



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.

Reliance on a case-by-case basis

An ability to rely on customer identification procedures conducted by a third party can be more convenient for your customers who deal with multiple businesses. However, you must manage the risks of relying on a third party for customer identification properly.

Reliance permits you to rely on the customer identification procedures undertaken by a reliable third party, after considering the nature of your relationship with the customer and the money laundering and terrorism financing (ML/TF) risks involved.

This quick guide provides a summary of using reliance provisions on a case-by-case basis. You can also enter into an arrangement for ongoing reliance with a reliable third party (known as a customer due diligence or CDD arrangement). See the “Need more guidance?” section of this guide for more information.

Reliance on a case-by-case basis

You can rely on the customer identification carried out by a relied on third party where you have:

- reasonable grounds to believe that it is appropriate to rely on the customer identification procedures
- considered the type and level of ML/TF, or other serious crime risks that you may reasonably be expected to face when providing designated services
- considered the nature, size and complexity of the other person’s business, including its products, services, delivery, channels, and customer types
- considered the level of ML/TF or other serious crime risks in any country that the other person operates or resides in.

Who is considered a reliable third party?

A reliable third party you can rely on for customer identification on a case-by-case basis is:

- another reporting entity regulated by AUSTRAC, or
- a foreign equivalent of a reporting entity, which is subject to equivalent AML/CTF obligations for customer due diligence and record-keeping as those in Australia.

You cannot rely on identification by a third party that is not subject to AML/CTF regulation.

When entering into a CDD arrangement, you must ensure the third party has appropriate measures in place to comply with their obligations.



Case-by-case reliance vs. entering into a CDD arrangement

If you use reliance to identify your customers without entering into a CDD arrangement, you are liable for all breaches of customer identification procedures every time a designated service is provided to a customer. This applies regardless of whether a breach is isolated or ongoing.

When using case-by-case reliance, it is your responsibility to make a written record that outlines how the requirements for reliance with a third party were satisfied.

A CDD arrangement allows you to take advantage of reliance with a reliable third party on an ongoing basis, and gives you 'safe harbour' from liability for isolated breaches of the customer identification procedures.

Using the risk-based approach

A third party may have completed simplified applicable customer identification procedures (ACIP) because they assessed a customer to be low risk. However you may be providing a designated service that poses a higher ML/TF risk, so additional customer due diligence is required.

It's important that you apply a risk-based approach to determine if the customer identification procedure is sufficient.

Need more guidance?



For more detailed information about reliance and CDD arrangements, see our guidance on reliance.

Find out more about customer identification and due diligence at austrac.gov.au/cdd-overview, and using a risk-based approach at austrac.gov.au/risk-based-approach.

Example: Using a risk-based approach to case-by-case reliance

Waterland Financial Advisors refers a customer to BroadStreet Financial Services Limited, a multinational non-bank financial institution that offers a wide range of products and services to its customers. Waterland and BroadStreet are unrelated entities.

There is no previous history of engagement or referrals between these two entities. Waterland advises BroadStreet that it has a long, established relationship with a customer whom it regards as posing a lower ML/TF risk and offers to provide the necessary KYC information for the purposes of reliance in this one instance.

The customer in question has asked to be referred to BroadStreet for the purposes of investing an amount of \$50,000 into a unique investment product. BroadStreet undertakes an assessment of Waterland and the proposed customer, and does not identify anything adverse.

In view of this, BroadStreet Financial Services Limited accepts the customer referral and agrees to rely on the ACIP undertaken by Waterland Financial Advisors.