



## 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.

# Ongoing customer due diligence

In the course of our regulatory activity, AUSTRAC identified that deficiencies in ongoing customer due diligence (OCDD) exposed businesses and the community to the risks of serious and organised crime.

Ongoing customer due diligence (OCDD) processes enable you to identify, mitigate and manage your money laundering and terrorism financing (ML/TF) risks.

## Transaction monitoring

A robust transaction monitoring program is an essential component of your OCDD obligations to ensure you can identify, mitigate and manage your ML/TF risks. This will help you to identify unusual transactions and report suspicious matters to AUSTRAC.

If your transaction monitoring is not appropriately risk-based or operating as intended, it may significantly impact your ability to identify emerging ML/TF risks and to identify and report suspicious matters. It also impacts your ability to conduct appropriate enhanced customer due diligence (ECDD) and, in the case of monitoring correspondent banking relationships, your ability to carry out appropriate correspondent banking due diligence. These shortcomings expose you to the risk of more serious and systemic non-compliance.

## What is an effective transaction monitoring program?

- ✓ based on your business's ML/TF risk assessment
- ✓ regularly audited and reviewed to ensure that it is appropriately risk-based and extends to all transactions and designated services, and is operating as intended
- ✓ issues are escalated according to clear escalation processes
- ✓ clear accountabilities are in place to ensure that guidance and typologies relating to ML/TF risks are reviewed in a timely manner
- ✓ the program is regularly reviewed against trends emerging from internal intelligence or 'red flags'
- ✓ customers are monitored throughout the entire period of the relationship.



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### Enhanced customer due diligence

You must have processes and accountabilities to ensure that high risk customers are subject to ECDD proportionate to the circumstances that have arisen and the ML/TF risks they pose. You must also apply ECDD when a suspicion has arisen, a designated service is being provided to a customer who is or who has a beneficial owner that is a foreign politically exposed person, or when a party to a transaction is physically present or is incorporated in a prescribed foreign country.

The identification of high ML/TF risks does not necessarily mean that a customer relationship must be terminated. Information collected as part of ECDD will support you to determine appropriate next steps, including whether to seek senior management approval to continue or terminate a customer relationship. In the event the decision is made to terminate the relationship, OCDD should be applied until the termination is finalised.

Having strong ongoing customer due diligence processes in place, including transaction monitoring and enhanced customer due diligence, will help you meet your AML/CTF obligations and protect your business and community from crime.

### Looking for more guidance?



Find tips on understanding your AUSTRAC compliance obligations, take a look at our regulatory quick guides at [austrac.gov.au/reg-quickguides](https://austrac.gov.au/reg-quickguides)

For more information on transaction monitoring, visit [austrac.gov.au/transaction-monitoring](https://austrac.gov.au/transaction-monitoring)

### Example: ongoing customer due diligence in action

As a result of a recently updated risk assessment, BusinessCO identifies transactions by certain customers involving a \$5,000 threshold of physical cash as posing higher risk. Prior to this updated risk assessment only transactions of this nature above \$8,000 were considered to be of higher risk.

Three months later, a periodic audit of BusinessCO's transaction monitoring program reveals that it is designed to trigger alerts for transactions in physical cash of \$8,000 or more, however no triggers were in place that aligned with the updated risk assessment for transactions between \$5,000 and \$8,000.

BusinessCO acts swiftly to rectify the oversight and ensure it aligns with its risk profile. BusinessCO also undertakes a back capture to identify all transactions in physical cash that fall within the \$5,000 to \$8,000 bracket and in so doing, identifies the activities of one customer that upon review, raises a suspicion and is referred for ECDD.

ECDD indicates that this customer may be evading tax payments by undertaking cash in hand jobs and a suspicious matter report is provided to AUSTRAC. Following the initial referral the customer was subject to increased monitoring to ensure any suspicious activity was detected and reported to AUSTRAC.