

# AML/CTF programs

An introduction to anti-money laundering  
and counter-terrorism financing programs.



This brochure provides  
an introduction to  
anti-money laundering  
and counter-terrorism  
financing programs.

More information on Part B of such programs is given  
in another brochure, *Customer identification*.



**Australian Government**

**Australian Transaction Reports  
and Analysis Centre**

## Who has to set up AML/CTF programs?

You will need to set up an AML/CTF program if you are a reporting entity. This is a requirement under the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (AML/CTF Act).

A reporting entity is an individual, company or other entity that provides a 'designated service' as defined in the AML/CTF Act. Reporting entities include banks, non-bank financial services, remittance (money transfer) services, bullion dealers and gambling businesses.

### Examples of designated services include:

- opening an account
- accepting deposits or allowing withdrawals
- making a loan
- issuing a debit or credit card
- supplying goods through a finance lease
- supplying goods by way of hire purchase
- issuing traveller's cheques
- providing remittance services which transfer money or property
- certain superannuation-related transactions or services
- issuing or accepting liability under life insurance policies
- issuing or selling securities and derivatives
- exchanging foreign currency.

### For the gambling sector, designated services include:

- receiving or accepting a bet
- placing or making a bet
- allowing a person to play a game on an electronic gaming machine
- paying out winnings on bets
- exchanging money for gaming chips or tokens and vice versa.

## What is an AML/CTF program?

As part of your AML/CTF program, you need to have the processes and procedures in place for:

- assessing the money laundering and terrorism financing (ML/TF) risk in providing designated services
- customer identification and verification
- ongoing customer due diligence (checking the identity of customers and checking that their financial activity matches that identity)
- employee due diligence (screening employees to ensure they do not expose your business to ML/TF risk).

AML/CTF programs are made up of two parts, Part A (general) and Part B (customer identification). Customer identification is covered in a separate brochure, *Customer identification*.

## What is the purpose of an AML/CTF program?

The primary purpose of Part A of an AML/CTF program is to identify, lessen and manage any risks you may face in providing a designated service that might involve money laundering or terrorism financing.

The purpose of Part B of an AML/CTF program is to set out identification procedures for different types of customers.

Under the AML/CTF Act, you must adopt, maintain and comply with an AML/CTF program if you provide one or more designated services.

## How does privacy legislation affect me?

You need to be aware of your obligations under the *Privacy Act 1988*. You need to meet these obligations when you are setting up your AML/CTF program and collecting information under it. All your activities must comply with this legislation.

Further assistance about the Privacy Act and privacy obligations as part of AML/CTF is available from the Office of the Privacy Commissioner on 1300 363 992 or visit the website at [www.privacy.gov.au](http://www.privacy.gov.au)

## What is customer due diligence?

Customer due diligence involves verifying your customer's identity as well as ongoing monitoring of customer transactions (for example, checking that your customer's activities are in line with the identity which they have claimed).

## What is employee due diligence?

Employee due diligence means screening employees to ensure they are suitable (for example, checking their identity and their background to ensure they are of good character).

## What different kinds of AML/CTF programs are there for different types of businesses?

There are three types of AML/CTF program: standard, joint and special.

A **standard** AML/CTF program applies to an individual reporting entity. Parts A and B are both required.

A **joint** AML/CTF program applies if you are a member of a designated business group whose members have decided to have a joint program. Both Parts A and B are required, but different provisions can be included for each member if needed. The AUSTRAC website includes more information on how a designated business group is defined (visit [www.austrac.gov.au/des\\_bus\\_group.html](http://www.austrac.gov.au/des_bus_group.html)).

You can use a **special** AML/CTF program if you hold an Australian Financial Services (AFS) licence and the only designated service you provide under the AML/CTF Act is to arrange for people to receive other designated services. In this case, rather than having Parts A and B, you only need to have a special AML/CTF program. This special AML/CTF program sets the applicable customer identification procedures (this is the same as having Part B without Part A).

## Risk considerations

The *Anti-Money Laundering and Counter-Terrorism Financing Rules Instrument 2007 (No 1)* requires that in identifying your ML/TF risk you must consider the following:

- your customer types. Are you dealing with an individual, partnership, corporation or a trust that may involve higher risk?
- the types of designated services you provide. For example, you may decide that providing a deposit account carries a lower ML/TF risk than providing an international funds transfer service to a person who does not hold an account with you

## Risk considerations (continued)

- the methods by which you deliver designated services. For instance, you might decide that face-to-face transactions have lower ML/TF risks
- the foreign jurisdictions with which you deal in providing the designated services
- the provision of designated services through any permanent establishments of your business in a foreign country (you need to consider how the different laws of these countries might affect your ML/TF risk).

## What does Part A of an AML/CTF program have to include?

Part A of an AML/CTF program must include the following:

- a risk awareness training program for employees
- employee due diligence program (you need to take into account any ML/TF risk associated with employees, and screen them as necessary)
- oversight by boards and senior management
- an AML/CTF Compliance Officer (you will need to appoint such an officer)
- independent review (Part A of the program must be independently reviewed and a report must be given to your business's governing board and senior management)
- any feedback you have received from AUSTRAC on your program.

If your business has a 'permanent establishment' outside Australia, only some parts of Part A of the AML/CTF program will need to be followed for that establishment.

## About AUSTRAC

The Australian Transaction Reports and Analysis Centre (AUSTRAC) is Australia's anti-money laundering and counter-terrorism financing regulator and specialist financial intelligence unit.

## Where can I get more information?

You can contact the AUSTRAC Help Desk  
Telephone: 1300 021 037  
Email: [help\\_desk@austrac.gov.au](mailto:help_desk@austrac.gov.au)

Information is also available on the AUSTRAC website at [www.austrac.gov.au](http://www.austrac.gov.au)

You will find many useful links on this website, including links to the AML/CTF Act, the AML/CTF Rules and AUSTRAC's Regulatory Guide. You will also find more information on AML/CTF programs, on designated business groups, e-learning modules, a Self Assessment Questionnaire and other resources.

The information contained in this document is intended to provide only a summary and general overview on these matters. It is not intended to be comprehensive. It does not constitute, nor should it be treated as, legal advice or opinions. The Commonwealth accepts no liability for any loss suffered as a result of reliance on this publication. AUSTRAC recommends that independent professional advice be sought. The information contained herein was current at the time of publication.



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