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HOW TO USE THIS DOCUMENT

Strong leadership and oversight are a critical part of protecting a business from criminal exploitation.

This document contains key insights developed by AUSTRAC in the course of its regulatory activity and is designed to help you understand AUSTRAC's expectations regarding governance and oversight obligations.

These insights will help you to review your business systems and controls to ensure there is strong governance of all aspects of anti-money laundering and counter-terrorism financing (AML/CTF) compliance.

OVERSIGHT AND GOVERNANCE

BOARD AND SENIOR MANAGEMENT RESPONSIBILITIES

For the board and senior management to effectively lead a positive culture of AML/CTF compliance across a regulated organisation, they must be fully engaged with the AML/CTF compliance and risk management process.

This involves much more than just having AML/CTF as a standing item for mention at meetings. The board and senior management must engage, question, challenge and take ownership of any ML/TF risks the business faces.

They must also approve the AML/CTF program, and take positive steps to ensure AML/CTF requirements are met.





THEY MUST ALSO ENSURE:

- the AML/CTF program is informed by an appropriate and comprehensive assessment of money laundering and terrorism financing (ML/TF) risk
- new and emerging ML/TF risks are identified and risk-based systems and controls are updated appropriately
- regular and comprehensive reporting on ML/TF risks and ongoing compliance
- appropriate assurance and monitoring processes are built into the AML/CTF program
- independent reviews of AML/CTF capabilities and compliance occur at appropriate intervals
- appropriate oversight of agents.

Not meeting these responsibilities can put your business at risk of being exploited by criminals and may lead to serious penalties.

A business will not be able to identify, mitigate and manage ML/TF risks if the compliance function is not adequately resourced.

ML/TF RISK ASSESSMENT

INFORMATION FLOWS AND DOCUMENTATION OF ML/TF RISK AND RISK ASSESSMENT

For effective governance and oversight to take place, complete and accurate information must be provided to senior management, committees and boards.

These information flows must be coordinated and structured and cannot be solely driven by events or incidents.

ACCOUNTABILITY FOR ADAPTING AML/CTF SYSTEMS AND CONTROLS

When a business identifies a new or emerging risk, processes must be in place to ensure AML/CTF systems and controls are adapted commensurate to those risks.

This starts with senior management being briefed with updated ML/TF risk assessments.

There must be clear accountabilities within senior management to act upon updated risk assessments and to introduce risk-based systems and controls to mitigate and manage those risks.





AML/CTF PROGRAMS

THE PURPOSE OF AN AML/CTF PROGRAM IS TO IDENTIFY, MITIGATE AND MANAGE ML/TF RISKS

APPLICATION AND OWNERSHIP OF THE AML/CTF PROGRAM

An AML/CTF program must document the systems and controls that are in place to mitigate and manage ML/TF risk.

The responsibility for ensuring a business is compliant does not solely rest with its compliance team. AML/CTF compliance must be fully integrated across all relevant teams and business processes.

Roles and procedures must be in place to manage the referral of potentially suspicious or high risk issues from operational areas to AML/CTF risk management and compliance teams.

Boards and senior management have a responsibility to ensure there is end-to-end ownership of AML/CTF compliance in the design of roles and processes.

AML/CTF COMPLIANCE OFFICER

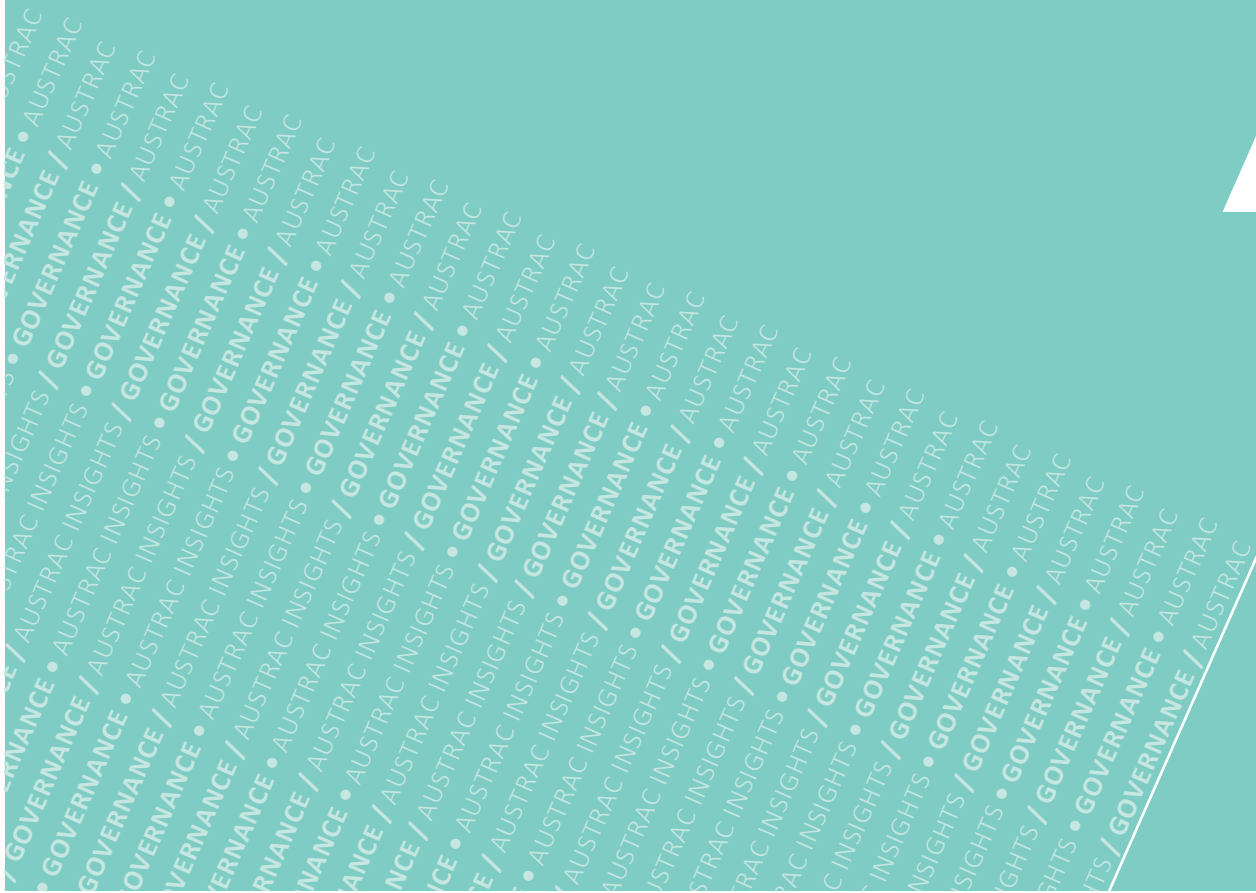
A business must appoint an AML/CTF compliance officer. The compliance officer may have other duties but must be at the management level. Access to the board and senior management is essential for the compliance officer to effectively carry out this role.

The compliance officer should oversee all AML/CTF compliance issues within a business to ensure the business remains compliant with its obligations.

THE COMPLIANCE OFFICER MUST ENSURE:

- ML/TF risk assessments are regularly reviewed and updated if there are changes to customer behaviors, products and services or other factors that impact ML/TF risk
- transaction monitoring identifies potentially suspicious matters and are reviewed for effectiveness
- there is regular reporting, including non-compliance, to the board, senior management or the owner, and
- an independent review of the AML/CTF program is undertaken at regular intervals, or whenever required due to changes in circumstances, ensuring outcomes are appropriately actioned.

A compliance officer is also the primary AUSTRAC point of contact for reporting suspicious matters, threshold transactions, international funds transfer instructions, urgent reporting, compliance assessments, and requests for information or documents.



DISCLAIMER

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.