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## CBA's latest scandal makes royal commission 'inevitable'



Mr Narev stood down as CBA chief executive after a horror year for the bank.  
Photo: AAP

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The explosive money laundering case against the Commonwealth Bank is a “game-changer” that will inevitably trigger a banking royal commission, according to a leading financial regulation expert.

Andrew Schmulow, a former policy adviser to Australia’s prudential regulator, said CBA was now “toxic” to the banking sector after being accused of breaching money laundering laws more than 53,000 times.

“The royal commission will now come, there is no doubt,” Dr Schmulow told *The New Daily*.

“This is the kind of stuff that will attract the attention of authorities in places like the United States. The US has not been shy in levying billions of dollars in fines on banks that are not American banks for money laundering activities that have taken place outside America.”

AUSTRAC, the federal anti-money laundering regulator, has made extraordinary allegations against CBA, including that it ignored police warnings that its ATM deposit machines were

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In a follow-up interview with the *Australian Financial Review*, Mr Narev said a royal commission was unnecessary because this case proved “we’ve got very strong regulators ... and they’re doing their jobs”.

In court documents, AUSTRAC said the amount of money deposited anonymously through its machines increased from \$89.1 million in 2012, their first year of use, to \$5.8 billion in the first half of 2016.

A total of 11 criminals, thought to be linked to four separate organised crime gangs, have been convicted and jailed for laundering money through the bank, according to AUSTRAC.

The crux of the case is an alleged failure by the bank to tell AUSTRAC each time more than \$10,000 was deposited through its ATM deposit machines. Each of these alleged breaches account for 53,506 of the 53,700 alleged breaches, or \$624.7 million worth of deposits.

Investors fled the bank on Friday as the extent of the allegations emerged, wiping **3.8 per cent** off the share price.

The case is bad timing for the bank, which will hand down its results for the last financial year on Wednesday. A billion-dollar profit and million-dollar remuneration packages for its executives and board are likely to increase the public outcry.

Dr Schmulow said the Turnbull government’s past protection of CBA would “haunt” the party. He predicted there would be many revelations in any royal commission.

“If one-tenth of the allegations are true, CBA is a bank that now presents a serious threat to this country’s national security,” he said.

“In light of these allegations, the Turnbull government has now not only been politically unwise, this is a catastrophe for them too.”

Politicians have also weighed in.

Senator Nick Xenophon said on Sunday that Parliament should amend the law to allow bank executives to be jailed for money laundering breaches.

Under the **Money Laundering Act**, the Commonwealth Bank faces fines of up to \$18 million for each of the 53,700 alleged breaches (up to a maximum penalty of just under \$1 trillion), but bank executives and directors are unlikely be held criminally liable.

In an official statement, Senator Xenophon said the lack of criminal penalties was “anaemic” and “woefully inadequate”.

“Clearly the absence of jail terms and senior bank executives and their directors is a glaring omission in the current



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she said.

“We need to ensure that Australia’s banking system is strong, profitable and well led with a customer-driven culture at its heart. This is not what we have right now.”

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