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CHANGES TO MONEY LAUNDERING LAWS SHOULD CONSIDER HOME BUYERS, TENANTS AND IMPACTS ON SMALL BUSINESS

The Real Estate Institute of Australia (REIA) has urged the Inquiry into Australia’s anti-money laundering and counter-terrorism financing regime to deliver recommendations that target sophisticated money launderers without creating a financial burden on home buyers, tenants and real estate agencies.

Mr Kelly said that from a market’s point of view, what is driving up high property prices is well documented.

“Low supply, high demand, high taxes, a greater demand for houses over units and uncertainty of vendors to list new properties created by the ongoing COVID-19 pandemic are all major factors in the current market.

“The overwhelming majority of demand is being experienced domestically and by repatriating Australians.”

Mr Kelly said that he was pleased AUSTRAC and AFP have confirmed in their testimony to the Senate Committee that there is no agreed evidence to correlate criminal activity to a strong property market.

When asked about their assessment on real estate risk, AUSTRAC noted only the potential for unequal market in individual circumstances.

“I just want to make the notation that it is important to recognise that the consequences sections of our risk assessment that are being done describe the potential impacts of activity, not necessarily the actual impact or what is occurring.”

“We note that widespread, concentrated real estate purchases with proceeds could drive prices up. And the word is could.”

- Bradley Brown, AUSTRAC

“... That property prices are going through the roof because of organised crime pushing them up or things like that, that’s certainly not a statistical reference point that we can add to...”

- Stefan Jerga, Australian Federal Police

Mr Kelly added that expert testimony was unable to clarify the total size and scale of criminal buyers and how many property transactions are being turned over with dark money.

“The Inquiry heard that of the \$187 million in assets seized by authorities in the 2021 financial year, \$116 million was in real estate assets.”

“Scale needs to be carefully considered.”

“To put this in context, the Australian commercial sales market alone over this period recorded more than \$50 billion in sales and the residential sector recorded a massive 598,000 transactions.”

The Australian Federal Police testified to the Senate Committee that:

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"We've actually said that regulating any of our gatekeeper professions because of a small few going down the wrong path."

- Stefan Jerga, Australian Federal Police

Mr Kelly said that the Inquiry also confirmed key issues creating undue burden on small business should additional Tranche Two or Gatekeeper reporting to intercept money launderers.

Mr Kelly said that evidence from a range of stakeholders suggesting the potential cost of implementation would range from \$10,000 - \$120,000.

"For Australian real estate agencies, we estimate these costs to sit around \$50k per agency.

"If all the anticipated activities for Tranche Two reporting are implemented the costs to the sector could easily reach the billions.

"As REIA, it is our job to defend against undue regulatory costs and fight for our members against draconian regulation that does not even advance the national interest.

"Monitoring and enforcement authorities also confirmed additional reporting would likely be of limited impact to intelligence and surveillance, if processed at all," Mr Kelly said.

Mr Kelly reiterated that REIA is open to working with government to enhance Australia's AML/CTF capabilities.

"We made it very clear to the Senate Committee we stand ready to play our part in stamping out criminal activity and protecting our clients.

"We urge the Senate Committee to deliver practical recommendations that target sophisticated money launderers without creating a financial burden on home buyers, tenants and real estate agencies.

"A cost-benefit analysis led by the Commonwealth would be needed to better qualify the cost to real estate agencies versus the projected benefits of additional reform and how additional reporting will actually detect more criminal activity," Mr Kelly said.

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For any further information please contact Olwyn Conrau, REIA Media Consultant, 0413 600 350

olwyn.conrau@reia.com.au

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