

SPEECH ON MONEY LAUNDERING AND TERRORISM FINANCING

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In the recent times, Commonwealth Bank of Australia has been on the spotlight with both the national and international media talking about it. Commonwealth Bank of Australia is the biggest and the most valuable bank in Australia and probably has the biggest market share worth \$111 billion. Though fully privately owned, the huge market value puts CBA a head of many Australia financial institutions (Country analysis report: Australia 2011, pg. 15). Thus, with the stature of the bank, we expect media to be talking about the financial flourishing of the bank. The bank had just announced a full year cash rise in net profit of 4.6% which equals to \$7.82 billion, an amount that was far above what had been expected.

Apparently, the problem the bank faces emanates from the not complying to the Anti-Money laundering and Counter- terrorism finance Act. the non- compliance led to the bank involving in the money laundering and terrorist financing according to the transactions that took place between 2012 and 2015. In what appears to complicate the whole matter, the bank management led by the Chief Executive Officer, Ian Narev owned up the problem of money laundering and terrorist financing. The CEO acknowledged having there been the failures in the various systems including the risk management system and the anti- fraud systems as well as the computer software of the bank. The admission by Narev contradicts the strong performance results of the biggest bank.

The CBA's money laundering and terrorism financing issue takes the attention of the media amid the allegations by the AUSTREC, a government agency that deals with financial intelligence and regulations. AUSTREC unfolded the scandal and made accusations against the bank by initiating the civil penalty proceedings against the bank in the court. AUSTREC accuses the Commonwealth Bank of Australia for what it refers to as not complying with the Anti-money laundering and the counter-terrorism financing laws of Australia (Durrieu 2013 pg.1).

AUSTREC presents many allegations to prove the case before the federal court including the non-compliance to the various sections of the Act. The Anti-money Laundering and counter-terrorism financing act provides several regulations that any financial business should abide by (Combating Money Laundering and Terrorist Financing, pg. 13). Under the act, enrollment is a requirement where all the businesses that are regulated by the AUSTREC need to provide the details of the prescribed enrolment by enrolling with AUSTREC. The act also requires that all the businesses that are regulated need to establish and maintain a program of AML/CTF (Souster 2013, pg.8). The programs help the businesses in case they face any money laundering and terrorist financing risks they are able to identify, mitigate and manage. All businesses are required to conduct customer due diligence that involves continuous monitoring of the customers transactions as well as identifying the customers and verifying the identity of the customers. It is as well a requirement from all businesses regulated by AUSTREC that in case of suspicion of any matter involving money laundering and terrorist financing, they have to report to the relevant authority. This includes the international money transfer transactions and the threshold transactions (Beare, & Schneider 2007, pg. 14). Finally, all records of transactions by the customers within the businesses should be kept with all the details available for perusal.

Apparently, according to the allegations put against the CBA by the AUSTREC, CBA defied majority of these regulations provided for under the financial act. The Commonwealth Bank of Australia did not assess the Intelligent Deposits Machines against any possible risks involving money laundering and terrorist financing before they enrolled the program. The risks were only assessed three years later when the risks had already occurred. Even after suspicious matters were realized, the CBA did not report such matters at all and if they did they never did so on time stipulated under the law regardless of the huge amount that was involved (Bazley &

Foster 2004, pg. 134). Finally, according what AUSTREC presented against the CBA is that even after the bank discovered the money laundering, they never took any step to monitor the customers and their transactions to mitigate and manage any many laundering. All these tough actions by AUSTREC was in line to send a warning message to all businesses that they have to obey all laws related to the Anti- Money Laundering and counter-Terrorism financing.

The issues laid again the Commonwealth Bank of Australia have a lot of impacts ranging from the economic, social and legal. The reputation of the bank is under threat locally in Australia and internationally. A week before the court proceedings, the CBA had wiped off its market value with billions of dollars. The more than 800,000 shareholders of CBA will have endured the pain substantially as they are exposed to the risk of loss of their shares. The executives working with the CBA and were responsible for the shortcomings in the Intelligent Deposit Machines will be cut off their bonus. Legally, if the bank is found to have committed the non-compliance offense, it will attract a fine penalty of up to A\$2.5 billion.

Money laundering and terrorist financing is a serious global issue that needs to be treated with all the seriousness. From the case of CBA, it is important that all financial businesses comply with the Anti-money Laundering and counter-terrorism financing. They all have to put measures in place that can prevent the money laundering. All countries need to uphold and follow the recommendation of Financial Action Task Force (FATF).

References

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