



AUSTRAC accepts enforceable undertaking from National Australia Bank

2 May 2022

AUSTRAC has accepted an enforceable undertaking from National Australia Bank (NAB) to uplift its compliance with Australia's anti-money laundering and counter-terrorism financing (AML/CTF) laws.

The action follows an AUSTRAC enforcement investigation which identified concerns about NAB's AML/CTF program, systems and controls.

AUSTRAC identified non-compliance in targeted compliance assessments, as well as through self-disclosures from NAB. AUSTRAC notified NAB of the formal enforcement investigation into five NAB reporting entities in June 2021, following ongoing regulatory engagement. The entities are National Australia Bank Limited, JBWere Limited, Wealthhub Securities Limited, Medfin Australia Pty Ltd, and AFSH Nominees Pty Ltd.

NAB has undertaken to implement a comprehensive remedial action plan, which will see improvements to its systems, controls and record-keeping, including:

- the NAB designated business group AML/CTF Program
- applicable customer identification procedures
- customer risk assessment and enhanced customer due diligence
- transaction monitoring
- governance and assurance.

AUSTRAC will monitor NAB's progress to ensure that actions are taken within the timeframes, and maintain regular, ongoing discussions with NAB. An independent auditor will report to AUSTRAC annually on progress, with the final report to be provided to AUSTRAC by March 2025.

AUSTRAC formed the view at the start of the investigation that a civil penalty proceeding was not appropriate at that time. AUSTRAC has not identified any information during the investigation to change that view.

AUSTRAC Chief Executive Officer, Nicole Rose, said that the enforceable undertaking aims to ensure that NAB continues with its remediation programs to uplift its compliance and combat the risks of serious and organised crime.

"National Australia Bank has demonstrated a commitment to uplifting its AML/CTF controls, and has undertaken significant work identifying and implementing improvements to its programs.

"NAB has worked collaboratively with AUSTRAC throughout the investigation, and this enforceable undertaking will help to ensure NAB meets its compliance and reporting obligations," Ms Rose said.

AUSTRAC regulates and collaborates with the financial services sector to build resilience, improve risk management and ensure they have appropriate systems in place and to help them identify, track and disrupt criminal exploitation of the financial sector.

"All AUSTRAC regulated businesses have a responsibility to have measures in place to protect the community from serious and organised crime. When these obligations are not met, AUSTRAC will not hesitate to draw on our range of regulatory tools and enforcement powers to maintain public confidence in Australia's financial system," Ms Rose said.

In 2021, AUSTRAC released the [Major banks in Australia risk assessment \(/business/how-comply-guidance-and-resources/guidance-resources/major-banks-australia-risk-assessment-2021\)](#) which found the overall money laundering and terrorism financing risk for the industry is 'high'. The report provides information and guidance to support major banks to assess their level of risk, strengthen their controls and report suspicious activity to AUSTRAC.

The [enforceable undertaking and accompanying remedial action plan \(/lists-enforcement-actions-taken\)](#) is available on the AUSTRAC website.

AUSTRAC's regulatory approach

AUSTRAC uses a range of regulatory tools and powers to ensure compliance. Interactions are tailored based on the level of risk posed by the entities we regulate and their circumstances, and range from education and collaboration, through to regulatory interventions and enforcement.

AUSTRAC enforcement powers include:

- issuing infringement notices
- issuing remedial directions, which require a reporting entity to take specified action to ensure compliance
- accepting enforceable undertakings detailing the specific actions a reporting entity will commence or cease in order to comply with the AML/CTF Act
- seeking injunctions and/or civil penalty orders in the Federal Court.

AUSTRAC does not provide public commentary on individual reporting entities' compliance.

Details of the [consequences of not complying \(/business/how-comply-and-report-guidance-and-resources/consequences-not-complying\)](#) are available on the AUSTRAC website.

About AUSTRAC

AUSTRAC (the Australian Transaction Reports and Analysis Centre) is the Australian Government agency responsible for detecting, deterring and disrupting criminal abuse of the financial system to protect the community from serious and organised crime.

Through strong regulation, and enhanced intelligence capabilities, AUSTRAC collects and analyses financial reports and information to generate financial intelligence.

[Learn more about AUSTRAC \(/about-us/austrac-overview\)](#)

Media contacts

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**ENFORCEABLE UNDERTAKING TO THE CHIEF EXECUTIVE OFFICER OF THE
AUSTRALIAN TRANSACTION REPORTS AND ANALYSIS CENTRE**

FOR THE PURPOSES OF SECTION 197 OF THE

ANTI-MONEY LAUNDERING AND COUNTER-TERRORISM FINANCING ACT 2006

BY

NATIONAL AUSTRALIA BANK LIMITED

ACN 004 044 937

Definitions

AML/CTF Act means the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth) (as amended).

AML/CTF Program means an anti-money laundering and counter-terrorism financing program and has the meaning given in section 83 of the AML/CTF Act.

AML/CTF Regulations means the *Anti-Money Laundering and Counter-Terrorism Financing Regulations 2008* (Cth) (as amended).

AML/CTF Rules means the *Anti-Money Laundering and Counter-Terrorism Financing Rules Instrument 2007 (No. 1)* (as amended) made under section 229 of the AML/CTF Act.

AUSTRAC means the Australian Transaction Reports and Analysis Centre continued in existence by section 209 of the AML/CTF Act.

AUSTRAC CEO means the Chief Executive Officer of AUSTRAC.

AUSTRAC's Concerns means the concerns referred to in paragraphs 5 to 10 of this Enforceable Undertaking.

DBG means Designated Business Group.

Designated Service has the meaning given by section 6 of the AML/CTF Act.

Enforceable Undertaking means an undertaking accepted by the AUSTRAC CEO under subsection 197(1) of the AML/CTF Act.

External Auditor means an Authorised External Auditor appointed in accordance with clause 14 below.

NAB means National Australia Bank Limited (ACN 004 044 937).

Quarter means the period of time between 1 January and 31 March, 1 April and 30 June, 1 July and 30 September and 1 October and 31 December of each year.

Remedial Action Plan means the plan that appears at Confidential **Annexure A** which deals with the following subject matters:

- (a) the NAB DBG AML/CTF Program;
- (b) applicable customer identification procedures;
- (c) customer risk assessment and enhanced customer due diligence;
- (d) transaction monitoring; and
- (e) governance and assurance.

Introduction

- 1 Under section 3 of the AML/CTF Act, the objects of the AML/CTF Act include fulfilling Australia's international obligations designed to combat the laundering of money and the financing of terrorism. Under section 212 of the AML/CTF Act, the AUSTRAC CEO's functions include, amongst other matters, promoting compliance with the AML/CTF Act, AML/CTF Rules and AML/CTF Regulations.

Persons giving the Enforceable Undertaking

- 2 This Enforceable Undertaking is given to the AUSTRAC CEO by NAB on its own behalf and on behalf of the following Reporting Entities in the NAB DBG:
- (a) JBWere Limited (ACN 137 978 360);
 - (b) Wealthhub Securities Limited (ACN 089 718 249);
 - (c) Medfin Australia Pty Ltd (ACN 070 811 148); and
 - (d) AFSH Nominees Pty Ltd (ACN 143 937 437).

Background

- 3 NAB provides Designated Services of the kind set out in table 1 in subsection 6(2) of the AML/CTF Act and is a reporting entity for the purposes of the AML/CTF Act.
- 4 The AML/CTF Act and the AML/CTF Rules impose obligations on reporting entities to, amongst other matters, implement appropriate risk-based systems and controls to identify, mitigate and manage the money laundering/terrorism financing risk that a reporting entity might reasonably face through its provision of Designated Services and to give certain reports to the AUSTRAC CEO.

AUSTRAC's Concerns

- 5 AUSTRAC has carried out an enforcement investigation in respect of the NAB DBG that commenced in June 2021. AUSTRAC acknowledges that NAB co-operated fully with that investigation, including by answering information requests and producing documents.
- 6 As a result of the investigation and information disclosed by NAB with respect to that investigation, AUSTRAC is concerned that NAB needs to take specified actions:
- (a) in order to fully comply with the AML/CTF Act and the AML/CTF Rules; and
 - (b) directed towards ensuring that NAB does not contravene the AML/CTF Act or the AML/CTF Rules, or is unlikely to contravene the AML/CTF Act or the AML/CTF Rules, in the future.

- 7 AUSTRAC's Concerns, as outlined in the letter from AUSTRAC to NAB of 4 June 2021, include, but are not limited to, NAB's compliance with its obligations in relation to:
- (a) carrying out applicable customer identification procedures under Part 2, Division 4 of the AML/CTF Act and Chapter 4 of the AML/CTF Rules;
 - (b) ongoing customer due diligence under Part 2, Division 6 of the AML/CTF Act and Chapter 15 of the AML/CTF Rules; and
 - (c) the adoption and maintenance of an anti-money laundering and counter-terrorism financing program that meets the requirements of the AML/CTF Act imposed by or under sections 81, 82 and 85 of the AML/CTF Act.
- 8 AUSTRAC identified non-compliance in successive compliance assessments. NAB has also self-disclosed non-compliance.
- 9 The amount of remedial action required to respond to those compliance failures, and the time it has taken to conclusively scope and execute that remedial action concerns AUSTRAC.
- 10 While holding these concerns, AUSTRAC also acknowledges that, since 2017, NAB has made significant improvements to its technology platforms, processes and procedures and has invested significantly in programs of work to mature the financial risk capability of the NAB DBG.

Acknowledgments by NAB of AUSTRAC's Concerns

- 11 NAB acknowledges AUSTRAC's Concerns and voluntarily offers an Enforceable Undertaking in the terms of paragraphs 13 to 25 below.
- 12 NAB confirms that it has been offered the opportunity to seek its own legal advice in relation to its obligations under, and the effect of, this Enforceable Undertaking.

Undertakings

Remedial Action Plan

- 13 Under section 197 of the AML/CTF Act, NAB undertakes:
- (a) to complete the Remedial Action Plan, in the form approved by AUSTRAC which appears at Confidential **Annexure A**;
 - (b) to address to AUSTRAC's satisfaction any deficiencies or concerns with the Remedial Action Plan identified by AUSTRAC; and
 - (c) to complete the implementation of the Remedial Action Plan within the timeline proposed pursuant to paragraphs 14 to 16.

Authorised External Auditor

- 14 Under section 197 of the AML/CTF Act, NAB undertakes to appoint an individual who is:
- (a) authorised under section 164 the AML/CTF Act; and
 - (b) agreed to by the AUSTRAC CEO in writing,
- to act as an External Auditor for the purposes of this Enforceable Undertaking by 20 May 2022.

- 15 NAB will obtain interim reports from the External Auditor on a confidential basis no later than the last business day, in Melbourne, Victoria, of each Quarter beginning 1 July, 1 October, 1 January and 1 April. These reports will include a summary of the review undertaken by the External Auditor for the relevant quarter and relevant findings of the audit.
- 16 The External Auditor will provide to NAB an annual report on a confidential basis as at 31 December 2022, 2023 and 2024 no later than the last business day in January, in Melbourne, Victoria, which will include a summary of the interim reports for that calendar year and any overall findings. The External Auditor will provide a final report to NAB on or before 31 March 2025.
- 17 AUSTRAC will have access to the External Auditor at any time and in any manner which it requires.

Costs

- 18 NAB undertakes that it will pay its own costs of complying with this Enforceable Undertaking.

Provision of information and documents

- 19 NAB agrees that AUSTRAC may, for the life of this Enforceable Undertaking, request any information or documents for the purpose of monitoring or assessing NAB's compliance with this Enforceable Undertaking. NAB undertakes to provide AUSTRAC any information or documents requested for this purpose, on a confidential basis, within 10 business days of the date on which AUSTRAC makes a written request. NAB is not required to provide to AUSTRAC any documents subject to legal professional privilege.
- 20 Any documents or information required to be provided to the AUSTRAC CEO under this Enforceable Undertaking should be provided:
 - (a) in electronic form by email to Enforcement3@austrac.gov.au; or
 - (b) in electronic form by upload to a OneDrive folder that AUSTRAC is given access to, unless otherwise agreed by AUSTRAC in writing.

Acknowledgements – Operation of Enforceable Undertaking

- 21 NAB acknowledges that:
 - (a) the AUSTRAC CEO has accepted this Enforceable Undertaking based on (among other things) NAB's disclosure to the AUSTRAC CEO of the material facts, matters and circumstances in relation to AUSTRAC's Concerns;
 - (b) AUSTRAC's acceptance of this Enforceable Undertaking does not affect AUSTRAC's right to take any action in relation to any contraventions of the AML/CTF Act, AML/CTF Rules and/or AML/CTF Regulations;
 - (c) this Enforceable Undertaking in no way derogates from the rights and remedies available to any other person or entity arising from any conduct described in AUSTRAC's Concerns or arising from future conduct;
 - (d) the AUSTRAC CEO may publish a copy of this Enforceable Undertaking on AUSTRAC's website in accordance with subsection 197(5) of the AML/CTF Act;
 - (e) AUSTRAC may from time to time publicly refer to this Enforceable Undertaking; and

- (f) if any part of this Enforceable Undertaking is held invalid that part shall be severed from this Enforceable Undertaking and the remainder of this Enforceable Undertaking will continue to be valid and enforceable.

Commencement and duration

- 22 NAB acknowledges that this Enforceable Undertaking has no operative force until accepted by the AUSTRAC CEO.
- 23 Upon the commencement of this Enforceable Undertaking, NAB undertakes to assume the obligations set out in paragraphs 13 to 20 above.
- 24 This Enforceable Undertaking ends on the date that the AUSTRAC CEO gives NAB written notice cancelling the Enforceable Undertaking or the date on which the AUSTRAC CEO consents to NAB withdrawing the Enforceable Undertaking, whichever is earlier.

Reporting to AUSTRAC

- 25 NAB will provide interim updates to AUSTRAC on a confidential basis on the first business day, in Melbourne, Victoria, of each half year beginning 1 June and 1 December in relation to its progress in completing the Remedial Action Plan.

EXECUTED BY

EXECUTED by NATIONAL)
AUSTRALIA BANK LIMITED ACN 004)
044 937 in accordance with section)
127(1) of the *Corporations Act 2001*)
(Cth) by authority of its directors:)



.....
Signature of director

PHILIP CHRONICAN

.....
Name of director (block letters)



.....
Signature of company secretary

LOUISE THOMSON

.....
Name of company secretary (block letters)

This 28th day of April 2022

ACCEPTED BY THE AUSTRAC CEO NICOLE ROSE PSM PURSUANT TO SUBSECTION 197(1)
OF THE AML/CTF ACT



.....
Signature
Nicole Rose PSM
Chief Executive Officer, AUSTRAC

This 29 day of April 2022

Confidential Annexure A – Remedial Action Plan

A AML/CTF Program

	Theme	Activity	[REDACTED]	[REDACTED]	[REDACTED]
1)	Updated AML/CTF Program	a) Revising the NAB DBG Joint AML/CTF Program.	[REDACTED]		[REDACTED]
		b) The External Auditor completing a review (under Part 9.6 of the AML/CTF Rules) of the revised NAB DBG Joint AML/CTF Program.	[REDACTED]	[REDACTED]	[REDACTED]

[REDACTED]

B ACIP

	Theme	Activity			
2)	Customer Onboarding Systems and Processes	a) Second line review of NAB's current controls for assuring ACIP compliance.	[Redacted]	[Redacted]	[Redacted]
		b) Document target state for centralised customer onboarding platform with milestones for delivery.	[Redacted]	[Redacted]	[Redacted]

	Theme	Activity	[REDACTED]	[REDACTED]	[REDACTED]
		c) As part of activity 2(b), identify the earliest date by which AML/CTF components of centralised customer onboarding platform are reasonably likely to become operational.	[REDACTED]	[REDACTED]	[REDACTED] [REDACTED] [REDACTED]
		d) Make AML/CTF components of centralised customer onboarding platform operational by the date specified by the External Auditor in Activity 2)(c).	[REDACTED]	[REDACTED]	[REDACTED]

<p>3)</p>	<p>Customer Identity Remediation Program (the CIR Program) referred to in the February 2022 meeting pack</p>	<p>a) In respect of the high risk customers the subject of the CIR Program (formerly Project Apollo) — remediate by:</p> <ul style="list-style-type: none"> i. carrying out ACIP to the standard required by version 9.2 of Part B of the NAB DBG's AML/CTF Program;² or ii. exiting the customer so that they are no longer receiving designated services from a NAB DBG entity; or iii. where exit is not practicable due to the nature of the products and services provided to the customer, placing a profile block on the customer or taking any other measures so that they do not receive any new products 	<p>[REDACTED]</p>	<p>[REDACTED]</p>	<p>[REDACTED]</p>
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	Theme	Activity	[REDACTED]	[REDACTED]	[REDACTED]
		<p>or services from an entity within the NAB DBG, and exiting the customer when practicable to do so</p> <p>(Collectively, the Remediation Activities).</p>			
		<p>b) In respect of the low and medium risk domestic companies the subject of the CIR Program (formerly Project Apollo) — complete the Remediation Activities.</p>	[REDACTED]		[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

	Theme	Activity	[REDACTED]	[REDACTED]	[REDACTED]
	CIR Program – AUSTRAC ID	f) In respect of customers subject to the AUSTRAC ID remediation—complete the Remediation Activities.	[REDACTED]		[REDACTED]
	CIR Program – Non-Individual Term Deposits	g) In respect of customers subject to non-individual term deposit remediation—complete the Remediation Activities.	[REDACTED]		[REDACTED]
4)	Other ACIP remediation	a) In respect of customers subject to ACIP remediation being completed by the CIR Program as at the date of the acceptance of the Enforceable Undertaking, completing the Remediation Activities. ⁵	[REDACTED]		[REDACTED]

[REDACTED]

C CRA, ECDD and Exits

		Activity	[REDACTED]	[REDACTED]	[REDACTED]
5)	CRA	a) NAB to implement enhanced interim CRA methodology where data is reasonably available in existing data repositories and to otherwise continue to use existing CRA methodology pending the CRA model review and plan referred to in 5(b) and (c).	[REDACTED]		[REDACTED]
		b) NAB to complete internal review (including second line) of CRA model, including industry trends and practice, NAB strategic end state and articulation of options for strategic CRA solution.	[REDACTED]		[REDACTED]

		Activity			
		c) NAB to consider and endorse preferred approach following CRA model review and prepare overarching plan for CRA model, including identification of data and business requirements, technological solutions and proposed delivery date(s).			
6)	ECDD: backbook	a) Complete ECDD backlog: complete overdue ECDD reviews.			
7)	Exits	a) Document end-to-end processes and policy frameworks for customer exits.			

D Transaction monitoring

	Theme	Activity	[REDACTED]	[REDACTED]	[REDACTED]
8)	Transaction Monitoring Program	<p>a) TM Program to be enhanced and clarified within Part A of the NAB DBG Joint AML/CTF Program.</p> <p>b) TM architecture to be aligned to Version 11 of the AML/CTF Program for all designated services where TM is an appropriate control to manage transaction risk.</p> <p>For the avoidance of doubt, during the interim period NAB will continue to apply its existing Transaction Monitoring Program, consisting of automated, semi-automated and manual monitoring.⁶</p>	[REDACTED]		[REDACTED]



	Theme	Activity			
9)	Management response to Ashurst TM Report	a) NAB Management to consider and, where appropriate, implement report recommendations.			
10)	Data ingestion in SAS	a) NAB will rectify all material transaction codes identified through December 2020 RFI and response to s 167 Notice.			
		b) NAB will deliver Transaction Coverage Framework control to identify and address gaps in data ingestion into TM monitoring system.			

E Governance & Assurance

	Theme	Activity			
11)	Board Reporting	a) NAB will deliver simple and clear Board Reporting on financial crime matters to improve: <ul style="list-style-type: none"> i. visibility and mitigation of key risks and any concerns of the MLRO; and ii. processes for follow up and close out of recommendations elevated to Board level. 			
12)	Governance (Third Line)	NAB will increase the frequency and depth of financial crime related audits following recruitment of additional 11 FTE reporting to Head of Audit – Financial Crime.			
13)	Group Financial Crime Organisational Design	NAB will: <ul style="list-style-type: none"> a) Document and implement the design of a Financial Crime strategy; b) Document and implement revised financial crime 			

		<p>structures to increase operational effectiveness;</p> <p>c) Enhance documentation regarding second line processes for monitoring and reporting;</p> <p>d) Simplify and increase the frequency and breadth of second line monitoring and reporting to improve accuracy and efficiency; and</p> <p>e) Deliver simple and clear reporting to senior management, in respect of AML/CTF matters, and in particular all significant and systemic compliance failures.</p>			
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