



WHAT IS A REGULATORY QUICK GUIDE?

A quick guide gives regulated businesses a brief snapshot of an AML/CTF compliance topic, to help you make sure you are meeting your obligations and protecting your business and the community from serious and organised crime.

Governance: board and senior management oversight

In the course of our regulatory activity, AUSTRAC sees some businesses facing challenges in the governance of their anti-money laundering and counter-terrorism financing (AML/CTF) compliance functions.

Through effective oversight of AML/CTF compliance, boards and senior management can lead a positive, organisation-wide AML/CTF culture. This includes the board and senior management engaging, questioning, challenging and taking ownership of any ML/TF risks the business faces.

To achieve this, boards and senior management need ongoing access to coordinated, structured, quality information on a consistent basis, and not only driven by specific events or incidents.

What does good governance mean?

- ✓ AML/CTF program and ongoing changes are approved by the board and senior management
- ✓ adequate resourcing of AML/CTF compliance and related functions
- ✓ clearly assigned accountabilities for specific obligations, including clarity between different business areas that are responsible for various AML/CTF controls
- ✓ identifying and monitoring new and emerging ML/TF risks, and updating risk-based systems and controls
- ✓ documenting, escalating and remediating compliance or system issues in a timely manner
- ✓ not tolerating systemic non-compliance, pending systems upgrades and other barriers to AML/CTF compliance
- ✓ having assurance processes in place for changes to products, systems or processes to ensure that they do not disrupt AML/CTF processes and compliance
- ✓ having processes in place to quickly identify instances where you are operating outside your ML/TF risk appetite, and efficiently resolving these issues
- ✓ ensuring non-compliance does not go undetected, through ongoing assurance, review and oversight of AML/CTF obligations
- ✓ appropriate oversight of agents and outsourced providers.



REGULATORY QUICK GUIDE

Example: good governance in action

BusinessCO decides to undertake an overhaul of its IT systems to modernise and streamline the processing of customer transactions. As part of its planning, BusinessCO is aware that major IT projects have resulted in some of its peers not meeting their compliance and reporting obligations to AUSTRAC.

As part of the planning stage BusinessCO establishes an internal working group, led by a member of its senior management team, to oversee the 12 month project. The working group includes staff from BusinessCO's operational, IT and compliance teams. One of the key roles of the working group is to ensure there are no interruptions to meeting regulatory obligations, particularly those that relate to monitoring, identifying and reporting transactions to AUSTRAC. It also works with AUSTRAC to negotiate the testing and interface with AUSTRAC's systems prior to going live.

Working group progress is reported to the board via senior management, including any issues that may adversely impact the business.

To further strengthen its governance of this project, BusinessCO has engaged a third party to undertake assurance processes of the working group's activities during the project and report its findings to the Board.

In its assurance processes, the third party identified a number of red flags that could impact the business in meeting its reporting requirements, in particular how changes were being made that impacted downstream systems and processes. As a result, the working group acted swiftly to prevent any impacts and kept senior management and the board updated.

The working group delivered the project on time with no impact to the business in meeting its obligations.

Looking for more guidance?



For tips on understanding AML/CTF compliance obligations, take a look at our other regulatory quick guides at austrac.gov.au/reg-quickguides

For more information on AML/CTF governance, including insights, explainer video, and checklists for boards and senior management and more, visit austrac.gov.au/aml-ctf-governance