



AUSTRAC and Westpac agree to proposed \$1.3bn penalty

24 Sep 2020

Westpac and AUSTRAC have today agreed to a 1.3 billion dollar proposed penalty over Westpac's breaches of the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (AML/CTF Act). Westpac and AUSTRAC have agreed that the proposed penalty reflects the seriousness and magnitude of compliance failings by Westpac.

The Federal Court of Australia will now consider the proposed settlement and penalty. If the Federal Court determines the proposed penalty is appropriate, the penalty order made will represent the largest ever civil penalty in Australian history.

In reaching today's agreement, Westpac has admitted to contravening the AML/CTF Act on over 23 million occasions, exposing Australia's financial system to criminal exploitation.

In summary, Westpac admitted that it failed to:

- Properly report over 19.5 million International Funds Transfer Instructions (IFTIs) amounting to over \$11 billion dollars to AUSTRAC.
- Pass on information relating to the origin of some of these international funds transfers, and to pass on information about the source of funds to other banks in the transfer chain, which these banks needed to manage their own ML/TF risks.
- Keep records relating to the origin of some of these international funds transfers.
- Appropriately assess and monitor the risks associated with the movement of money into and out of Australia through its correspondent banking relationships, including with known higher risk jurisdictions.
- Carry out appropriate customer due diligence in relation to suspicious transactions associated with possible child exploitation.

In reaching the agreement, Westpac has also admitted to approximately 76,000 additional contraventions which expand the original statement of claim. These new contraventions relate to information that came to light after the civil penalty action was launched last year and relate to additional IFTI reporting failures, failures to reasonably monitor customers for transactions related to possible child exploitation, and two further failures to assess the money laundering and terrorism financing risks associated with correspondent banking relationships.

AUSTRAC's Chief Executive Officer, Nicole Rose PSM said the settlement sends a strong message to industry that AUSTRAC will take action to ensure our financial system remains strong so it cannot be exploited by criminals.

"Our role is to harden the financial system against serious crime and terrorism financing and this penalty reflects the serious and systemic nature of Westpac's non-compliance," Ms Rose said.

"Westpac's failure to implement effective transaction monitoring programs, and its failure to submit IFTI reports to AUSTRAC and apply enhanced customer due diligence in relation to suspicious transactions, meant AUSTRAC and law enforcement were missing critical intelligence to support police investigations."

Ms Rose said such a large number of breaches over several years was unacceptable and could have been avoided with better assurance and oversight processes to identify ongoing reporting failures.

AUSTRAC works in partnership with the businesses we regulate through a comprehensive industry education program.

"We have been, and will continue to work collaboratively with Westpac and all businesses we regulate to support them to meet their compliance and reporting obligations to ensure this doesn't happen again in the future."

Westpac continues to partner with AUSTRAC to assist AUSTRAC and law enforcement agencies to stop financial crime, including as a member of AUSTRAC's private-public partnership the Fintel Alliance.

About AUSTRAC

AUSTRAC (the Australian Transaction Reports and Analysis Centre) is the Australian Government agency responsible for detecting, deterring and disrupting criminal abuse of the financial system to protect the community from serious and organised crime.

Through strong regulation, and enhanced intelligence capabilities, AUSTRAC collects and analyses financial reports and information to generate financial intelligence.

Learn more about AUSTRAC: <https://www.austrac.gov.au/about-us/austrac-overview>
(<https://www.austrac.gov.au/about-us/austrac-overview>).

Media contact

Email: media@austrac.gov.au (<mailto:media@austrac.gov.au>)

Phone: (02) 9950 0488