



Australian Government

Australian Transaction Reports
and Analysis Centre

Credit Unions:

*Anti-Money Laundering and
Counter-Terrorism Financing Act
2006*

July 2007



FACTS

\$US1,000,000,000,000.00

Money laundering is undeniably linked to the illicit global drug trade

Criminal networks including people smugglers, illegal prostitution rackets and terrorists launder an estimated \$US 1 trillion dollars a year



- **Terrorism financing is “the act of providing financial support to terrorists or terrorist organisations to enable them to carry out terrorist acts’**

(UN Convention for the Suppression of the Financing of Terrorism, 2002)

- Terrorist activity is escalating in frequency, scale, geographical reach and types of targets.



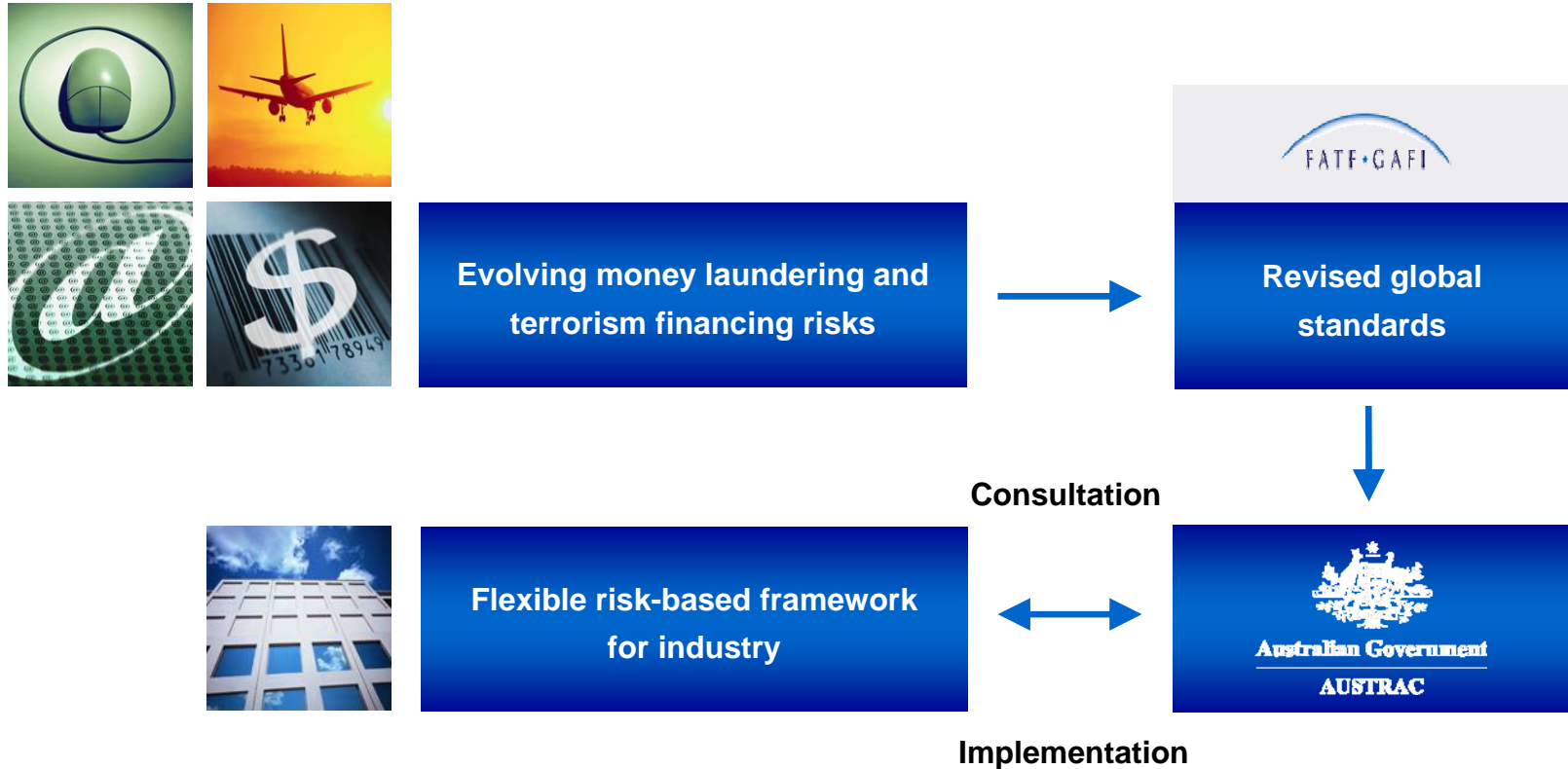
A Changing World

What has changed since 1988?

- ***Internet***
 - Information revolution puts low-cost technologies into the hands of people and links them
 - Traditional borders and barriers are bypassed
- ***Globalisation***
 - A mindset that looks for opportunities beyond borders
 - Formerly separate markets are united and grow substantially
- ***Innovation and Diversification***
 - Whole new industries not previously imagined exist and grow
 - Low cost-barriers to create and enter these industries
 - Potentials to be used for good and for bad



Process of Change





AML/CTF Act – Legislative Framework

AML/CTF Act 2006 — General principles and high level obligations, including:

- A reporting entity must have and comply with an AML/CTF Program
- A reporting entity must carry out initial and ongoing customer identification procedures
- A reporting entity must complete AUSTRAC reports

Regulations

Will deal with some technical issues

AML/CTF Rules

- Consultation between AUSTRAC, industry and others
- Legally binding
- Rules have/may be made in relation to relevant matters, including AML/CTF Programs, customer identification programs, information that reports must contain and correspondent banking

Monitoring and enforcement

AUSTRAC continues reporting entity education programs to assist industry together with an enhanced compliance and enforcement role

Operating procedures

Operational detail

Guidance Notes

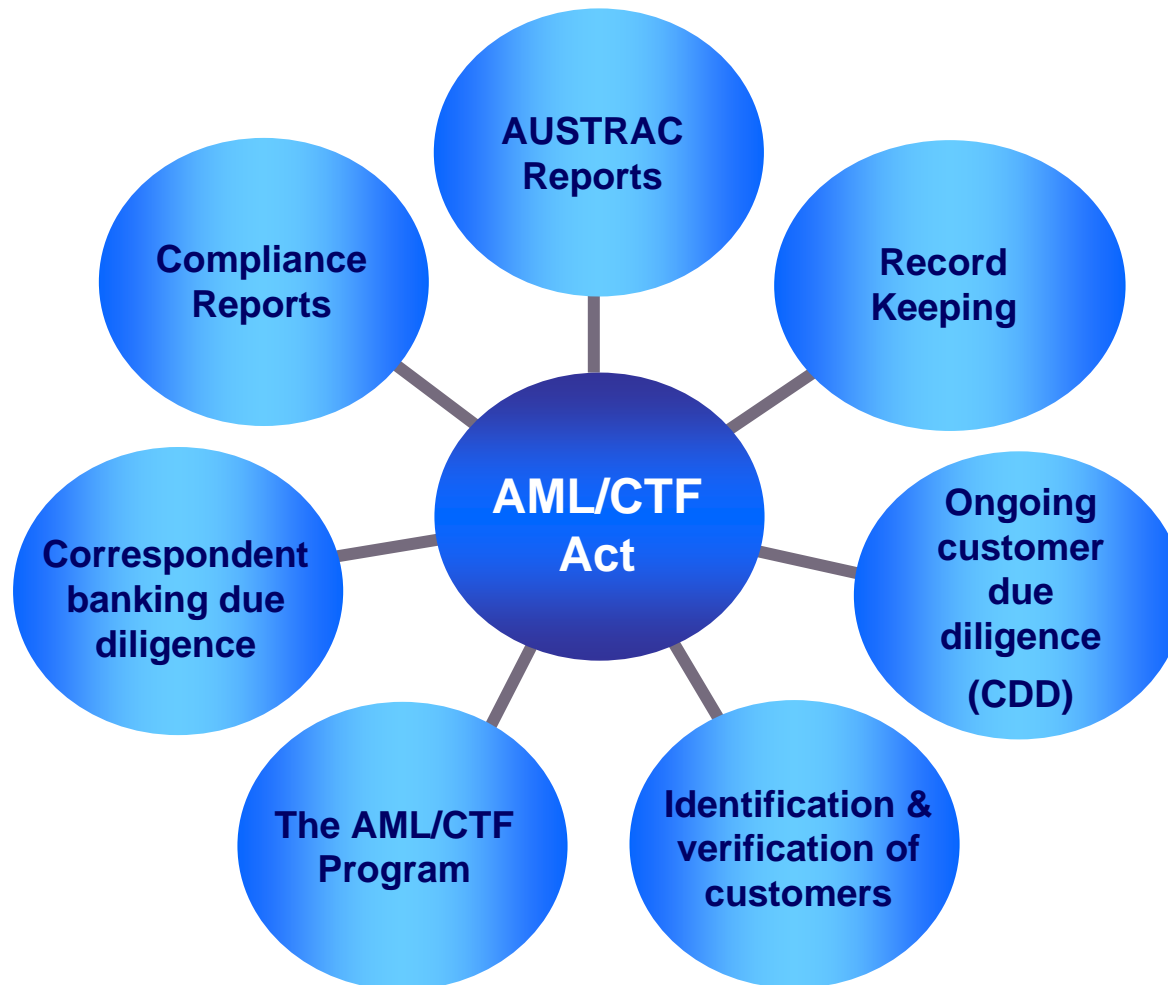
Non-binding guidance will be issued by AUSTRAC

Regulatory Guide

An iterative document for industry use



AML/CTF Act: Key Obligations



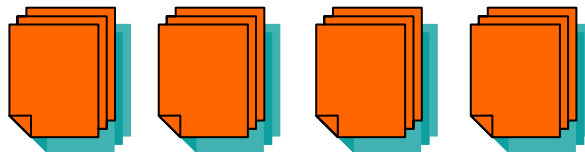


Adopting a Risk Based Approach to AML/CTF

Businesses are responsible for identifying the risks that the provision of a designated service might facilitate money laundering or terrorism financing. Businesses must in turn manage and take steps to mitigate that risk.

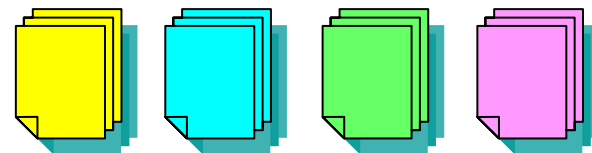
AML/CTF practices, therefore, form a crucial component of standard business compliance management, similar to work-safety management.

FTR Act: Prescribed Management



Regulator defined
what Cash Dealers had to do

AML/CTF Act Risk-Based Management



Reporting Entities now
responsible for defining their
own risk and managing it



Components of an AML/CTF Framework

Policy & Strategy

Risk Management Policy and Strategy

- Required to define a high level commitment to and ownership of AML/CTF risk management framework
- Should align with any existing organisational risk management frameworks

Processes

Risk Management Process (Impacted by Regulatory Risk/Compliance Processes)

- Organisations manage AML/CTF risk through procedures, processes and tools through the steps of identifying, analysing, treating, monitoring, reporting AML/CTF risks

Risk Management Support (People, Committees & Techniques)

Business Risk Management Structure

Consider:

- Organisational structure supporting risk / compliance management
- Performance measurement
- Communication mechanisms
- Assurance/review programs (internal & external eg. Audit by regulator)
- Management and staff education & training

Culture

Risk Management Culture

- Culture to support appropriate risk-taking behaviour (transparency, accountability etc...)

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The AML/CTF Program



The AML/CTF Program: Part A – General

An AML/CTF program must be designed to identify, mitigate and manage the risk of terrorism financing and money laundering through a reporting entity's provision of one or more designated services.

Must include:

- An assessment of the risks associated with the designated service, customers and jurisdictions in which the designated service is provided prior to offering the services.
- Implementing systems to assess the risks associated with products and services provided.
- Employee Due Diligence Program – Screening of employees prior to engagement and then ongoing monitoring.
- An AML/CTF risk awareness training for all employees.
- Documentation of the AML/CTF Program and approval by the CEO or Board.
- A nominated AML/CTF Compliance Officer.
- Regular independent review of the AML/CTF Program by an internal or external party.



The AML/CTF Program: Part B – Customer Identification

B An AML/CTF Program must be designed to include applicable customer identification procedures for customers of the reporting entity.

This includes:

- Minimum requirements for customer identification in low risk situations; including the collection of the customer's name, DOB and address.
- Verification of customer information.

It is an offence to provide a designated service without adopting and maintaining an AML/CTF Program.

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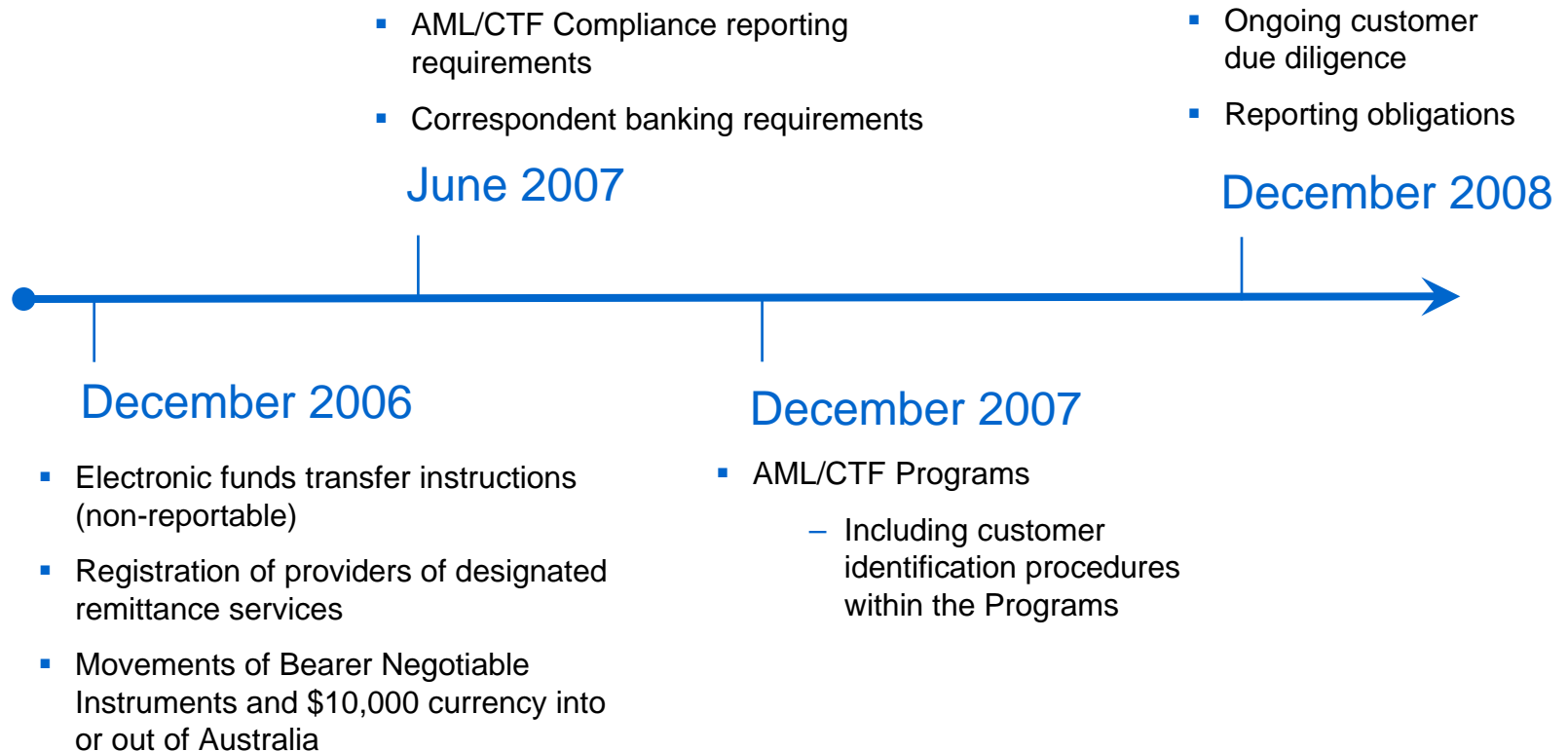
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Implementing The AML/CTF Act



AML/CTF Implementation of Key Milestones for Tranche One



It is important to note that there will be continuing obligations under the FTR Act 1988 including the reporting of SUSTR's, IFTI's , ICTR's and SCTR's which will not cease until December 2008.

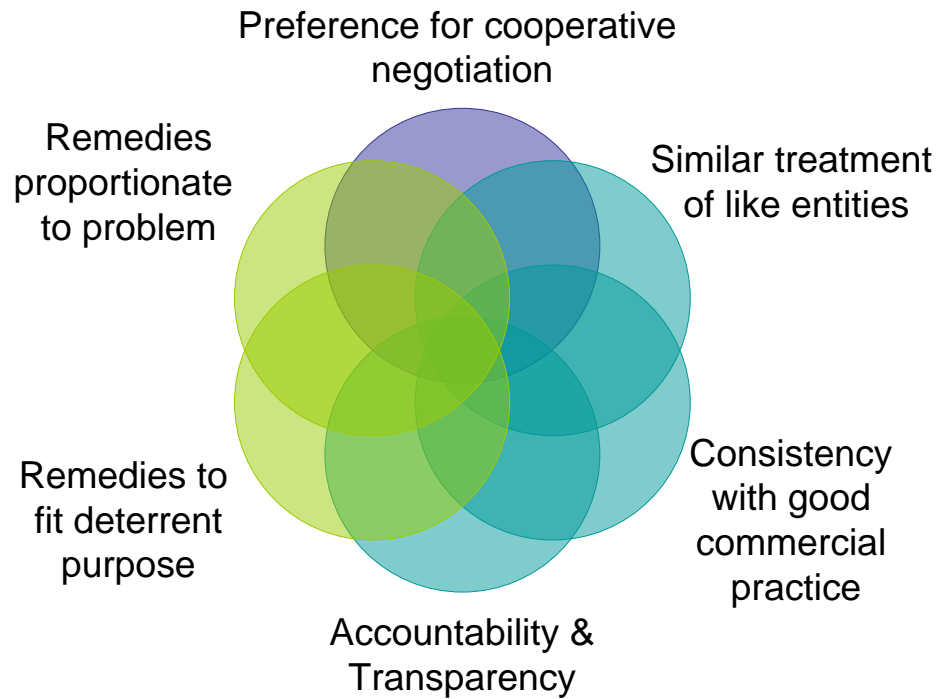


Credit Union Designated Services

- Accounts
- Loan facilities
- Chequebook facilities
- Bearer Negotiable Instruments
- Debit cards
- Issue and redemption of travellers cheques
- Money orders
- Life insurance
- Superannuation
- Retirement savings accounts
- Custodial/depository services
- Safe deposit boxes
- Currency exchange
- Guaranteeing a loan
- Funds transfer



Key Principles of AUSTRAC's Approach To Compliance





AML/CTF Act 2006: AUSTRAC's Role

- Stronger partnerships with industry
- Implementation of a public awareness campaign
- Large increase in education visits and industry presentations
- Largely expanded compliance and new enforcement role
- Development of AML/CTF Rules and Guidelines
 - Ongoing industry consultation
- Increased quality and quantity of data gathering
- More emphasis on analysis and prediction of AML/CTF trends and typologies





- “FOR a single-fronted store with a sink that doubled as a toilet, Long Thanh Money Transfer Company's last financial year was extraordinary.
- From its setting among fruit shops, seafood stalls and hairdressers in Footscray's "little Saigon" shopping district, the money remitter moved — according to police estimates — more than \$200 million out of Australia.
- Much of it was delivered as bundles of cash stuffed in Safeway bags. And much of it, according to allegations made later in court by the Australian Crime Commission, was drug money.

(Reported in the Age Newspaper Dec 23 2006 by Nick McKenzie)

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