

Customer identification

An introduction to Part B of anti-money laundering and counter-terrorism financing programs (AML/CTF programs)



This brochure provides an introduction to customer identification obligations under the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (AML/CTF Act).

More information on AML/CTF programs is provided in another brochure, *AML/CTF programs*. Detailed information on customer identification and the obligations of reporting entities is available from AUSTRAC (please see the back of this brochure for contact details).



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What is customer identification?

Under the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (AML/CTF Act) reporting entities must adopt, maintain and comply with an AML/CTF program if they provide one or more designated services. AML/CTF programs are made up of two parts, Part A (general) and Part B (customer identification). The purpose of Part B of an AML/CTF program is to set out identification procedures for different types of customers.

You can find more information on Part A of an AML/CTF program by visiting www.austrac.gov.au/aml_ctf_programs.html.

What is a reporting entity?

A reporting entity is an individual, company or other entity that provides a 'designated service' as defined in the AML/CTF Act. Reporting entities include banks, non-bank financial services, remittance (money transfer) services, bullion dealers and gambling businesses.

The full list of designated services can be found at www.austrac.gov.au/designated_services.html.

What kinds of information do I have to collect?

Chapter 4 of the AML/CTF Act Rules relating to Part B of an AML/CTF program sets out the minimum 'know your customer' information which you must collect and check about your customers. The checking process is known as 'verification'. This means checking that the details given are correct against a reliable and independent source of information, such as an electronic source or another document. You may need to collect more information depending on your assessment of your money laundering/terrorism financing (ML/TF) risk.

How does privacy legislation affect me?

You need to be aware of your obligations under the *Privacy Act 1988*. You need to meet these obligations when you are setting up your AML/CTF program and collecting information under it. All your activities must comply with this legislation.

Further assistance about the Privacy Act and privacy obligations is available from the Office of the Privacy Commissioner on 1300 363 992 or visit www.privacy.gov.au.

Can I choose different systems and controls depending on the size of my business?

Yes. You should have appropriate risk-based systems and controls in place to assist in meeting the Part B requirements of your business. These systems and controls are based on the nature, size and complexity of your business and the ML/TF risks you may face.

The AML/CTF Rules set different identification and verification requirements for different types of customers:

- individuals
- companies (both domestic and registered foreign companies)
- trustees
- partnerships
- incorporated and unincorporated associations
- registered cooperatives
- government bodies

You can find more information on identification and verification requirements under the AML/CTF Rules by visiting www.austrac.gov.au/aml_ctf_rules.html.

How can I verify the identity of my customers?

You need to use reliable and independent documentation and/or electronic data sources. You will need to decide on what is 'reliable and independent' according to your own risk-based systems and controls.

Any discrepancies arising during the verification of 'know your customer' information must be addressed to ensure you are satisfied that individual customers are who they claim to be, or that a non-individual customer exists and has provided other required details (for example, about company owners or trust beneficiaries).

Can I use simpler procedures for lower risk customers?

For medium and lower risk individuals, the AML/CTF Rules provide 'safe harbour' procedures which you may choose to use. The safe harbour procedures set less complex verification methods after the minimum 'know your customer' information has been collected. Similarly, the AML/CTF Rules provide optional simplified verification procedures for certain companies and trustees.

For more information on the AML/CTF Rules and customer identification and verification, see www.austrac.gov.au/aml_ctf_rules.html.

When should a customer be identified?

The AML/CTF Act requires you to check a customer's identity before providing a designated service to the customer. Only in special circumstances specified in the AML/CTF Rules can you delay checking a customer's identity until after a designated service has been provided. For example, in Chapter 10 of the Rules, special provisions are made for online gambling services.

Do I need to identify existing customers?

Under the AML/CTF Act, existing customers are known as 'pre-commencement customers'. Pre-commencement means prior to the relevant section of the AML/CTF Act coming into effect, which in this case was 12 December 2007.

Under the Act you do not need to identify pre-commencement customers unless a 'suspicious matter' reporting obligation arises in relation to a particular customer. The suspicious matter reporting obligation under the AML/CTF Act comes into effect on 12 December 2008.

Can I rely on another reporting entity's customer identification?

Under the AML/CTF Act it is possible for you (as a reporting entity) to rely on an applicable customer identification procedure carried out by another reporting entity.

This can occur when another business has identified a customer in accordance with the AML/CTF Rules. The Rules have specified that this applies to Australian Financial Services (AFS) licence holders who are arranging for a customer to receive a designated service, as well as members of a designated business group.

If the customer then becomes your customer, the AML/CTF Act can be considered to apply as if you had carried out the customer identification procedure yourself. You must still comply with the record-keeping requirements of the AML/CTF Act.

General exemptions

The AUSTRAC Chief Executive Officer may make AML/CTF Rules exempting certain designated services from the customer identification procedure obligations under the AML/CTF Act.

These include exempting a designated service from:

- all identification provisions
- some identification provisions
- all identification provisions in specified circumstances
- some identification provisions in specified circumstances.

The AML/CTF Act exempts reporting entities from the customer identification procedure obligations in cases where a designated service is provided at or through a permanent establishment in a foreign country.

The AML/CTF Act also exempts certain designated services relating to pensions, annuities, superannuation and retirement savings accounts from the customer identification procedure obligations. This includes someone acting in the capacity of an AFS licence holder arranging for any of those services to be provided to a person (where that is the extent of the service provided by the AFS licence holder).

For more information about exemptions in general see www.austrac.gov.au/exemptions-and-modifications.html.

Ongoing customer due diligence

This involves updating 'know your customer' information and having programs for transaction monitoring and enhanced customer due diligence. From 12 December 2008, reporting entities will have ongoing customer due diligence obligations under the AML/CTF Act and AML/CTF Rules that relate to monitoring customers in relation to ML/TF risk.

About AUSTRAC

The Australian Transaction Reports and Analysis Centre (AUSTRAC) is Australia's anti-money laundering and counter-terrorism financing regulator and specialist financial intelligence unit.

Where can I get more information?

You can contact the AUSTRAC Help Desk
Telephone: 1300 021 037
Email: help_desk@austrac.gov.au

Information is also available on the AUSTRAC website
www.austrac.gov.au

You will find many useful links on this website, including links to the AML/CTF Act, the AML/CTF Rules, AML/CTF programs, the AUSTRAC Regulatory Guide and AUSTRAC guidance notes. A guidance note entitled *Risk management and AML/CTF programs* provides specific information on meeting your customer identification obligations. This guidance note is available at www.austrac.gov.au/guidance_notes.html. AUSTRAC's website also contains e-learning modules, a Self Assessment Questionnaire and other resources.

The information contained in this document is intended to provide only a summary and general overview on these matters. It is not intended to be comprehensive. It does not constitute, nor should it be treated as, legal advice or opinions. The Commonwealth accepts no liability for any loss suffered as a result of reliance on this publication. AUSTRAC recommends that independent professional advice be sought. The information contained herein was current at the time of publication.



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