

31 January 2008

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By email: [aml\\_ctf\\_rules@austrac.gov.au](mailto:aml_ctf_rules@austrac.gov.au)

Dear Sir or Madam,

#### Draft AML/CTF Rules Exemption - Over-The-Counter Derivatives Market

The Energy Retailers Association of Australia (the Association) welcomes the opportunity to make a brief submission on the draft *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (AML/CTF Act) Rules exemption for the over-the-counter (OTC) derivatives market in Australia relating to the wholesale price of electricity, gas and renewable energy certificates.

The Association supports the conditions imposed by the exemption which requires market participants to be registered with the National Electricity Market Management Company (NEMMCO) and to hold an Australian Financial Services Licence (AFSL) under the *Corporations Act 2001*.

The Association supports the Australian Financial Markets Association (AFMA) view (as outlined in their initial application for exemption) that it would be almost inconceivable that money laundering or terrorist financing would be undertaken in the electricity industry because:

- It is a highly regulated industry;
- Most market participants are either government-owned, banks, or substantial companies;
- The settlement of transactions is almost universally via bank-to-bank transfers using Austraclear;
- There are a relatively small number of market participants, all of whom are well known to each other;

- There are significant disincentives for using OTC electricity, gas and environmental product derivatives for money laundering or terrorist financing; and
- Cash flows are highly uncertain.

Based on the above factors the Association supports this exemption and believes it will not compromise the integrity or objective of the AML/CFT Act or have an impact on the market-place.

Should you require any further information in relation to this matter please feel free to contact me on (02) 9437 6180.

Yours sincerely



Cameron O'Reilly  
Executive Director  
Energy Retailers Association of Australia