

Sample checklist for engaging an outsourced service provider

If you decide to outsource AML/CTF functions, it's important to choose an outsourced service provider who is suitably qualified and experienced to provide products and services for your business. You should consider a range of factors about the person, as well as the services they are providing. This checklist includes suggested good practices and recommendations that may help you manage some of the risks that can arise when you outsource your AML/CTF functions. This is not an exhaustive list.

If you outsource AML/CTF functions, you remain responsible for complying with your obligations under the AML/CTF Act and Rules.

Before you engage an outsourced service provider

✓ Things to do	✗ Things to avoid
☐ Identify any risks that may arise through outsourcing. Consider whether these are in line with your business's risk appetite. ☐ Consider the outsourced service provider's experience, qualifications or expertise. This includes how it's relevant to AML/CTF and your industry. ☐ Verify the outsourced service provider's suitability through a demonstration, explanation, documentation or references. ☐ Identify any legal restrictions you have on sharing certain types of information. Consider how you will prevent unauthorised disclosure. ☐ Consider whether you need to obtain legal advice before entering into an outsourcing arrangement. ☐ Have a written and legally binding agreement that outlines the required services and performance targets. ☐ Have oversight clauses to verify that your outsourced service provider is meeting the agreement. ☐ Establish a range of options to allow you to take a proportionate and risk-based response to any breaches of the agreement. ☐ Consider how willing the provider is to agree to performance monitoring and mechanisms for dealing with any breaches of the arrangement. ☐ Document in your AML/CTF program how you have done or will do the above.	An outsourced service provider who: • isn't familiar with the AML/CTF framework and your obligations • isn't familiar with your industry or type of business • can't explain how a solution will integrate with your existing systems and procedures, and operate to the expected standard • can't clearly explain their product or service. This includes the obligations it's designed to meet, its limitations and the extent to which it supports you to meet your AML/CTF obligations • lacks the expertise or resources to carry out the relevant AML/CTF functions on your behalf • can't provide a demonstration of their tool or testimonials from businesses similar to yours • isn't aware of the legal restrictions on information sharing under the AML/CTF Act.

After you engage an outsourced service provider

✓ Things to do	✗ Things to avoid
☐ Have senior management oversight of your outsourcing arrangements. This includes clearly outlining who is responsible for dealing with AML/CTF compliance risks and ML/TF risks. ☐ Ensure the outsourced service provider tailors their products to your business. This includes your ML/TF risks, designated services, customer types, jurisdictions and delivery methods. ☐ Review their offering to ensure: - you understand how it works, or whether you need to ask further questions - it meets any requirements you set out in your agreement - it complies with your AML/CTF obligations - they have considered or applied any input you provided - your employees can practically use it or integrate it with your systems. ☐ Actively monitor your outsourced service provider and how they adhere to the performance measures you agreed to. ☐ Review any ongoing outsourcing arrangements to ensure they continue to meet your needs. ☐ Investigate and understand the causes of any issues from the outsourcing arrangement. ☐ Document in your AML/CTF program how you have done or will do the above.	An outsourced service provider who: • hasn't developed their product or service specifically for Australian businesses • doesn't offer ongoing support after purchase to help you achieve and maintain AML/CTF compliance. For example, install and set-up, training, updates • isn't subject to adequate oversight and monitoring throughout the arrangement. The services or products they provide are: • generic, or a template, which they offer to all businesses, rather than one they tailor to your specific needs • developed without necessary consultation with you about your requirements or risk environment.



Learn more about [using outsourcing to help meet your obligations](#).

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