



Objectives

In this module, we will address the following questions:

- What is a transaction?
- What is a threshold transaction?
- What are the reporting obligations?
- What is a suspicious matter?
- How and when must a suspicious matter be reported?
- What is an international funds transfer instruction (IFTI)?
- Who needs to report IFTIs?
- What is a cross-border movement of physical currency?
- Who needs to report movements of physical currency?
- When must the report be made?
- What is a bearer negotiable instrument (BNI)?
- Who needs to report a movement of a BNI?
- When must the report be submitted?
- What is an AML/CTF compliance report?
- Who is required to submit an AML/CTF compliance report?

Your key learning objectives will be to correctly answer each of the questions listed above.

Reporting entities enrolled on AUSTRAC Online can access more detailed information from AUSTRAC's '*AML/CTF Reporting Requirements*' e-learning course.

For information about reporting obligations under the *Financial Transaction Reports Act 1988* (FTR Act) please review the 'Overview of the FTR Act' component of this course which can be found by clicking on the '*Legislation*' tab.

Threshold transactions

What is a transaction?

A transaction involves the transfer of funds or property in the form of physical currency or e-currency from one person to another. The currency involved could be Australian dollars or a foreign currency.

What types of transactions are covered?

Some examples of transactions are:

- deposit into a bank account
- purchase of stocks or bonds
- payout on gambling winnings
- purchase of traveller's cheques
- delivery of cash to meet a payroll
- e-gold transfers.

What is a threshold transaction?

A threshold transaction involves a transfer of physical currency or e-currency of AUD10,000 or more, or the equivalent in foreign currency.

What are the reporting obligations?

'Reporting entities' as defined in the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (AML/CTF Act), must report threshold transactions to AUSTRAC. The report must be made within 10 business days after the day of the transaction taking place.

Reporting entities who require further information about threshold transaction reports are encouraged to complete the AUSTRAC Reporting Obligations e-learning course available within AUSTRAC Online.

Suspicious Matters

What is a suspicious matter?

A suspicious matter reporting obligation may be triggered where a reporting entity provides (or is asked to provide) a designated service to a customer and suspects on reasonable grounds that the person is not who they claim to be. A suspicious matter reporting obligation may also be triggered where the reporting entity suspects on reasonable grounds that information that it has about the provision of the designated service may relate to a criminal offence or an investigation into an offence. Such offences include money laundering, the financing of terrorism, tax evasion, or any other offence under a Commonwealth, State or Territory law. The customer must be using or attempting to gain a designated service. The designated service does not need to have been provided to the customer in order to submit a report to AUSTRAC. For example, a suspicious matter could involve an incomplete transaction, a query from a potential customer, or a type of behaviour.



Reporting entities who require further information about suspicious matters and completing suspicious matter reports (SMRs) are encouraged to complete the AUSTRAC Reporting Requirements e-learning course. This course can be accessed within AUSTRAC Online.

How and when must a suspicious matter be reported?

A reporting entity must complete an SMR and lodge it with AUSTRAC if the reporting entity has reasonable grounds for suspicion. If the suspicious matter relates to the financing of terrorism, the report must be lodged within **24 hours**. For all other matters, the SMR must be lodged within **3 business days** after the day the suspicion was formed.

Should the reporting entity inform others?

The AML/CTF Act specifically prohibits reporting entities from disclosing to the customer or other parties that they have reported a suspicious matter. If the reporting entity informs third parties, they may have committed an offence under section 123 of the AML/CTF Act ('offence of tipping off').

What are the benefits of filing an SMR?

Filing an SMR can both benefit the public and protect the reporting entity. SMRs can be used to initiate or further existing investigations by AUSTRAC's partner agencies, but are not used as evidence during prosecution. One reason for this is to protect both the organisation and the staff submitting SMRs.

International funds transfer instructions

What is an international funds transfer instruction?

An international funds transfer instruction (IFTI) is an instruction transmitted into or out of Australia, for a transfer of money or property. Currency involved could be Australian dollars or a foreign currency. All such instructions should be reported to AUSTRAC. There is no monetary threshold attached to reporting IFTIs.

Who needs to report IFTIs?

A report must be submitted to AUSTRAC by any reporting entity who is the sender or recipient of an IFTI. For further information, contact the AUSTRAC Help Desk by email to help_desk@austrac.gov.au or phone 1300 021 037 (a local call within Australia).



Reporting entities who require further information about international funds transfer instructions and completing IFTI reports are encouraged to complete the AUSTRAC Reporting Requirements e-learning course. This course can be accessed within AUSTRAC Online.

Who reports inward IFTIs?

Generally, inward-bound IFTIs must be reported by the first point of contact in Australia. For example, a customer overseas sends a fax instructing his credit union to transfer funds from Singapore to Sydney. The credit union would report this as an inward IFTI, because it has received an electronically-transmitted instruction from an international location. It is the instruction, not the actual funds transfer, which is the trigger for an IFTI report.

Who reports outward IFTIs?

Generally, outward-bound IFTIs must be reported by the last point of contact in Australia. For example, a customer in Australia instructs his credit union to transfer funds from Sydney to Singapore. The credit union in this case does not have the capability to do a telegraphic transfer itself, so the credit union uses a bank in Australia to complete the actual funds transfer. The responsibility to report the outward-bound IFTI is with the bank, not with the customer or the credit union, because it is the bank transmitting the electronic instruction to an international destination.

When must the IFTI report be made?

IFTIs must be reported to AUSTRAC within 10 business days after the day the instruction is sent or received.

Cross-border movements of physical currency and bearer negotiable instruments

What is a cross-border movement of physical currency?

A cross-border movement of physical currency is when a person brings into or sends out of Australia, AUD10,000 or more, or the foreign currency equivalent. 'Physical currency' means coin and printed money and does not include traveller's cheques or other monetary instruments.

The obligation to report a cross-border movement of physical currency replaces the international currency transfer report previously required under the FTR Act.

Who needs to report movements of physical currency?

Persons entering or leaving Australia carrying AUD10,000 or more (or the foreign currency equivalent) must provide a report to a Customs officer, a police officer or to AUSTRAC. Reporting forms are available from Customs officers at international airports and sea ports.

Persons who mail or ship currency of AUD10,000 or more (or the foreign currency equivalent) into or out of Australia, must also provide a report to a Customs officer, a police officer or to AUSTRAC. Forms can be obtained from AUSTRAC.

When must the report be made?

Persons entering or leaving Australia must report at the Customs baggage or passport examination area, or (in any other case) at the first opportunity after arriving in Australia or the last opportunity before leaving Australia.

When sending or receiving currency by mail or shipping, the report must be submitted to AUSTRAC directly prior to sending the currency, or within 5 business days of receiving currency.

What is a bearer negotiable instrument (BNI)?

A bearer negotiable instrument (BNI) is a monetary instrument of any value including:

- bills of exchange
- cheques
- promissory notes
- bearer bonds
- traveller's cheques
- money orders, postal orders or similar.

Who needs to report a movement of a BNI?

Persons entering or leaving Australia must, if asked by a Customs or police officer, produce any BNIs they have with them. The officer may require that person to complete a BNI report form.

When must the report be submitted?

A Customs or police officer must forward the report to AUSTRAC within 5 business days of receipt of the report.

AML/CTF compliance reports

What is an AML/CTF compliance report?

An AML/CTF compliance report provides AUSTRAC with information about a reporting entity's compliance with the AML/CTF Act, the regulations and the AML/CTF Rules. This obligation came into effect on 12 June 2007.



Note: 'identifying cash dealers' were previously required to submit an 'annual compliance report' to AUSTRAC relating to the cash dealer's compliance with the FTR Act. Due to the commencement of the AML/CTF compliance reports obligation, the AUSTRAC CEO determined there will be no further compliance reporting requirements under the FTR Act.

Civil penalties may apply for failure to provide an AML/CTF compliance report.

Who is required to submit an AML/CTF compliance report?

'Reporting entities' are required to submit AML/CTF compliance reports to AUSTRAC. A reporting entity is a person who provides a 'designated service' as defined in the AML/CTF Act. Examples of reporting entities include banks and other financial institutions, remittance service providers, bullion dealers and casinos. Civil penalties may apply for failure to provide an AML/CTF compliance report.

When are AML/CTF compliance reports due?

The reporting and lodgement periods for AML/CTF compliance reports are defined in the AML/CTF Rules which can be modified when necessary. For example, the length of a particular reporting period may be shortened or lengthened by the AUSTRAC Chief Executive Officer (CEO) via AML/CTF Rules.

What topics are covered in AML/CTF compliance reports?

AML/CTF compliance reports cover obligations under the AML/CTF Act, regulations and the AML/CTF Rules. Topics covered in compliance reports will vary. Examples could include customer identification procedures, reporting obligations, correspondent banking due diligence and record keeping.

Due to the provisions of the AML/CTF Act coming into effect between December 2006 and December 2008, the content of AML/CTF compliance reports during that time will change as the various provisions commence. Not all topics will be relevant to all reporting entities.

What is AUSTRAC Online?

AUSTRAC has created a new internet-based system called AUSTRAC Online. AUSTRAC Online is designed to assist businesses with their regulatory and reporting obligations under the AML/CTF Act and the FTR Act.

AUSTRAC Online aims to:

- reduce the regulatory burden on industry through less paperwork and faster submission of transaction reports
- allow AUSTRAC to support industry by understanding the regulated population
- enable regulated businesses to view and maintain their own information with AUSTRAC
- provide a secure system enabling the protection of confidential information
- allow for the efficient electronic submission of AML/CTF compliance reports
- allow businesses to stay up-to-date with the latest AML/CTF legislative changes and other important events.

How to enrol through AUSTRAC online

If you have previously had contact with AUSTRAC you may already have a user identifier (ID) and password for EDDSWeb. The same details are used to log in to AUSTRAC Online.

If you are an existing:

- EDDSWeb user – simply use your existing EDDSWeb user ID and password. You can also use the email address associated with your EDDSWeb user ID
- provider of designated remittance services who registered online – simply use your email address and registration password.

If your business has not had contact with AUSTRAC previously, you will need:

- an email address – this will be your user ID for accessing AUSTRAC Online
- details about your business – for example, name of business, trading names (if any), address, telephone and other contact details, business structure details and Australian registration or licensing details (such as ABN, ACN, ARBN, AFSL and/or trading name registration).

Otherwise, your business's AUSTRAC Online administrator or the AUSTRAC Help Desk can provide you with an AUSTRAC Online user account.

For more information about AUSTRAC Online and how to use it, please visit AUSTRAC Online at <http://www.austrac.gov.au/online/>. A user guide can be downloaded from the quick links or by visiting http://www.austrac.gov.au/files/ao_userguide.pdf. There is also an AUSTRAC Online demonstration that may assist you: http://www.austrac.gov.au/movies/ao_demo.htm.

Summary

On 12 December 2008 the last of the AML/CTF Act obligations came into effect. In this module, we have looked at the following obligations under the AML/CTF Act.

Threshold transaction: a transfer of physical currency or e-currency of AUD10,000 (or foreign equivalent) or more.

Suspicious matter: a matter that a reporting entity has reasonable grounds to suspect may be related to an offence, including money laundering, financing of terrorism, tax evasion, using a false identity or against a law of the Commonwealth, or a state or territory..

International funds transfer instruction: an instruction transmitted into or out of Australia, for a transfer of money or property.

Cross-border movement – physical currency: when a person brings or sends \$10,000 or more in physical currency (includes coin and printed money) into or out of Australia.

Cross-border movement – bearer negotiable instrument: when a person brings or takes a bearer negotiable instrument of any (or no) amount into or out of Australia. This includes monetary instruments such as cheques and traveller's cheques.

AML/CTF compliance reports: submitted by reporting entities to AUSTRAC regarding their compliance with the AML/CTF Act, regulations and AML/CTF Rules.

A limited number of cash dealers not captured under the AML/CTF Act will continue to have reporting obligations under the FTR Act. For an overview of the FTR Act please click the *Legislation* tab.

Reporting obligations quiz

This quiz will test your understanding of reporting obligations.

Question 1 – casino winnings

Indicate whether or not the following transaction qualifies as a threshold transaction.

Tim Bow cashes \$12,000 in winnings from the casino.

This transaction:

- a) qualifies as a threshold transaction
- b) does not qualify as a threshold transaction

Question 2 – wire transfer

Indicate whether or not the following transaction qualifies as a threshold transaction.

Che Jinta wire transfers \$32,000 from his company account to a personal offshore account.

This transaction:

- a) qualifies as a threshold transaction
- b) does not qualify as a threshold transaction

Question 3 – premium payment

Indicate whether or not the following transaction qualifies as a threshold transaction.

Jasmine King pays \$15,000 in cash as the premium for a new life insurance policy.

This transaction:

- a) qualifies as a threshold transaction
- b) does not qualify as a threshold transaction

Question 4 – deposit

Indicate whether or not the following transaction qualifies as a threshold transaction.

Stephanie opens her account with a brokerage firm by paying \$5,000 cash. Next day, she deposits another \$7,000 in the account.

This transaction:

- a) qualifies as a threshold transaction
- b) does not qualify as a threshold transaction

Question 5 – currency exchanges

Indicate whether or not the following scenario merits filing a suspicious matter report (SMR). A customer makes a series of currency exchanges, but each is under \$10,000.

This transaction:

- a) merits filing an SMR
- b) does not merit filing an SMR

Question 6 – regular remittances

Indicate whether or not the following scenario merits filing an SMR.

A worker based in Australia is from a foreign country known to be a major narcotics source. The worker regularly makes small cash deposits of \$200 and remits the funds to that country.

This transaction:

- a) merits filing an SMR
- b) does not merit filing an SMR

Question 7 – wire transfer

Indicate whether or not the following scenario merits filing an SMR.

A small currency exchange firm receives a large wire transfer of funds from a little-known bank in a tax haven country. The amount of money appears inconsistent with past transactions.

This transaction:

- a) merits filing an SMR
- b) does not merit filing an SMR

Question 8 – entry with cash

Indicate whether or not the following transaction qualifies as a reportable cross-border movement of physical currency (CBM-PC).

Sharan Williams flies into Australia carrying USD11,000 in cash. She works for an advertising firm and not for a reporting entity.

This transaction:

- a) qualifies as a reportable cross-border movement of physical currency
- b) does not qualify as a reportable cross-border movement of physical currency

Question 9 – client account payment

Indicate whether or not the following scenario merits filing an SMR.

A small law firm with small clients in the export-import business starts making large deposits and transfers on behalf of an unnamed client.

This transaction:

- a) merits filing an SMR
- b) does not merit filing an SMR

Question 10 – receipt of IFTI

Indicate whether or not the following transaction qualifies as a reportable international funds transfer instruction (IFTI).

Cricket Corp is a securities and brokerage firm. It receives an instruction from an overseas entity for the benefit of an individual client in Australia.

This transaction

- a) qualifies as a reportable IFTI
- b) does not qualify as a reportable IFTI

Question 11 – transmission of funds

Indicate whether or not the following transaction qualifies as a reportable IFTI.

KHB Corp is a lease finance corporation. It sends an instruction to a bank in the United States for its own account.

This transaction

- a) qualifies as a reportable IFTI
- b) does not qualify as a reportable IFTI

Question 12 – departing with cash

Select the single correct response.

Sharron B. Dragon is leaving Australia to travel to Spain, with \$12,000 in cash.

This means that:

- a) she must fill in a Cross Border Movement – Physical Currency form
- b) she does not need to fill in a Cross Border Movement – Physical Currency form

Question 13 – entry with BNI

Ian enters Kingsford-Smith International Airport from Jamaica with traveller's cheques equalling \$7,500.

Which of the following statements is correct (referring to cross-border movement reports)?

- a) Ian must declare the traveller's cheques when passing through Customs.
- b) Ian doesn't need to declare the traveller's cheques as they are under \$10,000.
- c) Ian only needs to fill in a report if a Customs or police officer tells him to do so, regardless of the amount.

Question 14 – types of BNI

Select one of the examples below that is **not** classified as a BNI.

- a) cheques
- b) travellers cheques
- c) casino chips
- d) promissory notes

Question 15 – AML/CTF compliance reports

Indicate whether or not the following is true or false.

AML/CTF compliance reports are to be completed by reporting entities. Reporting and lodgement periods are set in the:

- a) AML/CTF Act
- b) AML/CTF Rules

Answers - Reporting obligations quiz

1. a) Correct. The transaction involves a transfer of cash of \$10,000 or more.
2. b) Correct. The transaction involves a transfer of \$10,000 or more, but it is a wire transfer which does not involve cash.
3. a) Correct. Payment of premium for a life insurance policy in cash is reportable.
4. b) Correct. Each transaction is less than \$10,000. However, criminals may engage in many small cash transactions to evade the reporting requirements. This could be a potential suspicious matter.
5. a) Correct. While this is a matter of judgment, filing an SMR may be appropriate. An SMR can be filed for either a single transaction or a series of multiple transactions of any value.
6. b) Correct. While this is a matter of judgment, based on the facts provided, filing an SMR may not be required. Although the country involved raises suspicion, the other aspects of the transactions appear to be consistent with the practice by domestic workers of sending money home to their families.
7. a) Correct. While this is a matter of judgment, based on the facts provided, filing an SMR may be appropriate. The business purpose of the transaction is unclear, a tax haven country is involved and the amount of funds is inconsistent with past dealings. At a minimum, further investigation may be justified.
8. a) Correct. Under the AML/CTF Act, everyone including members of the public must file a CBM-PC to report the physical transfer of \$10,000 or more in cash (Australian or the foreign equivalent) into or out of Australia.
9. a) Correct. While this is a matter of judgment, based on the facts provided, filing an SMR may be appropriate. Intermediaries are often used by money launderers, an unnamed client is involved and the transaction is inconsistent with the law firm's general business. At a minimum, further investigation may be justified.
10. a) Correct. The transaction involves an IFTI and a reporting entity that is neither an authorised deposit-taking institution (ADI) nor acting on behalf of an ADI.
11. a) Correct. The transmission of an IFTI by a reporting entity is a reportable transaction.
12. a) Correct. Under the AML/CTF Act, everyone including members of the public must file a CBM-PC to report the physical transfer of \$10,000 or more in cash (Australian or the foreign equivalent) into or out of Australia.
13. c) Correct. While there is an obligation to report bearer negotiable instruments of any amount, this is only done when a Customs or police officer requires it. In this scenario we do not know if this will occur.
14. c) Correct.
15. b) Correct. The reporting and lodgement periods are set in the AML/CTF Rules. The Act allows the Rules to be made.

AUSTRAC intends to maintain its Introduction to AML/CTF e-learning application as an evolving resource to reflect changing patterns of behaviour, legislative development and the broader anti-money laundering environment. Should you require further information on the e-learning application, AUSTRAC's operations, the *Financial Transaction Reports Act 1988* (FTR Act) or the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (AML/CTF Act), please contact:

AUSTRAC Help Desk:

help_desk@austrac.gov.au or telephone 1300 021 037.

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