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13 June 2024

Attorney-General's Department
Robert Garran Offices
3-5 National Circuit

Via online form.

Re: Reforming Australia's anti-money laundering and counter-terrorism financing regime

To Whom It May Concern:

The Association of Digital Service Providers Australia New Zealand (DSPANZ) welcomes the opportunity to make this submission on behalf of our members and the business software industry.

About DSPANZ
Digital Service Providers Australia New Zealand is a non-profit industry association representing the world-class business software sector in Australia and Aotearoa New Zealand. Software developed by our members delivers more than 90% of payroll and superannuation messages, helps manage 90% of all employers and employees, submits 90% of income tax returns, activity statements and GST returns, sends and receives 90% of eInvoices and supports more than 90% of small businesses and their trusted advisors.

Digital Service Providers (DSPs) provide software products and services that support tax, accounting, payroll, invoicing and superannuation processes. With the anti-money laundering counter-terrorism financing (AML/CTF) regime expanding to professional service providers, we anticipate there will be impacts for DSPs that provide accounting, trust management, and company registration software and services as they support their customers in meeting these obligations.

DSPANZ is interested in limiting the impacts on professional service providers by leveraging existing client verification processes and exploring other opportunities to streamline meeting AML/CTF obligations.

DSPANZ welcomes the opportunity to provide further feedback on our submission. Please contact Maggie Leese at maggie@dspanz.org | +61 487 641 702 for more information.

Yours faithfully,

Signed by:
Matthew JR Prouse
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Matthew Prouse,
President & Director
DSPANZ.

Feedback on Professional Service Providers

DSPANZ would like to reiterate our feedback on recognising existing client verification processes and potential impacts to Digital Service Providers (DSPs) from extending the anti-money laundering counter-terrorism financing (AML/CTF) regime and, therefore, the customer due diligence (CDD) requirements.

DSPs that offer software solutions for accountants and for company registration and trust management processes will be expected to help their customers meet the AML/CTF CDD requirements.

DSPs currently support their customers in meeting client verification processes, such as the Tax Practitioner Board proof of identity requirements, by allowing customers to record that they have performed checks without storing any identification documents. It is worth noting that DSPs must meet monitoring and logging requirements under the ATO's Operational Security Framework.

The ATO's client-agent linking is another example of an existing verification process that businesses, tax or BAS agents and payroll service providers must follow.

DSPANZ believes that these existing processes should be recognised as meeting the AML/CTF CDD obligations. Recognising these client verification processes would help reduce the compliance burden for professional service providers, and therefore DSPs, and support the Attorney-General's Department's intent to provide flexibility in meeting CDD obligations.

Opportunities to simplify AML/CTF obligations

DSPANZ recognises that several challenges exist for reporting parties when meeting their AML/CTF obligations, particularly regarding ongoing CDD. We believe there are opportunities that the Attorney-General's Department should explore to support reporting parties in meeting their CDD obligations. These include:

- Providing contemporary and up-to-date Australian business registers;
- Modernising sanctions and politically exposed persons lists;
- Leveraging Digital ID; and
- Allowing data sharing between government and industry.

Business registers

Introducing the beneficial ownership register will provide a cost-effective way to verify trusts and companies as part of CDD obligations. However, meeting the AML/CTF obligations and other verification requirements will be increasingly challenging without a contemporary and up-to-date set of business registers in Australia. DSPANZ recommends that the Attorney-General's Department investigates opportunities for the government to invest in Australian business registers, which will ultimately support reporting parties in meeting their AML/CTF obligations.

Sanctions and politically exposed persons

The current Consolidated List of financial sanctions provided by the Department of Foreign Affairs and Trade is not easily searchable and accessible. The Attorney-General's Department should investigate options to improve its usability, including providing an Application Programming Interface (API) to streamline this check in software solutions. We recognise the European Commission's sanction tracker and OpenSanctions as examples for the government to follow.

Additionally, the Attorney-General's Department should look at how the government can provide a list of politically exposed persons and how this information could be made available via an API for software to leverage.

Digital ID

DSPANZ commends the Attorney-General's Department for considering how Digital ID could be leveraged to comply with the AML/CTF CDD obligations. However, we acknowledge that the pricing structure for Digital ID will considerably affect how DSPs can leverage it for customer verification processes. We continue to engage with the Department of Finance through their consultations on the charging framework implications for DSPs.

Data sharing

The government already has significant resources to identify compromised data through agencies such as the ATO, Services Australia, and the Department of Home Affairs. DSPANZ recognises opportunities to make this information available to businesses to support their operations in a digital economy.

Further feedback

In response to the Attorney-General's Department looking to work with stakeholders on options to reduce the requirements for sensitive data retention, we recognise that DSPs are currently considering how to update their data practices to minimise what they collect and hold. DSPANZ has published a data retention and minimisation best practice guide for DSPs to assist them with changes.

DSPANZ recommends that DSPs and professional service providers be given sufficient time to make necessary software and business process changes to meet AML/CTF requirements.