

31 October 2014

Compliance Report Review
Planning, Coordination and Relief
AUSTRAC
PO Box 5516
WEST CHATSWOOD NSW 1515

Email: Compliance_Report_Review@austrac.gov.au

Dear Sir/Madam,

Re: Consultation paper - AUSTRAC: Proposed changes to the annual compliance report

The Australian Institute of Superannuation Trustees is a national not-for-profit organisation whose membership consists of the trustee directors and staff of industry, corporate and public-sector funds.

As the principal advocate and peak representative body for the \$600 billion not-for-profit superannuation sector, AIST plays a key role in policy development and is a leading provider of research.

AIST provides professional training, consulting services and support for trustees and fund staff to help them meet the challenges of managing superannuation funds and advancing the interests of their fund members. Each year, AIST hosts the Conference of Major Superannuation Funds (CMSF), in addition to numerous other industry conferences and events.

In brief:

Problems with the current annual compliance report have been identified by AUSTRAC. AUSTRAC's consultation paper outlines options to address these problems. AIST's submission addresses two of the issues raised in the consultation paper and recommends that the term "annual earnings" be properly defined, and that AUSTRAC consider a requirement for boards to sign attestations rather than the new proposed annual compliance report.

AIST welcomes guidance such as that contained within AUSTRAC's consultation paper. In particular, we welcome the objectives of the consultation, which we believe tie in well with the Government's regulatory reform agenda, as well as more closely considering the risks inherent in industries such as ours.

Our submission provides a short response to AUSTRAC's consultation paper. We do not plan to respond in detail.

1. Definition of "total annual earnings"

We note in respect to Option 3 on page 20 of the consultation paper, that the definition of "total annual earnings" is not clearly defined. Criterion (i) indicates that a large reporting entity (RE) would meet this definition if they had total annual earnings of \$100 million or more. Generally,

the corporate trustee entity, together with any subsidiaries and related entities would form part of the section 50 definition from the Corporations Act 2001. However, earnings generally refer to profit, a notion which has no relevance to a superannuation fund.

The definition of what comprises total annual earnings is therefore important. Large superannuation funds may meet this criterion if the definition was total revenue. However, if the criterion is meant to be the profit of the trustee (and related entities), very few of AIST's member funds would come within the definition.

This creates some considerable uncertainties as to which entities are classified as large REs.

AIST recommends that the term "annual earnings" be formally defined to remove any uncertainty.

2. Board signoff

AIST also has some concerns around the content of the proposed annual report, as explained at Appendix F. This is a significant new document which would require a board to sign off. Any requirement for a board to sign off on such a document would require additional evidence to be provided to them so that directors would be sufficiently satisfied as to the report's content.

We note that a considerable portion of what is proposed in Appendix F is already contained within the Part A requirements of a reporting entity's AML/CTF program. With this in mind, we would propose that a board provide AUSTRAC with an attestation as to their compliance, rather than a new compliance report.

If you have any further questions regarding this submission, please contact Richard Webb, Policy & Regulatory Analyst on 03 8677 3835 or at rwebb@aist.asn.au.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Tom Garcia', is written over a light blue horizontal line.

Tom Garcia
Chief Executive Officer