



Commonwealth Bank faces class action over money-laundering scandal

Lawyers announce potential lawsuit on behalf of shareholders hurt by the sharp fall in the bank's shares

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Lawyers Maurice Blackburn and litigation funder IMF Bentham have announced a potential class action on behalf of Commonwealth Bank shareholders over a share price drop caused by allegations related to money laundering.

They say CBA's 800,000 shareholders suffered significant losses after a landmark lawsuit was launched against the bank this month alleging systemic violations of money-laundering laws, which culminated in an Australian federal police raid.

They are now taking registrations from shareholders, ranging from individuals to large institutions such as superannuation funds, to garner the level of interest in a class action.

They say the bank's shares have fallen more than 5% since the Australian Transaction Reports and Analysis Centre (Austrac) announced on 3 August it was suing Commonwealth Bank for 53,700 alleged breaches of money-laundering and counter-terrorism financing laws.

That 5% decline in value reduced CBA's market capitalisation by billions of dollars.

Andrew Watson, head of class actions at Maurice Blackburn, said after news of the Austrac legal proceedings became public, CBA shares dropped from an intra-day high of \$84.69 on 3 August to an opening price of \$80.11 on 7 August, a significant movement for an otherwise stable stock.

He said online registrations for a potential class action were now open for aggrieved shareholders who purchased ordinary CBA shares during the period from 17 August 2015 to 3 August 2017, and still held some or all of those shares on until after 1pm on 3 August 2017.

He said the class action could be the biggest in Australian history.

"We are talking about a long period of alleged misconduct, from 17 August 2015 until 1.00pm on 3 August 2017 - nearly two years," Watson said on Wednesday.

"We are talking about a heavily traded stock, probably one of the most heavily traded stocks on the market.

"Our investigations and analysis show that this drop was in the top 1% of price movements that CBA experienced in the past five years, making it apparent that the news was of material significance to shareholders.

"The Austrac allegations are extensive and it is astounding that the market would not be advised of such serious and repeated breaches as soon as the company became aware of them.

"Instead, the CBA has said that its board was aware of the breaches in the second half of 2015 but chose to say nothing to the Australian Securities Exchange (ASX) until 4 August 2017.

"Shareholders had a right to expect better from the board of a penny dreadful stock. That they were treated with such blatant and cavalier disregard by Australia's largest listed entity is simply gob-smacking."

CBA's embattled chief executive, Ian Narev, has come under intense pressure over the money-laundering allegations and will step down from his post by July 2018.

The Reserve bank governor, Philip Lowe, lashed out at CBA earlier this month, saying people needed to be held accountable if they had broken any laws.

CBA is also facing a class action over its failure to properly disclose the risks to the business posed by climate change.

Watson said the class action would be big, but he could not say how big at this stage.

"On any view, it will be very large. How large is, of course, a question we can't be certain of until we have obtained registration from aggrieved shareholders and until, obviously enough, the proceedings have advanced further," he said.

He said “thousands upon thousands” of shareholders would have been affected by the drop in the share price.

When asked why there ought to be a class action against CBA, given its share price has recovered slightly, Watson said shareholders had still suffered losses.

“The essence of the loss theory is that, whatever bounce-back’s occurred, has occurred because of other factors,” he said.

Hugh McLernon, director of IMF Bentham, said CBA shareholders could register their claims on the IMF website as work was finalised by the solicitors and counsel on the federal court pleading to commence the class action.

“CBA is facing most serious allegations from Austrac, and there are serious questions to be answered about what the company knew and when,” McLernon said.

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