

White Paper

Compliance and regulations in Australia – what will we see in 2019?



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The past few years have not been easy for the compliance sector in Australia. Record fines, tightened regulations and lengthy enquiries have put additional pressure on industry professionals and stakeholders alike.

“From today the sector must change, and change forever”

The Banking Royal (Hayne) Commission report is going to shape the regulatory landscape in the Australian financial services sector not only in 2019 but also for years to come. The Royal Commission was prompted by a number of revelations, including the Commonwealth Bank (CBA) money-laundering case, in which the bank received the biggest corporate fine in Australia for failing to prevent major money laundering and terrorist financing breaches through its systems that were used to transfer money to drug dealers.

Published early February 2019, the Hayne Commission’s findings concluded that conduct within Australia’s financial institutions had been in breach of existing laws and had not protected the interests of consumers. Commissioner Hayne placed culture as one of the root causes of misconduct.

The report did not bring new charges and did not name specific entities, but the enquiry commission listed at least 24 cases that should be re-examined by regulators.

In total, the Hayne Commission made 76 recommendations that were largely accepted by the government, which stated that new legislation would be introduced soon. Treasurer Josh Frydenberg said: *“My message to the financial sector is that misconduct must end and the interests of consumers must now come first. From today the sector must change, and change forever.”*

Twelve of the 76 recommendations concerned the Australian Securities and Investments Commission, which issued an update on the matter later in February. The commission made 10 recommendations requiring the Australian Prudential Regulation Authority (APRA) to fill gaps in its prudential and supervisory work: the APRA expects to complete most of the required changes by the end of 2020. The Australian Banking Association described the report as a “wake-up call” and noted that changes were already underway. The findings will also affect other industries that were barely, if at all, mentioned, such as accountants and real estate companies. As the report stated, *“It applies to every financial services entity, named or not named in the work of the Commission.”*

Anti-Money Laundering and Counter-Terrorist Financing

In January 2019, the Australian Transaction Reports and Analysis Centre (AUSTRAC) reminded obliged entities to self-assess their anti-money laundering and counter-terrorist financing obligations. Reporting firms have until 31 March 2019 to submit their answers to several questions including how often they review their AML/CTF

programme; how they manage employee risk and the types of checks they perform; the scope of their PEP definitions; the number of high-risk customers; and their methods for conducting enhanced customer due diligence.

Also moving forward this year are the amendments to Chapter 10, paragraph 10.4.3 of the AML/CTF Rules concerning the National Consumer Protection Framework for Online Wagering. The proposed amendments reduce the customer verification period for online gambling accounts from 90 days to a maximum of 14 days. The consultations were open until 24 January 2019 and the impact of the amendments on the industry remains to be seen.

New Culture, New People, New Technologies

One of the key issues that the Hayne report talks about is the need for cultural change. This means that organisations need to be mindful of corporate conduct and the type of employees they hire. In light of the recent developments, it is not surprising that some recruitment companies expect rising demand for risk and compliance professionals. In an article published in the Financial Review last January, Nick Waterworth, CEO of a firm specialising in recruiting professionals for the banking and financial services and the IT sector, said individuals with experience in risk, governance and compliance will increasingly be sought out by banks, insurance companies, wealth managers and other corporates this year. He also believes that in the first half of the year there will not be enough people to fill all the risk and governance jobs. A PwC report confirms that in the wake of the enquiry, banks have started looking for more AML specialists, who have become the most highly paid compliance experts in the banking sector.

As well as extra manpower, reporting entities may want to look for new technologies to help them cope with data, transparency and control over business activities. Fintech and regtech companies in Australia have already shown interest in offering technical and consultancy services that can help Financial Institutions, suppliers and consumers.

This Acuris Risking Intelligence Paper has been co-authored by Nick Parfitt, Head of Market planning & Christophe Barel, Managing Director APAC Region.



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