

SIX TERROR TRANSACTIONS IN AGENCY'S SIGHTS

CBA knew of laundering probe: Austrac

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REGULATION

Austrac has confirmed staff at the Commonwealth Bank had detailed knowledge of the agency's investigation that claims the lender failed to monitor money laundering and terrorism financing through its Intelligent Deposit Machines.

Austrac acting chief executive Peter Clark yesterday told a parliamentary committee the anti-money laundering agency was alleging that six transactions by five customers made through the bank's smart ATMs may have financed terrorism.

His comments came as global ratings agency Fitch said any evidence of "wider CBA failings" would damage the bank, which risks the threat of further regulatory crackdowns from authorities in Australia and overseas.

Fitch senior director Tim Roche said CBA was vulnerable to a tarnished view of its risk management framework and corporate culture, and lasting damage to its franchise caused by potential sanctions stemming from the civil proceedings.

"Broader reputational damage for CBA is a potential outcome of the allegations, which could impact its sector-leading franchise in Australian retail banking and potentially result in weaker profitability," Mr Roche said. "In ad-

dition, other regulatory bodies, both in Australia and overseas, may take further action in relation to these allegations, which could prolong this issue for CBA."

A team of ASIC investigators has been formed in Sydney to focus on the three key issues of whether CBA breached its continuous disclosure obligation, its AFSL licence responsibilities and if the bank's directors carried out their full duties.

CBA, which is also under investigation by the Hong Kong Monetary Authority, is believed

to have held urgent talks with global regulators and central banks on the day it was served by Austrac and played down potential terror-funding fears.

CBA, which is yet to file its defence to Austrac's allegations, declined to comment.

Mr Clark said Austrac had cleared the other major banks of potentially falling foul of the same reporting breaches.

"As we've suggested, we undertook an examination of the other major banks in terms of their intelligent deposit-taking machines," he said.

"We've looked at the other banks in particular and we have not identified the same issues."

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CBA chairwoman Catherine

Livingstone has maintained that, while the board knew about the problems with the ATMs in 2015, the first it knew about the legal action was when Austrac filed earlier this month.

Austrac first became aware of the issue with the ATMs in September 2015, Mr Clark said. The agency had noticed CBA missed transactions that should have been reported as part of regular correspondence with it, which prompted CBA to examine its machines. The bank then reported the breach to Austrac.

Asked whether the allegations listed in the 600-page statement of claim against CBA were exhaustive, Mr Clark indicated Austrac was not extending the investigation beyond those claims. "Our focus is on the matter in front of the court. We are intending to prosecute that fully," he said.

Field Research principal and financial analyst Stewart Oldfield said CBA would probably look to

settle the matter out of court "as soon as possible". He said: "History shows that Austrac's first round of allegations is not necessarily their last. That was the precedent in the Tabcorp matter."

Tabcorp paid a record \$45 million to settle its own money-laundering case earlier this year.

Austrac also confirmed CBA staff had knowledge of the investigation before the bank was served with the court claim.

“I can’t talk to what Comm-Bank knew at any particular time,” Mr Clark said. “We have had quite a lot of contact with CBA in respect to this.

“We work very closely with our reporting entities. Our view is that the Australian public is best protected from crime when public and private sector works together.”

When asked by Greens senator Peter Whish-Wilson whether the board was aware of the investigation before the claim was filed in court, Mr Clark said he was “not in a position to respond to that, particularly given that proceedings (had begun)”.

Mr Clark said Austrac would have kept the government in the loop on its investigation.

Mr Clark said Austrac did not consult with the government on the timing of its announcement, which was made just days before CBA reported its full-year results.

“We filed our matter in the federal court when we felt we had sufficient information in hand to do that. That was the only consideration in terms of timing,” Mr Clark said. He said prosecution was “not something we take lightly”.