture of a country not only fraught with vulnerabilities to criminal activity and money laundering but also lacking adequate controls to curb them.

What is money laundering?

Money laundering is the process of cleaning "dirty" money. Dirty money typically refers to the proceeds of crime, which could include drug trafficking, tax fraud, corruption and bribery, or scams. Money generated through crime typically can't just be spent by the criminals involved. Simply depositing it in a bank would set off all kinds of alarms.

Criminals need to make it harder for authorities to trace it back to them, so they use a range of methods to launder it. Put simply, they attempt to make it seem like legitimate income. This could be by buying real estate, funnelling funds through shell companies, depositing small amounts into various bank accounts, or gambling with it at casinos.

The recent address on the 9th of July highlighted that many of these money-laundering methods are often enabled by corrupt or unwitting professional service providers, including legal practitioners, accountants, consultants, trust and company service providers, financial advisers and real estate professionals. These are known as “gatekeeper entities” because they act as intermediaries who can control access to certain services or information that criminals can use to launder money.

Regulations aren't up to scratch

In Australia, these gatekeeper entities are not currently covered under the AML/CTF regime, making us one of only a few countries neglecting this huge vulnerability. Coincidentally, the global AML/CTF watchdog FATF also recently released a report reviewing gatekeepers’ “technical compliance related to corruption”. Australia, China, and the United States all scored 0% on requirements to cover gatekeeper sectors, putting all three at the bottom of global rankings. According to the report, in our case this is largely because: In Australia, these sectors are required to implement none of the preventive measures that have been required by the FATF Standards since 2003.

A recipe for criminal exploitation

AUSTRAC’s risk assessment ranked domestic real estate, luxury goods, and cash (as both transfer and store of value) as “very high risk” channels or sectors for money laundering. Accountants, lawyers, precious metals, and legal structures were all ranked “high risk”. These sectors could be playing a role in better controlling money laundering in Australia. Instead, they are currently passive, and sometimes active, enablers. In rankings of proceed-generating crime threats, illicit drugs, tax and revenue crime, and government-funded program fraud were identified as the highest-risk. The proceeds of these crimes are known to be laundered. Careful laundering can allow criminals to keep using that money with impunity, fueling further crimes. Bring those two sets of risk ratings together, and it’s clear Australia has both highly profitable criminal activity and a range of sectors highly vulnerable to money laundering abuse. That is a recipe for criminal exploitation.

There’s an appetite for change

The national risk assessments are out at a useful time. Tranche II reforms to update Australia’s AML/CTF measures are in progress. In the last budget, A\$166.4 million was set aside to implement the necessary reforms. Under these reforms, a wide range of gatekeeper businesses in Australia will be required to develop an AML/CTF program. Organisational risks will need to be assessed. Suspicious transactions will need to be reported. Awareness and education about money laundering through these legal channels will undoubtedly result. The national risk assessments were a significant undertaking by AUSTRAC. They provide an evidence-base for the ML and TF risks we face in Australia.

As noted by AUSTRAC chief executive Brendan Thomas, Australia’s strong business sector is appealing to both legitimate and illegitimate businesses. Criminals are good at exploiting weaknesses, so the controls to slow them must be stronger. An effective AML regime is the best tool we can have to control the flow of dirty money. While we will never completely eradicate it, we can certainly do a better job of detecting, deterring, and preventing the abuse of legal channels in Australia. Our government has had 17 years since passing the Anti-Money Laundering and Counter-Terrorism Financing Act to bring the legislation up to the minimum standards set by the global Financial Action Task Force. So far, it has failed to deliver. Not only does this leave gaping holes for criminals to exploit, but it also means we are not collecting data on suspicious transactions within these gatekeeper industries.

Dr Jamie Ferrill, BaCJ (Mount Royal), MPS (Connecticut), PhD (Loughborough), FIH Research Fellow and Senior Lecturer at the Australian Graduate School of Policing and Security (CSU).

This article was originally published in The Conversation on the 9th July 2024.

WHAT THE NATIONAL RISK ASSESSMENT REVEALS ABOUT FOREIGN BANKS IN AUSTRALIA AND GLOBAL GROUP ACTIVITIES

Tony Coburn

Snapshot:

- AUSTRAC's National Risk Assessment identifies a medium and stable ML/TF risk for foreign banks operating in Australia, with a distinct risk profile due to their complex cross-border services and limited criminal exploitation.
- The Assessment raises concerns about foreign bank branches relying heavily on overseas head offices for AML/CTF programs, which may not be adequately tailored to the Australian risk environment, leading to potential compliance challenges.
- This article discusses policy implications and the need for possible changes to AML/CTF regulations to allow for reliance on equivalent customer due diligence and record-keeping efforts conducted in other jurisdictions, aiming to reduce compliance burdens for foreign banks and Australian entities operating internationally.

AUSTRAC's Money Laundering in Australia National Risk Assessment (Assessment) identifies the ML/TF risk of foreign banks carrying on business in Australia as medium and stable (see page 55 of the Assessment). The Assessment states that the foreign bank branch subsector faces a distinct money laundering risk profile compared to other banking subsectors. This is because they generally provide complex, customised financial products and services for cross-border trade and investment to a smaller number of high-value customers. It is suggested that there is limited evidence of wide-scale criminal exploitation of foreign bank branches.



In the assessment it states that "some foreign bank branches may lack a comprehensive understanding of the Australian money laundering environment. While the majority of them have well-established AML/CTF programs, they often maintain a strong reliance on their overseas head offices. This can result in AML/CTF programs that are not adequately tailored to the Australian risk environment".

This raises the wider question of what the policy expectations should be for management of ML/TF risks when a global financial institution offers services in Australia to enable foreign customers to trade across borders. To what extent is it necessary or desirable for a foreign bank to be called on to adapt an AML/CTF Program which is applied globally when it is to be used in the Australian risk environment?

For example, this is a particularly difficult policy question in relation to the conduct of an applicable customer identification (ACIP) of a person to whom a branch of a foreign bank will provide designated services where that person is an existing customer of the foreign bank in another jurisdiction.

A branch of a foreign bank will be, of course, a permanent establishment of the foreign bank in Australia and will therefore be a reporting entity. Section 32 of the AML/CTF Act requires that a reporting entity must carry out ACIP to Australian standards. Since the foreign branch is a reporting entity in Australia, those standards require the foreign branch to have a Part B AML/CTF Program which complies with the requirements of Chapter 4 of the AML/CTF Rules. Those requirements are likely to be different for a customer that is a company, trust or investment partnership to the ACIP requirements in the home jurisdiction of the foreign bank. It appears to demand a repeat of an ACIP on the customer.

If a foreign bank operates in Australia through a subsidiary rather than a branch, this challenge could be managed in a different way. In that situation, case by case reliance on ACIP performed by a third party is permitted under section 38 of the AML/CTF Act, subject to certain conditions. Perhaps more importantly, section 37A and Rule 7.2 together provide a mechanism for reliance on ACIP of classes of customer of a third party under agreements or arrangements for communication of verified data, coupled with undertakings for maintenance of and access to relevant records. Where the party which conducts ACIP is outside Australia, this type of reliance depends on an assessment by the relying party of the processes of the party which conducts ACIP to satisfy itself that those processes meet certain standards including identification of beneficial owners. This includes that the foreign entity carrying out the ACIP is regulated by one or more laws of a foreign country giving effect to FATF Recommendations relating to customer due diligence and record keeping.

There is no need for the equivalent CDD and record keeping obligations to produce results identical to what would be needed under a compliant Australian AML/CTF Program. The assessment of the relying party must be regularly refreshed: see Rules 7.2.3 and 7.2.4. This type of arrangement can be complicated between parties at arm's length but is comparatively straightforward between related entities within a group of companies.

For some reason, section 37A and Part 7.2 are not available to a foreign bank branch for reliance that it has itself carried out which would appear to meet the standards of equivalent CDD and record keeping obligations. This seems a curious outcome from a policy viewpoint.

At present an Australian entity operating through a branch in a foreign jurisdiction, or a subsidiary of an Australian company operating in a foreign jurisdiction, will be governed by the AML/CTF Act (see section 6(6) and 21 of the AML/CTF Act). It will also be a reporting entity. However, in these circumstances if that reporting entity's permanent establishment is regulated by anti-money laundering and counter terrorism financing laws "comparable to Australia" only minimal additional systems and controls need be considered: see Rule 8.8.3 or 9.8.3 (as applicable). Section 39(5) of the AML/CTF Act has the effect that the requirements of section 32 to conduct ACIP to Australian standards do not apply to the activities of a reporting entity in a foreign jurisdiction.

In the first stage of the consultation entitled Modernising Australia's anti-money laundering and counter terrorism financing laws, which closed on 16 June 2023, AUSTRAC signalled some possible changes to this position. At page 9 of Consultation Paper 1, AUSTRAC suggested that the Act could be amended to include specific requirements, including that Australian businesses operating overseas should apply measures consistent with their AML/CTF programs in their overseas operations, to the extent permitted by local law.

Market participants will eagerly await developments from the consultation process, and are likely to be looking for ways to reduce any unnecessary compliance burden and to avoid duplication by enabling:

- (a) reliance by branches of foreign companies on efforts undertaken in another jurisdiction with "equivalent CDD and record keeping obligations"; and
- (b) compliance by Australian entity (or subsidiary of an Australian entity) with laws in another jurisdiction where those laws provide for and apply FATF principles in relation to activities that are designated services.

Tony Coburn - Consultant, Banking and Financial Services Regulatory (Australia) at Herbert Smith Freehills



Image: taken at the FIH Integrity Insight: Financial Crime Summit, April 2024 Crown Sydney.

AN ANALYSIS OF RECENT TERRORISM CASES IN LIGHT OF THE 2024 TERRORISM FINANCING NATIONAL RISK ASSESSMENT

Crispin Yuen

Snapshot:

- **2024 AUSTRAC NRA Overview:** The 2024 National Risk Assessment (NRA) characterises Australia's terrorism financing as small-scale and low-value, noting a decrease in funds for foreign fighters and infrequent domestic attacks, mostly by lone actors.
- **Recent Cases:** Recent terrorism cases reflect the NRA's findings, with instances of both Islamist and right-wing extremism, showcasing small-scale activities and online radicalisation. Notable cases include support for Islamic State and right-wing terrorism, highlighting ongoing threats and the need for enhanced focus on online platforms.
- **Emerging Trends:** While the NRA's assessment aligns with observed cases, there are gaps in addressing online radicalisation's central role, persistent right-wing threats, and potential for transnational attacks. Future assessments may need to address these areas more comprehensively.



Australia faces an ongoing terrorism threat from both Islamist extremists and right-wing extremists. To combat this threat, Australian authorities conduct regular risk assessments to evaluate the nature of terrorist activities and their financing. This paper examines how recent terrorism cases (2019-2024) align with or diverge from the findings of the NRA.

Overview of the 2024 AUSTRAC Terrorism Financing NRA

The 2024 NRA characterises Australia's terrorism financing landscape as "small scale and low value". Key findings include:

01. Australia is primarily an exporter of small-scale terrorism financing funds to offshore terrorist organisations.
02. Domestic attacks are infrequent and mainly committed by lone actors who self-fund their activities.
03. The scale of funds to support foreign fighter travel has decreased.
04. There is no evidence of terrorism financing funds flowing into or returning to Australia.
05. Islamic State, al-Qa'ida, and their affiliates are assessed as most likely to receive funds from Australia, with Hamas and Hizballah to a lesser extent.
06. The NRA notes that Australia's terrorism threat environment continues to evolve, influenced by both domestic and international events.

Analysis of Recent Terrorism Cases

Islamist Extremism Cases

Several recent cases involve individuals supporting or advocating for Islamist extremist groups:

- July 2019: Three men were arrested by the NSW Joint Counter Terrorism Team (JCTT) for alleged support of Islamic State:
 - A 20-year-old man from Greenacre was charged with membership of a terrorist organisation.
 - A 23-year-old man from Toongabbie was charged with preparing for a terrorist act and for travel to engage in hostile activities.
 - A 30-year-old man from Chester Hill was charged with fraudulently claiming unemployment benefits.
- July 2022: A 40-year-old Brisbane man was charged with advocating terrorism for allegedly posting videos supporting Islamic State on Facebook and providing funds to an Australian foreign terrorist fighter in Syria in 2013.
- December 2022: A 31-year-old man extradited to Victoria was charged with six terrorism offences, including engaging in hostile activities abroad and membership in a terrorist organisation.
- April 2024: A 16-year-old boy allegedly stabbed a bishop at a church in Wakeley, NSW. Police treated the attack as terrorism due to religious motives. Seven teenagers were subsequently arrested for adhering to a violent extremist ideology, posing a significant threat to New South Wales.

A few cases align with the NRA's assessment that Islamic State remains a key recipient of support from Australia. They also demonstrate the ongoing risk of self-radicalised individuals engaging in online advocacy and small-scale financing activities.

Right-Wing Extremism Cases

The analysed reports included cases related to right-wing extremism:

- February 2022: A man was arrested in Windang, NSW, and charged by the NSW JCTT for engaging in a terrorist act. Authorities allege that the man was radicalised online by nationalist and racist ideologies, which culminated in an armed stand-off near Wollongong.
- August 2022: A dual Australian-Russian citizen was sentenced to three years and six months in prison by the WA District Court for advocating terrorism through online videos urging politically-motivated violence abroad.
- February 2023: A man from Tamworth, NSW was sentenced to over 2 years in prison for advocating terrorism through racist and extremist messages on social media.
- June 2024: Prime Minister Anthony Albanese revealed that an alleged teenager's 200-page manifesto included threats against his family and plans inspired by Brenton Tarrant, the perpetrator of the Christchurch mosque shootings in New Zealand, leading to the accused's arrest.

These cases highlight the persistent threat from right-wing extremism, which is acknowledged in the NRA as part of the evolving terrorism landscape in Australia.

Notable International Case with Australian Connection

While not occurring in Australia, it is worth noting the March 2019 Christchurch mosque shootings in New Zealand were carried out by an Australian citizen. This case demonstrates the potential for extremist ideologies to transcend national borders:

- On March 15, 2019, Brenton Tarrant, a 28-year-old Australian, allegedly killed 51 people in attacks on two mosques in Christchurch, New Zealand.
- The attack was live-streamed on social media and accompanied by the release of a manifesto espousing white supremacist and anti-immigrant views.

This case highlighted the growing threat of right-wing extremism and the role of online radicalisation in fostering lone-actor terrorism. While this attack occurred outside Australia, it underscores the transnational nature of extremist ideologies and the need for international cooperation in countering violent extremism.

Alignment with NRA Findings

The examined cases generally support the NRA's characterisation of Australia's terrorism threat and financing environment:

- The cases involve small-scale, low-value activities often centred around online advocacy and radicalisation.
- Self-funding and small transfers appear to be the primary financing methods.
- Islamic State remains a key focus of support from extremists in Australia.
- There is evidence of both Islamist and right-wing extremist threats, reflecting the NRA's assessment of an evolving threat landscape.

Potential Gaps or Emerging Trends

While the cases largely align with the NRA, some potential gaps or emerging trends are worth noting:

- All examined cases involved online activities. The NRA acknowledges the role of the internet in radicalisation but may understate its centrality to current terrorism and financing activities in Australia.
- The Tamworth and Windang cases demonstrate the ongoing threat from right-wing extremism. The public version of the NRA provides limited detail on financing risks specific to this ideology, which may warrant further attention.
- The Brisbane case involving alleged 2013 financing of a foreign fighter highlights the potential for long-standing extremist networks to persist. The NRA focuses primarily on current and near-term risks but may need to consider lingering threats from older networks.
- The Christchurch attack, while not occurring in Australia, highlights the potential for Australian extremists to carry out attacks abroad. This underscores the need for international cooperation in counter-terrorism and counter-terrorism financing efforts.

The analysis of recent terrorism cases in Australia largely supports the findings of the 2024 Terrorism Financing NRA. The cases demonstrate the small-scale, low-value nature of terrorism financing activities in Australia, with a focus on self-funding and online advocacy. However, the centrality of online platforms to current extremist activities, the persistent threat from right-wing extremism, and the potential for transnational attacks may warrant additional emphasis in future risk assessments.

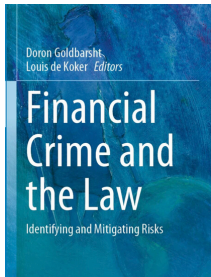
This research is limited by its reliance on publicly available information and a small sample of recent cases. Future studies could benefit from access to classified information and a more comprehensive dataset of terrorism cases to provide a more robust evaluation of Australia's terrorism financing risks.



RESEARCH AT FIH

NEW BOOK!

Financial Crime and the Law: Identifying and Mitigating Risks



Edited by Doron Goldbarsht and Louis De Koker, [this collection](#) delves into financial crimes like crypto crime, terrorist financing, and money laundering. It offers insights into risk-based compliance, challenges in regulating weapons of mass destruction financing, and the connection between cannabis regulation and money laundering. The book also critiques the effectiveness of the risk-based approach, highlighting concerns about bias and the role of FATF. Essential for professionals and scholars, it deepens understanding of the complexities in financial crime risk management.

Jamie Ferrill

FIH Research Fellow Dr Jamie Ferrill co-authored an [article](#) on Trade-Based Money Laundering (TBML) along with Dr Milind Tiwari and Dr Douglas Allan. The article is a systematic literature review of TBML scholarship and highlights four key emergent themes. She also co-authored [Weeding out Dirty Money: Cannabis Regulations and Financial Crime](#) in the aforementioned book edited by Doron Goldbarsht and Louis de Koker along with Dr Milind Tiwari.

Daley J. Birkett

On 21 May and 30 May, FIH Research Fellow Dr Daley Birkett delivered seminars titled 'The Freezing and Seizure of Assets at the Request of the International Criminal Court in the Context of the Situation in Ukraine' at the Centre for European Legal Studies on Macro-Crime at the University of Ferrara and at the European Center for Constitutional and Human Rights in Berlin, respectively.

Hannah Harris

FIH Research Fellow Dr Hannah Harris has co-authored a forthcoming [article](#) analysing the impact of the Failure to Prevent Bribery offence on corporate compliance in the UK. She produced a [report](#) for ACT NOW PNG on using financial crime laws to combat illegal logging in PNG. Dr Harris chairs a [sub-committee on Corporate Accountability and Engagement](#) in drafting a treaty to establish an International Anti-Corruption Court with a focus on corporate liability.

Doron Goldbarsht and Elizabeth Sheedy

Doron Goldbarsht and Elizabeth Sheedy published their research, supported by Arctic Intelligence, titled "Money Laundering and the Risk in the Risk-Based Approach: The Australian Context" in the [Monash University Law Review](#). The paper critically examines how risk is managed within Australia's AML/CTF framework and suggests ways to improve compliance efficiency.

UPCOMING PRESENTATIONS:

Louis de Koker and Doron Goldbarsht

Louis De Koker and Doron Goldbarsht will be speaking at the [41st Cambridge International Symposium on Economic Crime](#), held at the University of Cambridge from 1-8 September.

Derwent Coshott

FIH Research Fellow Dr Derwent Coshott will be speaking at the [Financial Crime Summit](#) on September 3-4 (Sydney).

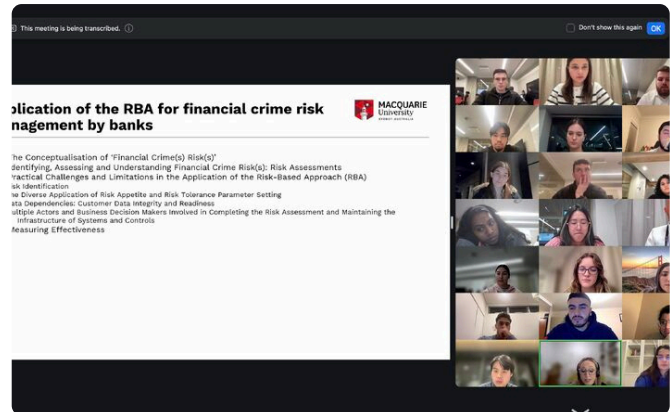


RECENT FIH EVENTS

WEBINAR: FINANCIAL CRIME AND THE LAW: IDENTIFYING AND MITIGATING RISKS

The FIH recently hosted a webinar celebrating the launch of our new book, *Financial Crime and the Law: Identifying and Mitigating Risks*. The event featured thought-provoking insights from global experts **Louis De Koker**, **Michael Levi**, **Rachel Southworth**, and **Charles Littrell**, with **Isabelle Nicolas** as the host.

The discussion delved into the effectiveness of the risk-based approach (RBA) and the global standards set by the Financial Action Task Force (FATF), exploring topics such as economic and demographic biases in FATF evaluations and the implications for countries like Australia. Congratulations to our panelists for addressing these critical issues and challenging established norms.



INAUGURAL MEETING AND WORKSHOP: ASIA PACIFIC FOREST CRIME NETWORK

FIH recently held a workshop on forestry crimes in the Asia-Pacific region, spanning two days and bringing together the #APFCN network of researchers, advocates, and community stakeholders. The workshop, led by **Hannah Harris**, focused on the Papua New Guinean experience with forest crime and explored using criminal law mechanisms to combat illegal logging and related financial crimes, including money laundering, bribery, tax evasion, and fraud.



Day one involved discussions on sharing information and strategies to address forest crime in Papua New Guinea and the wider region. Day two included an optional half-day planning session to formalise the network's agenda and develop long-term objectives.

UPCOMING FIH EVENTS

Seminar: AML/CTF for DNFBPs in Australia

Come join us for this seminar on Anti-Money Laundering and Counter-Terrorism Financing for Designated Non-Financial Businesses and Professions in Australia (DNFBPs).

This seminar is relevant for legal professionals, accountants, real estate professionals, consultants and dealers in precious metals and stones.

This seminar is comprised of 2 sessions:

- The global framework.
- The proposed AML/CTF reform in Australia and what this means for DNFBPs, including key obligations under the proposed framework.

As the Attorney-General's Department rounds out the consultation process, it is anticipated that the expansion of AML/CTF obligations will soon capture DNFBPs where they provide certain designated services.

All attendees are eligible for a participation certificate upon completion of the seminars, enabling participants to claim 2 CPD units that are relevant to their practice needs or professional development.

Don't miss out on this chance to enhance your knowledge and skills in this important area.

Sign up here: [Seminar Tickets](#)

Limited spots are available. Mark your calendar and secure your spot now!

Date: 26 Sep 2024

Time: 9:00-11:30 AM

Location: Macquarie University City Campus, 123 Pitt Street.

Speakers:

Dr Derwent Coshott

USyd and FIH Research Fellow.



Evan Gallagher

Director, Policy Reform, Reform Policy and Mutual Evaluation AUSTRAC.



Isabelle Nicolas

PhD candidate (MQU) and Associate Director at FIH.



FIH SEMINARS

September 2024

AML/CTF and Gatekeepers

FINANCIAL
INTEGRITY HUB

MACQUARIE
University
SYDNEY AUSTRALIA

UPCOMING FIH EVENTS

End of Year Event!

Join us for an in-depth exploration of modernising the Australian Anti-Money Laundering (AML) and Counter-Terrorism Financing (CTF) regime.

Sign up here: [FIH End of Year Event Tickets](#)

Early bird tickets for the FIH End of Year Event are available until 31 October 2024, after which general admission rates will apply.

- **Date:** 9 December 2024
- **Time:** 5:30-7:00 PM
- **Location:** KPMG - Level 38 Tower 3/300 Barangaroo Ave, Sydney NSW 2000.



FIH
END-OF-YEAR EVENT
9 DECEMBER 2024

FINANCIAL INTEGRITY HUB



WORK WITH US

The Financial Integrity Hub (FIH) relies on a network of experts across business, government and higher education. It promotes an interdisciplinary understanding of financial crime by bringing together perspectives from the fields of law, policy, security, intelligence, business, technology and psychology.

The FIH offers a range of services and collaborative opportunities. These include professional education, hosting events to promote up-to-date knowledge, publishing key insights and updates, and working with partners on their business challenges.

If your organisation would benefit from being part of a cross-sector network and having a greater understanding of the complex issues surrounding financial crime, please contact us to discuss opportunities for collaboration: fih@mq.edu.au.

If you would like to contribute your op-ed for our future FIH Insights, please contact us.

