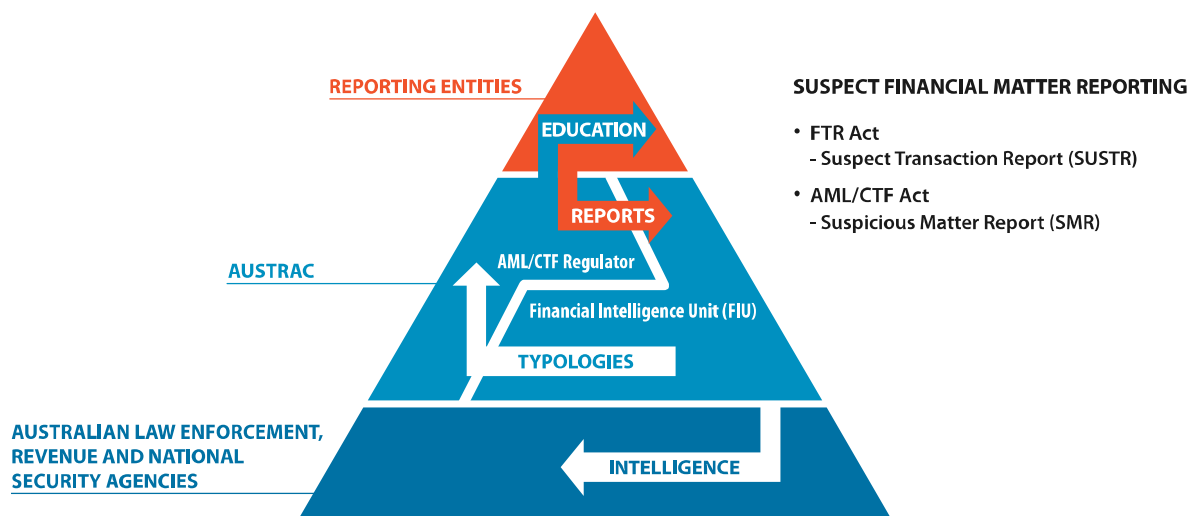




## AUSTRAC money laundering and terrorism financing indicators

AUSTRAC provides financial intelligence to assist law enforcement, revenue and national security agencies within Australia to combat money laundering and terrorism financing (ML/TF). AUSTRAC also regulates entities that have obligations under the legislation to establish anti-money laundering and counter-terrorism financing (AML/CTF) programs and to report on certain financial transactions. These reports are an essential contribution to the development of the financial intelligence resources that are used by Australia's law enforcement, revenue and national security agencies.

The greater the quality, accuracy, and timeliness of reports, the greater the value they provide to the detection, deterrence and disruption of criminal and terrorist activity. The most unique and potentially valuable report is the suspect transaction report (SUSTR) under the *Financial Transaction Reports Act 1988* (FTR Act) or suspicious matter report (SMR) under the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (AML/CTF Act). A robust regime of reporting high quality, relevant suspect financial activity is of major benefit to AUSTRAC's financial intelligence unit (FIU) role and the work of Australian law enforcement, revenue and national security agencies.



**Fig. 1 Australian AML/CTF suspect matter reporting relationship**

*A robust regime of reporting high quality, relevant suspect activity includes a partnership of reporting entities, AUSTRAC as regulator and financial intelligence unit, and Australia's law enforcement, revenue and national security agencies. AUSTRAC provides reporting entities with typologies and case studies through its education activities and collects, analyses and disseminates suspect transaction reports submitted to AUSTRAC.*

AUSTRAC recognises the critical responsibility it has to provide current and well-informed guidance and feedback. The Australian *Typologies and Case Studies Report 2007* and similar reports to be produced by AUSTRAC on an ongoing basis form one component of meeting this responsibility. It identifies some key ML/TF methodologies and indicators in operation within the Australian environment. The report is a valuable educational resource as a majority of case studies have assisted or been instrumental in identifying major crime and money laundering. The full report is available at <http://www.austrac.gov.au/typologies.html>.

## Using AUSTRAC indicators

Reporting entities can use indicators to recognise situations that may require scrutiny from an AML/CTF perspective. Whilst indicators alone are not automatically evidence of suspicious activity they should alert the AML/CTF officer to activities that require further examination and monitoring. Individual cases can show more than one indicator, which may increase the urgency to examine the transactions for suspicious financial or criminal activity.

AML/CTF officers can also use the indicators for training staff and to develop consistent descriptions of behaviour to be included in a suspect transaction or suspicious matter report.

Money launderers and terrorism financiers will continually look for new techniques which will obscure the origins of the funds and give apparent legitimacy to their activity; they will quickly embrace new products and technologies. AML/CTF officers should continually review their products, services and individual customers to ensure AML/CTF programs, processes and training match the changing levels of ML/TF risk.

Any list of indicators made available by AUSTRAC should be treated as guides and the list should not be viewed as exhaustive.

## Indicators

The following is a list of indicators ('red flags') identified within the case studies provided in the AUSTRAC *Typologies and Case Studies Report 2007*. Indicators by themselves may not always be immediately indicative of suspect financial or criminal activity but may give rise to further monitoring and due diligence.

- the transaction was inconsistent with the customer's profile
- associations with multiple accounts under multiple names
- drafts cashed for foreign currency e.g. euros, USD
- cash deposited domestically with the funds subsequently withdrawn from ATMs offshore
- cheques issued to a family member(s) at arms length from person
- cash used to purchase large amounts of gold
- cheques made out regularly to companies and individuals not linked to the account
- deposit of gambling proceeds into a foreign bank account
- depositing multiple large amounts of cash and receiving multiple cheques drawn on that account
- early surrender of insurance policy incurring substantial loss
- elaborate movement of funds through different accounts
- frequent early repayments of loans
- frequent deposits of winning gambling cheques followed by immediate withdrawal of funds in cash
- frequently playing games with low returns but with higher chances of winning
- frequent transfers indicated as loans sent from relatives
- frequent remittance of bearer negotiable instruments e.g. bank drafts, offshore
- funds transferred to a charity fund
- gold transported by the individual but purchased with funds drawn from a company account
- high level of funds placed on stored value cards
- high volume of transactions within a short period
- investment cheques issued to a family member
- insurance policy being closed with request of the payment to be made to a third party
- accounts
- investment funds sent to 'interesting' countries
- inserting funds into slot machines and immediately claiming those funds as credits
- insurance policy cashed outside the jurisdiction of purchase
- large amount of cash used to purchase insurance policy
- large sums credited into accounts from 'interesting' countries
- large cash deposits used for investment
- large cash deposits into company accounts
- large amounts of currency exchanged for traveller's cheques
- large purchases of gold with transportation of the gold conducted by the individual
- leaving large amounts of cash with a bookmaker and requesting a cheque in return
- large amounts of cash from unexplained sources
- multiple individuals sending funds to one beneficiary
- multiple chip cash-outs on the same day
- multiple cheques cashed into one bank account
- multiple loans obtained over a short period of time with repayments made in cash
- multiple issue of stored value cards and debit cards accessed offshore
- multiple transactions of a similar nature on the same day in different locations
- numerous bank drafts purchased domestically and subsequently deposited internationally
- obtained loan and repaid balance in cash
- purchasing high value assets (e.g. motor vehicles) followed by immediate resale with payment requested via cheque
- purchase of high-value assets e.g. diamond ring, bullion, motor vehicle, property
- purchase of an insurance policy followed by immediate surrender
- purchasing and cashing out casino chips with no gaming activity
- physical carriage of cash and/or bearer negotiable instrument out of Australia
- regular sale of large amounts of precious metals and jewellery
- regular sale of large amounts of gold with payment received in cash
- purchase of multiple money orders
- regular use of stored value card to withdraw funds overseas
- regular claims made less than the premium payments
- sale of large amounts of gold from an individual
- structuring cash to purchase traveller's cheques
- structuring the placement of betting transactions
- structuring the purchase of bank drafts
- structuring cash deposits/withdrawals
- structuring chip cash-outs
- structuring wire transfers
- transfers from company accounts to private betting accounts
- third party present for all transactions but does not participate in the actual transaction
- transferring funds into third-party accounts
- using third parties to undertake wire transfers
- use of an intermediary to make large cash deposits
- use of intermediary to make insurance policy payments
- unusually large transfer of money from a individual to a business
- use of gatekeepers e.g. accountant and lawyer, to undertake transactions
- use of internet banking to transfer illicit funds into 'mule' accounts
- use of multiple names to conduct similar activity
- use of an offshore company to pay the premiums for an insurance policy taken out privately by individuals
- use of safety deposit box to store large amounts of cash
- use of third parties to undertake structuring of deposits and wire transfers
- unexplained income inconsistent with economic situation
- 'u-turn' transactions occurring with funds being transferred out of Australia and then portions of those funds being returned
- use of internet banking to frequently access Australian-based accounts internationally
- use of a remittance dealer to send a large amount of cash
- use of a remittance dealer to send large cash amounts overseas
- use of third parties to purchase gaming chips
- use of gatekeeper (e.g. accountant) to structure deposits and purchase real estate
- use of a third party to gamble proceeds through casinos
- use of companies to move funds under the guise of legitimate transactions
- use of non-resident accounts
- use of false and stolen identities to open and operate bank accounts
- withdrawal of a large amount of funds in cash
- wire transfers to tax haven countries e.g. British Virgin Islands
- wire transfers from third parties located in tax haven countries
- wire transfers used to purchase insurance policies