

ANTI-MONEY LAUNDERING AND COUNTER-TERRORISM FINANCING (AML/CTF) RULES – QUESTIONS AND ANSWERS

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What are the components of the Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF) legislative framework?

The Australian Government’s AML/CTF reforms propose a number of improvements to Australia’s AML/CTF system, in line with international standards.

The proposed legislative framework comprises an exposure draft AML/CTF Bill (the exposure Bill), Regulations, AML/CTF Rules, and related guidelines.

What would the exposure Bill cover?

The exposure Bill is principles-based draft legislation. It provides the framework for a flexible and risk-based AML/CTF system enabling individual businesses to manage money laundering and terrorism financing risks specific to their business. The general principles in the exposure Bill would be supplemented by legally-binding AML/CTF Rules and Regulations.

The exposure Bill sets out the primary obligations of ‘reporting entities’ when providing ‘designated services’. The key obligations under the exposure Bill would include:

- verifying the identity of new customers
- monitoring customers and their transactions
- reporting specified transactions and suspicious matters, and
- implementing and maintaining AML/CTF Programs.

What are AML/CTF Rules?

AML/CTF Rules will set out the specific requirements to underpin the broader obligations contained in the exposure Bill. The Rules will enable the flexible application of the exposure Bill’s broader principles such as customer due diligence. The Rules are being developed by the Australian Transaction Reports and Analysis Centre (AUSTRAC) in consultation with industry, and would be legally binding.

What would AML/CTF Rules cover?

AML/CTF Rules would cover the following types of matters:

- standards and/or procedures that reporting entities should use when verifying the identity of a customer. Different procedures may apply to different types of customers (eg. individuals, companies and other legal entities)
- the matters reporting entities should take into account in determining whether a matter is suspicious and should be reported to AUSTRAC
- the matters reporting entities should address in their AML/CTF Programs, including:
 - systems to identify and mitigate money laundering and terrorism financing risks
 - a customer due diligence program, and
 - a staff risk awareness training program
- when reporting entities should re-verify the identity of customers
- the details reporting entities should include in their reports to AUSTRAC of threshold transactions, suspicious matters and funds transfer instructions, and
- the matters reporting entities should assess when conducting a due diligence assessment of a correspondent banking relationship.

Some sample AML/CTF Rules have been released with the exposure Bill for public consultation, covering AML/CTF programs, suspicious matters reporting and 'Minimum Know Your Customer Information' rules.

What would the guidelines cover?

Guidelines would not be legally binding and may be issued by AUSTRAC from time to time to assist reporting entities to interpret their obligations under the AML/CTF legislative framework. They would be developed by AUSTRAC in consultation with industry.

Need more information about the exposure Bill or AML/CTF Rules?

Additional information about the exposure AML/CTF Bill and the consultation process is available on the Anti-Money Laundering Reform Online website of the Attorney-General's Department at <<http://www.ag.gov.au/aml>> or by emailing aml.reform@ag.gov.au.

Information about AML/CTF Rules and the consultation process is available on AUSTRAC's website at <<http://www.austrac.gov.au>> or by emailing aml_ctf_rules@austrac.gov.au .

Want to comment on the exposure AML/CTF Bill or AML/CTF Rules?

Comments on the exposure AML/CTF Bill and AML/CTF Rules are most welcome.

Comments and submissions on the exposure Bill can be emailed to aml.reform@ag.gov.au or sent to:

Assistant Secretary
 Criminal Law Branch
 Attorney-General's Department
 Robert Garran Offices

National Circuit
BARTON ACT 2600

Submissions received by the Attorney-General's Department will be published on the Anti-Money Laundering Reform Online website, unless specifically marked as confidential.

Comments and submissions on AML/CTF Rules can be emailed to aml_ctf_rules@austrac.gov.au or sent to:

Deputy Director
AML Reform
AUSTRAC
PO Box 5516
WEST CHATSWOOD NSW 1515

All comments on the exposure Bill and AML/CTF Rules must be received by 13 April 2006.