

Anti-money laundering and counter-terrorism financing (AML/CTF) governance and oversight factsheet

Governance and oversight are how your business manages responsibilities, makes decisions and checks it's meeting AML/CTF obligations.

Good governance means:

- ✓ senior leaders make sure the business has the right systems and resources to meet AML/CTF obligations
- ✓ risks are identified, managed and reviewed
- ✓ clear roles and responsibilities are in place.

Good governance and oversight starts by inspiring a positive culture of AML/CTF compliance and protects your business from criminal exploitation.

Building a strong AML/CTF culture

A strong compliance culture shows that AML/CTF is taken seriously at all levels of your business. It's often a reliable indicator that a business is taking reasonable steps to meet its obligations.

Indicators of a strong AML/CTF culture include:

- ML/TF risks and compliance are regular agenda items for the governing body
- the AML/CTF compliance officer is knowledgeable, independent and well-resourced
- senior managers consider ML/TF risk in key business decisions
- reports from the compliance officer are reviewed and acted on
- staff receive regular AML/CTF training
- mechanisms are in place for staff to raise compliance concerns.

The 3 roles in AML/CTF governance



In small businesses, one person may perform multiple or all 3 roles. We recommend you use the governance checklist for sole traders and micro businesses to understand how this may work in practice.

Governing body

Your governing body is responsible for making sure your business can identify, manage and mitigate money laundering, terrorism financing and proliferation financing risks. We refer to these as ML/TF risks. They must also make sure the business complies with its AML/CTF policies and the AML/CTF Act and Rules. An effective governing body leads a positive culture of AML/CTF compliance.

They're also responsible for:

- appointing and maintaining appropriate oversight of an AML/CTF compliance officer
- ensuring the AML/CTF compliance officer has the authority and resources they need to meet AML/CTF obligations
- overseeing the AML/CTF program on an ongoing basis
- making sure the ML/TF risk assessment remains up-to-date and appropriately managed
- receiving regular and comprehensive reporting on ML/TF risks and ongoing compliance
- ensuring appropriate assurance and monitoring processes are built into the AML/CTF program
- regularly reviewing and addressing any issues relating to AML/CTF non-compliance.

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



Determining the governing body for your business

The governing body is the person or group primarily responsible for the governance and executive decisions of the business. For larger businesses, this may be the board. For smaller businesses, this may be the business owner.

Senior managers

Your business must appoint one or more senior managers already involved in substantial business decisions to contribute to key AML/CTF decisions.

Senior managers cannot delegate these obligations. If your business has multiple senior managers, they may share responsibilities, but each must remain directly accountable.

Your senior management is responsible for approving:

- AML/CTF policies and any updates
- ML/TF risk assessments and any updates
- the business starting to provide a designated service to a customer you've established on reasonable grounds are:
 - a foreign politically exposed person (PEP)
 - high-risk customers that are also domestic PEPs
 - high-risk customers that are also international organisation PEPs
- the business starting to provide, or continuing to provide, a designated service to a customer in a nested services relationship
- the business entering a third-party agreement for customer due diligence (CDD).



Record keeping

Your business must keep records showing that your senior managers have met their obligations. It's good practice to use version control when approving AML/CTF policies and ML/TF risk assessments.

AML/CTF compliance officer

Every business must appoint an AML/CTF compliance officer. This role is central to:

- implementing and maintaining your AML/CTF program
- overseeing compliance across the business
- acting as the primary contact point with AUSTRAC.

The AML/CTF compliance officer is responsible for:

- overseeing and coordinating day-to-day AML/CTF compliance
- providing reports to the governing body at least once every 12 months
- advising the governing body and senior management on ML/TF risks
- communicating with AUSTRAC on all AML/CTF matters.

Key requirements

Your AML/CTF compliance officer must meet eligibility requirements. They must be:

- ✓ at management level
- ✓ a resident in Australia
- ✓ a fit and proper person.

You must keep records of how you assessed eligibility, and we expect you to reassess regularly. If your AML/CTF compliance officer leaves or becomes ineligible, you must appoint a replacement and notify AUSTRAC.

Fit and proper means they:

- have the competence, skills, knowledge, diligence, expertise and soundness of judgement to properly perform the role
- have good character and integrity (no serious offences or adverse findings)
- aren't affected by conflicts of interest that materially affect their ability to act in the role.



To be an effective AML/CTF compliance officer you need to understand your business and any changes that could have implications for your AML/CTF obligations.