

Commonwealth Bank of Australia facing \$1 trillion penalty for breaches of money laundering laws

by Belinda Jepsen via shirl - Mamamia Saturday, Aug 5 2017, 12:23am

international / prose / post

The Commonwealth Bank was once a national citizen-owned bank and was never plagued with scandals and unethical behaviour. However, former corrupt puppet PM Paul Keating deregulated the banking sector and delivered the Commonwealth Bank to the private sector, after which it was riddled with the usual private sector scandals -- what did you expect, Australia, especially with foreign CEOs?



Foreign CEO, Ian Narev

Commonwealth Bank is in major damage control after being accused of more than 53,000 breaches of laws put in place to combat money laundering and the financing of terrorism.

The federal government's financial intelligence unit AUSTRAC (Australian Transaction Reports and Analysis Centre) on Thursday launched civil penalty proceedings in the Federal Court, accusing CBA of systemic failure to comply with anti-money laundering and counter-terrorism financing laws.

Why is this such a big deal?

It is understood CBA faces a maximum penalty of \$18 million for each of the 53,700 contraventions, if found guilty.

As Andrew Robertson noted via ABC News, that's "a trillion dollars, a thousand billion. About seven times Commonwealth Bank's market value."

"If it comes to that," he wrote, "it simply won't be able to pay."

What are AUSTRAC's allegations against CBA?

The accusations follow an AUSTRAC investigation into the bank's use of intelligent deposit machines - ATMs that accept up to \$20,000 per cash transaction.

AUSTRAC claims CBA failed to assess the money laundering and terrorism financing risk of

intelligent deposit machines before they were rolled out in 2012, and only took its first steps to assess the risks in mid-2015.

The bank also allegedly failed to provide on time reports of more than 53,500 transactions through IDMs of \$10,000 or more, totalling \$625 million.

AUSTRAC has also accused CBA of failing to report suspicious matters involving \$77 million worth of transactions, either on time or at all.

"Even after CBA became aware of suspected money laundering or structuring on CBA accounts, it did not monitor its customers to mitigate and manage money laundering/terrorism financing risk," AUSTRAC said in a statement.

CBA's conduct had hindered law enforcement efforts, resulting in a loss in evidence, further money laundering and lost proceeds of crime, AUSTRAC said.

"The effect of CommBank's conduct in this matter has exposed the Australian community to serious and ongoing financial crime," it said.

What is the bank saying about the whole thing?

Australia's largest lender said it had been in discussions with AUSTRAC for an extended period and has cooperated with its requests.

"We would never deliberately undertake action that enables any form of crime. To that end, we scan billions of dollars of transactions daily, and report 4 million transactions a year to AUSTRAC," CBA said in a [statement](#).

"We are currently reviewing AUSTRAC's claim and will file a statement of defence in this matter."

What's the fallout so far?

It seems the bank's shareholders have taken the biggest hit.

At time of publishing CBA's share price had dropped 2.42 per cent - a big shift compared to its competition (ANZ fell just 0.47 per cent and Westpac by 0.41, while NAB gained 0.07 per cent).

From a business point of view, there are predictions that - as a former AUSTRAC senior executive put it to the ABC - that a senior CBA "head is going to have to roll".

But at the very least, as Labor continues its push for a royal commission into unethical and unlawful banking behaviour, it's expected that CBA's chief executive, Ian Narev, is going to have to answer some difficult questions over the coming months.

Copyright applies.

<http://www.mamamia.com.au/commonwealth-bank-money-laundering/>

