



Australian Government

Australian Transaction Reports
and Analysis Centre

AUSTRAC e-learning 

Module 5

Implementing and monitoring your AML/CTF program

AML/CTF Programs



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Module overview

Once the developing the content, policies and procedures of an AML/CTF program are determined the next step for your business is to consider effective ways to put it into practice in the workplace. This module is written to support the person who may have the task of managing the project of implementing the AML/CTF program. The module presents approaches for assessing the internal environment of your business to identify and manage resources that will support the implementation of the program.

AML/CTF management doesn't end with the implementation of the program. Successful AML/CTF management continuously monitors the program in order to maintain its effectiveness in a changing business environment. In addition to maintaining the effectiveness of the program in the face of emerging money laundering and terrorism financing (ML/TF) threats, there are ongoing tasks which extend beyond the implementation phase, such as diligent record keeping, submitting compliance reports, and incident management. Your business will also benefit from maintaining a culture that supports combating ML/TF, where AML/CTF activities are understood and performed as everyday business activities and where the business's leadership maintains a sense of accountability for its AML/CTF procedures and activities.

Core concepts

This module will address the following:

- Organising support for the implementation plan
 - AML/CTF program stakeholders
 - Role of the project manager
- Managing the implementation project
- Program implementation tools
 - SWOT analysis
 - Force field analysis
 - Stakeholder management
 - Stakeholder positions
 - Training
 - Kirkpatrick's learning assessment and evaluation model
- Monitoring, reviewing and enhancing an AML/CTF program
 - AML/CTF program monitoring regime
 - AML/CTF program performance measures
 - AML/CTF program performance measurement framework
 - AML/CTF Act 2006 Self Assessment Questionnaire (SAQ)
 - Keeping up-to-date
 - Gap analysis
 - Continuous improvement
- Incident management
- Record keeping

Organising support for the implementation plan

AML/CTF program stakeholders

Even though compliance with the AML/CTF Act is mandatory, a person with the responsibility to manage the implementation of an AML/CTF program may need to establish and organise the support of the business's key stakeholders to ensure a successful implementation. Note that the AML/CTF Act and AML/CTF Rules do not specify the role of a project manager; the term 'project manager' is used in this module in the general sense to refer to a person who is implementing an AML/CTF program.

When identifying who would be a stakeholder in the AML/CTF program, you should consider anyone you feel would be significant to the project. Consideration should be given to what each may require from the implementation project, who has influence or power over it and who has a role that contributes to a successful conclusion.

Examples of stakeholder roles that a project manager for an AML/CTF program implementation project might consider are:

- Implementation project sponsor: this role could be performed by the CEO, a senior manager or board member. This role provides direction and ensures there are sufficient resources available to the project to implement a program.
- Implementation project owner: this role usually oversees the implementation project and may be directly accountable for the effectiveness and outputs of the project implementation. The project manager may have a formal reporting relationship to the project owner. The project owner role may continue after the initial implementation has been achieved in order to drive any program improvement initiatives and activities.
- Operational supervisors: these roles include the people that are responsible for overseeing AML/CTF processes and implementation in the business. They may be responsible for all or parts of the processes, ensuring day-to-day process performance and directly managing the AML/CTF process workers and customer relationships. These roles may also provide statistics, reports and improvement ideas into the AML/CTF program's monitoring framework.

- Process workers: these roles may include the front-line staff responsible for completing tasks in the AML/CTF processes as part of everyday business. People in these roles may work with customers and other staff members with responsibility for specific completion of AML/CTF processes to agreed standards. They may also coach and train less experienced workers in these processes and provide the operational supervisors with statistics, reports and improvement ideas based on their front-line experience.

Role of the project manager

Whilst the AML/CTF Act and AML/CTF Rules do not specify the role of a project manager, whoever is implementing an AML/CTF program in a business may consider adopting a project management approach as a way to manage the implementation. Generally a project manager's role might include:

- planning how the AML/CTF program will be implemented
- clearly explaining the plan to relevant stakeholders and keeping them informed of its progress
- convening a project team
- allocating and explaining tasks to the project team and its members
- engaging knowledgeable members to provide advice on AML/CTF processes
- providing support, encouragement, discipline, instruction, and reconciliation of disagreements on AML/CTF implementation issues
- informing team/s of new directions and summarising suggestions and ideas for the implementation
- coordinating standard setting for operating the AML/CTF program
- coordinating the establishment of the AML/CTF program monitoring
- guiding, monitoring and reviewing the AML/CTF program implementation project
- objectively reflecting on the AML/CTF program implementation project and using this in the program's future improvement projects.

Managing the implementation project

Actually implementing the AML/CTF program is a process that may be divided into several stages, for example:

1. specifying the AML/CTF program implementation
2. planning the AML/CTF program implementation
3. communicating the AML/CTF program implementation plan to your organisation
4. agree on and delegate AML/CTF program implementation actions.

1. Specify the AML/CTF program implementation

The project manager for the AML/CTF program implementation project may consult with stakeholders about how the AML/CTF program will be implemented. The proposed AML/CTF program should be checked against legislative and business requirements to identify and address any deficiencies. The template of the implementation plan may include:

- a description of its purpose, aims and deliverables
- a statement of parameters such as timescales, budgets, range, scope, and authority
- a statement of people and/or roles involved and the way the team/s will work to implement the program, including specifying such things as frequency of meetings, functional responsibilities, decision-making processes, etc.
- a list of 'milestones' to set progress standards, review progress and schedule regular activities and reviews
- a statement of progress and results which will be measured and evaluated.

Important

The first AML/CTF compliance report was due on 31 March 2008
From 12 December 2008 all reporting entities will be required to:

- report certain international funds transfer instructions (IFTIs) of any amount within 10 business days
- report threshold transactions over \$10,000 or more, within 10 business days
- lodge suspicious matter reports (SMRs) to AUSTRAC, within 3 business days (or 24 hours if related to terrorism financing)
- carry out ongoing customer due diligence.

2. Plan the AML/CTF program implementation

When planning the various stages and activities of the AML/CTF program implementation it may be useful to work backwards. Begin with the desired outputs of the program and identify in reverse order all the things that need to be put in place and done. Then put these issues in the right order and establish any relationships and links between each issue. Things that may be taken into consideration include:

- time
- teams
- activities
- resources
- financials.

There may be a number of activities running in parallel, while some activities of the implementation will need other activities to be completed before they can begin or progress.

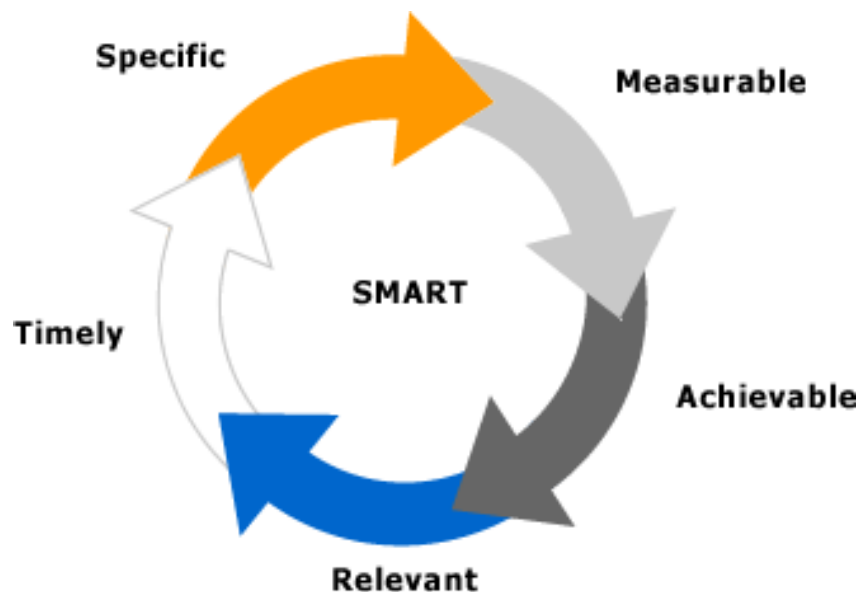
3. Communicate the AML/CTF program implementation plan to your organisation

It may be important that your staff, management and other stakeholders know what is happening. The AML/CTF Compliance Officer may need to obtain support, agreement, ownership and accountability from a range of stakeholders. The organisation may need to be aware that the AML/CTF program is being introduced, not just to comply with the AML/CTF Act, but also to manage the risk of your company being abused by criminals. The consequences of failing to effectively implement an AML/CTF program may extend to financial, legal, operational and/or reputational damage.

4. Agree and delegate AML/CTF program implementation actions

Use of the SMART acronym may help to ensure appropriate delegation of tasks to your team members:

- **Specific** – be specific about the role and functions
- **Measurable** – a role should be able to be measured against set standards
- **Achievable** – a role should not be unduly difficult
- **Relevant** – each role should be relevant to the task at hand
- **Timely** – all tasks should be completed in a timely manner within reasonable timeframes.



Program implementation tools

Three tools that may help to analyse and manage your AML/CTF program implementation are:

- SWOT analysis
- Force field analysis
- Stakeholder management
- Stakeholder positions
- Training
- Kirkpatrick's learning assessment and evaluation model.

These tools may provide you with an understanding of possible resources and facilitators to assist the implementation, as well as identifying possible detractors or hindrances to your AML/CTF program that will need to be managed.

SWOT analysis



A SWOT analysis identifies the strengths, weaknesses, opportunities and threats existing in a business that will affect the implementation of the AML/CTF program. When weaknesses have been identified, you can attempt to counter these with the existing strengths that have been identified, or new strengths and capabilities will need to be developed in order to overcome these weaknesses. Similarly, when threats have been identified, these can be countered with the existing opportunities that have been identified, or alternatively new counters to these threats will need to be developed.

Strengths and weaknesses tend to be associated with factors and situations occurring within your organisation. Opportunities and threats tend to be associated with factors and situations arising outside your organisation.

Unique strengths such as existing resources, abilities, and processes that your business already uses may assist it to comply. For example, some areas of your business may already have risk management and compliance processes in place.

Deficiencies, lack of resources, or weaknesses in your business may need attention when implementing an AML/CTF program. For example, your staff may have no formal training in AML/CTF procedures, or your business may not currently keep computerised records.

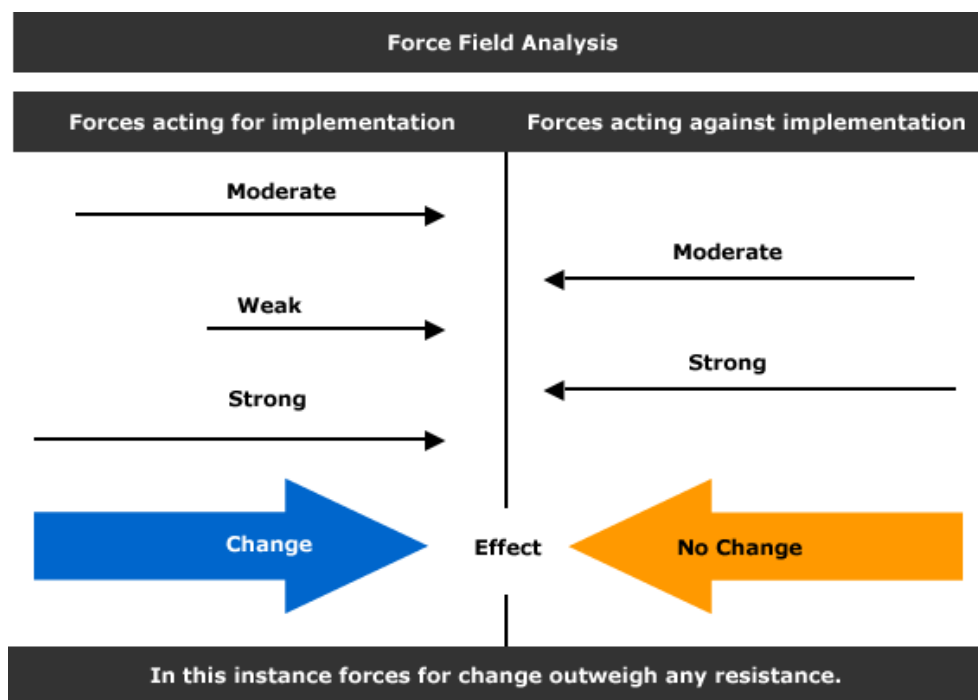
Situations currently occurring in your business or its environment may provide opportunities that you could take advantage of to assist you to implement the AML/CTF program. For example, your business may currently be in the process of developing a new financial product for a new customer market that incorporates a number of designated services and will need to be AML/CTF compliant. This is an opportunity to integrate AML/CTF processes into the service provision of the product from its inception and to include specific AML/CTF topics into the staff training on the new product. New customers to the business who will be attracted to the product can be identified through the new customer due diligence processes from the introduction of the product.

New product types, new technologies, new markets and jurisdictions or criminal attempts to try new ML/TF methods may pose threats to an AML/CTF program. For example, conducting business in an overseas jurisdiction may offer the opportunity of growing your business, but if the jurisdiction's AML/CTF laws are not equivalent to Australia's, conducting business there may present a higher risk of ML/TF activities being attempted through the designated services your business offers.

Force field analysis

Where a reporting entity is already managing risks in business, it has the opportunity to build on its existing expertise and resources to develop its AML/CTF program. A force field analysis is a tool that may help you to quantify the resources and facilitators you have at hand to do this. It can complement the SWOT analysis, particularly to understand the relationship between the strengths and weaknesses that may have been identified by the SWOT method.

A force field analysis can identify and subjectively assess the forces acting both for and against the implementation of an AML/CTF program including (but not limited to) persons, customs, habits, attitudes, business structure and defined methods and processes.

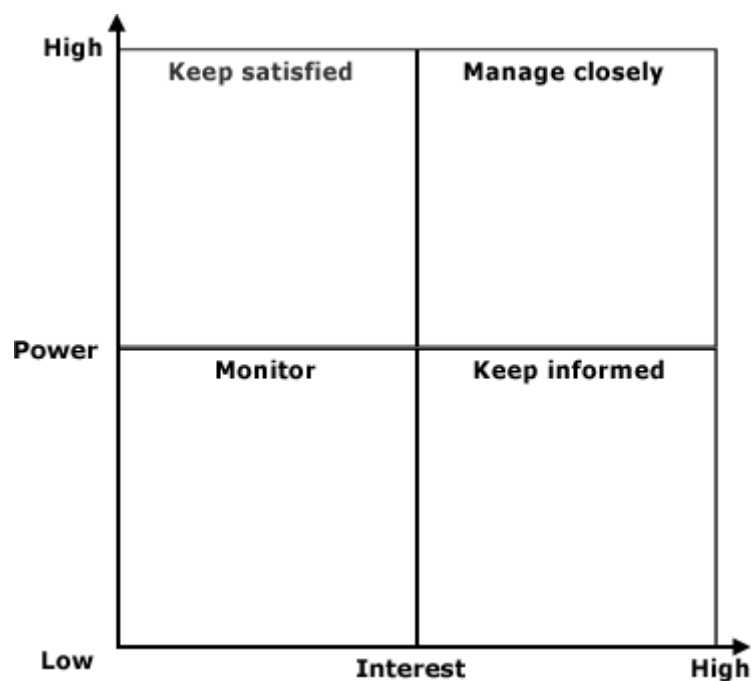


This analysis method works by attributing a strong, moderate or weak status to each identifiable force acting for or against the implementation of your AML/CTF program. For example, in the diagram above, there are strong, moderate and weak forces acting for implementation of the AML/CTF program. There are fewer forces of lesser strength acting against the implementation plan. In this example implementers are able to identify any forces acting against the implementation of the AML/CTF program and deal with them if need be through the appropriate channels. Note the size of the black arrows – each would represent a different issue proportionate to the size of the issue.

Stakeholder management

Stakeholder management may refer to gauging the interest and involvement of third parties in the AML/CTF program implementation and identifying, prioritising and engaging each stakeholder accordingly. It can be used to analyse where support for, or concerns of others about, the AML/CTF program implementation plan may arise from people or groups within your business.

If you assess the relative power, influence and importance each of your stakeholders may have to your implementation plan, you can manage the stakeholder relationship so that you can continue to draw on their support, or to address their concerns to facilitate the implementation of the program. This may be visually represented by creating a stakeholder diagram as seen below.



The top-right quadrant lists all the high-power stakeholders who also have a high level of interest in the implementation of the AML/CTF program. You may make an effort to fully engage and seek the opinions of these stakeholders since they have the power to provide high levels of support.

The top-left quadrant lists all the high-power stakeholders who have a low level of interest in the AML/CTF program. Provide these people with information on the AML/CTF program implementation to meet their level of interest. These stakeholders may still have the power to provide high levels of support if their interest increases. You may communicate with them to stay abreast of any potential issues that may arise. These people may provide help with the detail of your project.

The bottom-right quadrant lists all the low-power stakeholders who have a high level of interest in your AML/CTF program. You may wish to provide these stakeholders with adequate levels of information on the AML/CTF program.

The bottom-left quadrant lists all the low-power stakeholders who have a low level of interest in your AML/CTF program. You may wish to monitor and provide these people with basic levels of information on the AML/CTF program in order to maintain awareness about AML/CTF issues.

Stakeholder positions

Once you have determined the power, proximity and relative influence of each of your stakeholders, you may need to know how they are likely to feel about and react to the AML/CTF program implementation process. You may also need to know how best to engage them in your project and how best to communicate with them in order to build a successful relationship and maintain their support. Often, simply speaking with people to keep them informed in a timely manner is an excellent approach. Stakeholder position analysis recognises that different stakeholders not only have different abilities to influence or facilitate an implementation plan, but will also have different needs that should be managed in a variety of ways.

You may define the position of each of your stakeholders on the grid by colour coding: showing advocates and supporters of the AML/CTF program implementation plan in green, stakeholders who have voiced issues or concerns in red and others who are neutral in orange.



Training

A requirement of Part A of an AML/CTF program is to train employees to be aware of:

- the obligations of the reporting entity under the AML/CTF Act and Rules
- the consequences of non-compliance with the AML/CTF Act and Rules
- the type of ML/TF risk that the reporting entity might face and the potential consequences of such risk
- those processes and procedures provided for by the reporting entity's AML/CTF program that are relevant to the work carried out by the employee.

Your business may decide to review the current abilities of its workforce to implement and sustain AML/CTF measures and include this in the implementation plan if the required abilities are missing. You may communicate with them to stay abreast of any potential issues that may arise. These people may provide help with the detail of your project.

Determining what level of training to provide to each of your employees may require giving consideration to ML/TF risk a trainee may reasonably face. This may relate to factors including:

- the trainee's level of responsibility in your AML/CTF processes
- how much detail the trainee will need to know
- the frequency at which the trainee will face risk
- reflecting upon the results of testing and measurement and tailoring future training activities to suit.

Training can also be categorised into training that develops staff capabilities to manage the *inherent* ML/TF risk and capabilities to manage the *residual* ML/TF risk. Inherent risk is largely addressed by training the employees to understand and follow the procedures of the AML/CTF program; training is aimed to develop the capabilities to comply with these procedures.

Residual risk is largely addressed by training the employees to recognise and respond to ML/TF attempts; training is aimed at developing the capabilities to recognise, report and escalate suspicious incidents.

Kirkpatrick's learning assessment and evaluation model

Training is an activity that is conducted to some degree in most organisations, so is another existing area of expertise on which elements of the AML/CTF program can be built. The evaluation of training usually goes hand-in-hand with the conduct of training itself, so that training evaluation can provide evidence about the training function and about the implementation of the AML/CTF program. Coincidentally, it may also provide evidence of the development of an AML/CTF compliance culture.

A widely-accepted framework of training evaluation is Donald Kirkpatrick's learning and evaluation model. Kirkpatrick's model evaluates training at four levels:

- reaction
- learning
- behaviour
- business results.

You may communicate with them to stay abreast of any potential issues that may arise. These people may provide help with the detail of your project.

The reaction of the trainee to the training may identify what the trainee thought and felt about the training. This may relate to the course material, subject matter and to where and how the learning took place. Evaluation of the trainee's reaction ensures that the training was meaningful and met the trainee's expectations. The reaction of the trainee may be measured using feedback forms, verbal reactions, exit interviews or manager's reports. Recording these responses is a source of evidence of engagement of staff in the AML/CTF program.

Assessment of learning shows if the trainees have increased their knowledge and skills and/or developed appropriate attitudes as a result of the AML/CTF training. To determine that learning has taken place, comparisons of trainee testing held before and after the training can be made, or by comparing interviews and observations conducted before and after the training. Recording these assessments is a source of evidence of the effectiveness of the AML/CTF training itself.

Possibly the most important measurement of how well your AML/CTF training works is to assess the behaviour of trainees in the workplace some time after the training, to assess whether the trainee is applying and displaying in the workplace the knowledge, skills and attitudes learnt during the training. This can be assessed approximately 1-3 months after the training has taken place. This is to allow the trainee sufficient time to adapt and implement his or her new skills and knowledge. Methods of assessment may include:

- observations and interviews over time
- objective and ongoing assessment of behaviour over time
- self assessment using carefully designed criteria and measurements
- surveys with appropriate questions.

Recording these evaluations is a source of evidence of the application of AML/CTF behaviours in everyday business and the effectiveness of the link between AML/CTF training and normal business practices.

Finally, the cumulative results of the AML/CTF training on the business can be assessed over a timeframe of 6-12 months. Effective training and application of learning should show as an improvement in the business's performance to achieve the goals of its AML/CTF program. You may communicate with them to stay abreast of any potential issues that may arise. These people may provide help with the detail of your project.

Year-to-year comparisons of the business, using an instrument like AUSTRAC's *Self Assessment Questionnaire* (SAQ), can show improvements related to the training that has been conducted and in turn identify new training objectives where deficiencies in AML/CTF capabilities exist. Other business results that can be recorded include:

- the number of trainees that participated in training
- the proportion of the trainees reaching a training standard
- the opinions and awareness of employees regarding AML/CTF issues sought through employee opinion surveys
- statistics relating to compliance with processes and reporting.

Training records that are kept as a matter of normal business practice can help determine the AML/CTF progress and attainments of individual trainees and when they may require refresher training. Training records derived from an evaluation framework such as Kirkpatrick's model may provide evidence of the successful implementation of the AML/CTF program and assist in maintaining compliance.

Monitoring, reviewing and enhancing an AML/CTF program

AML/CTF program monitoring regime

You need to set up a suitable system for routinely measuring or checking your AML/CTF program. The nature of this system or monitoring regime will depend on the size, nature and complexity of your business and the levels of ML/TF risks that you have to manage. The purpose of the monitoring regime is to ensure that your risk treatment process of identifying, mitigating and managing the ML/TF risks to your provision of designated services, is effective.

HB 436:2004 Risk Management Guidelines; Companion to AS/NZS 4360:2004

This handbook supports the respected standard for risk management released by Standards Australia in 2004. It provides generic guidance for establishing and implementing effective risk management processes. It contains detailed explanations for a range of approaches monitoring and improving a risk management method.

The Risk Management Guidelines handbook is available from the Standards Australia website: www.standards.org.au

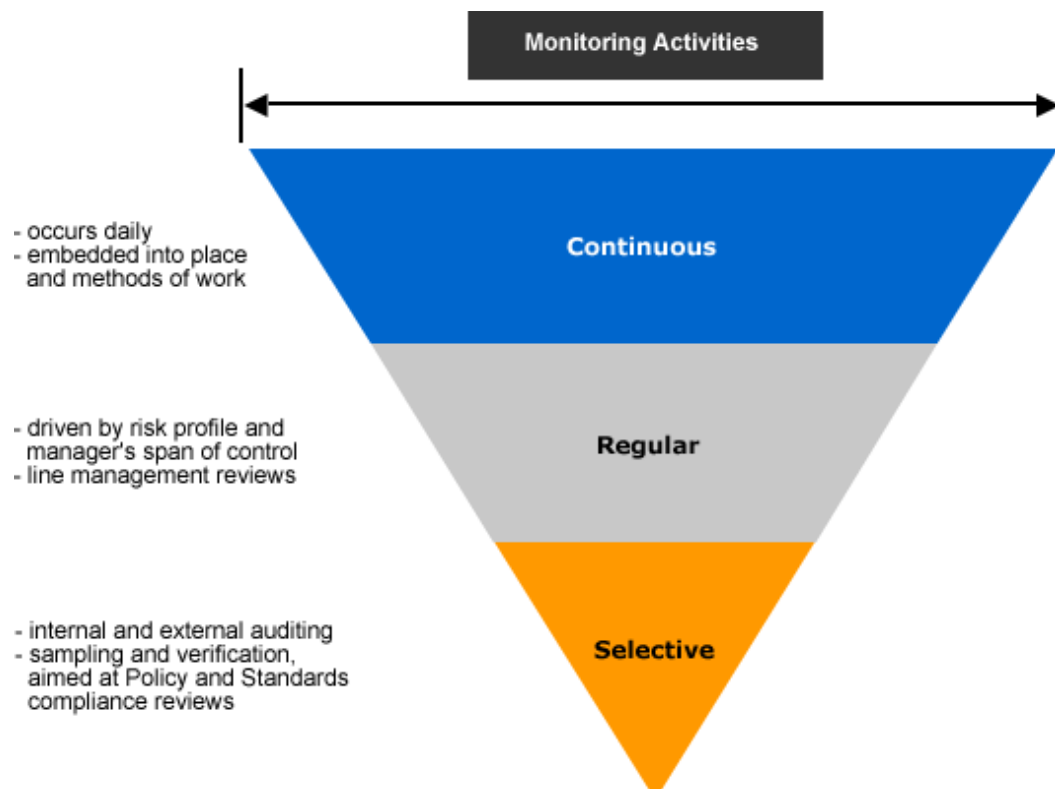
A monitoring regime means you can monitor and review your AML/CTF program at a number of different levels. A framework of monitoring and review practices could include monitoring that differs in its frequency and scope and could be described as:

- continuous
- regular
- selective.

Continuous monitoring should ideally be built into your business processes so that AML/CTF processes are correctly completed whenever an overlying process is conducted; for example, that customer due diligence is completed whenever a customer applies for a new designated service, or AML/CTF awareness training is provided for each new employee. This is the sort of checking that is within the control of the staff members who are following the process, as well as their supervisors. You may communicate with them to stay abreast of any potential issues that may arise. These people may provide help with the detail of your project.

Regular monitoring may be associated with line management reviews of the business unit, that identified AML/CTF performance measures are being met over a certain period and if not, that corrective action can be taken. Such measures may be more selective, but will be routine in that they may form the basis of weekly, monthly or quarterly reports on AML/CTF compliance.

Selective monitoring is of lower frequency than continuous or regular monitoring. It will tend to be programmed to assess performance of the systems that contribute to the effectiveness and capability of the whole of the AML/CTF program. It may take the form of internal and external audit processes and these audits may be set up as independent reviews of the AML/CTF program.



Auditing as a form of monitoring may indicate whether your business is likely to achieve and/or maintain compliance. Audits should be a transparent part of the risk management system. The purpose of the audit should be to assess:

- the effectiveness of your AML/CTF program
- whether your AML/CTF program complies with the AML/CTF Rules
- whether your AML/CTF program has been effectively implemented
- whether your business has complied with your AML/CTF program.

The trends shown through performance measures over different timeframes should be continually monitored and analysed. A sudden drop in performance may be indicated from the *continuous* and *regular* monitoring processes that occur over the short-to-medium term and action may be quickly taken. A gradual and sustained drop in performance over an extended period may have more systemic causes that may be discovered over a series of reports from the *regular* monitoring processes and may form the target for *selective* monitoring as a strategic activity.

AML/CTF program performance measures

It is useful for your business to develop performance measures so that both management and the AML/CTF Compliance Officer can know how well the AML/CTF program is meeting its compliance obligations and how well it manages the business risk of being targeted by ML/TF.

How you determine the effectiveness of your AML/CTF program is a systematic process which may identify areas including:

- issues and breaches reported by type and area such as:
 - failure to report suspicious matters
 - customer verification not done properly
 - failure to train staff adequately
 - not having an AML/CTF program
 - not submitting a compliance report
 - not having a compliance officer

- consequence of breaches
 - valuation of impact resulting from loss of reputation
 - valuation of cost of employees' time
 - fines and penalties
- frequency of contacts with AUSTRAC
 - usage of mechanisms for feedback on the AML/CTF program to AUSTRAC.

Performance measures should be:

- meaningful, unambiguous and widely understood
- owned and managed by the teams within your business
- based on a high level of data integrity
- such that data collected is embedded within the normal AML/CTF program procedures
- able to drive improvement in the AML/CTF program
- linked to the goals of the AML/CTF program.

AML/CTF program performance measurement framework

In order to maintain and develop an AML/CTF program, it may be useful that your business sets up a performance measurement framework.

A performance measurement framework provides a set of measures reflecting the objectives of the program and measures the actual performance of the program in achieving these objectives.

Focus on a few key goals that are critical to the success of the AML/CTF program. You can use the same **SMART** criteria for defining your performance goals as you used when you designed and delegated the program implementation goals.

Choose simple measures of the performance of the program in terms of:

- **Effectiveness:** will your AML/CTF program reduce the risk of your business being targeted for ML/TF activities?
- **Efficiency:** are the resources being dedicated to the AML/CTF program being used effectively and wisely?
- **Productivity:** is your organisation embracing the AML/CTF program as a seamless process that contributes to the overall operations of your organisation?

Choose performance indicators in the continuous and regular monitoring that are easy to measure by management and staff as they perform their everyday jobs. More sophisticated measures which are possibly more difficult to undertake or collect, analyse or record, can be reserved for selective monitoring. It is better to continuously and consistently use a few simple measures, than to risk not measuring at all because the performance measures chosen were too difficult or costly to implement.

Self Assessment Questionnaire (SAQ)

AUSTRAC's *Self Assessment Questionnaire (SAQ)* provides a resource for carrying out an assessment of your AML/CTF program. The SAQ provides a practical mechanism to assist in tracking progress towards meeting obligations under the AML/CTF Act and AML/CTF Rules by focusing on the risk-based approach that is central to identifying, mitigating and managing risk. The SAQ covers:

- internal organisation
- ML/TF risk identification
- AML/CTF program
- customer identification and verification
- monitoring and reporting
- employee due diligence
- training and awareness
- internal and external audit
- record keeping
- correspondent banking.

The SAQ is not designed to be used as a scorecard of your business's compliance with the AML/CTF Act, but rather as a tool to provide you with information on your business's strengths and areas that require improvement.

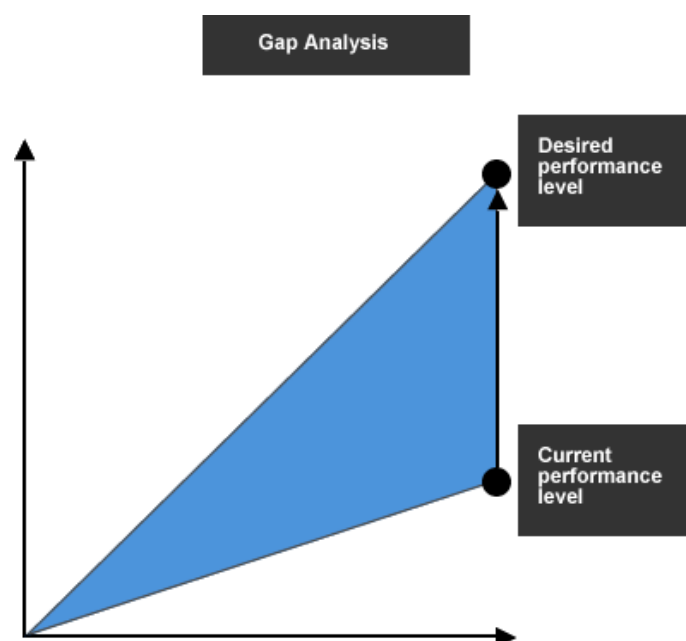
Keeping up-to-date

In a risk-based approach to AML/CTF, a business needs to keep up-to-date with changing practices and threats as a basis for monitoring and improving its AML/CTF program.

You can maintain an awareness of changing ML/TF risks and evolving AML/CTF practices; for example, recent money laundering activities may have been associated with the same designated services that your business provides. This information may help you to update your ML/TF risk management. Sources of information include public news services, industry associations and websites of organisations such as AUSTRAC (www.austrac.gov.au) and the Asia/Pacific Group on Money Laundering (www.apgml.com).

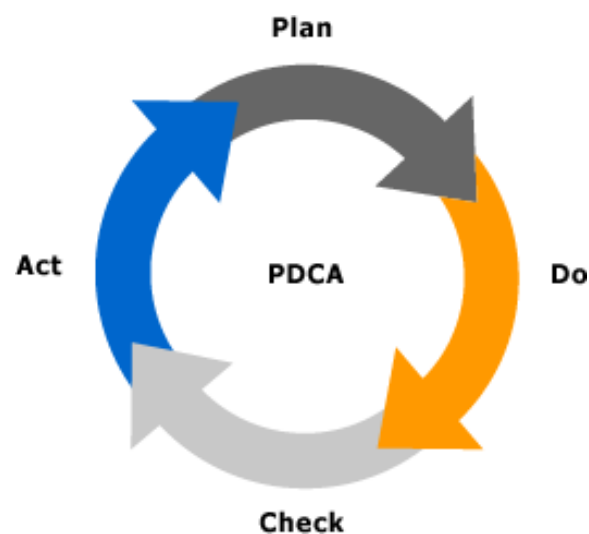
Gap analysis

A gap analysis refers to understanding the difference between a current level of performance and a desired level of performance. The gap analysis may be used for the AML/CTF program as a whole, or for individual areas. For example, if you set a desired level of performance based on managing the level of ML/TF risk that your business faces and then review the program using an instrument like the SAQ, you can identify deficiencies or areas requiring improvement in the AML/CTF program.



Continuous improvement

In a risk-based approach to AML/CTF, the AML/CTF program and its components should continually evolve to reflect better processes and improved skills in your staff members and in the face of changes in your business and the risk environment. This process of evolution should be built into the management of your program through continuous improvement. Continuous improvement is often described as a four-step process: 'Plan – Do – Check – Act' (PDCA).



Planning establishes the objectives and processes necessary to deliver results in accordance with the specifications of the plan. In this case the specifications will include meeting obligations under the AML/CTF Act and to manage the identified ML/TF business risks.

Doing is the implementation of the plan.

Checking is monitoring and evaluating the implementation and the processes and results against the objectives and specifications. It also involves reporting the outcome.

Acting is analysing the results of the checking stage, followed by designing remedies and improvements where the implementation is either not achieving the specifications of the original plan, or where the operating environment has changed. The acting stage then leads to planning for the next cycle of PDCA.

When carrying out the 'planning' and 'doing' steps, you may ask:

- What is the approach to the AML/CTF program?
- Does the approach support the overall goal?
- Is the approach a proven and tested approach?
- Has the approach been previously reviewed?
- What improvements, if any, were undertaken following the review?

When carrying out the 'checking' and 'acting' steps, you may ask:

- What has the performance of the AML/CTF program been?
- How does the performance compare against your original risk evaluations and analysis?
- Is your AML/CTF program working effectively?
- Are your AML/CTF program performance measures giving you an accurate picture of how well your business is meeting its regulatory obligations?

Incident management

In addition to setting up the AML/CTF processes to manage the inherent ML/TF risks, you also need processes to respond to actual attempts to use a designated service for criminal purposes. An incident management process may help your business plan for and deal with such attempts. Typically incident management will include the following steps.

The first step is the recognition that an incident has taken place. Examples of what could qualify as an incident may include:

- a customer's behaviour is deemed suspicious and a SUSTR/SMR is lodged
- an employee is involved in ML/TF activities
- a computer system is 'hacked' into and personal information of your customers is stolen
- a breach that would constitute failure to remain compliant
- recording the time, duration and location of the incident
- identifying which designated services were related to the incident and considering if the risks to your business of continuing to provide the service while the incident is being analysed
- identifying what records or logs exist for the incident and performing general fact-finding, with any evidence kept if it is available, such as interviews with the relevant staff member, CCTV footage, any identification records, a record of conversation, a description of the customer, and human resources records (there may be more evidence available to you depending on the circumstances)
- determining who should be notified internally and externally and defining the processes for escalation
- assessing the severity of the incident in order to develop immediate responses and longer-term options.

The second step is taking an immediate response. Immediate responses include, but are not limited to:

- informing AUSTRAC as per statutory obligations for suspect transaction reporting and suspicious matter reporting
- reviewing your current policies
- determining any human resource and contractual issues
- reviewing staff training to address the incident
- managing any public relations issues.

The third step is analysis and assessment of the incident. Analysis and assessment of the incident may lead to a range of options for your business to improve its ML/TF risk management, including:

- disclosing the information to relevant statutory bodies
- modifying the AML/CTF program
- addressing any shortfalls in staff behaviour or performance
- considering if legal proceedings are required
- determining why the incident happened despite any precautions and controls that were in place
- using information as feedback to further develop and update training and the monitoring regime of the AML/CTF program
- including the incident in the next AML/CTF compliance report to AUSTRAC.

Record keeping

Record keeping is integral to the success of your business maintaining compliance. Record keeping provides an assurance that your risk treatment process of identifying, mitigating and managing the risk that your designated services may (inadvertantly or otherwise) involve or facilitate ML/TF, is effective.

A range of legislative obligations specify record-keeping requirements regarding your AML/CTF program. These include keeping a record of:

- any records made relating to the provision of a designated service must be retained for 7 years after the record is made
- any documents given to a reporting entity by the customer relating to provision of a designated service must be kept for 7 years
- any documents a customer provides a reporting entity related to the provision of a designated service, for 7 years after the relationship between your business and the customer ceases
- a copy of the AML/CTF program, variations to the program and a record of the adoption of the program for 7 years after the day the program ceases.

Your business must decide on how best to manage its records. The following actions are suggestions for setting up a data collection/reporting process that forms part of records management:

- set up a system for collecting and reporting data
- write clear definitions of what constitutes data
- agree on a method and measures for establishing data collection performance (if not already determined)
- list resources required to support the design of data collection processes
- agree on data formats and classifications for aggregation and consolidation
- identify possible sources of records management benchmark data, for example Australian Standards, or professional bodies
- set a reporting calendar
- establish data collection and records management roles and responsibilities
- detail training requirements
- validate with process stakeholders.

AUSTRAC intends to maintain its AML/CTF Programs 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 via:

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

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