DataBytes

A Financial Intelligence Primer Session

Content

- Very brief history of AML/CTF laws and the international system
- Money Laundering and financial intelligence
- Financial Intelligence Unit (FIU) - four flavours
- Australia's systems – public and private
- How privacy works in the public and private systems

Outcomes – to better understand

- AML/CTF laws and what they seek to achieve
- What money laundering and financial intelligence are
- The purpose of an FIU
- The difference between public and private financial intelligence
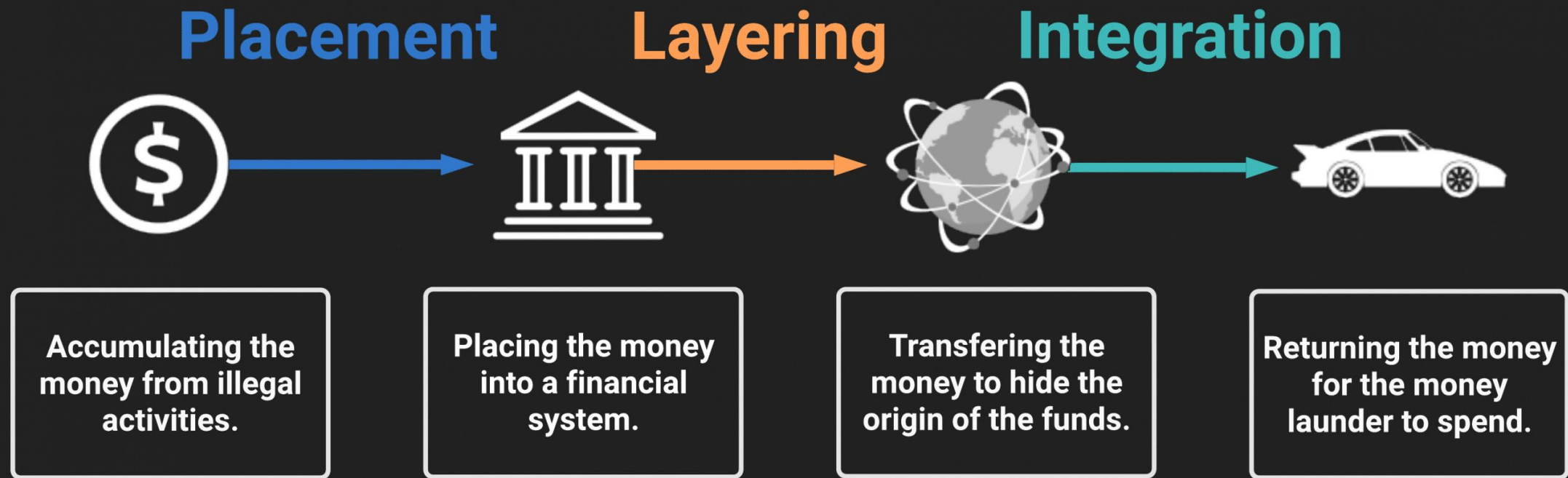- Some constraints on public and private information sharing

Very brief history

- The Financial Action Task Force (FATF)
  - Based in Paris and established in 1989, expanded in 2001
  - Global intergovernmental AML/CTF standards (recommendations) and policy setting body
  - 39 members and more than 200 countries committed to implementing the FATF standards

- Mutual evaluation teams
  - Assess countries for compliance and effectiveness
  - Results of mutual evaluations are voted on by FATF members
  - Poor mutual evaluation results can force countries onto grey and black lists

- Grey and black lists
  - Grey list – ongoing evaluation until compliance and effectiveness improve (scrutiny)
  - Black list – countries apply enhanced due diligence against these jurisdictions (exclusion)

https://www.fatf-gafi.org/en/the-fatf/who-we-are.html

https://www.fatf-gafi.org/en/publications/Fatfrecommendations/Fatf-recommendations.html

Money laundering stages

Placement → Layering → Integration

Accumulating the money from illegal activities.

Placing the money into a financial system.

Transfering the money to hide the origin of the funds.

Returning the money for the money launder to spend.

https://brittontime.com/2021/04/09/what-are-the-three-stages-of-money-laundering/

What is financial intelligence?

- **Financial data**
  - Individual data points like transaction values, dates, identifiers

- **Financial information**
  - A set of related financial data

- **Financial intelligence**
  - Processed/analysed information usually combining multiple sources which assesses a threat (e.g. money laundering, terrorism financing, proliferation, sanctions evasion)

- **Public and private**
  - Public sector intelligence – classified and unclassified information (including private information)
  - Private sector intelligence – unclassified information (including private information)
  - Public-private partnerships – classified and unclassified, including private, but often restricted use.
  - Private-private partnerships – unclassified, including private, but not all jurisdictions allow this.

https://austrac.gov.au/about-us/what-we-do/intelligence

Financial Intelligence Units – four flavours

- Judicial
  - Operating within the judicial branch of government, receives disclosures of suspicious transactions from financial sector and has judicial powers: seizing funds, freezing accounts, interrogating suspects, detaining people. Can investigate and prosecute.

- Law enforcement
  - Operating within law enforcement at one or multiple levels to investigate money laundering by collecting evidence, charging suspects, applying to courts to seize or freeze funds. Can investigate and bring charges for prosecution.

- Administrative
  - A centralised, independent administrative authority which receives disclosures of suspicious transactions from the financial sector and provides these to sends these to judicial or law enforcement authorities. Does not investigate or prosecute.

- Hybrid
  - Acts as an intermediary between judicial and law enforcement authorities, combining elements of at least two of the other types of FIU.

https://egmontgroup.org/about/financial-intelligence-units/

https://www.imf.org/external/pubs/ft/FIU/fiu.pdf

Australia - AUSTRAC

- Administrative FIU and AML/CTF regulator
  - Independent agency - receives information from ~17,000 different reporting entities, banks remitters, gold bullion dealers, gambling operators etc.
  - 317,000 suspicious matter reports in the financial year ending 2023
  - Regulates reporting entities, including: educating, supervising, monitoring and enforcing AML/CTF laws/regulations. This includes seeking enforceable undertakings and civil penalties where appropriate.

- Collaboration
  - Works with government partners nationally and internationally, sharing data, information and intelligence.
  - Works with the private sector, government and others to share financial intelligence and methodologies, and to develop innovative technology solutions aimed at improving gathering and analysing financial information.
  - Provides AML/CTF systems to FIU partners in the Pacific under project TAIPAN, including systems with the ability to directly ingest data from financial institutions, and to analyse information.

https://www.austrac.gov.au/partners/government-partners

https://www.austrac.gov.au/partners/international-partners

https://www.austrac.gov.au/partners/fintel-alliance

Privacy in Australia

- Public sector
    - Federal agencies generally must comply with federal privacy legislation.
    - State and territory agencies generally must comply legislation governing privacy.

- Private sector
    - Companies with turnover of more than $3 million generally must comply with federal privacy legislation.
    - Smaller companies are likely governed by State/Territory legislation.

- Australian Privacy Principles
    - Govern and constrain the activities of federal agencies and large companies
    - Contain exceptions which allow information sharing for law enforcement and other purposes

https://www.oaic.gov.au/privacy/privacy-legislation/the-privacy-act

https://www.oaic.gov.au/privacy/australian-privacy-principles/read-the-australian-privacy-principles

https://www.austrac.gov.au/about-us/corporate-information-and-governance/austrac-policies/privacy-policy

So what?

- Our company
  - Is researching technology to solve financial data/information/intelligence sharing problems
  - Must comply with the law – so we need to understand it
  - Needs to offer a competitive product (either better or cheaper)

- While researching technologies
  - Focus on problems which haven't been solved, or
  - Focus on improving existing solutions

- What's the problem?
  - Trust – Australia has ~17,000 different reporting entities across a range of industries, can technology bridge the trust gap? International information sharing at scale suffers from the same trust issue – how can privacy preserving technology help?

- Where are the gaps?
  - Private to private multi-party privacy preserving technology
  - Public to private multi-party privacy preserving technology
  - International public to public multi-party privacy preserving technology

End of Recording

Questions?