



Monday 7 June 2021

ASX ANNOUNCEMENT

NAB advised of referral to AUSTRAC Enforcement Team

National Australia Bank Limited (NAB) has been informed by AUSTRAC it has identified serious concerns with NAB's compliance with the Anti-Money Laundering (AML) and Counter-Terrorism Financing (CTF) Act 2006 and the Anti-Money Laundering and Counter-Terrorism Financing Rules 2007.

AUSTRAC advised NAB in a letter dated 4 June, 2021, (attached) that it is AUSTRAC's view that there is "potential serious and ongoing non-compliance" with customer identification procedures, ongoing customer due diligence and compliance with Part A of NAB's AML/CTF Program.

These concerns have been referred to AUSTRAC's enforcement team, which has initiated a formal enforcement investigation.

In the letter to NAB, AUSTRAC stated that it has not made any decision about whether or not enforcement action would be taken. AUSTRAC stated that, at this stage, it is not considering civil penalty proceedings and that this decision is "reflective of the work undertaken" by NAB to date.

AUSTRAC's referral to its enforcement team follows regular engagement by NAB with AUSTRAC over a long period of time, both to report issues and keep AUSTRAC informed of progress in uplifting and strengthening the Group's AML/CTF Program.

NAB has disclosed the existence of AML/CTF compliance issues in various public disclosures since 2017, including most recently in [NAB's 2021 Half Year Financial Report](#)

AUSTRAC has a wide range of [enforcement options](#) available to it, including civil penalty orders, enforceable undertakings, infringement notices and remedial directions.

NAB CEO Ross McEwan said NAB would continue to cooperate with AUSTRAC in its investigations.

"NAB takes its financial crime obligations seriously. We are very aware that we need to further improve our performance in relation to these matters. We have been working to improve and clearly have more to do," Mr McEwan said.

"NAB has an important role in monitoring and reporting suspicious activity and keeping Australia's financial system, our bank and our customers safe.

"It is a key priority for everyone at NAB to uplift our financial crime capabilities, minimise risk to customers and the bank, and improve operational performance. That's why we are so focused on getting the basics right every time to protect our customers and our bank."

Since June 2017, NAB has invested about \$800 million as part of a multi-year program to uplift its financial crime and fraud controls and has more than 1,200 people dedicated to managing financial crime risks.

For further information:

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The release of this announcement was authorised by Gary Lennon, Group Chief Financial Officer.



Australian Government

AUSTRAC

Ref: 12916823

4 June 2021

[REDACTED]
National Australia Bank Limited
800 Bourke St
DOCKLANDS VIC 3008

By email: [REDACTED]

Dear [REDACTED]

National Australia Bank Designated Business Group compliance with the AML/CTF Act

The purpose of this letter is to notify you that AUSTRAC has identified serious concerns with the National Australia Bank Designated Business Group's (**NAB DBG**) compliance with the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (AML/CTF Act)* and *Anti-Money Laundering and Counter-Terrorism Financing Rules 2007 (the AML/CTF Rules)*.

At this stage, it is AUSTRAC's view that there is potential serious and ongoing non-compliance with the following obligations:


- Customer identification procedures;
- Ongoing customer due diligence; and
- Compliance with Part A of a joint AML/CTF Program.

These concerns have been referred to the AUSTRAC Enforcement team which has initiated a formal enforcement investigation into the compliance of five reporting entities (5REs) within the NAB DBG.

The 5REs are:

- NAB Limited (ACN 004 044 937);
- JBWere Limited (ACN 137 978 360);
- Wealthhub Securities Limited (ACN 089 718 249);
- Medfin Australia Pty Ltd (ACN 070 811 148); and
- AFSH Nominees Pty Ltd (ACN 143 937 437).

AUSTRAC's concerns emanate from historical and contemporary compliance assessments. In particular, the seriousness of self-disclosed matters presented to AUSTRAC over a prolonged period combined with the accompanying closure rates is concerning. AUSTRAC acknowledges that NAB has invested significantly in programs of work to mature the financial crime risk capability of the NAB DBG. However, despite this effort and investment over an extended period, AUSTRAC has ongoing



concerns as to whether the NAB DBG has the necessary systems and processes to comply with its AML/CTF obligations.

Next steps

AUSTRAC's Enforcement team will review material provided by the relevant Regulatory Supervision team, and may contact you to obtain further information, documents and/or submissions.

[AUSTRAC's approach to regulation](#) explains how AUSTRAC exercises its enforcement powers.

AUSTRAC has not made a decision about whether or not enforcement action will be taken for any of the 5REs within the NAB DBG.

At this stage, AUSTRAC is not considering civil penalty proceedings to address AUSTRAC's concerns. This decision is reflective of the work undertaken by the NAB DBG to date. However, this position may be subject to change and you will be notified if that occurs.

AUSTRAC may disclose that you are the subject of an enforcement investigation to relevant third parties (such as ASIC and APRA) where that disclosure is relevant to the functions of AUSTRAC and the third party.

AUSTRAC's Regulatory Supervision team will continue to work with the NAB DBG on its AML/CTF compliance. [REDACTED] will continue to be your primary point of contact for these and any new issues that may arise.

You will be advised in due course as to the outcomes of the investigation.

If you would like to discuss aspects of this letter or matters in relation to the enforcement investigation, please contact [REDACTED]

Yours sincerely,



AUSTRAC