

From: s 22(1)(a)(ii)
To: s 22(1)(a)(ii)
Subject: FOI Request - Note Printing Australia and Iraq - 1302-F498 - ILD [SEC=UNCLASSIFIED]
Date: Wednesday, 20 February 2013 2:09:00 PM

s 22(1)(a)(ii)

As discussed, I have reviewed the cables provided by the ODIN Administration Unit in response to my request for a cable search of years 1/1/1999 – 12/2/2013 using the following keywords:

- Note Printing AND Iraq.
- Securrency AND Iraq.

I have not located any documents relevant to s 47F(1) FOI request.

Kind regards

s 22(1)(a)(ii)

s 22(1)(a)(ii)

Executive Officer/ Senior Legal Officer

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From: s 22(1)(a)(ii)
To: s 22(1)(a)(ii)
Cc: s 22(1)(a)(ii)
Subject: Media articles- Iraq
Date: Monday, 30 September 2013 9:41:30 AM
Attachments: [Note Printing Australia made illegal attempts to broker business deals w....pdf](#)
[No excuse for ASIC's inaction - AFR 30 Sep 2013.pdf](#)
[RBA's dirty Saddam deal - AFR 30 Sep 2013.pdf](#)
[Saddam and the deal of a lifetime- The Age 30 Sep 2013.pdf](#)
[Deals with Saddam Hussein - SMH 30 Sep 2013.pdf](#)

Hi DFAT team

Please find attached media articles regarding allegations involving NPA, Secrecy and Iraq.

Regards

s 22(1)(a)(ii)

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ASIC clarifies RBA probe

FINANCE

The corporate regulator has backed away from suggestions it has thoroughly investigated potential breaches by senior public servants over an alleged corrupt deal linking the Reserve Bank of Australia to the regime of former Iraqi dictator Saddam Hussein.

The Australian Securities and Investments Commission said the bribery allegations would be considered, though a statute of limitations applied.

The clarification came after it issued a statement on Monday about potential Corporations Act breaches by directors of the RBA's subsidiaries Securrency and Note Printing Australia.

The regulator said charges had been

laid over allegations that representatives from the NPA attended business meetings in Iraq at the height of UN sanctions with the Middle East country.

ASIC said it had reviewed more than 10,000 pages of documents provided by Australian Federal Police before deciding not to take the matter further.

ASIC said some media organisations were now suggesting those 10,000 pages related specifically to Iraq bribery allegations.

On Tuesday, ASIC said material it examined related to alleged conduct in Indonesia, Malaysia, Vietnam and Nepal.

ASIC said the Iraq bribery allegations would be considered but stressed that a six-year statute of limitations applied to civil penalty cases. **AAP**



Bank heads may roll as more details emerge on bribery allegations



Christopher Joye

The long-simmering scandal that has seen the Australian Federal Police lay bribery charges against a wholly-owned Reserve Bank of Australia subsidiary, a second business established by the RBA, and international agents working for them, could yet claim scalps inside the highly regarded central bank.

Three important questions remain outstanding. First, has the RBA misled Parliament and the federal Treasury about what it really knew in 2007, as the key whistle-blower claimed on ABC *Four Corners* on Monday night?

Second, should the RBA have prudently reported to police back in 2007, extremely serious bribery allegations made by the company secretary of one of its wholly-owned entities? And, finally, on what basis has the Australian Securities and Investments Commission concluded that the directors of companies charged with bribery have not breached the Corporations Act?

In 2011 the AFP charged a key wholly-owned RBA subsidiary, Note Printing Australia, and former NPA employees, with paying bribes in foreign countries to advance NPA's business. NPA has carriage for printing Australia's banknotes and is overseen by an RBA-appointed board.

The AFP have also laid bribery charges against a business established and, until recently, half-owned, by the RBA, Securrency International. Securrency supplies NPA with the polymer substrate on which banknotes are printed.

On Monday it was revealed that in 1998 NPA was also involved in allegedly illegal efforts to win note-

printing business in Iraq through Saddam Hussein's brother-in-law in violation of United Nations sanctions.

The RBA's governor, Glenn Stevens, told the then treasurer, Wayne Swan, in a letter in 2010, and Parliament, in written testimony in 2012, that the RBA was unaware of the bribery allegations against Securrency until *The Age* published its original story in May, 2009.

This has been a critical leg of the RBA's defence: it has steadfastly sought to distinguish between what it knew about the NPA bribery allegations in 2007, which it chose not report to the police, and what it knew

How did the RBA allow so many illegalities?

about the same problems inside NPA's sister company, Securrency.

In his June, 2010, letter to the Treasurer, Mr Stevens said neither the board of Securrency nor the Reserve Bank was aware of these allegations [against Securrency] until [*The Age* published them in May, 2009].

"The allegations were completely unexpected, given that the company had strong policies prohibiting the payment of bribes, including by the agents," Mr Stevens explained in his letter to the Treasurer.

He continued to say that "neither of the former employees who appear to be among the sources used by *The Age* had made their concerns known to the board of Securrency or to the Bank".

"Had they done so, given the seriousness of the issues, the bank, as in the NPA case, would have carried out investigations ... immediately."

In 2007 NPA company secretary Brian Hood sent the RBA's then deputy governor, Ric Battellino, a detailed memo documenting bribery allegations against agents, including one used by both NPA and Securrency.

Mr Hood explicitly mentions Securrency twice in the context of grave "probity concerns" he had about a Malaysian agent who worked for NPA and Securrency.

Four Corners alleges this agent was also an arms-dealer.

Mr Hood told Mr Battellino that an NPA staff member had alleged that "there were matters related to the [Malaysian] agent I didn't want to know about", including millions of dollars in commissions that the agent was using to bribe Malaysian politicians and central bank officials.

Mr Hood's memo states that "in October, 2005, the [Malaysian] agent denied ... the existence of his agency agreement with Securrency ... He subsequently, only days later, admitted that he had held for years an agency role with Securrency."

While Mr Hood accuses the agent of bribing officials on NPA's behalf, he does not explicitly allege the agent was doing the same for Securrency, although he evidently felt the ties between the two were important to highlight to the RBA.

As a minimum, we can say that in 2007 the RBA was directly informed that an agent at the centre of the bribery allegations, who has subsequently been charged by the AFP, was also being used by Securrency.

It would be surprising if the Coalition did not now commission a full investigation into how the RBA had allowed so many illegalities and serious governance infractions to take place inside the organisations for which it was responsible.

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RBA official accused of coaching employee

By Richard Baker
and Nick McKenzie

One of the Reserve Bank's most senior officials has been accused of ordering an employee not to put in writing information about alleged corruption at the central bank's currency printing firms.

Veteran Note Printing Australia executive Danny Reid has made a detailed statement provided to federal police in which he accuses the RBA's Europe boss, Bob Rankin, of directing him to never "use email, fax or hard copies" to provide information about the Reserve Bank firm's allegedly corrupt overseas activities. The request was made in 2009, when the Australian Federal Police was searching for such information as part of an international bribery probe that would lead to NPA and its sister Reserve Bank firm Securrency being charged in 2011.

Some of the information about alleged corruption uncovered by Mr Reid, which he sought to relay to bank officials, was not passed to police until this year, when Fairfax uncovered it and passed it to the AFP.

Information found by Mr Reid included documents regarding a secret 1998 Baghdad trip by two NPA employees to meet then Iraqi dictator Saddam Hussein's brother-in-law in breach of United Nations sanctions.

The revelations come as a former veteran ASIC lawyer, Gary Donovan, has delivered a scathing assessment of what he sees as the corporate watchdog's failure to investigate pos-

sible corporate offences flowing from the scandal.

On Monday, Fairfax Media and *Four Corners* revealed that Dr Rankin, along with several other former directors of NPA and Securrency – including former RBA deputy governor Graeme Thompson – allowed extremely high-risk business practices at the firms during the period they are suspected of paying bribes overseas to win banknote contracts.

Mr Donovan, who left ASIC in 2011 after almost a decade, said that ASIC "had an obligation to investigate" these former directors and the agency's failure to do so was part of a systemic problem. "We have got ASIC swimming in such a vast sea of responsibilities ... I think the evidence is, once again, it is very difficult for ASIC to focus on its core responsibilities or even to identify what its core responsibilities are," he said. "There needs to be now a review of the legislation and the administrative carve-up of those responsibilities to ensure we have effective and efficient enforcement."

Greens deputy leader Adam Bandt said on Monday Australians would be shocked by the revelation the Reserve Bank was using its money "to line up dirty deals with Saddam Hussein". He urged an inquiry with royal commission powers.

ASIC commissioner Greg Tanzer rejected suggestions it had failed to investigate. Mr Tanzer said on Mon-

day that the AFP had already charged people and the matter was before the courts.

ASIC had worked with the AFP to determine whether company directors had breached the Corporations Act by trying to set up a deal to upgrade Iraqi currency, he said.

"Let me be absolutely crystal clear: ASIC looked at this matter very closely but based on the facts and evidence available decided not to take the matter further."

The RBA, in a statement, said the 1998 Iraq trip was "ill advised".

"No banknotes were ultimately supplied to Iraq. On the records available to the bank, the project went into abeyance after concerns were raised by DEAT [Department of Foreign Affairs and Trade] with the then CEO of NPA," a bank spokeswoman said. She said bank governor Glenn Stevens had always answered questions about the scandal truthfully when appearing before parliamentary committees.

Mr Reid, who left NPA in 2010 and who declined to be interviewed, said in his statement that Dr Rankin's order not to put things in writing was made in 2009, soon after Fairfax Media exposed corruption concerns at NPA and Securrency, prompting a federal police probe that resulted in both firms and nine former executives being charged with bribery offences.

with AAP



ASIC defiant on RBA's Saddam link

The watchdog has defended its decision not to take action

LAUREN WILSON

THE corporate watchdog has vigorously defended its decision not to investigate allegations of dirty deals at the Reserve Bank and its subsidiaries, as the central bank conceded a visit to Iraq by its officials was "ill-advised".

The Reserve Bank is facing allegations one of its subsidiaries, polymer banknote firm Note Printing Australia, used a front man to liaise with the brother-in-law of Iraqi dictator Saddam Hussein in a bid to illegally sell plastic banknotes to the country at the height of the UN sanctions.

A joint investigation by the ABC's *Four Corners* and Fairfax has also raised questions about whether the Australian Securities & Investments Commission failed to adequately probe the conduct of the directors of the Reserve Bank firms, after whistleblowers Brian Hood and James Shelton went public with claims that bribes were paid to overseas agents to secure banknote deals.

Mr Hood has expressed concern that former NPA directors, who include business identities Graeme Thompson, Dick Warburton and Mark Bethwaite, "may well be untouchable", and criticised the corporate regulator

for failing to properly investigate. "The inaction by ASIC has been astounding," Mr Hood told the program.

In a statement released yesterday, ASIC confirmed it reviewed material received from the Australian Federal Police for possible directors' duty breaches of the Corporations Act, but made the decision not to take the matter further. "ASIC reviewed more than 10,000 pages of documents, including several detailed witness statements. (It) had very substantial material on which to base its decision," the statement said.

"As there are some related matters before the court, we are not commenting on the reasons for our decision but the public can be completely and utterly confident in ASIC's actions."

The *Australian* unsuccessfully attempted to contact Mr Warburton through Westfield Retail Trust, Mr Bethwaite through the Sydney Catchment Authority and Mr Thompson through AMP Superannuation. A spokeswoman for AMP said Mr Thompson had resigned last week as a director of AMP Superannuation, ahead of his term ending on April 29 next year. The RBA yesterday said the

"Delta" project, under which NPA officials visited Iraq in 1998, was terminated after concerns were raised by the Department of Foreign Affairs and Trade.

"The visit to Iraq was covered in media articles four years ago ... (it) was, in the opinion of the bank, ill-advised," it said. "No banknotes were ultimately supplied to Iraq."

The central bank also defended the evidence Reserve Bank governor Glenn Stevens provided to a parliamentary committee about the lack of knowledge the board had of the allegations of bribery, amid claims from Mr Hood that he "wasn't telling the truth".

"The governor has always answered questions in parliamentary proceedings fully and truthfully," it said.

Greens deputy leader Adam Bandt has called on the Abbott government to establish an inquiry with royal commission powers, as the Howard government had into the Australian Wheat Board kickback scandal.

"Most Australians would be shocked to know their central bank has been using their money to line up dirty deals with Saddam Hussein," Mr Bandt said.



Probe sought on new RBA bribe scandal

Gemma Daley and Patrick Durkin

Senior executives from both the corporate regulator and Reserve Bank of Australia face a parliamentary grilling over bribery allegations concerning the sale of bank notes to Saddam Hussein's government in Iraq.

The Coalition government has pointed to an ongoing and separate criminal case, involving former employees of RBA subsidiaries and alleged bribery to obtain currency-printing sales in Asia last decade, to shy away from the issue.

But it is under mounting pressure from its own backbench and the Labor opposition to investigate revelations that an RBA subsidiary tried to win work from Saddam's regime in the late 1990s. The man who led the Howard government's royal commission into the AWB wheat-sale kickbacks, **Terence Cole**, QC, agreed the government may need to consider another probe if the material was strong enough.

The Australian Securities and Investments Commission and RBA on Monday denied there was any case to answer over confidential RBA files published in an ABC/Fairfax investigation.

A spokeswoman for Coalition Attorney-General **George Brandis** said it would be premature to undertake an inquiry that could undermine the current prosecutions.

A spokesman for Treasurer **Joe**

Hockey said any improper behaviour should be condemned, and that investigations into the subsidiaries should be allowed to take their course.

"Proceedings are under way in relation to RBA note-printing subsidiaries and they should be allowed to take their course," he said.

But Nationals senator **John Williams** said "I will call both senior executives from ASIC and the RBA over the claims of suspicious circumstances over alleged wrongdoing". He was referring to the current investigation of ASIC being conducted by the Senate economics references committee, which is expected to hear evidence in November.

Senator Williams, from NSW, expects the committee, which is due to get a new Labor chair, to support his call for witnesses, as he had never known a parliamentary committee to object. The parliamentary committees can subpoena witnesses if they refuse to appear.

On Monday night Liberal MP **Tony Smith**, who led Coalition questioning of RBA governor **Glenn Stevens** from opposition, said "all these new allegations and issues will be thoroughly scrutinised at the earliest available opportunity. Clearly, these new allegations warrant scrutiny by both relevant parliamentary oversight committees."

The Greens sparked the calls for a

judicial investigation, with lower house MP **Adam Bandt** saying people would be "shocked" to discover the central bank could be using their money to line up "dirty deals" with the Iraqi dictator, while Labor MP **Andrew Leigh** said the

parliamentary committee system was the appropriate way to investigate the claims.

Mr Cole said the federal government could consider an inquiry into the latest RBA revelations if it wanted to get to the truth. "I suppose you can have another inquiry if you wanted to do that, but that's a matter for government or prosecutors to decide what they want to do. It depends on the accuracy and strength of any material available," Mr Cole told *The Australian Financial Review*.

But ASIC said the public could be "completely and utterly confident" that it had reviewed bribery allegations concerning the note-printing arms of the central bank and found there was no case to answer on its own actions.

"As there are ... prosecutions before the court, we are not in a position to detail publicly all of the reasons for our decision, but the public can be completely and utterly confident in what ASIC did," ASIC commissioner **Greg Tanzer** said in a media response via video.

While ASIC said that it could not comment, the current committal hearing in Melbourne against eight former

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executives at the RBA's note-printing subsidiaries arises from bribery and corruption allegations from deals in Indonesia, Malaysia and Vietnam, rather than Iraq.

University of Sydney business law associate professor **David Chaikin**, who reviewed the investigative files, said he believed ASIC would have been unlikely to investigate the RBA and that there would be little political will to investigate the "hornets' nest" of Australian business in Iraq during the period.

Scrutiny of the regulator's decision comes despite the RBA admitting that a 1998 visit to Iraq was "ill-advised" and plans to sell bank notes to Saddam's regime were suspended after the Department of Foreign Affairs and Trade raised concerns.

"The visit in 1998 was, in the opinion of the bank, ill-advised. No banknotes were ultimately supplied to Iraq. On the

records available to the bank, the project went into abeyance after concerns were raised by DFAT with the then CEO of NPA [Note Printing Australia, an RBA subsidiary]," an RBA statement said.

"Decisions on communication with the central bank of Nepal were taken after obtaining legal advice and on the recommendation of the company's senior management."

According to the investigation, an RBA subsidiary used a front man to liaise with Saddam's brother-in-law in an illegal effort to supply plastic bank notes to the Iraqi government while it was subject to United Nations sanctions.

The Australian Federal Police, said there was "ongoing operational activity" relating to the reports and a number of bribery investigations were active. "The investigations mentioned in recent ABC *Four Corners* and Fairfax

reports are subject to ongoing operational activity. As such, it would not be appropriate for the AFP to provide comment in relation to these specific matters," the AFP said in a statement.

The RBA's spokeswoman also pointed to the governor "fully and truthfully" answering parliamentary inquiries, following comments from Mr Bandt that he may have misled Parliament. Mr Stevens is due to give a public speech on October 18.

Key points

Federal MPs want to question the RBA and ASIC over claims involving the deposed Iraq regime.

The government is cautious on an existing case.



As there are prosecutions before the court, we are not in a position to detail publicly all of the reasons for our decision.

Greg Tanzer, Australian Securities and Investment Commission



I suppose you can have another inquiry if you wanted to do that, but that's a matter for government or prosecutors to decide.

Terence Cole, QC



All these new allegations and issues will be thoroughly scrutinised at the earliest available opportunity. Clearly, [they] warrant scrutiny.

Tony Smith, Liberal MP

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Watchdog clarifies action on banknotes

LAUREN WILSON

THE corporate watchdog has confirmed its decision not to launch a probe into the Reserve Bank and its subsidiaries related to alleged conduct by officials in Asia, not to allegations of bribery in Iraq.

Polymer banknote firm Note Printing Australia, an RBA subsidiary, is alleged to have used a frontman to liaise with the brother-in-law of Iraqi dictator Saddam Hussein, in a bid to sell plastic banknotes to the country at the height of UN sanctions.

A joint ABC *Four Corners* and Fairfax Media probe, which exposed the Iraq claims, raised separate questions about whether the Australian Securities & Investments Commission failed to investigate the conduct of the directors of the RBA firms, after whistleblowers Brian Hood and James Shelton went public

with claims bribes were paid to overseas agents to secure banknote deals.

The watchdog said last night: "Some media reports today suggested our investigation related specifically to the Iraq bribery allegations aired on the ABC's *Four Corners* program last night. This is not the case. The material ASIC examined related to alleged conduct in Indonesia, Malaysia, Vietnam and Nepal."

The ASIC statement said the Iraq bribery claims would be considered but "it must be stressed that a six-year statute of limitations applies to civil penalty cases". Mr Hood told *Four Corners*: "The inaction by ASIC has been astounding." ASIC said it reviewed documents including witness statements, and that it had "very substantial material on which to base its decision."

From: s 22(1)(a)
To: s 22(1)(a)(ii)
Cc: s 22(1)(a)(ii)
Subject: Securrency - last Senate Estimates brief and most recent talking points [SEC=UNCLASSIFIED, CAVEAT=SENSITIVE:LEGAL]
Date: Friday, 4 October 2013 2:08:34 PM
Attachments: [Media talking points - SecurrencyNPA - foreign bribery proceedings - 1 Oc.....docx](#)
[Hot Topic - SecurrencyNPA foreign bribery proceedings - Senate Estimatesdocx](#)

s 22(1)(a)(ii)

As discussed please see attached the most recent talking points and the last Senate Estimates brief on the Securrency/Note Printing Australia foreign bribery matter.

s 22(1)(a)(ii)

Let me know if we can be of further assistance.

Kind regards,

s 22(1)(a)(ii)

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Domestic Legal Branch T | s 22(1)(a)(ii)
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Australian Government

Department of Foreign Affairs and Trade

MEDIA TALKING POINTS

Subject: DFAT's knowledge of allegations of foreign bribery by Securrency/ Note Printing Australia (NPA)

Date/Version: 1 October 2013/version 1

Talking Points***If asked: Did NPA breach sanctions by allegedly meeting senior Iraqi officials to discuss polymer banknote contracts?***

- . It is inappropriate to comment while Securrency, NPA and the companies' former executives are involved in ongoing legal proceedings and investigations.

If asked: Why didn't the department know about the bribery allegations in relation to Securrency and NPA's activities in Indonesia, Malaysia, Nepal and Vietnam before the AFP began investigating the companies in May 2009?

- . It is inappropriate to comment while Securrency, NPA and the companies' former executives are involved in ongoing legal proceedings and investigations.

If asked: Did departmental officials not think to warn Securrency/NPA about its agents, knowing they had been implicated in corruption scandals, arms trading or had close links with foreign government officials?

- . Securrency's and NPA's choices of agent were a matter for those companies and the department was not privy to the arrangements they had with their agents
 - the department has neither the power, the obligation, nor the capacity to verify speculation about a foreign business or individual
 - the department is not a law enforcement agency.
- . If a departmental officer was concerned that an Australian company or its agent was engaging in corruption and had credible information to support the concern, the officer would have been required to report the matter, which would have been referred to the AFP to investigate.

If asked: Did the department recommend or endorse agents to Securrency and/or NPA?

- . The department does not vet prospective business partners or agents of Australian businesses in overseas markets
 - departmental officials are trained to advise businesses that it is their responsibility to perform due diligence on the persons they engage overseas.

If asked: What is DFAT's involvement in the investigations and the court proceedings?

- . The current court proceedings against former executives of Securrency and NPA demonstrate that Australia and other countries are serious about combating corruption and highlights our effective cooperation with foreign governments and law enforcement agencies.
- . The department is cooperating with the Australian Federal Police (AFP) in its investigations.

Background (not for public use)

Four Corners aired a program on Note Printing Australia (NPA) and Securency on 30 September. Based on evidence provided by a whistle blower in each company, the program focussed on well-known allegations that NPA and Securency paid bribes to secure contracts to print plastic bank notes, including in Malaysia and Nepal. Those allegations are, in part, the subject of ongoing court proceedings against NPA and Securency former executives.

The program raised one further allegation, namely that NPA may have breached UNSC sanctions by meeting with Saddam Hussein's brother-in-law in 1998 to discuss a US\$65 million deal to print plastic bank notes in Iraq. Despite NPA being a subsidiary of the Reserve Bank of Australia (RBA), the program noted that it was DFAT which dissuaded NPA from proceeding with the deal.

Fairfax has released on its websites a letter from the then Assistant Secretary of the Middle East and Africa Branch, John Hines, to the Chief Executive of NPA dated 2 November 1998. The letter expressed concern about NPA's proposal 'to export polymer currency notes to Iraq'. The letter informed NPA that the sale 'could be in breach of the sanctions regime' imposed by the UNSC in relation to Iraq and warned that NPA's meeting with 'senior Iraqi officials ... may have already breached Australia's obligations in international law'. The letter asked that 'no further discussions on this matter are held with Iraqi authorities until the issue of an export permit is resolved'.

s 22(1)(a)(ii)

Media Interest

Significant media interest is expected following the *Four Corners* program, but we expect it will be directed more at the AFP and RBA than DFAT.

Approval

| | |
|--------------|--|
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