

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

REVIEW OF THE FOUR MAJOR BANKS

NAB

NAB21QW:

(a) Can you please provide a copy of your anti-money laundering, or like, policy?

(b) How many cases have you reported to AUSTRAC over the past decade?

(c) Of those cases, how many relate to:

(i) money laundering?

(ii) terrorist financing?

(iii) organised crime?

(iv) human trafficking?

(v) child exploitation?

(vi) crimes of a sexual nature?

(vii) other serious crimes not captured by (i) – (vi)?

(d) Can you please provide an update on your initiatives, including details of programs, staff numbers and financial resources toward initiatives to combat:

(i) money laundering?

(ii) terrorist financing?

(iii) organised crime?

(iv) human trafficking?

(v) child exploitation?

(vi) crimes of a sexual nature?

(vii) other serious crimes not captured by (i) – (vi)?

(e) How frequently have you reported to AUSTRAC on a scheduled basis over the past decade?

(f) Please outline the occasions you have reported to AUSTRAC on an ad hoc basis over the past decade?

(g) Over the past decade, how many AUSTRAC investigations into the bank have been:

- (i) opened
- (ii) completed with penalties
- (iii) completed without penalties
- (iv) abandoned

(h) How many fines have been paid to AUSTRAC over the past decade, and what were their values?

(i) Have any AUSTRAC notifications or investigations resulted in terminations of employment or other penalties for employees?

(j) Have any AUSTRAC notifications or investigations resulted in terminations of employment or other penalties for executives?

(k) What staff training is provided to assist anti-money laundering and other serious crime detection?

Answer:

(a) Can you please provide a copy of your anti-money laundering, or like, policy?

Please see separate response NAB21QW(a).

(b) How many cases have you reported to AUSTRAC over the past decade?

There is a variety of reporting obligations in the AML/CTF Act, including the obligation to report suspicious matters arising from the provision of certain services (often referred to as Suspicious Matter Reports or SMRs). In the past decade, NAB has submitted 52,950 SMRs to AUSTRAC as at mid-December 2019. These SMRs have been generated from NAB's transaction monitoring program, which includes automated transaction monitoring and the reporting of unusual activity by NAB staff. NAB is required to specify on the SMR form submitted to AUSTRAC the nature of the suspicion where known. In some instances, NAB may form a suspicion regarding the nature of the transaction or other conduct, but may not be clear on what the underlying offence could be. In such circumstances, NAB will still file a SMR.

(c) Of those cases, how many relate to:

- (i) money laundering**
- (ii) terrorist financing**
- (iii) organised crime**
- (iv) human trafficking**
- (v) child exploitation**
- (vi) crimes of a sexual nature**
- (vii) other serious crimes not captured by (i) – (vi)**

NAB entities form a reportable suspicion through analysis of information about a customer and relevant products/ services that is available to the entity. From July 2019, NAB commenced recording the basis for the suspicion the SMR forms that are submitted to AUSTRAC.

Therefore, data to support the above categories is only readily available for the period July 2019 to January 2020 as follows:

- (i) money laundering – 6648 SMRs
- (ii) terrorist financing – 12 SMRs

- (iii) organised crime – 15 SMRs
- (iv) human trafficking – 68 SMRs
- (v) child exploitation – 148 SMRs
- (vi) crimes of a sexual nature – 2 SMRs
- (vii) other serious crimes not captured by (i) – (vi) – 1217 SMRs relating to various other threats such as (not limited to) Narcotics, Family Day Care fraud, Tax Evasion, Complex Movement of Funds, Unregistered Remittance Service Providers and other Sanctions related suspicion.

(d) Can you please provide an update on your initiatives, including details of programs, staff numbers and financial resources toward initiatives to combat:

- (i) money laundering**
- (ii) terrorist financing**
- (iii) organised crime**
- (iv) human trafficking**
- (v) child exploitation**
- (vi) crimes of a sexual nature**
- (vii) other serious crimes not captured by (i) – (vi)**

NAB continues to invest to strengthen our compliance frameworks, systems, controls, processes and capability to ensure on-going compliance with AML/CTF laws. Across NAB, there is a number of teams dedicated to managing financial crime risk, including Financial Crime Operations and the Corporate and Institutional Financial Crime Compliance team. Since July 2016, NAB has invested in several programs of work to uplift and strengthen our AML/CTF framework and its implementation. One of the most significant is the Financial Crime Change Program (FCCP) which is to design and deliver tactical and/or strategic solutions to de-risk, address identified issues and enhance processes, systems and controls. The FCCP is a multi-year program of work which has received significant financial investment. NAB has spent about \$150 million in 2019 on increasing its capability and have over 1000 people dedicated to managing financial crime risks.

(e) How frequently have you reported to AUSTRAC on a scheduled basis over the past decade?

As noted above, there are a variety of reporting obligations in the AML/CTF Act including for SMRs, threshold transactions, international funds transfer instructions (IFTI) and annual compliance reports. NAB reports matters on an ongoing basis.

NAB also has provided an annual compliance report each year as required by the AML/CTF Act. Further, since 2016, NAB has met with AUSTRAC's compliance/supervisory team three to four times per year.

(f) Please outline the occasions you have reported to AUSTRAC on an ad hoc basis over the past decade?

When significant AML/CTF compliance issues are identified, they are notified to AUSTRAC or foreign regulators as applicable. NAB has reported a number of compliance breaches to relevant regulators and has responded to a number of requests from regulators requiring the production of documents and information. Identified issues include certain weaknesses with the implementation of 'Know Your Customer' requirements, other financial crime risks, as well as systems and process issues that impacted transaction monitoring and reporting in some specific areas. NAB continues to keep AUSTRAC (and where applicable, relevant foreign regulators) informed of its progress in resolving these issues and will continue to cooperate and respond to queries from, such regulators.

(g) Over the past decade, how many AUSTRAC investigations into the bank have been:

- (i) opened**
- (ii) completed with penalties**

(iii) completed without penalties

(iv) abandoned

AUSTRAC's remit is that of a regulator and financial intelligence unit. NAB maintains a trusted working relationship with AUSTRAC, where our compliance activities are supervised and we contribute as a partner to the Fintel Alliance. AUSTRAC's approach to supervision consists of scheduled compliance meetings, thematic compliance assessments and ad-hoc queries. NAB's last compliance assessments were conducted by AUSTRAC in February and March 2019 and related to Know Your Customer requirements (KYC).

NAB assumes, however, that this question to be seeking information about investigations into NAB by AUSTRAC's enforcement team as opposed to ongoing oversight (through onsite compliance assessments or otherwise). NAB is not aware of any current open AUSTRAC investigations into NAB. Consequently, NAB is not aware of any investigations that have been either completed or abandoned.

(h) How many fines have been paid to AUSTRAC over the past decade, and what were their values?
Nil.

(i) Have any AUSTRAC notifications or investigations resulted in terminations of employment or other penalties for employees?

Based on NAB's understanding this question is focused on AUSTRAC initiated notifications or investigations by AUSTRAC's enforcement team, there have not been any such terminations or penalties.

(j) Have any AUSTRAC notifications or investigations resulted in terminations of employment or other penalties for executives?

See answer to NAB21QW(i) above.

(k) What staff training is provided to assist anti-money laundering and other serious crime detection?

At commencement of employment, all employees are required to undertake AML/CTF risk awareness training, and then refresher training annually thereafter. Mandatory trainings are electronically delivered and contain an assessment component. Completion of mandatory training is monitored, and includes consequence management if training is not completed within the prescribed period. The NAB mandatory training package includes specific courses in relation to AML, Counter Terrorism Financing, Sanctions and Anti-Bribery & Corruption.

Certain employees receive additional AML/CTF training that is tailored to their position. This might be required if they are in a high-risk position (for example, where the ML/TF activity is potentially heightened by way of customer interactions) or where the role is responsible for compliance with obligations under the AML/CTF Act and Rules. Such training is generally classroom based.