

Black Economy Report - Conflicts of Interest

Black Economy Final Report

<https://treasury.gov.au/review/black-economy-taskforce/final-report>

The Australian government commissioned a report and taskforce to combat the 'black economy', the report called the Black Economy Final Report. This report is already informing legislation, the Cash (Restriction of Currency) Bill 2019. The bill makes it an offence for Australian citizens to make payments over \$10,000 in cash and can be subject to 2 years jail time and a \$25,000 fine. The report was written by ex-global KPMG head Michael Andrew.

The report reads like a disturbing and detailed blueprint and roadmap of the future plans for Australian citizens, by those in power.

The Liberal government commissioned the report. The Labor government has said they will support the \$10,000 cash limit bill. An ex-director of KPMG has recently been appointed Head of Policy for the Labor government.

<https://www.linkedin.com/in/adempster/>

There were 4000 submissions from the public to the government treasury regarding the Cash Ban Bill (ordinarily submissions average around 30). A petition against the cash ban received over 15,000 signatures.

I have noted that the Black Economy Final Report focusses on several concerning themes such as: data collection and sharing, revising current secrecy and privacy laws, reducing citizens legal rights (reverse onus of proof), increasing surveillance, collecting and using biometric and digital identifiers and making their use **mandatory**, making it difficult for consumers and businesses to use cash at all, requiring that wages must be paid into bank accounts, funnelling businesses and consumers through the banking system (and the NPP), increasing the power and surveillance of the Australian Taxation Office disproportionately (including allowing them to issue warrants, use covert listening devices, access telecommunications data), encouraging raids of tradespeople by the Australian Federal Police to be publicised in the media order to deter non-compliance, only allowing 'fit and proper people' to obtain an Australian Business Number, and beginning to teach high school students about their tax obligations.

Many of the recommendations in the Black Economy Final Report **were not mentioned at all** in the international audit of the Australian government conducted by the international Financial Action Task Force. This organisation has been advising world governments on how to reduce financial crime for thirty years and was commissioned at a G7 summit. I am concerned about Black Economy Taskforce Head, Mr Andrew's personal connection with large accounting firm KPMG, KPMG's connection to the New Payments Platform and the Reserve Bank of Australia's involvement, **and all entites' subsequent profit from the recommendations listed in the Black Economy Final Report.**

I believe that, when compared to the independent audit and report conducted by the FATF, the Black Economy Final Report seems directed to ensure the profit and commercial

interest of these entities, using government resources and at the expense of the civil and economic liberty, competition and consumer choice, and rights to privacy of the Australian people.

I believe that the Black Economy Final Report overstates the risks and size of Australia's black economy and their claims of the risk and damages of the use of cash in our economy. Figures from the Medina and Schneider, *Shadow Economies from Around the World*, states that Australia **has the 10th smallest black economy in the world.**

European countries which have heavily restricted the use of cash for some time **have much larger black economies.**

I believe that the entities involved in the direction of the formation of the Black Economy Final Report have inflated the size and risk of Australia's black economy, as an excuse to serve their own ends at the expense of the Australian people.

Michael Andrew, Head of Black Economy Taskforce

Michael Andrew was tasked with creating the Black Economy Taskforce. He passed away recently.

Before the Black Economy, he was the Chair of the Board of Taxation for Australia. Board of Taxation Board members Rosheed Garnon, Craig Yaxley, Chris Jordan are all listed as having previously worked for KPMG.

Before this, his bio in the Black Economy Final Report states Mr Andrew was Chairman and CEO, KPMG International from May 2011 to July 2014. He is the first Australian CEO of one of the "big four" accounting firms and the first to be based in the Asia-Pacific region. A partner in KPMG since 1988, Michael practiced in Tax Law and was Partner in Charge of KPMG Tax Practice from 1995-2000 and Partner in Charge of KPMG International Tax Centre in Amsterdam from 1992-1994. Michael was Chairman of KPMG Asia-Pacific and Chairman, KPMG Australia from 2007 until 2011.

In the Black Economy Taskforce's bio of Michael Andrew it says 'He has undertaken this role for no remuneration.' Although this role spanned over a long period of time and involved a 'roadshow' throughout the states- was this charity work??

B20 Anti Corruption Working Group

Before he was the Chair of the Taxation Board, Michael Andrew was involved with the **B20 Working Group on Anti-Corruption and Transparency.**

"...The Australian Prime Minister appointed more than thirty Australian CEOs to guide the work of the B20 Australia in 2014 under the leadership of Richard Goyder AO, CEO of Wesfarmers, and B20 Sherpa Robert Milliner."

"Project support was provided by Shey Newitt, **Associate Director at KPMG, and others at KPMG.**"

Among the list of Anti Corruption Working Group, some Core Group Members: BHP, **Saudi Basic Industries Corporation**, Rio Tinto, KPMG

https://star.worldbank.org/sites/star/files/b20_anti-corruption_working_group_report_0.pdf

Ironically, Michael Andrew “...accused accountants and lawyers of engineering the loss of billions of dollars in government revenue by helping clients dodge their tax obligations or failing to understand the extent of the avoidance problem...”

<https://www.afr.com/companies/financial-services/get-tougher-on-tax-advisers-says-black-economy-taskforce-chief-20170707-gx6wq5>

KPMG and the Black Economy Report

KPMG has paid 500 million in fines alone for tax and accounting fraud.

KPMG are quoted in the Black Economy Final Report, the Parliament of Australia’s website links their report ‘The Last Frontier: shining a light on the black economy’ in a page about the Black Economy and KPMG has the lucrative role of coordinating the New Payments Platform

Quote in the Black Economy Final Report:

P265 ‘Minimising the size of the black economy is critical to the tax and criminal systems, and we believe this area is the last of the major “tax bases” which can derive significant revenue. But this goes much wider than just revenue — addressing tax evasion is also important to the general ethical fabric of our society and how we trust and relate to each other. The frequent ‘justification’ that ‘everyone is doing it’ must be challenged.’ KPMG

On the Parliament of Australia’s website, the article titled ‘Targeting the Black Economy’ links to statistics published in a KPMG report “...Earlier this year KPMG estimated that the total, annual, aggregate tax gap including losses to Pay As You Go (PAYG) income tax, GST and self-assessed personal income tax to be \$5.8 billion...” This statement links to a KPMG report called ‘The Last Frontier: shining a light on the black economy’. KPMG is the only private company listed in the references.

The ‘The Last Frontier’ KPMG report recommends:

“Include a clean tax history as a requirement for participating in Commonwealth, state and local government tenders. Governments should only be giving work to businesses with a good record of tax compliance. The ATO should be empowered to corroborate the assertions of businesses that enter the tender process.” (But there is no mention of a clean record requirement for being on the Board of Taxation or the Chair of the Black Economy Taskforce!!)

https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/rp/BudgetReview201819/TargetingBlackEconomy

<https://assets.kpmg/content/dam/kpmg/au/pdf/2018/shining-a-light-on-the-black-economy-march-2018.pdf>

KPMG has the role of coordinating the New Payments Platform:

<https://www.nppa.com.au/the-company/>

“... This proposal recommended a ‘layered architecture’ for payments clearing and settlement, that could offer a wide range of new real-time payment services to consumers,

businesses and government agencies. Following this proposal, APCA engaged KPMG to coordinate the NPP Program and the industry effort to bring the NPP to life...”

<https://www.ft.com/content/cdbae386-abfa-11e2-9e7f-00144feabdc0>
https://www.academia.edu/4091975/Professional_Ethics_issue_in_KPMG

New Payments Platform

The New Payments Platform is a payments platform made up of 13 large banks in coordination with the RBA. It is mentioned many times in the Black Economy Final Report. It is repeatedly mentioned as the solution for moving society away from cash to ‘combat the black economy’. Although this is not evidenced in any research provided in the report and actually contradicts academic research done on the cost/benefits of reducing or removing cash to society.

The Black Economy Final Reports states their first strategy as “...Move people and businesses out of cash and into the banking system, which makes economic activity more visible, auditable and efficient...”

Michael Andrews in an interview with CPA: “...So one of the underlying macro-strategies here is to shift from a cash-based economy into a non-cash economy by way of offering incentives and disincentives for people to operate in the cash system... The second one is to say can we actually shift from a cash to a non-cash society where we can therefore monitor and measure people's activities so we have to provide incentives and disincentives for people to operate a cash model.”

<https://www.cpaaustralia.com.au/-/media/corporate/allfiles/document/podcast/black-economy-taskforce-transcript-cpa-australia-podcast-ep17.pdf?la=en&rev=70e31f2bb7b3444cb2403cfb35d8992d>

In Chapter 3 of the Black Economy Taskforce Final Report, it discusses the need to eliminate cash and move to a cashless society. **It talks about the New Payment Platform.**

“...The New Payments Platform (NPP) will take time to bed down and develop, but is a potential game changer. **When operational it will replicate some of the features of cash**, including the capacity for peer-to-peer transfer of value and instantaneous settlement. Depending on how it is used, it could also put downward pressure on card interchange fees and other card costs...”

On the NPP website, it describes itself as “...The New Payments Platform is an industry-wide payments platform for Australia, national infrastructure for fast, flexible, **data rich payments** in Australia”.

NPP is a private company which is made up of 13 large banks. Companies who want to join the NPP have to buy shares in the company.

Organisations have mandatory requirements to join the platform:

<https://www.nppa.com.au/mandatory-compliance-requirements/>

While the rules for NPP participation prescribe these requirements, in June 2019 NPP Australia’s Board approved amendments to the NPP Regulations creating a framework to

enable specific requirements to become mandatory and enforceable through non-compliance charges. Similar to approaches taken by other payments schemes, such as card schemes, the 'Mandatory Compliance Requirements' are capabilities deemed by the NPPA Board as critical for the NPP's performance and future success.

The description of the NPP sounds like it is trying to compete with cryptocurrencies- offering similar advantages such as instant payments and 'layered architecture', however within control of big banks, who will also be mining all the financial data.

In the Black Economy Task Force report it states: "...Banks and other financial institutions are developing distributed ledger products, including fiat-backed digital currencies. This is a response to the emergence and growth of bitcoin and hundreds of other cryptocurrencies. **The aim is to replicate the benefits of the latter, while avoiding their costs.**"

Reserve Bank of Australia

The Reserve Bank of Australia is a shareholder of the NPPA, the parent company of the New Payments Platform. It is a direct participant in the NPP as a transactional banker to the Australian Government. **Some of the Black Economy Final Report is copied and pasted onto the RBA's website.** At an RBA general meeting, the Board "discussed progress by financial institutions in rolling out NPP payments to their customers. **Members remain disappointed with the progress made by some major banks and expect their commitments to be met.**" The RBA is involved in regulation involving 'least cost routing' - where digital payments are sent through the cheapest provider (the NPP). The Black Economy Final Report devotes 6+ pages discussing minute credit card fees and least cost routing.

"...The Reserve Bank played a significant role in establishing the broad direction of the industry's efforts. It also built the settlement component of the NPP, known as the Fast Settlement Service, which allows transactions to be settled individually on a 24/7 basis, in close to real time. The Bank is also a participant in the project, with its Banking Department using the NPP infrastructure..."

<https://www.rba.gov.au/payments-and-infrastructure/new-payments-platform/>

"...The NPP is owned and operated by NPPA, a public company limited by shares. The RBA is a shareholder of NPPA along with 12 initial participating financial institutions.

The RBA is the primary regulator of the payments system through the Payments System Board. Under the Payment Systems (Regulation) Act 1998 (PSRA), the RBA **has the power to designate payment systems as being subject to its regulation** and then to impose standards and access regimes on those systems or on participants in those systems on public interest grounds.

To the extent that the RBA were to have public interest concerns related to NPPA or the operation of the NPP, it would raise these with NPPA and try to **resolve the issues in a voluntary manner,** consistent with the RBA's normal procedures

The RBA is a direct participant in the NPP in its capacity as a **transactional banker to**

the Australian Government and its Departments and agencies.

<https://www.nppa.com.au/wp-content/uploads/2019/07/Memorandum-of-Understanding-Reserve-Bank-of-Australia-and-NPP-Australia-Limited-9-April-2019.pdf>

More about the NPP on RBA's website:

<https://rba.gov.au/publications/annual-reports/psb/2018/retail-payments-regulation-and-policy-issues.html>

The Productivity Commission published its final report from its inquiry into Competition in the Australian Financial System in August 2018 in relation to card payments, the report recommended that the Board introduce a ban on card payment interchange fees and also recommended regulation to ensure that merchants have the ability to determine their preferred network to **route contactless transactions for dual-network cards (that is, LCR functionality)**. The report raised concerns about access by new participants to the payments system infrastructure and recommended that the Board consider imposing an access regime on the NPP as a way to enhance access and competition. (But the NPP says **people have to adhere to their regulations** in order to join, and can enforce charges for noncompliance)

The Board noted that there are currently a number of different options available to entities wishing to access NPP services and around 60 small financial institutions have already connected to the NPP via aggregators. The Board asked Reserve Bank staff to continue to monitor how access is working in practice and to ensure that new entrants to the payments industry are also able to take advantage of NPP functionality.

RBA Meeting August 2019

<https://www.rba.gov.au/media-releases/2019/mr-19-22.html>

At its meeting today, the Payments System Board discussed a number of issues, including:

- The New Payments Platform (NPP). The Board discussed progress by financial institutions in rolling out NPP payments to their customers. **Members remain disappointed with the progress made by some major banks and expect their commitments to be met.** Members also discussed the response by NPP Australia (NPPA) to the conclusions of the consultation recently conducted by the Bank and the ACCC on NPP functionality and access. Members welcomed NPPA's confirmation that it would publish a roadmap for delivering new functionality and that it had already approved a compliance framework that would allow it to mandate certain core capability requirements for NPP participants. Given its public interest mandate, the Board is expecting this roadmap to be ambitious and to be implemented.
- **Least-cost routing (LCR) of contactless debit card transactions.** The major banks and many smaller acquirers have now made LCR functionality available to merchants, though in some cases, banks are only offering LCR on a relatively narrow range of terminals or merchant plans, or to a limited range of merchant types. The Board discussed the importance of banks ensuring that LCR is genuinely available to a wide range of merchant customers and that merchants are provided with information about the full range of payment options.

