



Australian Government

Australian Transaction Reports and Analysis Centre

Explanatory note for consultation

A vostro account is an account held by a financial institution on behalf of a foreign financial institution with which it has a correspondent banking relationship. Due to the nature of vostro accounts, potentially a large number of individuals may give instructions for the operation of the account. Because of this, it is not feasible for financial institutions to carry out applicable customer identification procedures each time an employee of another financial institution, which is the account holder, is added as a signatory to the vostro account.

These draft AML/CTF Rules will:

- exempt financial institutions from the requirement to carry out applicable customer identification procedures when a person who is an employee of an account holder is added as a signatory to vostro account(s) a financial institution provides for use in correspondent banking relationships; and
- ensure that financial institutions are exempted from carrying out applicable customer identification procedures on a signatory to a vostro account before it allows a transaction to be conducted in relation to the account.

The correspondent banking due diligence requirements imposed by Part 8 of the AML/CTF Act and Chapter 3 of the AML/CTF Rules require risk assessments to be carried out by the financial institution before entering into a correspondent banking relationship and during the correspondent banking relationship. It is considered that these due diligence requirements are sufficient to allow this exemption without adversely impacting on the level of money laundering and terrorism financing risk associated with correspondent banking relationships.



Australian Government

Australian Transaction Reports and Analysis Centre

Draft Anti-Money Laundering and Counter-Terrorism Financing Rules relating to applicable customer identification procedures for correspondent banking relationships

1. These Anti-Money Laundering and Counter-Terrorism Financing Rules (Rules) are made under section 229 for subsection 39(4) of the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (AML/CTF Act).
2. Division 4 of Part 2 of the AML/CTF Act does not apply to a reporting entity which is a financial institution in providing a designated service that:
 - (1) is either:
 - (a) of a kind described in item 2 of table 1 in subsection 6(2) of the AML/CTF Act; or
 - (b) of a kind described in item 3 of table 1 in subsection 6(2) of the AML/CTF Act; and
 - (2) relates to a correspondent banking relationship; and
 - (3) occurs in one of the circumstances set out in section 100 of the AML/CTF Act; and
 - (4) relates to signatories to the account who are employees of the other financial institution.

Reporting entities should note that in relation to activities they undertake to comply with the AML/CTF Act, they will have obligations under the Privacy Act 1988, including the requirement to comply with the National Privacy Principles, even if they would otherwise be exempt from the Privacy Act. For further information about these obligations, please go to <http://www.privacy.gov.au> or call 1300 363 992.