

New AUSTRAC CEO vital to case outcome

Enforcement

Patrick Durkin

The federal government's soon-to-be announced replacement for AUSTRAC chief executive Paul Jevtovic will be given the task of negotiating a settlement in the regulator's landmark case against the Commonwealth Bank.

Mr Jevtovic, a former Australian Federal Police assistant commissioner and Office of Police Integrity and Australian Crime Commission executive, who left AUSTRAC in April to join HSBC, was instrumental in launching the major cases against Tabcorp and the CBA. He is credited with rousing the sleepy regulator which had previously been criticised and ignored.

Insiders claim both the CBA and Tabcorp had become complacent when dealing with AUSTRAC, which had failed to issue a single penalty for years. Former CEO Neil Jensen was rumoured to have resigned suddenly in 2009 after the government instructed the regulator not to issue any civil penalties when the banks came under pressure during the global financial crisis.

Long-time public servant John Schmidt was then appointed AUSTRAC CEO over the next five years and continued to apply what the regulator called a "graduated approach to super-

vision" to tackle money laundering. Successive Australian governments have subsequently failed to expand the laws to cover lawyers, accountants and real estate agents as promised when the regime was introduced in 2006. By contrast, when AUSTRAC launched its case against CBA last Thursday, New Zealand expanded its laws to cover these financial gatekeepers on the same day.

The Turnbull government appointed Mr Jevtovic in late 2014 with a mandate to step-up enforcement.

In his first interview with *The Australian Financial Review* he warned: "I will be merciless for those who recklessly or through indifference don't meet their obligations, because at the end of the day our mandate is to protect Australia and Australians, and we take that responsibility extremely seriously."

Money laundering experts said Mr Jevtovic helped to change the culture inside AUSTRAC, including utilising his connections in the police force to leverage the regulator's investigative work to prepare the Tabcorp and CBA cases. Tabcorp settled AUSTRAC's case for a \$45 million fine and enforceable undertakings earlier this year but claims to have been caught off guard by the legal action.

Tabcorp chair Paul Dwyer said they



AUSTRAC chief executive Paul Jevtovic left in May to join HSBC. PHOTO: BLOOMBERG

had "now built world-class systems to respond, equivalent to any bank in Australia".

Insiders claim that Mr Jevtovic also rebuffed advances by CBA to negotiate

an enforceable undertaking, frustrated the bank had not responded promptly to the regulator's requests which date back for over two years.

"Coming hot on the heels of AUS-

TRAC's striking \$45 million settlement achieved with TabCorp, that is head-turning stuff for directors," leading barrister in financial crime and regulatory cases Gary Hughes said. "For a relatively young regulator, to put into context, Tabcorp was a higher penalty agreed than even anything that, say, the ACCC has achieved in hard-core cartel cases over the years."

But just 18 months after a blaze of cultural change, Mr Jevtovic left the regulator to join HSBC in May and become head of financial crime based in Hong Kong.

News Limited reports suggest that in September 2015, AUSTRAC gave HSBC an exemption under "tipping off" rules in relation to transactions to Hong Kong red-flagged by HSBC in Australia concerning CBA accounts.

The *Financial Review* reported on Monday that around this time CBA realised there might be a problem with its suspicious matter reporting which dated back to late 2012 and beefed up its AML capabilities, poaching at least four staff from AUSTRAC.

Acting AUSTRAC CEO Peter Clark and Mr Jevtovic declined to speak to the *Financial Review*. However the government is expecting to make an announcement on the new CEO this month which will be instrumental in any settlement with the CBA.

From page 1

Criminals used ANZ, Westpac to wash funds

In one of the Australian Federal Police's largest money laundering investigations in 2014, the AFP uncovered an international network run out of Punjab, which laundered more than \$200 million for Pasquel Barbaro and the Calabrian mafia, N'Drangheta, as well as other drug importers including Assam Lababidi, Michael Ross Harvey and Michael Polymiadis.

The AFP told Indian investigators the network was run by Gagandeep Singh, who flew to Australia in September 2013 and opened a CBA account.

He was known as "Singh the King" when it came to routing narcotics money to the US and Hong Kong, the AFP told India's Enforcement Directorate, Indian newspapers reported.

Gulshan Saini, Sanjeev Saini and Mandeep Singh ran company accounts

for AVSForex at ANZ, SK Trading at St George and ANZ, and SK Trading NSW, Tripat Enterprises and Ymaxis Enterprises at CBA, which all transferred funds to Billion Trend Forex in Hong Kong, under the guise of import-export payments.

"In some cases, we have also seized documents where Gagandeep has cancelled an order with the trading company and charged a 200 per cent fine on the pretext of late delivery, which indicates that many times the funds were transferred from Hong Kong and Australia to India," the AFP said in a report for the Enforcement Directorate in September 2014.

NSW Police arrested Mandeep Singh on January 28, 2015, in a parallel investigation into cuckoo smurfing, which launders black money by substituting it for international transfers by third parties.

AUSTRAC says Mandeep Singh set up new accounts in October 2014, days after the AFP had arrested members of the syndicate and closed down the Australian companies, and laundered a further \$739,000. But only a third of

this was through CBA accounts.

On March 20, 2015, NSW Police asked CBA for BSB and account numbers and records for 39 suspect accounts. A month later police served a notice to produce on CBA to obtain the documents.

Court records show that criminals rarely use a single bank.

A second syndicate laundering drug money, detailed by AUSTRAC, deposited \$2.3 million of drug money into CBA accounts, but then transferred them to a different bank. In late 2013, CBA had dumped a customer – a money remitter with suspicious trading records. The company simply moved to another bank, and the money deposited with CBA in "unrelated" accounts was transferred to the other bank, then the funds sent offshore.

In December 2015, an AFP investiga-

tion into a major ice ring linked to a Chinese triad and a West Australian Police investigation targeting Asian meth dealers in Perth merged with the seizure of 321kg of ice worth \$315 million hidden in tins of Chinese tea.

Ka Sing Lei, a 30-year-old Chinese man living in Sydney, masterminded an operation that laundered \$29 million in nine months, from March to December 2015, working with Perth dealer Cheng Fatt Chow, through company accounts at CBA and Westpac.

Lei would regularly fly to Perth, to pick up \$500,000 from Chow. He would meet with 10 younger couriers, and pass them a one yuan note to signal his identity. He then divided the money between the 10 couriers, with instructions to bank the money into 10 different company accounts.

One of them, Yeuk Tung Kong, was on a student visa in Perth studying English. He was sentenced to seven years and six months this year.

Another student, Wai Ki "Vicky" Fung, was arrested in October 2014 and sentenced this year to three years.

AUSTRAC says the syndicate depos-

ited more than \$21 million in cash into 11 CBA accounts in Perth and Sydney between February 16, 2015, and February 25, 2016. That leaves millions laundered through other banks, notably Westpac.

It is this investigation that led to the AFP raiding CBA premises on April 4 last year. Four months earlier, on November 25, 2015, the AFP had sought documents from CBA, and while the bank did respond a month later police frustration eventually led them to seek a search warrant.

"We have processes and systems in place to ensure we comply with all relevant anti-money laundering and counter-terrorism financing laws, including monitoring and reporting suspicious activity to AUSTRAC," an ANZ spokesman said.

"AUSTRAC reviewed our ATMs and Intelligent Deposit Machines and found no evidence of non-compliance."

A Westpac spokesman said: "Westpac has robust systems in place to detect and report suspicious transactions, including large transactions, deposit structuring and cuckoo smurfing."

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