



Fact Sheet

Changes for business under the new AML/CTF reforms

Industry has been closely involved in the development of the new anti-money laundering and counter-terrorism financing (AML/CTF) legislation. From the earliest days of the reform process, there has been a strong focus on industry consultation and input.

The Government recognises that industry will incur costs in implementing the reforms. It has made every endeavour to minimise these costs by taking a balanced approach that will build on Australia's existing AML/CTF system while implementing a risk based regulatory regime.

The Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (AML/CTF Act) covers industry sectors with obligations under existing legislation, including:

- the financial sector (banks; building societies; credit unions; lending, leasing and hire purchase companies; issuers of travellers' cheques; foreign exchange dealers; asset management companies; remittance dealers; financial planners who arrange for the issue of products; life insurers; superannuation fund managers; custodial service companies; cash couriers, and securities dealers)
- the gambling sector (casinos, internet and electronic gaming service providers, bookmakers)
- bullion dealers, and
- other persons or businesses, such as lawyers and accountants, which provide designated services.

'Designated services' under the legislation

These industry sectors become 'reporting entities' under the legislation only when they provide 'designated services'. Such services include opening an account; accepting deposits; making a loan; issuing, acquiring or disposing of a bill of exchange, a promissory note or a letter of credit; issuing a debit or stored value card; issuing traveller's cheques; and sending and receiving electronic funds transfer instructions.

For the gambling sector, designated services include receiving or accepting a bet; placing or making a bet; allowing a person to play a game on an electronic gaming machine; paying out betting winnings; and exchanging money for gaming chips or tokens.

Key obligations

The AML/CTF legislative package places key obligations on providers of financial services which are at risk of exposure to money laundering or terrorism financing.

The cornerstone of the AML/CTF regime is that businesses know their customers. The regime requires reporting entities to carry out customer identification and verification of that identification. Reporting entities have to carry out customer 'due diligence' which will require that reporting entities monitor customer transactions on an ongoing basis.

Other important obligations include reporting obligations, under which businesses are required to report suspicious matters, international funds transfer instructions, and transactions which exceed the thresholds set in the legislation as well as record keeping obligations.

Minimising costs to industry

The major cost to industry is in setting up systems to monitor customer activity. However, the legislation allows flexibility so that obligations can be tailored to take into account the size of the business. A large bank, for example, is likely to need a computer-based system to monitor transactions across its business and to identify suspicious patterns. A smaller enterprise, which has direct knowledge of its customers and business, may not require a high-technology solution.

Australian banks are also obliged to conduct due diligence in regard to their international correspondent banking relationships so that they do not inadvertently deal with 'shell' banks. Banks are required to include the appropriate identifying information in international electronic transfers of funds.

While businesses are required to develop AML/CTF programs, it is recognised that these will only be effective if they are appropriate to the nature, size and complexity of each business. A small business AML/CTF program will look very different from that of a large financial institution.

The Government's risk based approach reflects its conviction that industry is best placed to determine the actual risks associated with its customers and products. Industry has the knowledge and experience to exercise judgement on how to identify, monitor, and (where necessary) report to the regulator, the Australian Transaction Reports and Analysis Centre (AUSTRAC).

The risk based approach provides industry with appropriate tools to concentrate its resources on areas where the money laundering and terrorism financing risk is greatest, with a resulting saving in compliance costs.

For example, businesses are not required to re-verify the identity of existing customers unless individual cases warrant this. In addition, compliance savings can be achieved where members of 'designated business groups' subscribe to one joint AML/CTF program.

Customer identification requirements also allow businesses the flexibility to tailor their identification procedures to their particular needs, including the use of non-face-to-face procedures such as electronic verification. The latter option should be particularly helpful to businesses operating in rural and regional areas.

These are instances of Government responding directly to industry concerns and minimising compliance costs for legitimate business.

For more information:

Further information can be found at: www.ag.gov.au/aml