

The AML/CTF course

Course outline



FINANCIAL
EDUCATION
PROFESSIONALS



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The AML/CTF Course.

Australia's anti-money laundering and counter-terrorism financing (AML/CTF) regime is a critical component in Australia's defence against money laundering and organised crime. To effectively protect Australia's economy and its participants, including Australia's global counterparts, the Government seeks to ensure we have a robust and rigorous regime in place that is hostile to money laundering, financing of terrorism, major crime and tax evasion.

AUSTRAC notes that by some estimates, more than AUD1.5 trillion of illegal funds are laundered worldwide each year! This is more than the total output of an economy the size of the United Kingdom. Of the worldwide total, an estimated AUD200 billion is laundered in the Asia-Pacific region.

Customer identification and verification, and compliance reporting by businesses, is the cornerstone of an effective AML/CTF regime. On 1 June 2014, additional customer due diligence requirements came into effect under the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth). These additional requirements are contained in the Anti-Money Laundering and Counter-Terrorism Financing Rules Instrument 2007 (No. 1). Given the importance of these reforms and in recognition of the required effort of reporting entities to be fully compliant, AUSTRAC allowed a transitional period with full implementation required by reporting entities from 1 January 2016.

This course provides an overview of the current AML/CTF regime in Australia, and includes coverage of the additional customer due diligence requirements. The regime seeks to provide a comprehensive legal framework designed to counter money laundering (ML) and terrorism financing (TF), and so contribute to a safer and more secure Australia. We also cover changes made to the AML/CTF Act in 2016, and foreshadow the inclusion of digital currency exchange providers in the AML/CTF regime from mid-2018.

Course structure

There are five topics in this course.

When you complete your self-study of each topic, you can undertake the open-book knowledge examination for that topic.

Topic 1 Introduction to the AML/CTF Act

- 1 What is money laundering?
 - 1.1 Why do criminals launder money and what are the consequences?
 - 1.2 What are the three stages of money laundering?
 - 1.2.1 Placement
 - 1.2.2 Layering
 - 1.2.3 Integration
- 2 What is terrorism financing?
 - 2.1 The role of money in terrorist organisations
 - 2.2 Sources of money
 - 2.3 Moving terrorist money
- 3 AUSTRAC's role in money laundering and terrorism financing
 - 3.1 AUSTRAC's role as a regulator
 - 3.2 AUSTRAC's role as Australia's financial intelligence unit (FIU)
- 4 The environment in which AUSTRAC operates
 - 4.1 International cooperation on AML/CTF initiatives
- 5 An overview of the AML/CTF Act
 - 5.1 Break-down of the AML/CTF Act
 - 5.2 The AML/CTF Rules
- 6 Key concepts under the AML/CTF Act
 - 6.1 What is a designated service?
 - 6.1.1 Table 1 – Financial services
 - 6.1.2 Table 2 – Buying and selling bullion
 - 6.1.3 Table 3 – Gambling service
 - 6.1.4 Table 4 – Prescribed services
 - 6.1.5 Account/deposit-taking services (items 1-5)
 - 6.1.6 Australian financial services licence holder arranging a designated service (item 54)
 - 6.1.7 Cash carrying/payroll services (items 51-53)
 - 6.1.8 Currency exchange services (item 50)
 - 6.1.9 Factoring a receivable (item 8)
 - 6.1.10 Life insurance services (items 37-39)
 - 6.1.11 Loan services (items 6, 7 48 and 49)
 - 6.1.12 Remittance services (items 31-32A)
 - 6.1.13 Securities and derivatives market(s)/investment services (items 33 and 35)

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- 6.2 What is a reporting entity?
 - 6.2.1 What about not-for-profits?
 - 6.3 What is a geographical link and why is it important?
 - 6.3.1 What are the exceptions to the geographical link test?
 - 6.4 Carrying on a business
 - 6.5 Designated business groups
 - 6.5.1 Which AML/CTF Act obligations can be fulfilled by members of a DBG?
 - 7 **An overview of the FTR Act**
 - 7.1 Who has obligations under the FTR Act?
 - 7.2 Can an entity be both a 'cash dealer' under the FTR Act and a 'reporting entity' under the AML/CTF Act?
 - 7.3 What are the reporting obligations under the FTR Act?
 - 7.4 Does an entity have an obligation to report transactions under both the FTR Act and the AML/CTF Act?
 - 7.5 What are the significant cash transaction reporting obligations for cash dealers?
 - 7.6 What are solicitor SCTR's?
 - 7.7 Suspect transaction reporting obligations
 - 7.7.1 What are the 'grounds for suspicion'?
 - 7.8 Record-keeping obligations
 - 8 **Enrolment and remittance service providers**
 - 8.1 Reporting entities
 - 8.2 Remittance service providers
 - 8.3 What is a remittance service?
 - 9 **Customer due diligence – A key obligation!**
 - 9.1 CDD requirements (from 1 June 2014)
 - 9.2 Summary of changes to the AML/CTF Rules
 - 10 **Regulatory obligations**

Topic 2 About AML/CTF programs

- 1 Overview
- 2 What is an AML/CTF program?
 - 2.1 Part A of an AML/CTF program
 - 2.2 Part B of an AML/CTF program
 - 2.3 Providing designated services at or through a permanent establishment in a foreign country
- 3 The risk-based approach to developing an AML/CTF program
 - 3.1 Risk management
 - 3.2 What risks need to be managed?
 - 3.3 The risk management framework (or method)
 - 3.4 The risk management process
 - 3.4.1 Risk identification
 - 3.4.2 Business risk
 - 3.4.3 Regulatory risk differentiation
 - 3.4.4 Risk assessment
 - 3.4.5 Likelihood scale
 - 3.4.6 Impact scale
 - 3.4.7 Risk matrix and risk score
 - 3.4.8 Risk treatment
 - 3.4.9 Monitor and review
- 4 Additional tools to help your risk assessment
 - 4.1 Applying risk appetite to risk assessment
 - 4.2 Risk tolerance
- 5 Developing an AML/CTF program
- 6 Record-keeping requirements for AML/CTF programs

Topic 3 Part A of an AML/CTF program

- 1 Part A of an AML/CTF program – Conducting the risk assessment
- 2 Conducting an ML/TF risk assessment
 - 2.1 What must be included in the ML/TF risk assessment?
- 3 Approval and oversight by boards and senior management
- 4 Appoint an AML/CTF Compliance Officer
 - 4.1 Duties of an AML/CTF compliance officer
 - 4.2 Delegation of responsibilities
- 5 Regular independent review of Part A
- 6 Employee due diligence program
- 7 AML/CTF risk awareness training program
- 8 AUSTRAC feedback
- 9 Reporting obligations
- 10 Ongoing customer due diligence
 - 10.1 Transaction monitoring program
 - 10.2 Types of transactions which may be monitored under a transaction monitoring program
 - 10.3 Enhanced customer due diligence program
 - 10.4 Enhanced customer due diligence procedures

Review activity

Topic 4 Part B of an AML/CTF program

- 1 Changes to the AML/CTF Rules impacting Part B of an AML/CTF program
- 2 Part B of an AML/CTF program: Know Your Customer
 - 2.1 When does a reporting entity need to undertake CDD?
 - 2.2 Risk-based customer due diligence procedures
- 3 Collecting and verifying customer identification information
 - 3.1 The minimum customer identification and verification requirements
- 4 Ready reckoner
 - 4.1 'Safe harbour' procedures for individuals with a medium or lower ML/TF risk
 - 4.2 Simplified verification procedures for certain types of companies and trusts
 - 4.2.1 Simplified company verification procedure
 - 4.2.2 Simplified trust verification procedure
- 5 Identifying and verifying the beneficial owner of a customer
 - 5.1 What is a beneficial owner?
 - 5.2 What beneficial owner information must be collected and verified
 - 5.3 Identifying the beneficial owner of a customer
 - 5.4 Process to be taken if a reporting entity is unable to identify the beneficial owner of a customer
 - 5.5 Exceptions to the beneficial ownership obligations
 - 5.6 Safe harbour procedures for verifying the beneficial owner of a customer
 - 5.7 Using disclosure certificates to identify the beneficial owner of a customer
- 6 Responding to discrepancies that arise while verifying customer and beneficial owner information
 - 6.1 The Document Verification Service – individual customer and beneficial owner identification
- 7 AML/CTF identification and verification requirements for individual customers: Know Your Customer (KYC)
 - 7.1 Verification of KYC information using reliable and independent electronic data
- 8 AML/CTF identification and verification requirements for beneficial owners
- 9 Using the DVS for AML/CTF identification and verification purposes
 - 9.1 High ML/TF risk customers
- 10 Record-keeping obligations and the DVS
 - 10.1 Applicable customer identification procedure (ACIP) records
 - 10.2 Designated Business Groups (DBGs)
- 11 Privacy requirements

12 Politically exposed persons

- 12.1 Who is a politically exposed person?
- 12.2 When does a person cease to be considered a PEP?
- 12.3 Money laundering and terrorism financing risk associated with PEPs
- 12.4 Risks associated with different categories of PEPs
- 12.5 What are the requirements for identifying PEPs?
 - 12.5.1 Determine whether a customer or beneficial owner is a PEP 24
 - 12.5.2 If a customer is a medium or lower ML/TF risk domestic or international organisation PEP
 - 12.5.3 If a customer is a foreign PEP or a high ML/TF risk domestic or international organisation PEP
 - 12.5.4 Responding to any discrepancies
 - 12.5.5 Ongoing transaction monitoring
- 12.6 PEPs and other legislative requirements
- 12.7 Privacy considerations

13 Special circumstances and exemptions that apply for CDD obligations

- 13.1 Pre-commencement customers
- 13.2 Customer identification procedures carried out by another reporting entity
- 13.3 Customer identification procedures for low-risk designated services
- 13.4 Exemptions for the gambling sector
- 13.5 Other exemptions in relation to customer procedures

Review activity

Topic 5 AML/CTF reporting and record-keeping

- 1 Introduction
- 2 AML/CTF reporting relationships
 - 2.1 Integrating reporting obligations into business
- 3 Reporting obligation 1: Transaction reports
- 4 Reporting obligation 2: Cross-border movements
- 5 Reporting obligation 3: AML/CTF compliance report
 - 5.1 AML/CTF compliance reports: Summary tables
- 6 Reporting methods
 - 6.1 Penalties for failing to produce a report
- 7 Threshold transaction report (TTRs)
 - 7.1 Details that must be reported in a TTR
 - 7.1.1 The individual conducting the threshold transaction is a politically exposed person (PEP)
 - 7.2 Reporting obligations of physical currency of AUD10,000 or more (or foreign currency equivalent) directly into the reporting entity's bank account
 - 7.3 Combining and reporting a customer's transactions in a single TTR
 - 7.4 TTR obligations for cash carriers
 - 7.5 Exemptions from the obligation to report a TTR
 - 7.6 Structuring and TTR
- 8 International Funds Transfer Instructions reports (IFTIs)
 - 8.1 What is an electronic funds transfer instruction (EFTI)?
 - 8.2 International electronic funds transfer instructions (ITFI-E)
 - 8.3 Key parties involved in an IFTI-E
 - 8.4 What information must be reported in an IFTI-E?
 - 8.5 IFTI under a designated remittance arrangement (IFTI-DRA)
 - 8.6 Exemptions to the IFTI reporting obligations
- 9 Suspicious matter reports (SMRs)
 - 9.1 What are the suspicious matter reporting obligations?
 - 9.2 Suspicion on reasonable grounds
 - 9.3 Identifying suspicious activity and forming suspicion on reasonable grounds
 - 9.4 What information must be reported in an SMR?
 - 9.5 Reporting periods for an SMR
 - 9.6 Exemptions from the obligation to report an SMR
 - 9.7 Continuing a relationship after a suspicion has been formed
 - 9.8 What is 'tipping off'?

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- 10 [Cross-border movement reports](#)
 - 10.1 What are the cross-border movement (CBM) reporting obligations?
 - 11 [AML/CTF compliance reports](#)
 - 11.1 Information reported in an AML/CTF compliance report
 - 11.2 AML/CTF compliance reporting obligations for DBG members
 - 12 [AML/CTF record-keeping](#)
 - 12.1 Who do record-keeping obligations apply to?
 - 12.2 What types of records must be kept?
 - 12.3 Retention periods for records under the AML/CTF Act: Summary
 - 12.4 General exemptions for record-keeping obligations
 - 12.5 Record keeping and privacy
 - 13 [Case study examples](#)

Appendix – AML/CTF compliance report: Instruction guide

Review activity