

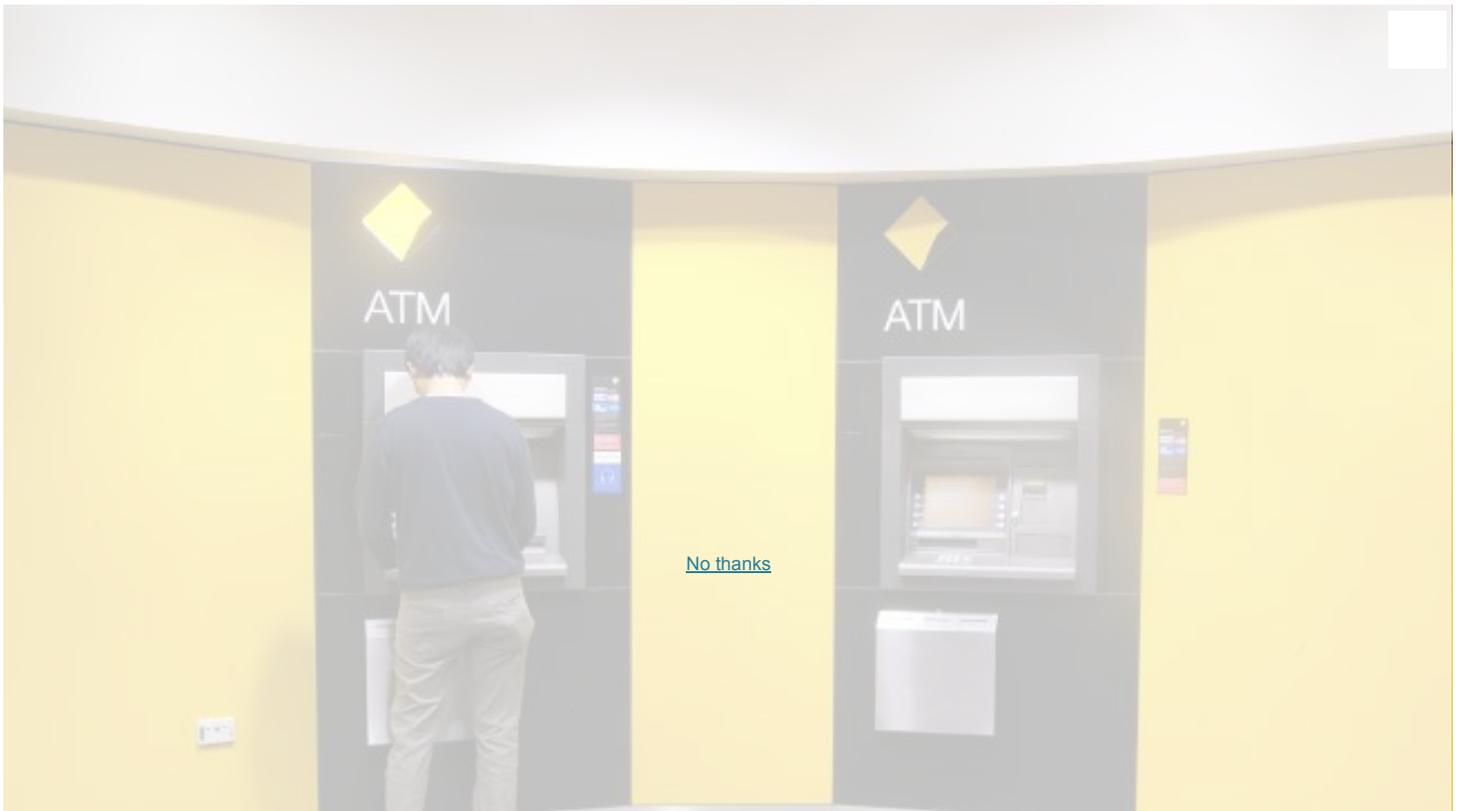
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TECHNOLOGY

## Narev sets aside \$40m to combat dirty cash



CBA's trouble with Austrac hasn't dampened its enthusiasm for technology.

SUPRATIM ADHIKARI  
The Australian | 12:00AM August 10, 2017



Commonwealth Bank has committed to spending \$40 million over the next 12 months in a bid to fortify its anti-money laundering technology capabilities; a sum that has divided opinion in banking technology circles.

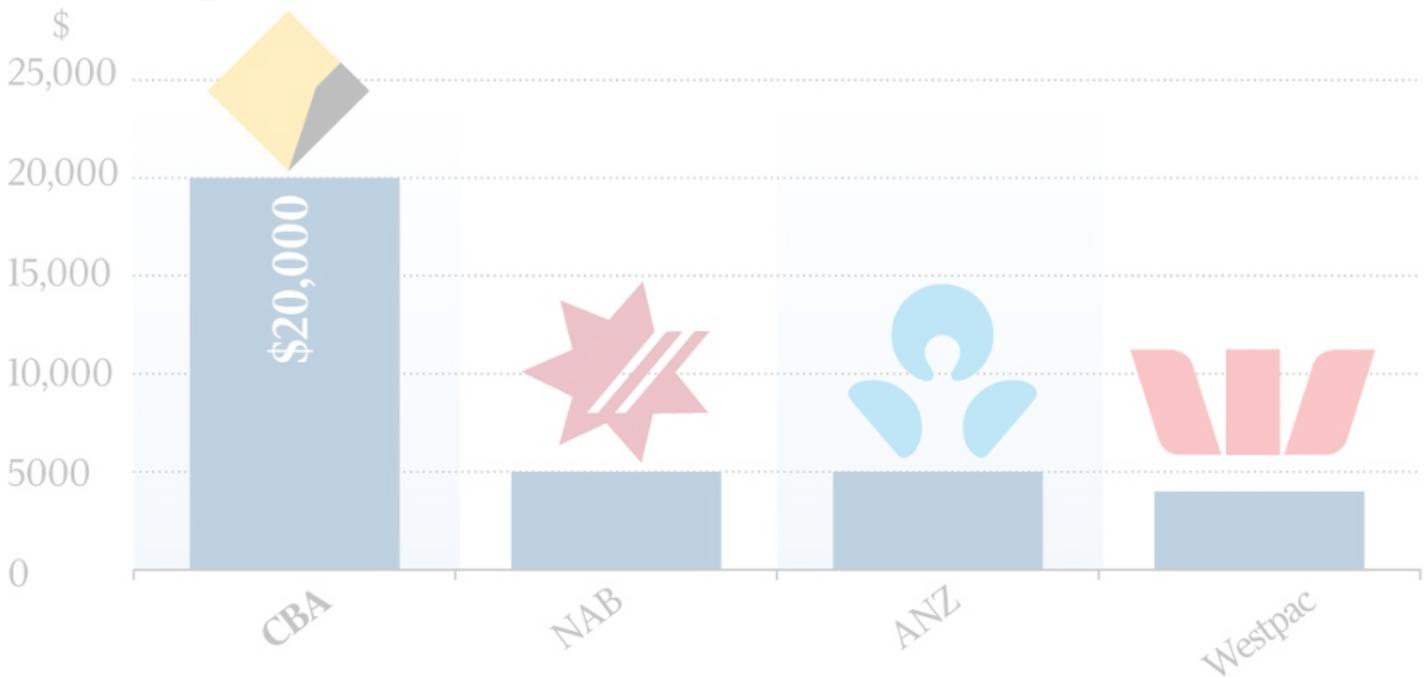
While some have said the new investment is overkill from a bank trying to rehabilitate a tarnished reputation, others say \$40m may not be enough to fix the problem.

CBA, which gave no breakdown of how the millions would be allocated, has indicated the new funds will build on the work undertaken since 2015, including the \$85m spent on improving its “know-your-customer” approach to checking customer identities.

The allocation comes as CBA boss Ian Narev looked to shift the focus from the “coding error” that was initially cited by the bank as the root cause for it falling foul of the regulator Austrac.

Speaking yesterday, Mr Narev said the policies and processes put in place for the intelligent deposit machines would have to be completely reviewed. “We are not saying it’s all about a software error ... we’re saying a significant proportion was due to a coding error,” he said.

## ATM deposit limits



Meanwhile, ANZ said its ATM network fully complied with anti-money laundering laws, as it rejected speculation it may have been involved in suspicious activity.

ANZ said in a statement that its ATMs and intelligent deposit machines had received a clean bill of health from Austrac earlier this year and also carried out extensive risk assessment before the introduction of the machines in 2013.

“ANZ is not aware of any regulatory investigations into ANZ’s AML compliance in Australia or overseas.”

Westpac said it had “robust systems” in place to report suspicious transactions, including large transactions, deposit structuring and so-called cuckoo smurfing.

According to Westpac, its detection systems give it comprehensive visibility over any suspicious activity.

It came as Mr Narev said the deployment of CBA’s intelligent deposit machines required the enterprise services, retail and risk management teams working together. But just which team is ultimately responsible for the oversight that allowed the money-laundering syndicates to operate remains to be clarified.

One industry source told *The Australian* it was unclear how much extra money was required by CBA to fix a “hole that should have never been there in the first place”.

CBA could use the \$40m to buy new hardware, new software licences from its anti-money laundering technology vendor, and a system integrator to tie its channel network to its core network.

“One potential point of failure here could have been the poor integration of the back-end systems with the ATM network, and this problem may have been bigger than just the ATMs,” an industry source said.

However, Anthony Quinn, CEO and founder of online financial crime risk-assessment tool Arctic Intelligence, said that \$40m may not stretch as far as the market thinks it will.

He said there were several main areas banks must invest in to bolster their financial crime risk-management capabilities.

“The first is in risk assessment and AML program manual space, then there’s the audit area, where reporting entities are required to perform an independent review of the design and operational effectiveness of their programs by - performing control testing, tracking, management and resolution of identified issues.”

CBA’s trouble with Austrac hasn’t dampened its enthusiasm for technology, with the bank flagging the improvement of the home loan experience for customers as big strategic tech priority.

It has also beefed up its mobile banking app with new features designed to help customers manage their spending habits.



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