



Australian Government

**Australian Transaction Reports
and Analysis Centre**

Explanatory note for consultation - proposed AML/CTF Rules amendments resulting from the Review of the AML/CTF Act

AUSTRAC will be undertaking a staged approach to implementing recommendations from the *Review of the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 and Associated Rules and Regulations* (the Review) which are relevant to the AML/CTF Rules.

AUSTRAC seeks stakeholder views on the proposed approach as outlined below:

- Restructure of the AML/CTF Rules Compilation
- Progress deregulatory recommendations relevant to the AML/CTF Rules

This proposed implementation will be undertaken concurrently with the consultation on the Review currently underway by the Attorney-General's Department.

If there is stakeholder support for the proposed approach, further consultation will take place as each item is developed.

Restructure of the current AML/CTF Rules Compilation

It is proposed that the current AML/CTF Rules Compilation should be restructured without undertaking substantive change to its content and existing obligations, in order to make the document more user-friendly.

An outline is attached.

The restructure will form a basis for the substantive simplification of the AML/CTF Rules which will commence in 2017 in consultation with stakeholders.

The restructure will include:

- Retitling the Compilation
 - Grouping like chapters together, for example, all the exemption chapters
 - Removing redundant and repetitive text without altering the current substantive text and obligations
 - Removal of redundant chapters
 - Clarifying and simplifying existing Chapter titles, while providing titles for those chapters which are not titled, for example, Chapter 4
 - Providing simplified outlines for some chapters to aid stakeholders in understanding their obligations
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Deregulatory Recommendations relevant to AML/CTF Rules

Concurrently with the restructure, it is proposed that those Review recommendations relating to the AML/CTF Rules which are deregulatory will be developed and finalised before substantive simplification is undertaken.

An indicative list is attached.

The listed amendments are considered suitable for development as they are not dependent on changes being made to the AML/CTF Act.

AUSTRAC seeks stakeholder input on the list of deregulatory amendments to the AML/CTF Rules, in particular, whether the list should be expanded or reduced.

Proposed Restructure of Compilation

To be retitled from *Anti-Money Laundering and Counter-Terrorism Financing Rules Instruments 2007 (No. 1)* to *Anti-Money Laundering and Counter-Terrorism Financing Rules*

PART 1: Definitions

Will cover existing Chapters 1, 2, 3.2, 13, 40 [NOTE: Chapters will need to be renumbered]

PART 2: Designated services – specification of persons

Chapter 71

PART 3: Customer identification

Chapters 3, 4, 6, 7, 30

PART 4: Customer due diligence

Chapter 15

PART 5: AML/CTF programs

Chapters 5, 8, 9

PART 6: Reporting obligations

Chapters 11, 16, 17, 18, 19, 24, 25, 26, 34, 37, 51

PART 7: Remittance Sector Register

Chapters 27, 44, 54, 55, 56, 57, 58, 59, 60, 61, 70

PART 8: Reporting Entities Roll

Chapters 62, 63, 64, 65

PART 9: Record-keeping

20, 29, 68

PART 10: Exemptions

Full: 22, 31, 32, 36, 42, 43, 47, 48

Partial: 10, 11, 12, 14, 21, 23, 28, 29, 33, 35, 38, 39, 41, 45, 46, 49, 50, 52, 53, 66, 67

NOTE: There are currently 71 AML/CTF Rules chapters. The above lists 72 chapters as Chapter 11 specifies compliance reporting periods and also contains an exemption from compliance reporting, and therefore is listed twice.

DEREGULATORY RECOMMENDATIONS FROM REVIEW OF THE AML/CTF ACT, RULES AND REGULATIONS

REVIEW RECOMMENDATION	AFFECTED CHAPTERS
Customer Due Diligence	
Rec 5.2: The AML Rules for CDD should be rationalised and simplified as a priority.	Chapters 4, 15 and 30.
Rec 5.3: AUSTRAC should consider other reliable options as alternatives to minimum know your customer requirements for individuals.	Chapter 4
Rec 5.4: Rationalise safe harbour and simplified verification procedures.	Chapter 4
Rec 5.5: Expand simplified CDD to low risk entities.	Chapter 4
Rec 5.6: Permit self-attestation to identify customers in certain circumstances.	Chapters 4 and 30.
Rec 5.7: Permit entities to accept certified disclosure certificates.	Chapters 4 and 30
Rec 5.12: Expand ability of entities to use third party customer ID under certain conditions.	Chapters 4, 8 and 9
AML/CTF Programs	
Rec 7.3: Incorporate AUSTRAC information on high ML/TF risk, clarify the role of a Compliance Officer, guarantee the independence of an AML/CTF program reviewer and require reporting entities to manage ML/TF risk posed by new technologies.	Chapters 6, 8, 9, 15.
Rec 7.5: Replace designated business groups.	Chapters 2, 7, 9, 50.
Definitions	
Rec 19.2: Amend definitions in the Rules.	Chapters 1, 21 and 36.