Australian Banking Association

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Stakeholder Consultation Paper - AUSTRAC Industry Contribution 2022-23

The Australian Banking Association (**ABA**) welcomes the opportunity to provide feedback on the Australian Transaction Reports and Analysis Centre's (**AUSTRAC**) Stakeholder Consultation Paper (**the Consultation Paper**). Feedback provided by the ABA is on AUSTRAC's Industry Contribution levy (**the levy**) for 2022-23. ABA Members represent many of the largest reporting entities (**REs**) that fund the annual operational expenditure of AUSTRAC.

Our position

The ABA again reiterates concerns raised in past submissions, while acknowledging proposed changes to the levy aimed at a more equitable approach, as outlined in this submission.

The ABA have consistently made submissions to previous AUSTRAC levy consultations outlining these concerns. The ABA raises the following concerns and acknowledgements:

- The levy does not adhere to the government's published cost recovery guidelines (**the guidelines**). These guidelines ensure that costs imposed on industry are borne in a manner that is efficient, consistent, transparent, and accountable. While AUSTRAC assures it undertakes an annual consultation on the levy consistent with the guidelines, AUSTRAC veers off from clearly articulating its rationale for not adhering to cost recovery in the guidelines.
- The Total Industry Contribution Amount to be Recovered by the industry shows significant growth over the four-year trajectory (from 2022-23 up to and including 2025-26) with insufficient justification.
- Where AUSTRAC redistributes the percentage split across the earnings component and the transaction reporting component of the levy, as it has in this Consultation Paper, we request AUSTRAC clearly articulates its rationale evidencing how such a redistribution can fairly serve REs.
- The ABA acknowledges under the revised model more REs may be required to contribute to the levy for the first time, which the ABA is generally supportive of a fairer distribution basis. However, the ABA remains concerned that the current levy mechanism excludes several high-risk REs that have no levy obligation. By bringing into scope these high-risk REs under the levy obligations, this would be one fairer allocation of AUSTRAC's overall contribution recovery amount and relieve REs currently wearing this burden.

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2022-23 Changes

Supplementary to the general concerns and acknowledgements above, the ABA notes more specific points with the proposed levy contribution model for 2022-23.

The main changes to the industry contribution levy for 2022-23 are summarised as follows:

1. AUSTRAC has reduced the transaction reporting cap component in 2022-23 (introduced in 2021-22), from $14,000,000 to $7,100,000.
2. AUSTRAC has almost trebled the earnings component from (fixed) 0.048 percent in 2021-22 to (fixed) 0.12 per cent.
3. AUSTRAC explains its changes to points 1 and 2 above are to even the burden on REs where in previous years, the transaction reporting cap component accounted for much of their overall levy.
4. AUSTRAC now estimates with these proposed reforms to the levy, an RE's transaction reporting cap component in proportion to the overall levy falls to approximately 50.3 per cent (previously approximately 80 per cent), and the earnings component will rise to approximately 49.7 per cent (previously approximately 20 per cent) of a RE's overall levy. What the Consultation Paper does not clearly articulate is what conclusive methodology AUSTRAC has applied to ensure this rebalancing of the transaction reporting cap component and earnings component are fairly spread across multiple sectors and sizes of all REs subject to the levy.
5. Considering the ABA's comment in point 4 above, the ABA would be keen to engage with AUSTRAC and better understand whether these reforms to the levy operate as equitably as intended with the industry. While sharing any feedback obtained by the ABA from Members on this matter.
6. The ABA notes in the *Indicative Internal Budget Allocations for 2022-23* table across pages 12 and 13, that AUSTRAC appears to have grouped Regulatory Operations into Regulation for (combined total of $32,078,000). In doing so, this further lessens any transparency of this expenditure, given combined, it accounts for almost 30 per cent of the total 2022-23 total expenditure ($106,970,000).

The ABA also notes the rapidly growing levy as reflected in the *Forward Estimates as per 2022–23 Portfolio Budget Statement ($'000)* table contains no explanation (page 14). The rate of growth in total industry contribution amount to be recovered from 2022-23 up to and including 2025-26, is almost 20 per cent. With the largest growth coming from 2023-24 to 2024-25 (approximately 10 per cent). This has been called out in previous ABA submissions and we remain concerned that AUSTRAC lacks adequate explanation on these increases.

Given these significant increases in the levy, it is imperative that AUSTRAC provides our Members with as much transparency and sufficient notice on whether such increases are underpinned by any impending regulatory programs on the horizon. This will afford our Members sufficient time to source resources and budgeting to ensure timely compliance.

While these figures are sourced from AUSTRAC's 2022-23 Portfolio Budget Statements, provided in the Consultation Paper, there appears to be little explanation for the increases and no link made with the services provided. Again, the ABA emphasises the levy needs to adhere to the guidelines.

For some ABA members, the lack of explanation and transparency in the calculations and underlying data also make it challenging to attribute the costs across internal business functions/groups.

In addition to the fact this consultation for the 2022/23 levy is happening in the third quarter of the financial year in which it applies, the Consultation Paper is unclear about what the financial costs payable to AUSTRAC are in the longer term, which is important in enabling banks to forecast longer term costs than the immediate financial year.

The ABA raises further concerns on behalf of some Members subject to the 'Adjustment' component included in their invoices. These Members have expressed concern that the Consultation Paper does

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not cover this matter. Equally, concerns extend to AUSTRAC's opaqueness on the allocation methodology on the Adjustment component applied and lack of explanation to these Members.

In conclusion

The ABA acknowledges the important role AUSTRAC plays in minimising AML/CTF risks to Australia and the appropriate role for an industry contribution levy funded by REs, including our Members. Equally, several of these concerns raised in this submission including, but not limited to, transparency and rationale seem to fall short of requests raised in previous ABA submissions. Notwithstanding, the ABA remains committed to continue its engagement with AUSTRAC providing appropriate support and feedback.

The ABA thanks AUSTRAC for the opportunity to provide feedback.

If you have any queries, please contact me at:

Yours sincerely,

Policy Director