

Don't get taken to the cleaners over laundering

Michael West | The Australian Newspaper, pg 28 | *October 05, 2007*

THERE are essentially four approaches to compliance: the "She'll be right" approach, the "Oh no, not that" approach, the "I think someone's got that covered" and the "What?"

A whole new wave of compliance pain is about to wash over the Australian corporate scene in the next month or two - entailing fines of \$11 million - and the prevailing approach is ... "What?"

We're talking about "AML" or compliance with the Anti-Money-Laundering and Counter-Terrorism Financing Act.

The origins of this legislation lie in Australia's poor report card with the Financial Actions Task Force (FAFT) treaty between 37 industrial countries, of which we are a signatory.

We didn't make the grade with FAFT, so the AML Act was passed in December last year.

This first tranche of legislation applies to financial services and gaming companies. Yes, that means stockbrokers, planners and fund managers.

The second will be aimed at the likes of lawyers, accountants and jewellers. On it goes.

It's not just ticking a few boxes, either. If you're the anonymous client behind a Luxembourg company skulking behind some local nominee, you will be asked to stump up your bona fides.

The reason is, all financial services players have to lodge a report with the regulator, Austrac, detailing their compliance programs, which involve staff training, identifying and verifying every client, etc.

Sting in the tale

ACCORDING to James Field, managing director of CompliSpace - a mob which sells software to comply with everything from financial service licence obligations, privacy, OH&S, risk and Work Choices - AML is "the 1000 pound elephant which sits on your risk and compliance systems".

Field reckons half the market is struggling to deal with it.

On top of all of the above - not to mention AFSL, complaints handling, human resources, conflicts of interest, share trading, the new corporate governance guidelines which come into play next January - AML may just tip those averse to red tape over the edge.

We subscribe to the theory that compliance presents a competitive advantage to the big corporates as they can afford to splash a million on a compliance unit.

Whatever the case, it's a growth sector.

By December 12 this year a funds manager, for instance, who has not taken "reasonable steps" to put an AML program in place risks an \$11 million sting for company non-compliance plus \$2.2 million for individuals - directors and so forth. Oh, plus enforceable undertakings. Happy days.

NAB race pointers

NATIONAL Australia chief John Stewart gave a few hints on who is in the race for succession yesterday when he announced a raft of management changes.

The capable Michael Ullmer, who has ruled himself out of the top job, has been elevated from CFO to deputy CEO of the group. CEO Australia, Ahmed Fahour, was lumped in with NabCapital boss John Hooper and MLC chief Steve Tucker as one of the "strong group of next generation leaders".

Fahour would have hoped to do a bit better than that, corroborating speculation that he is on the outer with chairman Michael Chaney.

Fahour was hired for the NAB turnaround. He's an aggressive cost cutter. But Australia's big banks don't just cut costs, they lift fees, too - and NAB is now looking to consolidate and grow.

The gossip is that Chaney is big on frugality and while Fahour has pruned costs at the bank with aplomb, he drives up to seven cars - in the order of four too many.

Mark Joiner picked up the CFO role and George Frazis joins the group executive as GM Development.

Ullmer excepted, all of the above are presumably in the picture as internal candidates for the big job when Stewart steps aside.

Cap shields Asset

STRUGGLING property developer Asset Loan Co, which also raises money flogging unsecured notes via former Queensland Premier Rob Borbidge, had a reprieve yesterday.

A Queensland court found its two principals, Paul Hare and Russell Percival, had no case to answer on perjury charges.

The charges arose from a taped phone call with a former associate, Greg Rogers, who claims the boys threatened to cancel a loan (from another party) and tried to get him to transfer some land to Paul Hare's wife.

The court found that the tapes were inadmissible not because they were illegally made but because the telecommunications laws had been breached as Rogers had a suction cap on his telephone handset.

westm@theaustralian.com.au