

Knowing your customer IN A GLOBAL WORLD

The basics of Australia's AML/CTF regime

For accountants, conveyancers, lawyers,
real estate agents and other business professionals.



An increasing threat

Anti-Money Laundering (AML) and Counter-Terrorism Financing (CTF) efforts have always been important both in Australia and globally. However, a number of recent instances of bribery, corruption, money laundering and cross border profit sharing have brought them to the forefront.

In addition to this, terrorism is an ongoing issue that continues to be a strong focus for the government. Cutting off funding to terrorist groups is one of the most effective ways of shutting them down and limiting what they can do.

Recent national occurrences involving big Australian companies such as the Commonwealth Bank and Tabcorp, have highlighted the need for greater AML/CTF due diligence and increased the pressure for wider reaching regulations across the Australian business landscape. Knowing your customer has never been so prevalent in today's world of commerce.

What will you gain from this eBook?

- Learn about the current state of Australia's AML/CTF regime.
- Understand what Tranche 2 will mean for Australian businesses.
- Read about real-life cases of money laundering and terrorism financing.
- Find out how other businesses are conducting due diligence.

2 in 3

were unaware of the outcomes of the Financial Action Task Force review of Australia's AML/CTF legislation.

- 2016 InfoTrack global due diligence survey

Australia's AML/CTF Act

The Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (AML/CTF Act) was established to stop money laundering and terrorism financing. Currently, only Tranche 1 of the Act has been implemented which extends obligations to those who work in financial businesses, including the financial sector, gambling sector, bullion dealers and remittance service providers. This group includes around 14,000 entities.

There is increasing pressure on the government to implement Tranche 2 of the AML/CTF Act, which would extend the regulations to cover more than 100,000 entities including designated non-financial businesses who have similar vulnerabilities such as the real estate industry, high-value item dealers (jewellery, fine art and precious stone), lawyers, accountants and trust services.

Current obligations under the AML/CTF Act

Under the AML/CTF Act, reporting entities have a number of obligations, including:

- enrolling their business with AUSTRAC.
- conducting customer due diligence (including verification of identity).
- complying with several AML/CTF record keeping obligations.
- establishing and maintaining an AML/CTF program.
- maintaining ongoing customer due diligence and reporting.

Criticism of Australia's regime

The AML/CTF Act is part of a legislative package meant to align Australia with international best practice to deter money laundering and terrorism financing. However, it has been critiqued internationally, most notably by the Financial Action Task Force (FATF) in 2015. FATF is an intergovernmental body whose objective is to set standards to target money laundering, terrorism financing and other related threats to the integrity of the global financial system, and to promote the effective implementation of those standards.

In 2015, FATF reviewed Australia's AML/CTF regime and found a number of areas that were not compliant with their recommendations, particularly in the area of prosecution and investigation of money laundering. Their biggest criticism was around the fact that Tranche 2 had not yet been implemented, meaning most of the non-designated, non-financial professions who deal with large value transactions still aren't subject to the regime.



Tranche 2 implementation

When will Tranche 2 be implemented?

The lack of movement after the implementation of Tranche 1 has likely been due to varying government priorities over the past 10 years and industry resistance because it would mean extra compliance requirements on the businesses that would be regulated. However, recent events involving Australian businesses tied up in global investigations are placing a lot of pressure on the government to expand the regime. Changes are currently under consideration, though not expected to become law until 2018 at the earliest.

How will Tranche 2 affect my business?

A 2016 InfoTrack survey found the main concern businesses have about Tranche 2 coming into effect is the perceived amount of extra time, resources and money needed to become compliant. While the initial implementation of new procedures requires an investment of time and resources, if you work with a trusted provider to create a streamlined due diligence process your business will be far better off in the long term. AML/CTF regulations are meant to protect your business and those you deal with and are becoming increasingly necessary in the evolving global marketplace. The negative impacts of getting caught up in money laundering or terrorism financing are severe and have the potential to destroy your business, it's simply not worth the risk.

What will I have to do?

Should Tranche 2 roll out, if you're a real estate professional, high-value dealer, legal practitioner, conveyancer, accountant or trust and company service provider, it will be likely that you will need to abide by the following:

- Have an understanding of the AML/CTF Act, its rules and the impact it will have on business operations.
- Enrol your business with AUSTRAC.
- Have a process in place that enables you to identify transactions that require submission of Threshold Transaction Reports and International Funds Transfer Instructions to AUSTRAC Online.
- Have a process in place for identifying suspicious transactions and customers.
- Enforce Customer Due Diligence processes so that you can collect and verify customer information.
- Establish an adequate Enhanced Customer Due Diligence process on customers who pose a high-risk level of money laundering and terrorism financing risk.

1 in 3

didn't have a standard uniform process for verifying identity of new clients.

- 2016 InfoTrack global due diligence survey

Why care now?

You may think it would never happen to you, but any business can be the target of money laundering and terrorism funding, especially those dealing with large transactions. Below are just a few recent examples.

● **Rolls Royce, January 2017**

UK manufacturing giant Rolls Royce made to pay £671 million (1.1 billion AUD) after a five year-long investigation revealed that the company had been paying bribes to land export contracts.

● **Istanbul terrorist, January 2017**

Turkish police arrest Abdulkadir Masharipov, the individual suspected of committing the terrorist attack and killing 39 people in an Istanbul nightclub. They also found on him \$197,000 (\$261,000 AUD) in cash, two guns and drones, as well as a further \$150,000 (\$190,000 AUD) in another account, which was believed to be intended for Masharipov's use.

● **Tabcorp, March 2017**

Australian gambling company Tabcorp are fined \$45 million after a report finds that the company had failed to report suspicious behaviour on 108 occasions over more than five years.

● **Russian money-laundering, May 2017**

US authorities close a ten-year investigation by reaching a \$5.8 million (7.5 million AUD) settlement with an organisation linked to Russian money-laundering allegations, which involved corrupt government officials, a suspicious death and a New York real estate.

● **Commonwealth Bank, August 2017**

↓ Australian retail banking giant, Commonwealth Bank are under investigation after suspicions arose alleging the bank's intelligent deposit machines were used by money launderers and criminal gangs.

The above occurrences exemplify and remind us of the important role that AML/CTF play in preventing terrorist attacks and criminal behaviour. Disrupting and denying terrorist and criminal financing makes it more difficult for groups to equip themselves, conduct their operations and attract new members.

Despite AML/CTF regulations not being compulsory for all business types in Australia, being due diligent is good business practice, that will give you a competitive advantage when negotiating deals with shareholders and other business partners.



only **2%**
thought the current
AML/CTF legislation
to be highly effective.

- 2016 InfoTrack global due
diligence survey

What are common red flags that I should look out for?

1. Complex business structures

Complex business structures are often a red flag. Shelf and shell companies are common throughout Asia and there can often be several layers between who you're doing business with and the beneficial owner.

2. Requesting a sum of funds

Advanced fee fraud is also common where someone tells you they need a sum of funds to help them get their funds released in order to pay you and then they disappear with your money.

3. State or government owned businesses

State or government owned businesses particularly in emerging markets are something you should be wary of because most of the people involved in the business are also government officials and there's a lot of opportunity for handouts, bribery, corruption and conflicts of interest.

4. Unusually large profits

Well above average profits should always cause you to ask more questions. If the company is making well above industry norms you should look into things carefully.

3 in 5

didn't investigate
beneficial owners
when working
with international
companies.

- 2016 InfoTrack global due
diligence survey

The importance of due diligence

Despite AML/CTF obligations not yet being compulsory for all business types in Australia, conducting these searches is good business practice. There are many checks all businesses should be doing regardless of AML/CTF regulations, including searching sanctions and politically exposed persons lists as penalties for breaching trade sanctions are severe and can include prison sentences and hefty fines.

Having comprehensive AML/CTF policies and procedures in place demonstrates that your business manages risk and gives you a competitive advantage when negotiating deals with shareholders and other business partners. Included in the current obligations of the AML/CTF Act,

is the maintenance of ongoing customer due diligence and reporting. More specifically, this means assessing, collecting and verifying information on your customers; this is also known as 'Know Your Customer'. What it really comes down to is this: it's about knowing the people you're going to be doing business with – is this someone you can trust?

As Australian businesses increasingly enter into emerging markets, the risks are considerable and it's important to have a strategy in place to mitigate risk. Implementing a standardised process is vital to ensure that you're getting the right information from a trusted source.



Superior risk management

Ensuring you know your customer in a global work environment.



Competitive advantage

Conducting due diligence when it's not yet compulsory in your field.



High-calibre reputation

Gaining a competitive advantage when negotiating deals.



Enhanced security

Knowing who you're going to be doing business with.



Trusted service

Being diligent reinforces to others that business is taken seriously.

Want to learn how you can improve your AML/CTF and KYC due diligence?

Book a demo to see our streamlined due diligence tools.

HOW WELL DO YOU KNOW YOUR CUSTOMERS?



ARE UNSURE OF THE IMPACT IF TRANCHE 2 IS BROUGHT IN.



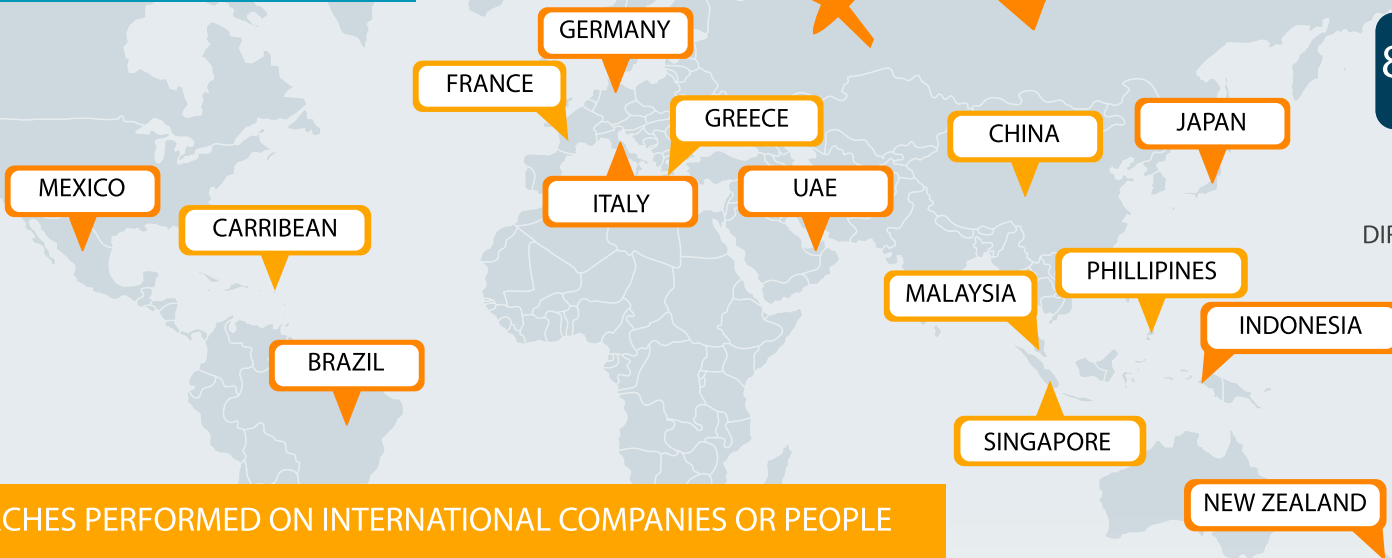
BELIEVE IT WILL BE A BURDEN THAT WILL REQUIRE EXTRA TIME AND RESOURCES.

In November 2016, InfoTrack conducted a survey on professionals across Australia to gain a better understanding of what type of AML/CTF due diligence they are currently conducting and how Tranche 2 of the AML/CTF program would affect them if it is implemented.

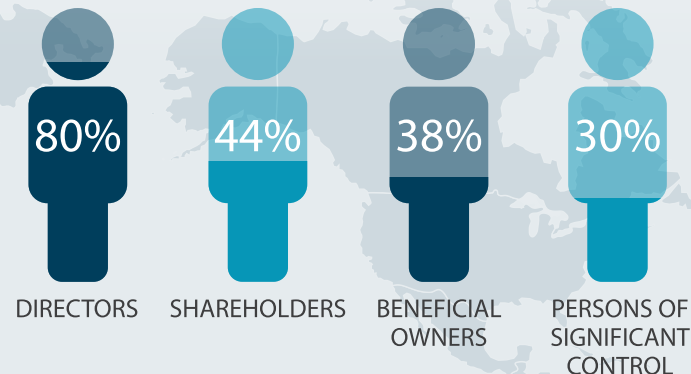


WERE UNAWARE OF THE OUTCOMES OF THE FINANCIAL ACTION TASK FORCE (FATF) REVIEW OF AUSTRALIA'S AML/CTF LEGISLATION.

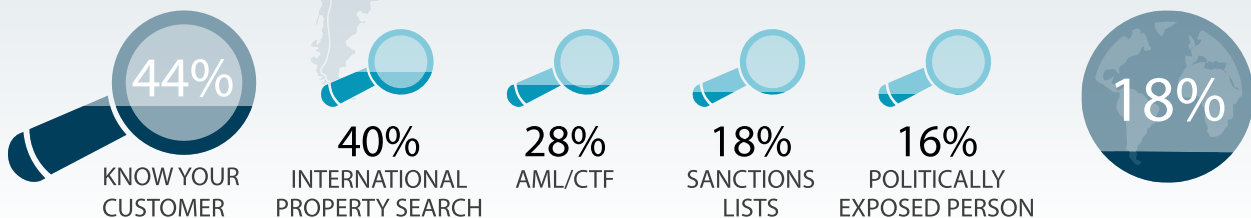
MOST COMMON INTERNATIONAL SEARCHES OUTSIDE OF THE UK AND US



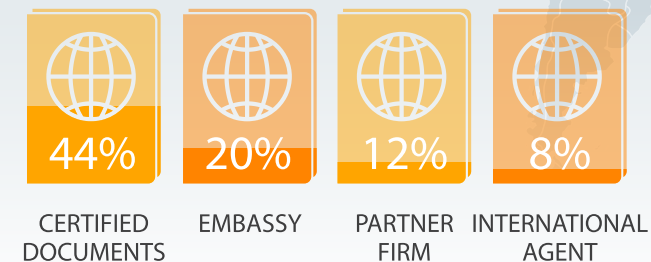
RELATED PARTIES THAT ARE SEARCHED



SEARCHES PERFORMED ON INTERNATIONAL COMPANIES OR PEOPLE



USUAL METHOD OF INTERNATIONAL VERIFICATION





Why do you need InfoTrack?

InfoTrack is an award-winning Australian technology company that is helping professionals move into the digital age. We create intuitive tools for both professionals and consumers that enable you to find, analyse, organise and communicate information more efficiently and effectively. We build simple technology that makes your life easier.

If you want to learn how you can improve your AML/CTF and KYC due diligence, book a demo to see our streamlined due diligence tools.

www.infotrack.com.au/book-a-demo

Additional resources

For additional due diligence resources visit:

www.infotrack.com.au/duediligence



CAN YOU PERFORM comprehensive AML checks IN A MATTER OF MINUTES?

InfoTrack allows you to conduct complete AML investigations in a single search, to comply with the AML/CTF Act.

Streamline your due diligence processes with aggregated AML searches that automatically highlight risk and can be customised to meet your specific requirements.

- 1 Start with an ASIC search
- 2 View aggregated director details
- 3 Check all related entities against PEP and sanctions lists internationally
- 4 On-search personal names and AFSA
- 5 Receive the aggregated results in a single package

CHOAM PTY. LIMITED ACN 100 100 100

ASIC EXTRACT SNAPSHOT

CURRENT ORGANISATION DETAILS

Field	Value	Field	Value
ACN	100 100 100	Start Date	14/09/2010
ABN	95 500 500 100	Name	CHOAM PTY. LIMITED
Company Name	CHOAM PTY. LIMITED	Name Start Date	14/09/2010
Registered	Melb, Vic	Status	UNDER EXTERNAL ADMINISTRATION
Registration Date	07/11/2005	Type	Australian Proprietary Company
Responsible Officer	07/11/2012	Class	Limited By Shares
Company Type	ACN (Australian Company Number)	Industry	Proprietary Company
Company Director	3	Company Code	Nil
Responsible Officer	3	Business Number	92 383 000

Share Structure

Class	Class Type	Shares Issued	Amount Paid
A	A CLASS ORDINARY SHARES	60	\$ 60.00
B	B CLASS ORDINARY SHARES	25	\$ 25.00
C	C CLASS ORDINARY SHARES	15	\$ 15.00
CEO	CEO	100	\$100.00

REVEAL - Company Visualisation

CHOAM PTY. LIMITED ACN: 100 100 100

Directors & Shareholders - Lookup

PEP & Sanctions (10 entities)

Current Directors

Name	DOB	Personal*	AFSA**
John Smith (Beneficial Owner)	01/01/1940	✓	✓
Susan Short	01/01/1950	✓	✓
Joe Bloggs	01/01/1960	✓	✓

Former Directors

Name	DOB	Personal*	AFSA**
Sarah Little	01/01/1970	✓	✓
James Cook	01/01/1980	✓	✓

Shareholders

No results found

*Personal name extracts are not included as part of the look up. These may be ordered in the next step.
**Additional AFSA searches maybe required if a party returns multiple results. The first AFSA extract is included.

Anti Money Laundering Report

Due Diligence Summary

Prepared for: ABC Business

Company: CHOAM PTY. LIMITED

Company

- ✓ Company Status: Registered
- ✓ Credit Rating: 24 (Risk Level: High)
- ✓ Court Judgments: 2
- ✓ Related Foreign Entities: 0
- ✓ Beneficial Owner: 3
- ✓ Ultimate holding company: No
- ✓ PEP/Sanctions checklist: No Match

REVEAL - Company Visualisation

People

ASIC Organisation Extract

Name	Birth Detail	Role	ASIC Personal Lookup	AFSA Browse
John Smith	01/01/1940	Directors	✓	✓
Susan Short	01/01/1950	Directors	✓	✓
Joe Bloggs	01/01/1960	Directors	✓	✓
Sarah Little	01/01/1970	Directors	✓	✓
James Cook	01/01/1980	Directors	✓	✓

Beneficial Owners

Name	Beneficial Owner (%)
John Smith	40.00%
XYZ Company	25.00%
DEF Company	25.00%

ASIC Personal Name Extract / AFSA Extract

Name	Birth Detail	Role	ASIC Personal	AFSA
Sarah Little	ADAMSTOWN	Directors	✓	✓
John Smith	01/01/1940 EAST MELBOURNE	Directors	✓	✓
John Smith	01/01/1940 MELBOURNE	Directors	✓	✓
John Smith	UNKNOWN	Directors	✓	✓
Susan Short	01/01/1950 PORT ELIZABETH	Directors	✓	✓
Susan Short	01/01/1950 PORT ELIZABETH	Directors	✓	✓
Susan Short	01/01/1950	Directors	✓	✓
Joe Bloggs	01/01/1960 LAUTOKA	Directors	✓	✓



Save hours of time

All your AML information in one place through a single search.



Search smarter

Identify red flags immediately through a cover page summary.



No subscription fees

Simply pay per investigation and receive a monthly bill.



Customise investigations

Flexible searching with the ability to on-search as you go.



Export results to Excel

Easily analyse results and cross-check for conflicts.