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*Currency (Restrictions of the Use of Cash) Bill 2019*

I refer to the submission made by Martin North of Digital Finance Analytics – and I agree with the key elements of that submission as set out below.

My main concern with the Bill is that it is stated purpose of the Bill to restrict cash transactions is to limit the black economy, whereas I believe the true intent is not being disclosed – which is to enable the management of negative interest rates by forcing householders and businesses to keep their cash in Banks. Civil liberties are being eroded and the trap will be set to trap householders and businesses to transact within the banking system thus facilitating experimental monetary policies via the back door.

**Currency (Restrictions of the Use of Cash) Bill 2019**

I have reviewed your exposure draft and wish to register my strong opposition to the Bill as proposed, which currently includes a whole blank section which is surprising.

I worked in the Financial Services sector for over 20 years and have extensive experience in implementing AML/CTF programs into Financial Services businesses. I was Chairman of the Financial Services Council AML Working Group for 3 years from 2009 to 2011, during which time we developed Industry Standard Customer Identification Forms and also were involved in numerous submissions to AUSTRAC and Treasury on the AML/CTF legislation and AML/CTF Rules.

I refer to the objections raised by Martin North which I agree with as follows:

1. The Drafting of the Bill is incomplete – so your review processes are flawed, plus there has been insufficient public explanation on the measures you propose due to the very limited time for consultation and its release late on a Friday night (which is well known in industry circles as a strategy to limit the exposure of the Bill and reduce the likelihood that submissions will be received).
2. Civil Liberties are being eroded – further debate on these measures are warranted as they are fundamentally restricting personal freedoms. This is one in a series of measures which has been taken including media freedoms, which are curtailing the hard won freedoms Australians used to enjoy.

Surveillance of offending transactions will be required if the Bill were passed. This is not explained nor how it will be policed.

1. Cost Benefit – there is no cost benefit. The stated objective of the Bill is to close tax avoidance and money laundering loop holes. But there is no quantification of the potential savings and this is also true of the earlier Black Force economy taskforce report. It appears that simply stating these desired stated objectives seems sufficient to justify the Bill. What is the cost benefit of such a measure bearing in mind that transactions which fall outside the exemptions would need to be tracked and examined. Who would police them and at what cost.
2. Tax Leakage and AML/CTF Risk – there are more pressing areas of tax leakage and AML/CTF risk. According to the OECD report implementing the OECD anti-bribery convention released as part of the OECD working group on bribery – real estate is identified as a significant risk of being used for money laundering. Among a raft of recommendations is one saying is Australia should be “taking urgent steps to address the risk that the proceeds of foreign bribery could be laundered through the Australian real estate sector. These should include specific measures to ensure that in line with the FATF standards the Australian Financial system is not the sole gatekeeper for such transactions.” To date these loop holes remain open as do those relating to the corporates and big businesses who partly thanks to the assistance of the large international accounting firms are responsible for the lion share of tax leakage and AML activity. Rresearch from Digital Finance Analytics suggests that Government under heavy corporate and business lobbying is deliberately letting this slide, preferring to target in on a relatively inconsequential area of tax leakage relating to cash transactions.
3. The Legislation would be ineffective – beyond that it is clear from our wider research of a range of sources that such a proposed cash ban would have very little impact on hard core tax leakage. For example Professor Frederick Schneider, a Research Fellow at the Institute of Labor Economics at the University of Linz in Austria, who is a leading international expert on the Black Economy, has stated that there is a lack of imperical evidence that cash transaction bans will help reduce the black economy. Schneider published a paper in 2017 titled “Restricting or Abolishing Cash: an effective instrument for fighting the shadow economy, crime and terrorism” in which he made this specific point.
4. There is another agenda – in addition while the Bill is silent on the connection to implementing negative interest rates as part of unconventional policy the link was made clearly in the 2016 Geneva report by the International Centre for Monetary and Banking Centres ICBM entitled “What else can Central Banks do?”. This paper was drafted by officials from International organisations such as the IMF and the BIS and multiple central banks and commercial banks.
5. The IMF shows why – the same thematic came through in recent IMF blogs and working papers. In April 2019 the IMF published a new working paper on how deeply negative interest rates would work. In previous papers the IMF has suggested that nominal interest rates may have to go deeply negative, like to minus 3 to mimus 4 percent. First they say in summary 10 years after the crisis it is clear that the zero lower bound on interest rates has proved to be a serious obstacle for monetary policy. However the zero lower bound is not a law of nature – it is a policy choice. Digital Finance Analytics can demonstrate that with readily available tools that a Central bank can enable deep negative rates whenever needed. Thus maintaining the power of monetary policy in the future. Next they declare our view is that when needed deep negative interest rates are likely to be worth the political cost, while the complete abolition of paper currency would indeed clear the way for deep negative interest rates, whenever deep negative rates were called for such proposals remain difficult to implement since they involve a drastic change in the way that people transact.
6. The Bill is connected to negative interest rates – the connection is obvious in that a negative interest rate environment household and businesses will be likely to withdraw funds from the banking system and transact in cash. If enough cash is extracted, negative interest rates will simply have no effect. We believe the measures proposed in the current Bill are truly about enabling negative rates. Yet this is not mentioned within the Bill. This is misleading and deceptive. The true motivation should be on the record. But it also explains the short time frames.
7. The structure allows change by regulation subsequently – the structure of the Bill enables parameters to be changed subsequently by regulation not via Parliament. This opens the door to removing some of the concessions contained in the current drafting by agencies without full scrutiny. It is important to note that where cash transactions bans have been introduced the value settings have been lowered. France has legally prohibited cash transactions above 1,000 Euros, Spain has legally prohibited cash transactions above 2,500 Euros and Italy has legally prohibited cash transactions above 3,000 Euros.

So for all these reasons this Bill should not be allowed to pass.

Yours sincerely

Nicola Martin