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Australian Transaction Reports  
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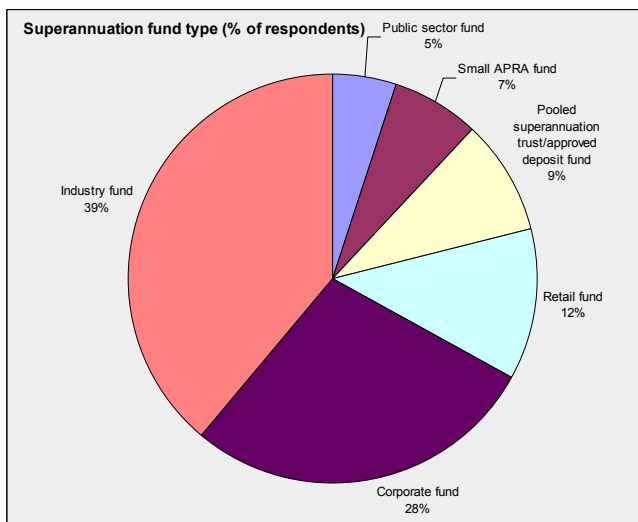
# Superannuation fund trustees

## Introduction

In November 2010 AUSTRAC conducted a survey of reporting entities in the superannuation sector. The survey was completed by 79 superannuation fund trustees. It was conducted online and was voluntary and anonymous.

Trustees of superannuation funds are reporting entities under the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (AML/CTF Act) when they accept a contribution, rollover or transfer in relation to a member of a superannuation fund, or cash an interest held by a member.

Respondents were trustees of a variety of superannuation funds, with the majority being trustees of industry and corporate funds. They ranged from trustees of funds with 10 members or less to trustees of funds with more than 100,000 members. Most respondents were trustees for only one fund (82% of respondents).



The survey gathered information about how these entities have understood and implemented certain AML/CTF obligations that assist them to identify and submit suspicious matter reports (SMRs) to AUSTRAC. It also contained a series of questions about outsourcing.

Findings from the survey include:

- The majority of respondents indicated that their staff training and enhanced customer due diligence programs covered a wide range of important AML/CTF-related areas and activities. Equally, most respondents believed their organisation would be able to identify a diverse

range of potentially suspicious matters. These were encouraging findings.

- Outsourced service providers were widely used by respondents to carry out AML/CTF obligations, such as the 'know your customer' and transaction monitoring obligations. The majority of respondents that used an outsourced service provider indicated a high degree of ongoing involvement in the outsourcing arrangements. They also had control mechanisms in place to ensure the service providers were meeting the trustee's AML/CTF obligations. However, the responses of a minority of respondents indicated that their ongoing involvement in the outsourcing arrangement and the number of controls in place fell short of AUSTRAC's expectations.

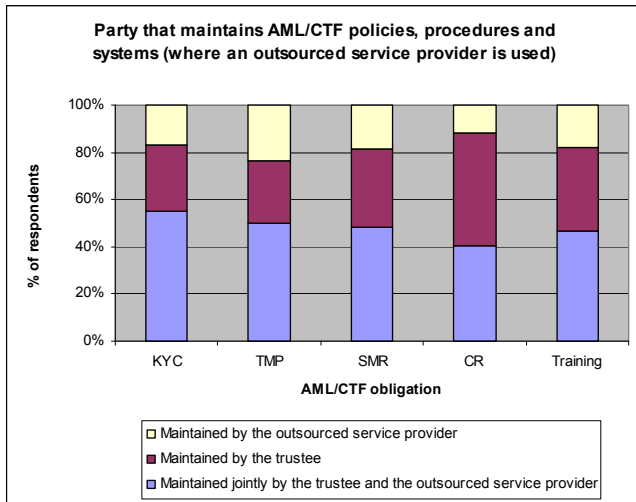
## Outsourcing

Some 73% of respondents had engaged an outsourced service provider to partially or fully administer their superannuation fund. Outsourcing was most common in industry funds (87% of respondents in this category) and corporate funds (74%), but was evident across all fund types and all membership ranges (except respondents with 10 or less members).

Respondents were asked how they maintained the policies, procedures and systems associated with the following five outsourced AML/CTF obligations:

- collection/verification of 'know your customer' information ('KYC')
- transaction monitoring program ('TMP')
- suspicious matter reporting ('SMR')
- compliance reporting ('CR')
- staff risk awareness training ('Training').

The survey found that the majority of trustees that outsourced were involved in the ongoing maintenance of their fund's policies, procedures and systems to meet their AML/CTF obligations. However, a minority of trustees were not involved in this ongoing maintenance, which was performed by the outsourced service provider only. For example, 83% of trustees that outsourced their KYC obligation were involved in the ongoing maintenance of KYC-related policies, procedures and systems (either by themselves or jointly with the provider). The remaining 17% of trustees said they were not involved in this work.



It is AUSTRAC's view that where superannuation fund trustees use an outsourced service provider, the trustee should be involved in the ongoing maintenance of AML/CTF-related policies, procedures and systems.

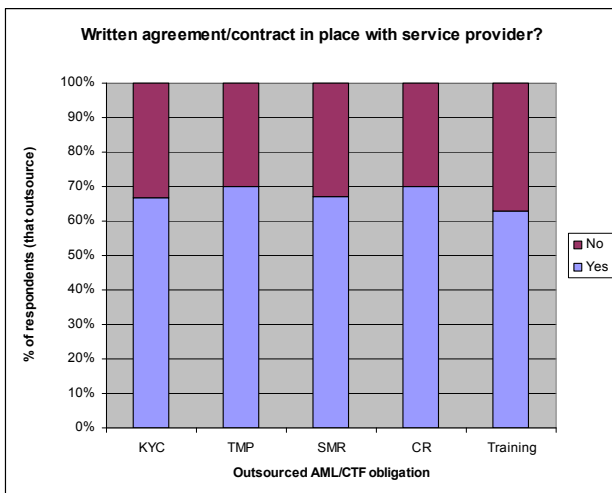
## Outsourcing and controls

Respondents that used an outsourced service provider were asked how they ensured the provider was meeting the trustee's AML/CTF obligations. The four possible response options were:

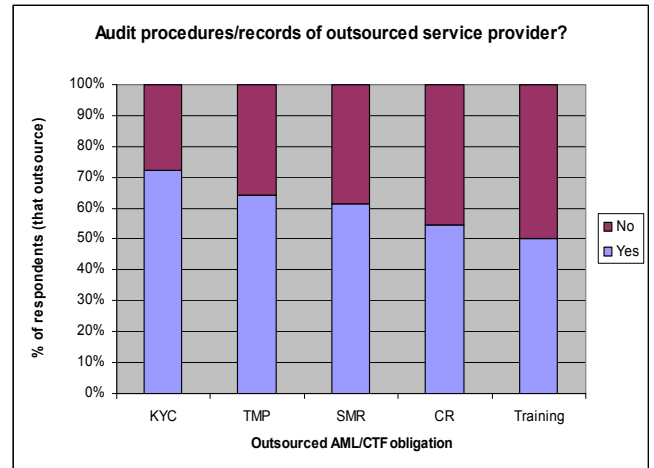
- written agreement/contract
- audit of procedures/records
- standard operating procedures
- regular communication/meetings

Around 80% of respondents used two or more of these control mechanisms to ensure service providers were meeting the trustee's AML/CTF obligations. A trend among these respondents was that the larger the size of the fund (by number of members), the more controls the respondent had in place.

The survey found that around two-thirds of respondents had a written agreement/contract in place with the service provider. This figure was reasonably consistent across all five listed AML/CTF obligations.



In addition, between 50% and 72% of respondents conducted an audit of the service provider's procedures/records.



It is AUSTRAC's view that superannuation fund trustees should have adequate control mechanisms in place to determine that the outsourced service provider is complying with their AML/CTF obligations. Adequate control mechanisms include having written agreements and contracts in place and conducting audits of the service provider's procedures and records.

## Types of suspicious matters

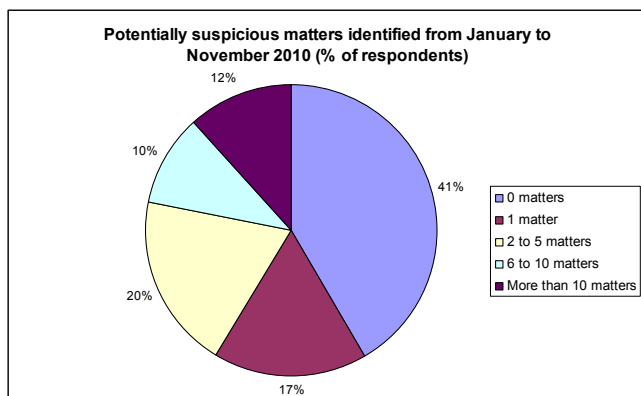
Survey respondents were asked to select the types of *potentially* suspicious matters their organisation would be likely to identify. Most respondents indicated they would be likely to identify the following:

- doubts about the identity information provided by a member (94% of respondents)
- a member makes unusual transactions (e.g. significant contributions followed by rollover instructions) (90%)
- a member undertakes activity consistent with an 'early release of superannuation' scheme (82%)
- a third party makes unusual or unexplained contributions (particularly where the member meets or is close to meeting the requirements for withdrawal of funds) (73%)
- the member matches a name on Australia's terrorist asset freezing regime (70%)
- significant contributions made into the member's account (particularly where the member meets or is close to meeting the requirements for withdrawal of funds) (70%)
- a member asks unusual questions about the organisation's AML/CTF policies and procedures (66%).
- a member undertakes transactions inconsistent with their profile (e.g. significant personal contributions being made where in the past only employer contributions were made) (65%).

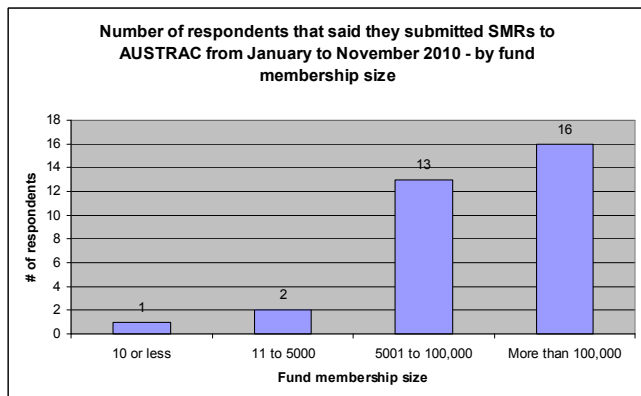
It is AUSTRAC's expectation that entities should be able to identify all of the above potentially suspicious matters that are relevant to their business.

## Identifying suspicious matters

The following chart shows that almost 60% of respondents said their organisation had identified one or more potentially suspicious matters from January to November 2010. All but one of the respondents that had identified more than 10 potentially suspicious matters over this period had more than 100,000 fund members. Around 70% of respondents that had identified potentially suspicious matters went on to confirm a suspicion and submit at least one SMR to AUSTRAC.



As the following chart shows, respondents from all categories of membership size said they had submitted at least one SMR to AUSTRAC between January and November 2010. These SMRs were submitted by respondents from all types of superannuation funds.



Overall, just over 40% of respondents said they had submitted at least one SMR to AUSTRAC from January to November 2010. When this figure is compared to the proportion of entities in the sector that actually submitted SMRs to AUSTRAC over the same period, it would appear that AUSTRAC should have received more SMRs from this sector during this period.

**Entities should ensure they comply with their obligation to submit SMRs to AUSTRAC.**

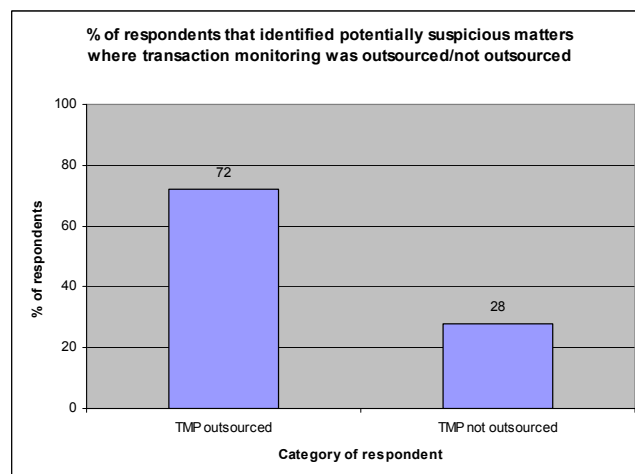
## Transaction monitoring

Respondents were asked to select the type of transaction monitoring program (TMP) they had in place. The survey found:

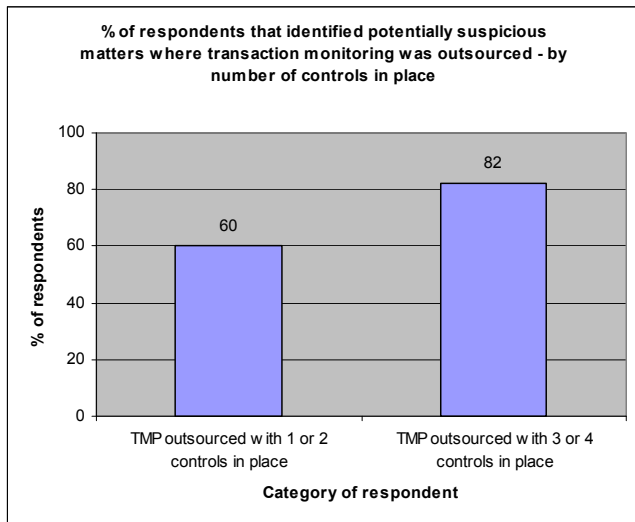
- Most respondents (67%) had a combined TMP (that is, they monitored member transactions through a combination of manual monitoring conducted by staff and monitoring conducted by computer-based/automated systems).
- 19% of respondents relied solely on staff to manually monitor member transactions.
- 14% of respondents relied solely on computer-based/automated systems.

The type of TMP adopted by respondents varied according to the membership size of the fund. All respondents with small memberships (10 or less) relied solely on staff to manually monitor member transactions. As fund membership size increased, respondents were more likely to have a combined TMP. No respondents with more than 100,000 members relied solely on staff to manually monitor member transactions.

The survey found a correlation between the use of an outsourced service provider and the incidence of potentially suspicious matters identified by respondents. For example, respondents that outsourced their TMP were two and half times more likely to have identified at least one potentially suspicious matter between January and November 2010 than those that did not outsource this activity.



The survey also found a correlation between the number of control mechanisms in place and the incidence of potentially suspicious matters identified by respondents. The chart below shows that respondents that outsourced their TMP *and* had three or four control mechanisms in place were more likely to have identified potentially suspicious matters over the January to November 2010 period than those that outsourced this function but only had one or two controls in place.



Entities should ensure their TMP is effective and capable of identifying potentially suspicious member transactions.

## AML/CTF risk awareness training – content

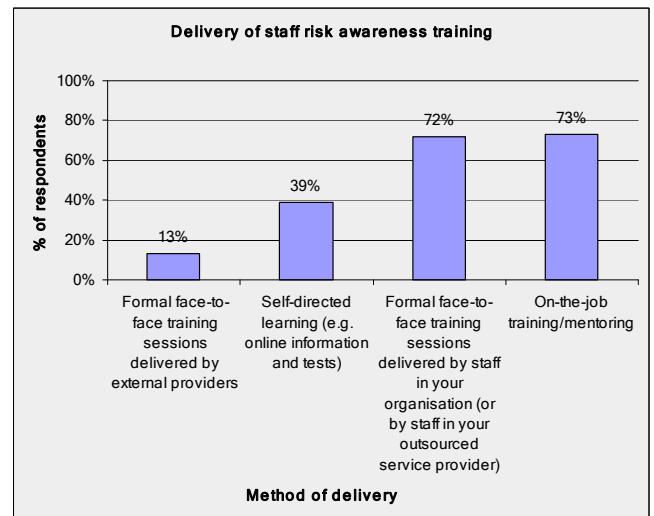
Survey respondents were asked to select the content areas covered in their staff risk awareness training programs. The majority of respondents covered the following areas in their training programs:

- how to refer/escalate a potentially suspicious matter within the organisation (95%)
- circumstances that may trigger an obligation to submit a suspicious matter report (SMR) to AUSTRAC (95% of respondents)
- the money laundering and terrorism financing (ML/TF) risks staff are likely to face when interacting with members (91%)
- the ‘tipping-off’ offence (i.e. it is an offence for entity staff to disclose their suspicions to the member, or to parties other than AUSTRAC) (87%)
- how to identify potentially suspicious member transactions (87%)
- the ML/TF risks associated with the services provided by the organisation (81%)
- the consequences of failing to submit an SMR to AUSTRAC under the AML/CTF Act (78%)
- the nature of the AML/CTF obligations carried out by an outsourced service provider (58%).

**These findings are encouraging. It is AUSTRAC’s expectation that entities’ risk awareness training covers at least the above listed areas.**

## AML/CTF risk awareness training – delivery methods

Survey respondents were asked to select the methods (from among four listed) through which they delivered their staff risk awareness training.



Most respondents (71%) used two or more methods to deliver their staff risk awareness training. This is an encouraging finding as effective training programs are generally underpinned by the use of a diverse range of delivery methods.

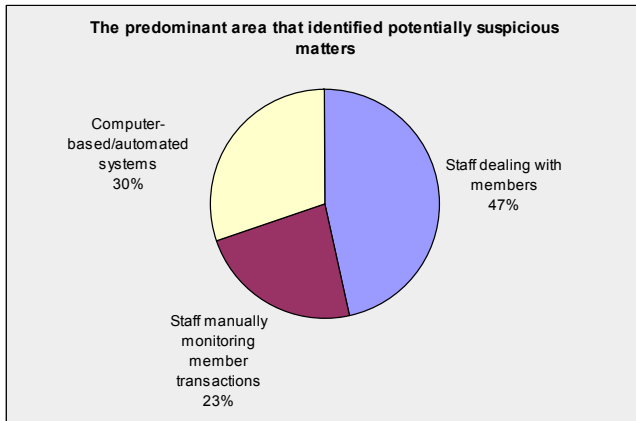
The survey found that respondents that used two or more methods to deliver their staff training were almost 50% more likely to have identified potentially suspicious matters from January to November 2010 than those that only used one delivery method.

**AUSTRAC encourages entities to use a diverse range of methods to deliver staff training programs to enhance their capacity to identify and escalate potentially suspicious matters.**

## Origins of suspicious matters

Respondents were asked to select the ‘predominant’ area in their organisation that produced potentially suspicious matters over the January to November 2010 period. The findings underscore the importance of both effective staff training *and* transaction monitoring programs.

- Almost half of the respondents (47%) said frontline staff (i.e. those dealing directly with members) was the predominant area for producing potentially suspicious matters.
- Slightly more than half (53%) said the transaction monitoring function was the predominant area for producing potentially suspicious matters (whether this was carried out manually by staff, 23%, or by automated systems, 30%).



## More information

For information about AML/CTF reporting obligations, enrolling with AUSTRAC Online, re-setting passwords in AUSTRAC Online, or this survey, please contact the AUSTRAC Help Desk:

**Telephone:** 1300 021 037 (local call cost within Australia)

**Email:** [help\\_desk@austrac.gov.au](mailto:help_desk@austrac.gov.au)

Information is also available on the AUSTRAC website ([www.austrac.gov.au](http://www.austrac.gov.au)).

## Enhanced customer due diligence

Survey respondents were asked to select the activities their organisation would be likely to carry out if it determined that an SMR should be submitted to AUSTRAC. Most respondents said they would be likely to carry out the following:

- create a written record of any investigation (91% of respondents)
- determine whether additional member identification should be collected or verified (88%)
- conduct a more detailed analysis of the member's transaction history (83%)
- determine whether existing member identification should be updated or verified (82%)
- monitor the member's ongoing transactions for a set period of time (65%)

**These findings are encouraging. It is AUSTRAC's expectation that entities should be prepared to carry out the above activities if they determine that an SMR should be submitted to AUSTRAC.**

## Dealing in cash

The survey found that around 11% of respondents were likely to have an obligation to submit threshold transaction reports (TTRs) to AUSTRAC – reports of cash transactions of \$10,000 or more. These respondents said they accept cash contributions of \$10,000 or more on their premises or the premises of an outsourced service provider.

When this 11% figure is compared to the proportion of entities in the sector that actually submitted TTRs to AUSTRAC over the 12-month period from 1 December 2009 to 30 November 2010, it would appear that AUSTRAC should have received more TTRs from this sector.

**Entities that accept cash contributions or pay out cash benefits on the premises of the trustee or an outsourced service provider should ensure they comply with their obligation to submit TTRs to AUSTRAC.**

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The information contained herein is current as at the date of this document.

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