



Australian Government

AUSTRAC

REMEDIAL DIRECTION

SUBSECTION 191(2) OF THE ANTI-MONEY LAUNDERING AND
COUNTER-TERRORISM FINANCING ACT 2006

To: Australian Military Bank Ltd
ACN 087 649 741
Level 18, 45 Clarence St
SYDNEY NSW 2000

Attention: Kerry Beebe, Anti-Money Laundering and Counter Terrorism Financing
Compliance Officer

I, Kathryn Miller, National Manager Legal & Enforcement of the Australian Transaction Reports and Analysis Centre (**AUSTRAC**), as delegate for the AUSTRAC CEO, require Australian Military Bank Ltd (**AMB**) ACN 087 649 741 to take the following actions:

Risk assessment

1. Within 10 weeks of the date of this direction, AMB must, with the assistance of the external auditor appointed by AMB and advised to AUSTRAC on 19 April 2021 (**the First Auditor**), conduct a money laundering and terrorism financing risk assessment (**the ML/TF risk assessment**).
2. On completion of the ML/TF risk assessment, AMB must submit a written report, prepared by the First Auditor, of the ML/TF risk assessment to AUSTRAC.
3. The report of the ML/TF risk assessment must:
 - a. assess the risk that AMB may reasonably face that its provision of designated services might involve or facilitate money laundering or terrorism financing;
 - b. assess what AMB will need to do, or continue to do, to identify, mitigate and manage its money laundering and terrorism financing risk;
 - c. consider the factors set out in Rule 8.1.4 of the *Anti-Money Laundering and Counter-Terrorism Financing Rules Instrument 2007 (No. 1)* (**the AML/CTF Rules**); and

- d. set out the methodology used to conduct, and the results of, the ML/TF risk assessment.

Rectification of systems, controls, documentation

4. Within 6 months of submitting the report of the ML/TF risk assessment, AMB must undertake the measures and actions described in paragraphs 4a to 4d inclusive, having regard to the risks identified in the ML/TF risk assessment, the alleged contraventions of the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (the AML/CTF Act)* outlined in Annexure A of AUSTRAC's letter to AMB dated 16 December 2020, and in the Statement of Reasons dated 3 May 2021.
 - a. AMB must design, document and implement systems and controls (including ongoing quality assurance and record keeping) appropriate to AMB's ML/TF risks, for inclusion in Part A of its AML/CTF Program, in respect of the following:
 - i. AMB's collection and verification of Know Your Customer information and beneficial owner information, according to the requirements in Rule 15.2 to 15.3 of the AML/CTF Rules;
 - ii. AMB's transaction monitoring program, according to the requirements set out in Rule 15.4 to 15.7 of the AML/CTF Rules; and
 - iii. AMB's enhanced customer due diligence program, according to the requirements in Rule 15.8 to 15.11 of the AML/CTF Rules.
 - b. AMB must review its current Risk Awareness Training program to ensure that it meets the requirements of Part 8.2 of the AML/CTF Rules. AMB must document and rectify any deficiencies identified in the Risk Awareness Training program, in particular in relation to Beneficial Owners and Politically Exposed Persons.
 - c. AMB must review its governance and oversight arrangements relating to its anti-money laundering and counter-terrorism financing obligations, and document any deficiencies identified in in the course of that review. AMB must design, document, and implement appropriate policies and procedures to rectify those deficiencies and to ensure AMB's senior management and governing board maintain active ongoing oversight of Part A of its AML/CTF Program.
 - d. AMB must review its obligations relating to the reporting of:
 - i. suspicious matters, pursuant to s 41(2) of the AML/CTF Act;

- ii. threshold transactions, pursuant to s 43(2) of the AML/CTF Act; and
- iii. international funds transfer instructions pursuant to s 45(2) of the AML/CTF Act—

to ensure it understands these obligations in the context of AMB's business. AMB must design, document and implement appropriate systems and controls to ensure compliance with its reporting obligations, including ongoing quality assurance and record keeping.

5. AMB must submit a report of each review required under paragraphs 4b to 4d inclusive to AUSTRAC within two weeks of completion of the review.
6. Each report required under paragraph 5 must:
 - a. set out any deficiencies identified by AMB in the course of the review; and
 - b. address how AMB has rectified those deficiencies.

Assurance review

7. Within 2 weeks of completing the actions required under paragraph 4, AMB must appoint a second authorised external auditor (**the Second Auditor**), as agreed by AUSTRAC and authorised under section 164 the AML/CTF Act, to undertake a review of AMB's compliance with this remedial direction (**the Assurance Review**). The Second Auditor may not:
 - a. be the same person as the First Auditor
 - b. have prior direct or indirect involvement in any previous independent reviews of AMB, or in the development of AMB's current or previous AML/CTF Programs.
8. Within 3 months of appointing the Second Auditor, AMB must submit a written report, prepared by the Second Auditor, of the Assurance Review to AUSTRAC.
9. The report of the Assurance Review must:
 - a. assess whether AMB has implemented appropriate risk-based systems and controls, including ongoing quality assurance and record keeping, in respect of the matters set out in paragraph 4a;
 - b. assess whether AMB has adequately addressed any deficiencies identified in the reviews required under paragraph 4b to 4d inclusive;

- c. assess whether AMB has appropriately documented, including making any necessary amendments to its written AML/CTF Program, all changes to policies, procedures, systems and controls arising from the requirements of these Remedial Directions;
- d. describe the Second Auditor's approach and methodology for performing the Assurance Review.

Date 3 May 2021



Kathryn Miller
National Manager, Legal & Enforcement
AUSTRAC