

Regulation Impact Statement

AUSTRAC: Proposed changes to the annual compliance report

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Proposed changes to the annual compliance report

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1. Executive summary

1.1 Background

AUSTRAC is Australia's AML/CTF Regulator and Financial Intelligence Unit. In its AML/CTF regulatory role, AUSTRAC supervises approximately 13,800 reporting entities (**REs**). AUSTRAC applies a risk-based approach to the regulation of REs under the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (AML/CTF Act)* by applying higher amounts of regulatory effort in supervising REs that have a higher exposure to money laundering (**ML**) / terrorism financing (**TF**) risk.

The Annual Compliance Report (**ACR**) submitted by REs is a key tool for AUSTRAC to obtain information to analyse and input into its risk-based approach to supervision. The ACR is collected pursuant to section 47 of the AML/CTF Act. It comprises an online questionnaire with fixed choice responses across 22 key question areas. Exemptions for some REs mean that currently approximately 6,500 REs complete the ACR.

1.2 Problems with the current annual compliance report

Three problems have been identified with the current ACR:

1. The ACR's questions have reduced in relevance over time as the AML/CTF Act has been bedded down, reducing the usefulness of the information collected for analysis and input into AUSTRAC's risk-based approach to supervision
2. The regulatory burden may not be proportionate to the level of ML/TF risk exposure across the population of REs
3. Some REs regard completion of the ACR as a burden with little or no value to them.

These problems are explored in further detail in Section 3.

1.3 Options for change

Six options have been identified to address the problems. These have been analysed and evaluated using a three stage approach, which includes consideration of cost and cost offset information provided by a small number of representative REs. The options are outlined in Section 5 and the analysis and evaluation is set out in Section 6.

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1.4 Preferred option and implementation

AUSTRAC's preferred option, based on the analysis and evaluation is for:

- A category of large REs/designated business groups (**DBGs**) to lodge an Annual Return (**AR**) and an Enhanced Compliance Report (**ECR**),
- Other REs/DBGs not exempted from compliance reporting to lodge an ECR only and
- A further group of REs to be exempted from their existing ACR obligation – these entities will not be required to submit compliance reports.

Overall, AUSTRAC's preferred option will reduce the burden on REs. Large REs may experience increased burden. However, stakeholder engagement indicates that typically, larger REs already complete reporting similar to the AR. By making the AR free format, we expect REs will use the same information as contained in their current internal reports for the AR, therefore reducing burden. The enhanced information will enable useful data analysis to support an improved risk-based approach to supervision, particularly with large REs that have a higher ML/TF risk exposure.

Overall a smaller number of REs will be required to submit a compliance report as REs with 4 or fewer employees and REs exempted from Part 7 of the AML/CTF Act will be exempted from the obligation to submit a compliance report resulting in the overall reduction in burden of the regulated population.

Implementation is planned for the reporting period 1 January 2015 to 31 December 2015. The submission period for the 2015 compliance reports will begin on Monday 4 January 2016, (the first business day of 2016) and end on 31 March 2016. Further detail on implementation is provided in Section 8.

1.5 Industry consultation

Initial consultation has taken place to support the preparation of the Regulation Impact Statement (**RIS**). Further consultation on proposed changes is now required and the RIS will be subject to full public consultation. Details of the consultation are included in Section 7.

The consultation will be to obtain feedback from REs that may be affected by the proposed changes on the challenges, impacts and benefits of AUSTRAC's preferred regulatory option.

It is intended that the RIS will be published on the AUSTRAC website for public consultation in October 2014 for a 30 day period. All currently reporting REs (approximately 6,500 entities) and RNPs will be contacted via email inviting submissions. AUSTRAC will also write to relevant industry associations and other regulators.

Due to the limited nature of the change, it is expected that a period of 30 days consultation will give REs time to consider the information and respond accordingly. Consideration will be given to submissions and the need to revise the RIS in response to feedback received.

AUSTRAC welcomes the views of all interested stakeholders through the consultation phase.

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2. Background

2.1 Purpose of this document

This RIS addresses AUSTRAC's proposed changes to the ACR.

A RIS attempts to measure the impact of regulation by quantifying the regulatory burdens to businesses and identify reductions in regulatory burdens to offset the costs. The purpose of a RIS is to give decision-makers an assessment based on all available cost and benefit information, such that they are able to understand the implications of the options under consideration and the likely impacts of their decisions. In addition, a RIS is also produced for public consultation to ensure stakeholders and the community are informed of the proposed changes, the likely impact and can provide comment.

2.2 AUSTRAC's role

AUSTRAC is Australia's AML/CTF Regulator and Financial Intelligence Unit (**FIU**).

In its role as AML/CTF Regulator, AUSTRAC seeks to educate, monitor and work to improve the effectiveness of REs' compliance within the requirements of the AML/CTF Act. There are approximately 13,800 REs enrolled with AUSTRAC. Further detail on REs is shown in Table 2.1.

Table 2.1: Reporting entities by industry sector

Industry sector	Description
Banks and other lenders	This sector comprises approximately 1,150 REs. This includes 'authorised deposit taking institutions', such as domestic banks, foreign bank branches and subsidiaries, credit unions and building societies, and other lending institutions, such as finance companies, micro lenders and specialist credit providers
Non-bank financial service providers	This sector comprises approximately 2,750 REs providing a variety of services such as financial planning, funds management, stockbroking, custody, superannuation and life insurance. The REs in this sector range from large, sophisticated organisations through to small businesses
Gambling and bullion service providers	This diverse sector comprises approximately 4,400 REs including casinos, TABs, hotels and clubs with electronic gaming machines, corporate bookmakers, bookmakers and bullion dealers
Money service businesses	This large and diverse sector comprises approximately 5,500 REs, including remittance service providers, cash carriers and currency exchange dealers

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2.3 Australia's AML/CTF regulatory regime

The AML/CTF Act formed part of a legislative package, which implemented reforms to strengthen Australia's AML/CTF regulatory regime. A key objective of the reforms was to bring Australia into line with international standards, including those standards set by the Financial Action Task Force (**FATF**). FATF is an inter-governmental body which aims to set standards and promote effective implementation of legal, regulatory and operational measures for combating ML/TF and other related threats to the integrity of the international financial system.

The AML/CTF Act applies to the provision of designated services, as defined by section 6 of the AML/CTF Act, which are provided by the financial sector, gambling sector, bullion dealers and other professionals or businesses. A person that provides designated services is an RE and is subject to the provisions of the AML/CTF regulatory regime.

Under the AML/CTF Act, there are five key obligations which are internationally recognised under the FATF standards as best practice in deterring and detecting ML/TF. These key obligations, together with the activities that AUSTRAC undertakes to regulate these activities are set out in Table 2.2.

Table 2.2: Key obligations under the AML/CTF Act

RE obligation	AUSTRAC regulatory activities
Make themselves known to AUSTRAC	<ul style="list-style-type: none">▪ Facilitates registration, enrolment and maintenance of census information relating to REs▪ Collection and analysis of ACRs
Conduct ML/TF risk assessments	<ul style="list-style-type: none">▪ Monitors the appropriateness of ML/TF risk assessments through behavioural assessments, on-site assessments and desk reviews
Implement systems and governance to manage their ML/TF risks	<ul style="list-style-type: none">▪ Monitors the appropriateness of REs' governance and systems through behavioural assessments, on-site assessments and desk reviews
Know their customers	<ul style="list-style-type: none">▪ Monitors the appropriateness of REs' customer identification procedures through behavioural assessments, on-site assessments and desk reviews▪ Undertakes sampling of customer records to identify REs' compliance with its customer identification procedures

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RE obligation	AUSTRAC regulatory activities
Report certain transactions and report on compliance to AUSTRAC	<ul style="list-style-type: none">▪ Provides the systems and infrastructure to collect transaction reports▪ Monitors the timing, quality and volume of transaction reports▪ Monitors the adequacy of REs' transaction monitoring systems through on-site assessments▪ Undertakes behavioural assessments to identify under, over and non-reporting by REs▪ Analyses and inputs the information provided in ACRs to inform its risk-based approach to supervision

2.4 Risk-based approach to regulatory activities

In regulating the large and diverse population of REs, AUSTRAC applies a risk-based approach. That is, it applies higher amounts of regulatory effort in supervising REs that have a higher exposure to ML/TF risk. Examples of ML/TF activities of concern to AUSTRAC include serious and organised crime, such as drug trafficking, fraud, tax evasion and other criminal and corrupt activities.

REs that are assessed as large based on their earnings and/or transaction report volumes and/or transaction report values are regarded as having an inherently higher exposure to ML/TF risk. They have relatively more customers and typically provide products and services which are more complex often using multiple distribution channels in multiple jurisdictions. The majority of designated services relate to financial services which by nature tend to be provided by larger REs, making them relatively more important to the overall integrity of Australia's financial system. Accordingly, AUSTRAC applies relatively more supervisory resources toward regulating larger REs compared with smaller entities.

Further to supervisory activities, there are a range of formal enforcement powers available to AUSTRAC under the AML/CTF Act and AML/CTF Rules as outlined below:

- Issue notices to gather information, conduct risk assessment and appoint external auditors
- Execute monitoring warrants to access REs' premises
- Accept enforceable undertakings from REs
- Issue remedial directions which require a RE to take specified action to ensure compliance
- Issue infringement notices requiring the payment of a penalty
- Pursue civil penalty orders through the Federal Court
- Refuse, suspend, cancel or impose conditions on a person's registration on the Remittance Sector Register

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- Refer criminal matters to the Australian Federal Police or the Commonwealth Director of Public Prosecutions.

2.5 Benefits of regulatory activities

REs directly benefit from AUSTRAC's regulatory activities and its related intelligence holdings. By complying with the requirements of the AML/CTF Act, the risk that an RE will be used for ML/TF purposes is reduced. Further, to the extent that REs operate internationally, they obtain a benefit of recognition from other countries by operating in a jurisdiction that complies with the requirements of FATF.

In addition, law enforcement agencies use AUSTRAC's data to disrupt criminal activities by:

- Detecting the embezzlement of funds by employees
- Investigating major loan fraud committed against financial institutions
- Disrupting international scams involving malicious emails that impact on financial institutions
- Following the money trail where corporate crimes have been committed in Australia and REs or their customers as creditors or investors have suffered losses
- Identifying criminal syndicates operating in gaming venues.

The ACR is not a direct enforcement mechanism but rather facilitates AUSTRAC in targeting its supervisory activity. In its current state, the ACR provides less value in comparison to other measures. Enhancing the ACR will support the delivery of the benefits listed above, by improving the risk-based approach to AUSTRAC's supervisory activity across the regulated population.

2.6 AUSTRAC's current Annual Compliance Reporting obligations

Section 47 of the AML/CTF Act, states:

- An RE must, within the lodgement period for a reporting period give the AUSTRAC CEO a report relating to the RE's compliance with the AML/CTF Act, the regulations and the *Anti-Money Laundering and Counter-Terrorism Financing Rules Instrument 2007 (No.1)* (**AML/CTF Rules**) during the reporting period
- A report must be in the approved form and contain such information as is required by the approved form.

As a result of a number of exemptions, such as those applying to remitters and small pubs and clubs, approximately 6,500 enrolled REs (of the 13,800 population) are currently required to lodge the ACR and 7,300 are exempt from lodging an ACR. ACRs have been received by AUSTRAC since 2008 (in respect of the 2007 calendar year).

A DBG is a group of two or more REs (that have elected to be part of a DBG) in accordance with the AML/CTF Rules, and are not members of another DBG. A member of the DBG is allowed to lodge the

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ACR on behalf of all RE members in the group. There are approximately 260 DBGs covering 1,650 REs (of the 13,800 total REs) that may be currently required to lodge an ACR.

2.7 Purpose and format of the current Annual Compliance Report

The current ACR provides information to AUSTRAC on RE's preparedness and compliance with the AML/CTF Act and AML/CTF Rules. It was designed as a census tool to help AUSTRAC better understand the regulated population and to build awareness of requirements within that population. The ACR contains 22 question topics across four sections. The sections include:

- Part A (General)
- Part B (Customer identification)
- Reporting obligations
- Correspondent banking relationships and electronic funds transfer instructions.

The questions are structured to collect information regarding the nature and extent of ML/TF risk assessments undertaken by REs and the degree to which they have implemented their AML/CTF program. The majority of questions are based on specific obligations under the AML/CTF Act, with most questions being binary (i.e. yes/no answers). ACRs can be lodged online or by completing a hard copy form and mailing it to AUSTRAC. For a copy of the current ACR, refer to Appendix D: Annual Compliance Report.

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3. Problems with the current Annual Compliance Report

Three problems have been identified with the current ACR:

1. The ACR's questions have reduced in relevance over time as the AML/CTF Act has been bedded down, reducing the usefulness of the information collected for analysis and input into AUSTRAC's risk-based approach to supervision
2. The regulatory burden may not be proportionate to the level of ML/TF risk exposure across the population of REs
3. Some REs regard completion of the ACR as a burden with little or no value to them.

These problems are explored below, together with examples and anecdotal evidence collected through initial RE engagement. These problems relate to the suitability of the current content and format of the ACR and not to the compliance report lodgement period or compliance reporting period.

3.1 ACR questions have reduced in relevance over time as the AML/CTF Act has been bedded down, reducing the usefulness of the information collected for analysis and input into AUSTRAC's risk-based approach to supervision

The current ACR was designed at the time of the implementation of the AML/CTF regulatory regime, as a census tool to gather RE data and help industry understand their obligations. This has now limited usefulness as:

- REs are now required to enrol with AUSTRAC, which provides census data
 - Census data is collected through the enrolment process and does not need to be collected through the ACR. Previously, REs were not required to enrol and the ACR was the only consistent annual touch-point with REs
- Industry compliance awareness of AML/CTF obligations has increased
 - Stakeholder engagement indicates that only smaller organisations with less mature AML/CTF arrangements are finding the ACR useful as a 'self- assessment' or reminder of their obligations
- The ACR questions focus on REs' implementation of their AML/CTF programs
 - The ACR questions remain focused on implementation of REs' AML/CTF programs rather than ML/TF risk and ongoing compliance. This approach was relevant following the initial implementation of the AML/CTF regime. It is no longer relevant as REs' AML/CTF programs have become established and matured in the years following the introduction of the AML/CTF Act
 - Stakeholder engagement indicates that REs, typically larger REs, find the ACR questions to be simplistic or 'out of date'. For example, the ACR asks if an independent review of

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the RE's AML/CTF program has been implemented and conducted. However, it does not enquire about the outcomes of an independent review, including, whether there were any material findings identified and whether remediation activities have been established

- While useful in the implementation phase of the AML/CTF regulatory regime, this approach limits AUSTRAC's visibility over the maturity and effectiveness of REs' AML/CTF programs. Now that the AML/CTF regime has been in place for several years, implementation of an ACR that is more suitable to ongoing compliance with the AML regime is needed.

Anecdotal evidence and examples

Stakeholder engagement found that some REs see the questions as out of date and simplistic. Examples include:

1. Did you have a written AML/CTF program on 31 December 2013? (Yes/No)

2. (a) AML CTF risk awareness training for employees (Not commenced, Partially implemented, Implemented , Not applicable)

11. Was an independent review of your AML/CTF program conducted by:

(a) an internal party? (Yes/No)

(b) an external party? (Yes/No)

These questions are typical, focusing on an obligation and providing for a limited range of responses. Particularly in more complex organisations these answers may be compiled across multiple business divisions where implementation may be at different levels of maturity.

These questions do not target the underlying objective as to whether an adequate AML/CTF program is in place, whether employees are adequately trained for their role in identifying and managing ML/TF risk, or what the outcomes were of an independent review.

AUSTRAC now needs to collect from REs information that is more suitable to facilitating its understanding of REs' exposure to ML/TF risk and effectiveness of REs' AML/CTF programs. This will assist AUSTRAC in efficiently targeting supervisory activity and continuing to monitor ML/TF risk in Australia.

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3.2 The regulatory burden may not be proportionate to the level of ML/TF risk exposure across the population of REs

The current ACR is completed by 6,500 REs and imposes the same regulatory burden on each RE without taking into account their ML/TF risk exposure. The ACR is the same for all REs with no differentiation in the level or type of information provided.

REs completing the ACR range from entities that have higher ML/TF risk exposures such as large entities, to REs with lower ML/TF risk exposure such as small entities.

Examples - All of the following organisations are required to complete the same ACR, which collects the same level of information and imposes comparable levels of burden:

- Major banks
- Casinos
- Boutique hedge funds
- Employer superfunds
- Pubs with gaming machines

Stakeholder engagement indicates that the time taken to complete the ACR by large REs with higher ML/TF risk exposure is proportionately less than smaller REs with lower ML/TF risk exposure. This reflects the more extensive business as usual AML/CTF governance arrangements in place for larger REs which are relied on to provide support for completion of the ACR. For example, some REs with higher ML/TF risk exposure already conduct attestation and testing of their AML/CTF programs and produce comprehensive AML/CTF reports to meet their existing risk and compliance governance requirements.

3.3 Some REs regard completion of the ACR as a burden with little or no value to them

As a consequence of the ACR's focus on implementation, some REs perceive it as a 'tick the box' exercise that results in unnecessary administrative burden in its current form. Stakeholder engagement indicated that:

- The ACR adds no value to REs' businesses as it does not help REs with meeting their broader AML/CTF obligations and the questions are 'out of date'. This feedback was universal except for very small or newly regulated organisations where in some cases it was regarded as a useful annual checkpoint or reminder
- Some stakeholders mentioned they were unsure of the value AUSTRAC received from the ACR, as the information requested had not been updated since implementation of the AML/CTF regime and was, therefore, not seen as useful information for AUSTRAC.

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Anecdotal evidence

A number of REs engaged during the development of this RIS indicated that the ACR was of little or no value to their business. Smaller organisations indicated that the ACR adds value by acting as a compliance tool to keep them 'on their toes'.

3.4 Summary: the need for change

By maintaining the status quo:

- Unnecessary burden is placed on REs by requesting and collating information that is not useful or suitable for input into AUSTRAC's risk-based approach to supervision. With most REs having an established AML/CTF compliance program, the ACR is outdated and no longer relevant
- Regulatory burden will remain disproportionate, taking no account of the different levels of ML/TF risk exposure across REs
- Some REs will continue to find little or no value from the ACR.

The ACR needs to be updated to reflect the maturity of the AML/CTF regime and facilitate improved regulatory supervision.

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4. Objectives

AUSTRAC's objectives for the proposed changes to the ACR are to:

- Inform and drive improved risk-based regulatory supervision activity
- Reduce unnecessary regulatory burden on REs
- Improve AUSTRAC's understanding and measurement of ML/TF risk and effectiveness of AML/CTF compliance programs across REs.

5. Options

5.1 New compliance report formats

The options outlined below consider the use of two new compliance report formats. These have been developed by AUSTRAC and are briefly explained here. Examples are provided in the Appendices.

1. Enhanced Compliance Report (ECR)

The ECR is similar in its structure and format to the existing ACR. It includes 12 question areas that are all essential in the collection of relevant information (and not collected through other processes) and provides for a fixed choice of responses. The questions reflect the maturation of the AML/CTF environment and REs increased familiarity and understanding of their obligations under the AML/CTF Act. The information collected in the ECR is aimed at helping AUSTRAC better understand levels of ML/TF risk and the effectiveness of an RE's compliance approach.

It will require a declaration by the individual RE Board or similar governing body (**Board**), or where no Board exists, the Chief Executive Officer or equivalent (**CEO**) of the RE. In the case of a DBG, this declaration must be obtained from the Board or CEO of each entity in the DBG, or from a person or Board with written authority from each entity in the DBG.

AUSTRAC is considering making the ECR a SmartForm.

Refer to Appendix E for the draft proposed ECR.

2. Annual Return (AR)

The AR is a comprehensive report describing a RE's business environment, ML/TF risks and the effectiveness of its AML/CTF program.

It will require a declaration by the individual RE Board or similar governing body, or where no Board exists, the CEO or equivalent CEO of the RE. In the case of a DBG, this approval must be obtained from the Board or CEO of each entity in the DBG, or from a person or Board with written authority from each entity in the DBG. The AR will be submitted in 'free-format', meaning that it will not be provided as an online SmartForm nor will the format be prescribed. REs will be expected to respond to a range of AML/CTF compliance topics. Guidance will be provided to assist REs to complete their responses comprehensively.

Refer to Appendix F for the draft proposed guidance for completing an AR.

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5.2 Summary of options

AUSTRAC has considered a range of options and identified six feasible options to enhance the current compliance reporting approach and address the identified problems. These options and their analysis, including the approximate number of individual REs impacted, are summarised in Table 5.1 below.

Numbers of impacted REs presented in Table 5.1 below are approximate and based on AUSTRAC's accumulated knowledge and information gained from:

- REs directly through supervision activities
- Enrolment and registration
- Reporting by REs to AUSTRAC, for example Threshold Transaction Reports (**TTRs**) and International Funds Transfer Instructions (**IFTIs**).

This data has been used to analyse the population of REs to indicate which organisations have a higher ML/TF risk exposure. As indicated in section 2.6, REs that are in a DBG are able to lodge the ACR on behalf of all RE members in the group. The figures below have been prepared on that basis.

5.3 Exemptions from submitting an ACR

The current exemptions from the current ACR obligation include:

- REs exempt from section 47, by virtue of a rule or individual instrument
- REs that only make arrangements for a person to receive a designated service (i.e. providers of the item 54 designated service from Table 1 of section 6 of the AML/CTF Act)
- Remittance affiliates who only provide items 31 and 32 designated services from Table 1 of section 6 of the AML/CTF Act, and
- Registered Network Providers (**RNPs**) who only provide item 32A designated services from Table 1 of section 6 of the AML/CTF Act.

These exemptions will continue to apply under all options except in respect of RNPs. RNPs were granted a temporary exemption from the compliance report obligation over the past few years. This initially recognised the regulatory burden placed on RNPs with the introduction of the enhanced remittance obligations introduced in the *Combating the Financing of People Smuggling and Other Measures Act 2011*, including the obligation to register on the Remittance Sector Register. It also recognised that the current ACR did not accommodate these regulatory changes. RNPs will not be exempt under the proposed options.

Options 3 and 4 extend the exemptions to the following REs:

- REs exempt from Part 7 of the AML/CTF Act, i.e. REs exempt from the obligation to have an AML/CTF program

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- REs with 4 or fewer employees, regardless of whether the employees are full time, part time or casual, i.e. a micro business (except in the circumstance relating to Option 3 outlined below).

Although these REs will be exempt from the compliance reporting obligation this does not impact their exposure to ML/TF risks. AUSTRAC has assessed these REs as in general having a lower ML/TF risk exposure that does not warrant the burden of lodging an ECR. Exempt REs will continue complying with all other relevant AML/CTF obligations. In addition, AUSTRAC uses a range of compliance and enforcement techniques that are sufficient in assessing these exempt REs and managing this risk. AUSTRAC also monitors these entities through the enrolment and registration processes and provides ongoing guidance on their obligations via mail-outs, AUSTRAC's e-newsletter, forums, workshops and publications on the AUSTRAC website.

Where an RE is exempt from Part 7 of the AML/CTF Act or where an RE is a micro business (except in the circumstance relating to Option 3 outlined below), AUSTRAC is of the view that the regulatory burden of requiring such an RE to lodge an ACR may be disproportionate to the value of the information provided. As a group of REs, they have a lower ML/TF risk exposure.

In the case of Option 3, where an RE has 4 or fewer employees (regardless of whether the employees are full time, part time or casual, i.e. a micro business) the exemption from the ACR obligation does not apply to large REs as defined under the heading **Option 3: Light handed regulatory option A (smaller population)** in section 5.4 below.

Table 5.1: Summary of options

Option	Description (exemptions are explained further below)	Total no. impacted REs	No. REs to complete report	No. DBGs expected to complete report	Total no. reports
1. Do nothing option (base case)	Current ACR Status quo maintained by the continued submission of the ACR in the current format during the applicable compliance report lodgement period	6,500	4,850	260 (covering 1,650 REs)	5,110
2. Heavy regulatory option	AR and ECR for all REs that currently submit ACR REs currently required to submit an ACR plus RNPs will be required to lodge an AR and an ECR during the applicable compliance report lodgement period (current exemptions apply except for the RNP exemption)	6,600	4,950	260 (covering 1,650 REs)	10,420 (1 AR and 1 ECR per RE/DBG)

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Option	Description (exemptions are explained further below)	Total no. impacted REs	No. REs to complete report	No. DBGs expected to complete report	Total no. reports
3. Light handed regulatory option A (smaller population)	AR and ECR for large REs, plus ECR for reduced number of REs (i) A category of large REs will be required to lodge an AR and an ECR during the applicable compliance report lodgement period	600	80	40 <i>(covering 520 REs)</i>	240 <i>(1 AR and 1 ECR per RE / DBG)</i>
	(ii) REs currently required to submit an existing compliance report (plus RNPs) will be required to lodge an ECR during the applicable compliance report lodgement period [current exemptions apply (except for the RNP exemption) plus additional 2,350 exempt micro businesses and REs exempt from Part 7 of the AML/CTF Act]. The exemption applying to micro businesses will not apply where the RE is a large RE.	3,650	3,280	150 <i>(covering 370 Res)</i>	3,430
	Total	Total	Total	Total	Total
		4,250	3,360	190 <i>(covering 890 REs)</i>	3,670
4. Light handed regulatory option B (smaller population)	ECR for reduced number of REs REs will be required to lodge an ECR during the applicable compliance report lodgement period [current exemptions apply (except for the RNP exemption) plus additional 2,350 exempt micro businesses and REs exempt from Part 7 of the AML/CTF Act]	4,250	3,360	190 <i>(covering 890 REs)</i>	3,550

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Option	Description (exemptions are explained further below)	Total no. impacted REs	No. REs to complete report	No. DBGs expected to complete report	Total no. reports
5. Light handed regulatory option C (current population + RNPs)	ECR for all REs that currently submit ACR REs currently required to submit an existing compliance report will be required to lodge an ECR during the applicable compliance report lodgement period (current exemptions apply except for the RNP exemption)	6,600	4,950	260 (covering 1,650 REs)	5,210
6. Voluntary option (non-regulatory)	Voluntary reporting Adopt a voluntary compliance reporting framework for all or some REs	n/a	n/a	n/a	n/a

5.4 Description of options taken forward for analysis

Option 1: Do nothing option

Under this option, the status quo is maintained by the continued submission of section 47 reports in the current format during the applicable compliance report lodgement period.

The problem with doing nothing and maintaining the status quo is that AUSTRAC's ability to regulate and supervise REs may be adversely impacted and AUSTRAC's reputation as the AML/CTF regulator may be diminished.

Option 2: Heavy regulatory option

The regulatory option is aimed at improving the existing ACR arrangements and has two components, the AR and the ECR. Under this option, all REs regardless of size, currently submitting an ACR, and RNPs (which have previously been exempt), will be required to submit both the AR and ECR to AUSTRAC during the applicable compliance report lodgement period.

Option 3: Light handed regulatory option A (smaller population)

This option considers a smaller population of REs by extending the exemptions as outlined in Section 5.3 above. Under this option,

- A category of large REs will be required to submit both the AR and ECR to AUSTRAC during the applicable compliance report lodgement period. Large REs are defined below
- All other REs currently required to submit an existing compliance report, including RNPs, will be required to lodge an ECR with AUSTRAC during the applicable compliance report

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lodgement period except for REs that are exempt from Part 7 of the AML/CTF Act or who have 4 or fewer employees.

Large REs are defined as meeting one or both of the following criteria,

- i) An individual RE or REs that are part of a corporate group, where a corporate group is defined by reference to section 50 of the Corporations Act 2001, which have total annual earnings of \$100 million or more (as at 1 July of the compliance report period). In the case of foreign companies only the earnings from their operations in Australia would be applicable
- ii) An individual RE or REs that are part of a corporate group and have provided 25 million or more transaction reports (TTRs and IFTIs) or provided transaction reports with a total value of \$5 billion or more in the calendar year prior to the compliance report period.

Option 4: Light handed regulatory option B (smaller population)

This option considers a smaller population of REs by extending the exemptions as outlined in Section 5.3 above. This smaller population of REs would be required to submit an ECR only to AUSTRAC during the applicable compliance report lodgement period.

No AR would be required under this option.

Option 5: Light handed regulatory option C

Under this option, the population of REs currently required to submit a current ACR and RNPs will be required to submit only the ECR to AUSTRAC during the applicable compliance report lodgement period.

Option 6: Voluntary option (non-regulatory)

Under this option AUSTRAC would adopt a voluntary compliance reporting framework for all or some REs. Organisations would not be required to submit any information to AUSTRAC. Instead, REs could volunteer information.

6. Impact analysis – costs, benefits and risks

6.1 Approach to the analysis

This section considers each of the 6 options to identify a recommended option. The analysis is split into three sections:

1. Calculation of regulatory burden (and cost offsets)
2. Analysis of costs, benefits and risks
3. Multi-criteria analysis

1. Calculation of regulatory burden (and cost offsets):

Through limited industry engagement we have investigated and estimated the costs and cost offsets for each option. Questions were designed to collect information on the three types of regulatory burden:

- Administrative burden
 - Costs incurred by REs to demonstrate compliance with the regulation, usually record keeping and reporting costs
- Substantive compliance burden
 - Costs that directly lead to the regulated outcomes being pursued. These are usually purchase and maintenance costs, for example, plant and equipment
- Delay costs
 - Expenses and loss of income incurred by an RE as the result of an application delay or approval delay that prevents the commencement of intended operations. For example, the additional time taken to complete an administrative application requirement or delay in the time taken by AUSTRAC to communicate a decision.

No substantive compliance costs or delay costs have been identified. REs will not be required to purchase or maintain any plant equipment in order to meet regulatory requirements. No expenses or loss of income will be incurred as a result of REs being prevented from commencing their intended operations.

Using the responses obtained, regulatory burden was estimated for each of the options and compared to the potential benefits. These estimates have been used in the analysis of costs, benefits and risks.

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2. Analysis of costs, benefits and risks:

To analyse the costs and benefits of the proposed options, four evaluation criteria have been developed:

- Efficiency
- Equity
- Effectiveness
- Simplicity.

Table 6.1 below describes the assessment considerations for each of the criteria and assigns a percentage weighting based on its importance.

Effectiveness is weighted highest given the primary objective of the proposed changes to the ACR is to inform and drive improved risk-based regulatory supervision activity. Weightings for efficiency and equity were set to ensure adequate focus on avoiding unnecessary regulatory burden, with more importance placed on efficiency. This emphasis comes from the desire to minimise impact through aligning and enabling changes to be incorporated into REs business as usual activities. Simplicity is weighted lowest, as the AML regime has matured and REs mostly understand their obligations.

The analysis in this section is used in the subsequent multi-criteria analysis to determine the preferred option.

Table 6.1: Qualitative evaluation criteria




Criteria	Assessment considerations	Weighting
Efficiency	<ul style="list-style-type: none">▪ Impact of incorporating compliance reporting requirements into the day-to-day work of an organisation and the increase or reduction in burden▪ This criteria is focused on the administrative burden imposed on REs compared to the base case and uses the estimates developed from stakeholder engagement	30%
Equity	<ul style="list-style-type: none">▪ Proportional impact of reporting requirements on REs - in particular, matching regulatory burden to ML/TF risk▪ This criteria focuses on the identified problem of proportionality and the concern that small REs are required to undertake the same tasks as large REs	20%

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Criteria	Assessment considerations	Weighting
Effectiveness	<ul style="list-style-type: none"> Impact on AUSTRAC’s ability to undertake risk-based supervision activities This criteria addresses the current problems associated with the relevance and usefulness of the information collected for informing risk-based supervision activity 	40%
Simplicity	<ul style="list-style-type: none"> REs understand and accept the changes to compliance reporting This criteria focuses on the problem of REs not seeing the value of compliance reporting 	10%

Options 2 to 5 have been compared against the base case, option 1, considering the objectives that are outlined in Section 4. Comparisons have been rated in the following three categories:

Rating	Category
	Improvement from base case
	Same as base case
	Worse than base case

3. Multi-criteria analysis

The analysis against each of the four evaluation criteria has been scored as follows:

- Each option is given a score, from -10 to +10, against each criteria. The base case (do nothing) has a zero score in relation to all criteria. Options are qualitatively scored by reference to whether the expected outcome resulting from the option represents a positive or negative change relative to the base case
- The ‘raw’ score is multiplied by the assigned weighting to give a ‘weighted’ score. The highest score is the preferred option.

Table 6.2 is a summary of the multi-criteria analysis results for each option.

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Table 6.2: Summary of multi-criteria analysis results with weighted scores

	Options	1: Do nothing	2: Heavy regulatory	3: Light handed regulatory A	4: Light handed regulatory B	5: Light handed regulatory C	6: Voluntary
Evaluation criteria	Weighting	Score	Score	Score	Score	Score	Score
Efficiency	30%	0	-2.4	1.5	1.5	0	3
Equity	20%	0	-1.2	1.6	0.6	0	0
Effectiveness	40%	0	1.2	3.2	1.6	1.2	-2.8
Simplicity	10%	0	-0.6	-0.2	0	0	0.3
TOTAL	100%	0	-3	6.1	3.7	1.2	0.5
Ranking (preferred option)		5	6	1	2	3	4

6.2 Calculation of regulatory burden (and offsets)

Initial stakeholder engagement indicates that burden comprises administrative costs only.

Burden is imposed through the requirement to collect and analyse information, completion of the compliance report and submission to AUSTRAC. These costs are over and above business as usual costs. Cost calculations are further detailed in Appendix C: Business Cost Calculator Report.

Assumptions behind these calculations including time requirement and hourly wage are detailed in Appendix A: Assumptions.

In a practical sense, for REs to meet their compliance reporting obligations, the following steps are usually taken:

1. Obtain information on their implemented AML/CTF program and procedures. Typically this is already known to the AML compliance officer. For larger organisations this may require gathering and confirming information from multiple business divisions
2. Analyse the information
3. Input responses to the compliance report form

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4. Review and obtain approval of the prepared form. This is not mandatory, but through stakeholder engagement it was found that many organisations complete this step to meet internal governance process requirements
5. Submit the compliance report, which is generally done online.

Stakeholder engagement has indicated that these steps are typically completed in addition to business as usual tasks and are, therefore, administrative burden. The time required to complete these activities and the associated costs are outlined in Table 6.3 below.

The initial investigations also indicated that there may be some REs that are outliers in terms of regulatory burden. These REs appear to represent REs that are less mature in their understanding and implementation of the AML/CTF regime – hence for option 2, the heavy regulatory option, there is expected to be proportionately greater costs. In addition, there has been consistent feedback that the first year of any change would require more time to complete the compliance report than in subsequent years.

Table 6.3 below provides a summary of the options and the associated time and costs, including cost offsets compared to the base case.

The figures in the ‘averaged aggregate estimated cost’ column for options 2 to 6 below are relative to the base case. In other words, the estimated costs are arrived at by subtracting the cost of option 1 (i.e. base case) from the cost of options 2 to 6. In some cases this has resulted in a negative amount, indicating a cost saving in comparison to the base case.







The figures in the ‘estimated offsets’ column are based on the improvements in the way AML/CTF compliance reporting is administered, in particular the type and number of exemptions. This differs between each option as a result of the difference in the number of REs required to report and the type of report required to be completed.

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Table 6.3: Summary of regulatory burden for each option

All estimated costs for options 2 to 6 below are relative to base case.

Options	Requirement	Time requirement (above business as usual)	Averaged aggregate estimated cost ¹	Estimated offsets ²	Comparison to the base case
1. Do nothing (base case)	<ul style="list-style-type: none"> Completion of current ACR Total of 4,850 REs and 260 DBGs 	<ul style="list-style-type: none"> ~1 to 3 hours to complete ACR 	\$725,620	\$0	
2. Heavy regulatory option	<ul style="list-style-type: none"> Completion of AR and ECR Total of 4,950 REs and 260 DBGs Larger entities covers 80 REs and 40 DBG Smaller entities covers 4,870 REs and 220 DBGs 	<ul style="list-style-type: none"> ~2 business days for larger REs / DBGs to complete AR ~2 to 5 business days for smaller REs / DBGs to complete AR ~1 to 3 hours to complete ECR 	\$10,269,440	\$0	
3. Light handed regulatory option A	<ul style="list-style-type: none"> Completion of AR and ECR by 80 REs and 40 DBGs Completion of ECR by 3,280 REs and 150 DBGs 	<ul style="list-style-type: none"> ~2 business days to complete AR ~1 to 3 hours to complete ECR 	-\$85,200	\$235,720	
4. Light handed regulatory option B	<ul style="list-style-type: none"> Completion of ECR Total of 3,360 REs and 190 DBGs 	<ul style="list-style-type: none"> ~1 to 3 hours to complete ECR 	-\$221,520	\$235,720	
5. Light handed regulatory option C	<ul style="list-style-type: none"> Completion of ECR Total of 4,950 REs and 260 DBGs 	<ul style="list-style-type: none"> ~1 to 3 hours to complete ECR 	\$14,200	\$0	
6. Voluntary option (non-regulatory)	<ul style="list-style-type: none"> No requirement to submit the ACR REs may volunteer the information if they choose 	<ul style="list-style-type: none"> No time requirement 	-\$725,620	\$725,620	

¹ Averaged aggregate estimated cost – the average estimated costs imposed on the business in order to meet the proposed change in AML/CTF compliance reporting across affected REs above business as usual activities. Calculations are based on business estimates, which include time required to complete reporting, number of affected REs and average hourly wage (based on market information).

² Estimated offsets – the estimated offsets are based on the improvements in the way AML/CTF compliance reporting is administered (including number of exemptions). This differs between each option as a result of the difference in the number of REs required to report and the type of report required to be completed.

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6.3 Analysis of costs, benefits and risks

Option 1: A do nothing option (base case)

This option does not change the burden or the benefits of the ACR. The objective of the current ACR is outdated, and by maintaining the status quo, the opportunity cost of enhancing the approach and using reporting to target supervision activities will be lost. Stakeholder engagement has indicated that the ACR provides little or no value to some RE's. If this continues, AUSTRAC could be viewed as an ineffective regulator.

Table 6.4: Summary of Option 1. Do nothing impacts

Criteria	Base case	Explanation
Efficiency	Administrative burden will remain unchanged	No new requirements would be imposed on the current 6,500 REs as they continue to meet the requirements of the AML/CTF Act This would introduce no costs
Equity	All REs will be required to complete the same report / questionnaire	There is no differentiation across REs based on the size of the entity in respect of the ML/TF exposure it has under AUSTRAC's risk-based approach
Effectiveness	Supervision and compliance activities will be informed based only on available data	Data collected will continue to focus on implementation of the AML/CTF compliance program and awareness of obligations
Simplicity	Businesses will not need to make any changes	No new requirements would be imposed on REs as they continue to meet the existing requirements





Option 2: Heavy regulatory option

This option will significantly increase the burden on all REs to meet compliance requirements while having limited benefits for AUSTRAC. Immediate costs will be imposed on those smaller and less complex REs that are required to submit an AR. Although AUSTRAC will be in receipt of a large volume of information, it lacks the resources to analyse the data effectively, hence, the option is limited in achieving enhanced supervisory activity.

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Table 6.5: Summary of impacts relative to the base case - Heavy regulatory option

Criteria	Comparison to the base case	Explanation
Efficiency	This option will generate a considerably greater administrative burden 	<ul style="list-style-type: none"> Development and operational costs will increase as 6,600 REs implement and report on compliance program effectiveness through the ECR and AR
Equity	Compared to the base case this option is much less equitable 	<ul style="list-style-type: none"> Additional burden for 4,950 REs and 260 DBGs to complete both an ECR and AR 4,950 REs and 260 DBGs will be required to complete both reports. There is no differentiation across REs based on the size of the entity and ML/TF risk exposure
Effectiveness	Increased level of effectiveness 	<ul style="list-style-type: none"> While there will be more information collected to improve the risk-based approach to supervision, AUSTRAC does not have additional resources for the labour intensive analysis activities that would be required for the AR Levels of effectiveness increase as AUSTRAC would be collecting additional information from large REs. However, this would be offset by the volume of information required to be processed and analysed
Simplicity	Much more complex than the base case 	<ul style="list-style-type: none"> 4,950 REs and 260 DBGs will be required to complete an ECR and AR to meet AML/CTF compliance requirements. A declaration will be required from the Board, or where no Board exists, the CEO. In the case of a DBG, the declaration must be obtained from the Board or CEO of each entity in the DBG, or from a person or Board with written authority from each entity in the DBG. Smaller REs and those with less mature programs will require additional guidance from AUSTRAC when completing their AR When compared with the base case the complexity of this option is significant


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Option 3: Light handed regulatory option A



This option will reduce the burden on some REs, with cost offsets from a reduced reporting population, although RNPs will be required to lodge a report. Large entities that have to lodge the AR and ECR may experience increased burden. However, initial stakeholder engagement indicates that typically, larger organisations already complete reporting similar to the AR. By making the AR free-format, we expect REs will use the same information as contained in their current internal reports for the AR, therefore reducing burden. The improved information will enable useful data analysis to support an improved risk-based approach to supervision, particularly with large REs that have a higher ML/TF risk exposure.

Table 6.6: Summary of impacts relative to the base case – Light handed regulatory option A

Criteria	Comparison to the base case	Explanation
Efficiency	<p>This option will reduce administrative burden</p> 	<ul style="list-style-type: none"> ▪ Analysis has shown that this option is likely to reduce burden because: <ul style="list-style-type: none"> ○ 80 REs and 40 DBGs will be required to complete an AR in addition to the ECR. These are larger entities and as such have higher ML/TF risk exposure. In addition, these entities typically already prepare a report similar to the AR as part of business as usual ○ At first instance, 3,280 REs and 150 DBGs will take more time to adjust to and complete the ECR. However, it is expected that this will reduce with understanding and familiarity with the new report requirements ▪ An additional 2,350 organisations will be exempt from all compliance reporting


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Criteria	Comparison to the base case	Explanation
Equity	<p>Compared to the base case this option is more equitable</p> 	<ul style="list-style-type: none"> ▪ There is greater equity across REs and DBGs by focusing on those with higher ML/TF risk exposure ▪ Burden may increase for the 80 REs and 40 DBGs, considered to have higher ML/TF risk exposure. However, there will be a reduction in burden for those 3,280 REs and 150 DBGs, considered to have a lower ML/TF risk exposure ▪ Additional exemptions of 2,350 REs that AUSTRAC has assessed as in general having a lower ML/TF risk exposure that do not warrant the burden of lodging an ECR
Effectiveness	<p>Significantly increased level of effectiveness</p> 	<ul style="list-style-type: none"> ▪ This option improves AUSTRAC’s risk-based approach to supervision across all REs and DBGs, with the ability to focus activities on REs and DBGs with higher ML/TF risk exposure. Effectiveness increases because: <ul style="list-style-type: none"> ○ ARs will provide more detailed information about the entities AUSTRAC has assessed as having higher ML/TF risk exposure due to their size, allowing AUSTRAC to better tailor its supervision activity ○ ECRs will provide more relevant data that can be subject to effective analysis to identify exceptions and trends over time to provide input into AUSTRAC’s risk-based approach to supervision for the entire regulated population ▪ When compared with the base case, the effectiveness of this option increases significantly

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Criteria	Comparison to the base case	Explanation
Simplicity	Slightly more complex than the base case 	<ul style="list-style-type: none"> ▪ 80 REs and 40 DBGs will be required to lodge an ECR and AR and 3,280 REs and 150 DBGs will be required to lodge an ECR only. A declaration will be required from the Board, or where no Board exists, the CEO. In the case of a DBG, the declaration must be obtained from the Board or CEO of each entity in the DBG, or from a person or Board with written authority from each entity in the DBG ▪ Although this option increases burden, the majority of REs with a higher ML/TF risk exposure typically prepare a similar report to the AR and submit this to their Board or risk committee. This option is slightly more complex in that it requires a declaration

Option 4: Light handed regulatory option B




This option will impose minimal burden on REs and DBGs, with the assumption that REs will quickly gain comfort with the ECR. However, there will be limited gains in supervisory understanding as the data collected will not provide as much detail for REs with higher ML/TF risk exposure. There will be some administrative cost offsets through the exemptions of entities exempt from Part 7 of the AML/CTF Act and micro businesses, although RNPs will be required to lodge a report. This option provides some additional cost offset when compared to the base case.

Table 6.7: Summary of impacts relative to the base case – Light handed regulatory option B

Criteria	Comparison to the base case	Explanation
Efficiency	This option will reduce administrative burden 	<ul style="list-style-type: none"> ▪ Analysis has shown that this option is likely to result in reduced burden because: <ul style="list-style-type: none"> ○ 3,360 REs and 190 DBGs may take additional time to adjust to and complete the ECR (this will decrease as comfort and acceptance of the new reporting regime grows) ○ 2,350 REs will be exempt from all reporting

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Criteria	Comparison to the base case	Explanation
Equity	Compared to the base case this option is slightly more equitable 	<ul style="list-style-type: none"> ▪ Although, 2,350 additional REs will be exempt from the ACR process, there will be no distinction between REs based on their likely ML/TF risk exposure ▪ There is little improvement in equity when comparing this option to the base case
Effectiveness	Marginally increased level of effectiveness 	<ul style="list-style-type: none"> ▪ Although the value of the information collected is improved the absence of the AR means that AUSTRAC's ability to tailor its supervision activities to REs with higher ML/TF risk exposure will be limited ▪ Compared to the base case, this option offers a marginal increase in effectiveness
Simplicity	Slightly more complex than the base case 	<ul style="list-style-type: none"> ▪ 3,360 REs and 190 DBGs will be required to lodge an ECR only. A declaration will be required from the Board, or where no Board exists, the CEO. In the case of a DBG, the declaration must be obtained from the Board or CEO of each entity in the DBG, or from a person or Board with written authority from each entity in the DBG ▪ This option is slightly more complex in that it requires a declaration

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Option 5: Light handed regulatory option C

This option is very similar to option 4. However, there is no exemption for micro businesses and REs exempt from Part 7 of the AML /CTF Act (the RNP exemption is removed as explained in section 5.3). This option provides no cost offset when compared to the base case.

Table 6.8: Summary of impacts relative to the base case – Light handed regulatory option C

Criteria	Comparison to the base case	Explanation
Efficiency	This option will generate some additional administrative burden B	<ul style="list-style-type: none"> ▪ Analysis has shown that this option is likely to be cost neutral because: <ul style="list-style-type: none"> ○ 4,950 REs and 260 DBGs may take more time to adjust to and complete the ECR. However, it is expected that this will decrease as comfort and acceptance of the new reporting regime grows
Equity	As per the base case, all REs will be required to complete the same report B	<ul style="list-style-type: none"> ▪ There will be no distinction between REs based on their likely ML/TF risk exposure ▪ This option does not differ to the base case and there is no change in equity
Effectiveness	Marginally increased level of effectiveness B	<ul style="list-style-type: none"> ▪ Although the value of the information collected is improved the absence of the AR means that AUSTRAC's ability to tailor its supervision activities to REs with higher ML/TF risk exposure will be limited ▪ Compared to the base case, this option offers a marginal increase in effectiveness
Simplicity	Slightly more complex than the base case B	<ul style="list-style-type: none"> ▪ 4,950 REs and 260 DBGs will be required to lodge an ECR only. A declaration will be required from the Board or where no Board exists, the CEO. In the case of a DBG, the declaration must be obtained from the Board or CEO of each entity in the DBG, or from a person or Board with written authority from each entity in the DBG ▪ This option is slightly more complex in that it requires the declaration





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Option 6: Voluntary option (non-regulatory)

This is a non-regulatory option. In comparison to the base case, there is a large reduction in burden with the expectation that very few organisations will choose to submit a report. However, this results in increased burden for AUSTRAC to collect and analyse ML/TF information from a range of alternative sources. This will significantly impact on AUSTRAC’s ability to take relevant, complete and timely information into account in its risk-based supervision approach.

Table 6.9: Summary of impacts relative to the base case – voluntary option

Criteria	Comparison to the base case	Explanation
Efficiency	This option will reduce administrative burden 	<ul style="list-style-type: none"> Analysis has shown that this option is likely to reduce costs because REs will have the choice to submit an ECR and/or AR and it is expected that few organisations will participate
Equity	Comparable to base case with no distinguishing between Res 	<ul style="list-style-type: none"> There will be no distinction between REs based on their likely ML/TF risk exposure This option does not differ to the base case and there is no change in equity
Effectiveness	Significant decrease in effectiveness 	<ul style="list-style-type: none"> AUSTRAC would be required to collect all information from alternative sources to undertake its monitoring and compliance activities Compared to the base case, this option offers a decrease in effectiveness, because AUSTRAC will be significantly impacted in its ability to take relevant information into account in its risk-based supervision approach
Simplicity	Slightly more simple than the base case. 	<ul style="list-style-type: none"> Current AML/CTF requirements on REs would effectively be reduced

6.4 Multi-criteria analysis

Using the qualitative analysis above, scores have been assigned to each option for each of the criteria. Table 6.10 provides the scores and weighted scores for each option for each of the evaluation criteria, with scores ranging from -10 to +10. The base case is assigned scores of zero for all evaluation criteria and each option is then scored against the base option.

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Table 6.10: Qualitative multi-criteria analysis table

Evaluation criteria	Options	1: Do nothing		2: Heavy regulatory		3: Light handed regulatory A		4: Light handed regulatory B		5: Light handed regulatory C		6: Voluntary option		Evidence/discussion
		Raw score (RS)	Weighted score (WS)	RS	WS	RS	WS	RS	WS	RS	WS	RS	WS	
Efficiency	30%	0	0	-8	-2.4	5	1.5	5	1.5	0	0	10	3	Requiring all REs to complete an AR results in option 2 scoring very low for efficiency. By comparison the other four options reduce or impose only minor administrative burden
Equity	20%	0	0	-6	-1.2	8	1.6	3	0.6	0	0	0	0	Option 3 is significantly more equitable than the other 3 options, because it accounts for RE's varying ML/TF risk
Effectiveness	40%	0	0	3	1.2	8	3.2	4	1.6	3	1.2	-7	-2.8	Option 3 is significantly more effective, striking a better balance on information received, especially compared to option 6, which will impair AUSTRAC's ability to improve risk-based supervision
Simplicity	10%	0	0	-6	-0.6	-2	-0.2	0	0	0	0	3	0.3	Option 2 is complex because smaller REs and those with less mature compliance programs are likely to require significant guidance from AUSTRAC
TOTAL	100%	0	0	-17	-3	19	6.1	12	3.7	3	1.2	6	0.5	
Ranking (preferred option)		5		6		1		2		3		4		

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6.5 Preferred option

The preferred option is option 3, the light handed regulatory option A.

Administrative burden is reduced across the RE population of 3,360 REs and 120 DBGs. There is a cost of approximately \$150,520 reflecting the burden of completing the AR in comparison to the base case and a cost offset equating to approximately \$235,720. Option 3 is more equitable and more effective than the base case and the other proposed options. Simplicity and efficiency of option 3 is similar to the base case. For further detail refer to Appendix B: Regulatory Burden and Cost Offset estimate table.

7. Consultation strategy

7.1 Purpose

The purpose of the consultation phase will be to seek feedback from REs with obligations under the current compliance reporting regime on the proposed changes to the compliance reporting framework. In aiming to rectify the problems identified in the compliance reporting regime, it is intended that a period of public consultation will engage stakeholders and address the challenges, impacts and benefits of AUSTRAC's preferred regulatory option. RNPs will no longer be exempt from compliance reporting obligations and therefore they will be included in the consultation process.

7.2 Steps in consultation

AUSTRAC initiated consultation in April 2014, with selected REs to discuss the current compliance reporting regime and the options for reform. This targeted consultation involved telephone meetings with a small representative sample of REs across the reporting population.

Further consultation on proposed changes is now required in the form of broad public consultation with a wide range of stakeholders from both relevant industry associations and the RE population to educate the RE population on changes and confirm potential impacts.

It is intended that the RIS will be published for public consultation in October 2014 for a period of 30 days. Due to the nature of the change it is expected that this will give REs adequate time to consider the information and respond accordingly.

AUSTRAC intends to publish the RIS on the AUSTRAC website as well as email all currently reporting REs (approximately 6, 500 entities) and RNPs inviting them to make submissions via email to an AUSTRAC mailbox or in writing to an AUSTRAC address. AUSTRAC expects a reasonable level of engagement with those entities due to existing relationships.

AUSTRAC will also write to relevant industry associations and other regulators.

7.3 Communication messages

Major messages for communication during consultation are:

- AUSTRAC is considering changing its approach to compliance reporting
- Compliance reports inform AUSTRAC about an organisation's approach to AML/CTF compliance and its effectiveness
- Proposed changes to compliance reporting may require some REs to change their processes and procedures in the collection of information and submission of the compliance report whilst some REs may become exempt under the proposed changes

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Business insights into how compliance reporting can be improved are important in the joint effort to guard Australia against serious and organised crime. Businesses throughout Australia are invited to provide feedback on the proposed changes to compliance reporting.

It is acknowledged that there may be a range of views on the proposed changes, particularly due to the diverse nature of the regulated population. As with any regulatory change processes and procedures may need to be adjusted and this may impact on REs differently depending on their existing levels of experience and infrastructure. To facilitate this, AUSTRAC is committed to supporting REs' compliance by clarifying regulatory expectations through ongoing engagement.

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8. Implementation and evaluation plan

AUSTRAC is proposing that the obligations would take effect for the compliance reporting period of 1 January 2015 to 31 December 2015. The relevant compliance lodgement period is from the first business day of January 2016 (Monday 4 January 2016) until 31 March 2016. This will ensure that all REs have sufficient time to transition to the new compliance reporting framework.

The obligation to submit a compliance report exists currently under section 47 of the AML/CTF Act and many REs currently submit these reports annually to AUSTRAC. Implementation challenges faced by the relevant REs are anticipated to be largely related to understanding AUSTRAC's requirements and expectations of the new reporting framework.

AUSTRAC does not intend to change either the reporting frequency or period for submission of the annual compliance report. This will reduce the likelihood of REs experiencing difficulty transitioning from the existing compliance reporting framework to the new one. REs are already familiar with the compliance reporting process. They may have to transition some new internal processes for the collection and collation of information. AUSTRAC will work with REs and industry associations to develop guidance in relation to aspects of the reform, where necessary.

The table below provides the key dates for the implementation of the proposed AML/CTF rules.

Table 8.1: Expected key implementation dates

Date	Key implementation step
Fourth quarter 2014	Announcement of new compliance reporting framework, with links to the AUSTRAC website with further information including the RIS and finalised report/s
First quarter 2015	AUSTRAC CEO makes the AML/CTF Rules
Second quarter 2015	AUSTRAC finalises guidance material (AR and ECR documents) to assist with implementation and to provide practical advice to support the new compliance framework and Rules
Fourth quarter 2015	Compliance report lodgement communication campaign commences
First business day of January 2016	Lodgement of the new compliance report commences as specified by the AML/CTF Rules
First business day of January – 31 March 2016	REs will be required to lodge the compliance report under the new compliance reporting framework

Once successfully transitioned to the new compliance reporting framework there will be no further transition activity required by REs. The compliance report will be submitted annually as is currently

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required under the Rules relating to Section 47 of the AML/CTF Act. AUSTRAC may make further changes to the form and content of the AR and ECR over time to continue to enhance the information from compliance reporting.

AUSTRAC will evaluate the performance of the new compliance reporting framework by:

- Measuring the utilisation of AR and ECR data to identify and further understand current and emerging ML/TF risks
- Measuring the level of RE engagement by the RE report lodgement percentage
- A reduction in receipt of poor quality or incomplete compliance reports
- Measuring the reduction in paper reports expected to occur as a result of exempting all micro businesses from the AR and ECR obligation
- An increase in positive media attention and industry feedback relating to compliance reporting to AUSTRAC (AR and ECR).

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Proposed changes to the annual compliance report

9. Glossary

Term	Description
AML/CTF Act	<i>Anti-Money Laundering and Counter-Terrorism Financing Act 2006.</i>
AML/CTF regulatory regime	The AML/CTF regulatory regime is the <i>Anti-Money Laundering and Counter-Terrorism Financing Act 2006</i> (AML/CTF Act), and its subordinate instruments (the regulations and the <i>Anti-Money Laundering and Counter-Terrorism Financing Rules Instrument 2007 (No.1)</i> (AML/CTF Rules).
Annual compliance report (ACR)	The Annual Compliance Report is the current compliance report which provides AUSTRAC with information about a reporting entity's compliance with the AML/CTF Act.
Annual return (AR)	The Annual Return is the proposed comprehensive 'free-format' report describing a reporting entity's business environment, ML/TF risk and the effectiveness of AML/CTF programs.
AUSTRAC	The Australian Transaction Reports and Analysis Centre. AUSTRAC oversees the compliance of Australian businesses with their requirements under the AML/CTF Act and is Australia's Financial Intelligence Unit. AUSTRAC also oversees compliance with the <i>Financial Transaction Reports Act 1988</i> . AUSTRAC's role includes provision of financial information to state, territory and Australian law enforcement, security, social justice and revenue agencies and certain international counterparts.
AUSTRAC CEO	Chief Executive Officer of AUSTRAC.
Compliance reporting lodgement period	The compliance reporting lodgement period begins on the first business day of January and ends on 31 March of each year.
Compliance reporting period	The compliance reporting period is the calendar year from 1 January to 31 December.

Regulation Impact Statement

Proposed changes to the annual compliance report

Term	Description
Designated business group (DBG)	<p>Designated business group means a group of two or more REs, where:</p> <ul style="list-style-type: none"> a) each member of the group has elected, in writing, to be a member of the group, and the election is in force, and b) each election was made in accordance with the AML/CTF Rules, and c) no member of the group is a member of another Designated Business Group, and d) each member of the group satisfies such conditions (if any) as are specified in the AML/CTF Rules, and e) the group is not of a kind that, under the AML/CTF Rules, is ineligible to be a Designated Business Group.
Designated services	Designated services include financial services, bullion and gambling services as defined in section 6 of the AML/CTF Act.
Enhanced Compliance Report (ECR)	The Enhanced Compliance Report is the proposed compliance report to provide AUSTRAC with information about the ML/TF risk and a Reporting Entity's AML/CTF compliance arrangements.
Enrolled	Under section 51 of the AML/CTF Act, entities must be enrolled with AUSTRAC on the Reporting Entities Roll if the entity is a provider of designated service/s.
Financial Action Task Force (FATF)	Financial Action Task Force is an inter-governmental body which aims to set standards and promote effective implementation of legal, regulatory and operational measures for combating ML/TF and other related threats to the integrity of the international financial system.
International Funds Transfer Instructions (IFTI)	If a reporting entity sends or receives an instruction to or from a foreign country for a transfer of money or property - either electronically or under a remittance arrangement - they must submit an international funds transfer instruction report to AUSTRAC.
Micro business	A micro business is an organisation with 4 or fewer employees, regardless of whether the employees are full time, part time or casual.

Regulation Impact Statement

Proposed changes to the annual compliance report

Term	Description
Regulatory burden	<p>Regulatory burden is the cost to businesses, community organisations and individuals of new regulations. Cost includes:</p> <ul style="list-style-type: none"> a) Administrative costs incurred by REs to demonstrate compliance with the regulation, usually record keeping and reporting costs b) Substantive compliance costs that directly lead to the regulated outcomes being sought. These are usually purchase and maintenance costs, for example, plant and equipment c) Delay costs mean the expenses and loss of income incurred by a RE as the result of an application delay or approval delay that prevents the commencement of intended operations. For example, the additional time taken to complete an administrative application requirement or delay in the time taken by AUSTRAC to communicate a decision.
Regulation Impact Statement (RIS)	<p>A Regulation Impact Statement is required for any change in regulation or legislation and is mandatory for all Cabinet submissions. It attempts to measure the impact of regulation by quantifying the regulatory burdens to businesses and identify reductions in regulatory burdens to offset the costs. The purpose of a RIS is to give decision makers an assessment based on all available cost and benefit information.</p>
Reporting entity (RE)	<p>A reporting entity is an individual, company or other entity that provides a 'designated service'. Reporting entities include banks, non-bank financial services, remittance (money transfer) services, bullion dealers, gambling businesses and other professionals or businesses that provide designated services.</p>
SmartForm	<p>SmartForm is an electronic form with capabilities beyond a traditional paper form, such as electronic completion, dynamic sections, database calls and electronic submission.</p>
Threshold Transaction Reports (TTR)	<p>If a reporting entity provides a designated service to a customer which involves the transfer of physical currency or e-currency of AUD10,000 or more (or the foreign currency equivalent), the reporting entity must submit a threshold transaction report to AUSTRAC</p>

Regulation Impact Statement

Proposed changes to the annual compliance report

Appendix A: Assumptions

These assumptions have been used to calculate costs and cost offsets for each option analysed in Section 6, Appendix B: Regulatory Burden and Cost Offset estimate table and Appendix C: Business Cost Calculator Report.

- Approximate time requirements for an RE to complete an ACR, ECR or AR are based on estimates provided through initial stakeholder engagement, as per the following table:

Options	Requirement	Time requirement (above business as usual)
1. Do nothing (base case)	<ul style="list-style-type: none"> Completion of current ACR Total of 4,850 REs and 260 DBGs 	<ul style="list-style-type: none"> ~1 to 3 hours to complete ACR
2. Heavy regulatory option	<ul style="list-style-type: none"> Completion of AR and ECR Total of 4,950 REs and 260 DBGs Larger entities covers 80 REs and 40 DBG Smaller entities covers 4,870 REs and 220 DBGs 	<ul style="list-style-type: none"> ~2 business days for larger REs / DBGs to complete AR ~2 to 5 business days for smaller REs / DBGs to complete AR ~1 to 3 hours to complete ECR
3. Light handed regulatory option A	<ul style="list-style-type: none"> Completion of AR and ECR by 80 REs and 40 DBGs Completion of ECR by 3,280 REs and 150 DBGs 	<ul style="list-style-type: none"> ~2 business days to complete AR ~1 to 3 hours to complete ECR
4. Light handed regulatory option B	<ul style="list-style-type: none"> Completion of ECR Total of 3,360 REs and 190 DBGs 	<ul style="list-style-type: none"> ~1 to 3 hours to complete ECR
5. Light handed regulatory option C	<ul style="list-style-type: none"> Completion of ECR Total of 4,950 REs and 260 DBGs 	<ul style="list-style-type: none"> ~1 to 3 hours to complete ECR
6. Voluntary option (non-regulatory)	<ul style="list-style-type: none"> No requirement to submit the ACR REs may volunteer the information if they choose 	<ul style="list-style-type: none"> No time requirement

- Annual salary is assumed to be an average of \$150,000. These figures were obtained from a 2011 / 2012 legal and compliance salary survey completed by Taylor Root. The assumed wage is based on a Sydney-based middle level corporate compliance officer with typically 4 to 8 years of experience with salary ranging from \$130,000 to \$165,000.
- Hourly wage of \$71 is calculated using the assumed average annual salary of \$150,000. It is assumed there are 8 working hours per day across 263 working days, inclusive of 20 days annual leave and 13 Australian public holidays.

Regulation Impact Statement

Proposed changes to the annual compliance report

Appendix B: Regulatory burden and cost offset estimate table

The Regulatory Burden and Cost Offset estimate table below, quantifies the regulatory costs to businesses, community organisations and individuals of new regulations. It also identifies measures that offset the cost imposed of the new regulations.

Regulatory costs and cost offsets for option 3 have been quantified using the Business Cost Calculator and results are summarised in the table below. There is no cost or cost offset to community organisations or individuals. Costs imposed on businesses reflect the 80 REs and 40 DBGs that would be required to complete an AR. Cost offsets occur only within portfolio and these reflect the exemptions of 1,590 REs and 70 DBGs from completing an ECR.

For further detail refer to Appendix C: Business Cost Calculator Report.

Average annual compliance costs (from business as usual)

Cost (\$m)	Business	Community Organisations	Individuals	Total Cost
Total by Sector	\$ 150,520	\$ -	\$ -	\$ 150,520

Cost offset (\$m)	Business	Community Organisations	Individuals	Total Cost
Total by Sector	\$ 150,520	\$ -	\$ -	\$ 150,520
Agency	\$ -	\$ -	\$ -	\$ -
Within portfolio	\$ 235,720	\$ -	\$ -	\$ 235,720
Outside portfolio	\$ -	\$ -	\$ -	\$ -
Total by Sector	\$ 235,720	\$ -	\$ -	\$ 235,720

Proposal is cost neutral?	Yes (reduction in administrative burden)
Proposal is deregulatory?	No
Balance of cost offsets	\$ 85,200

Appendix C: Business cost calculator report

Regulation Impact Statement

Proposed changes to the annual compliance report

Option 1: Do nothing option (base case)

Status quo maintained by the continued submission of the ACR in the current format during the applicable compliance report lodgement period.

Businesses affected: 5,110

Type of cost	Cost per business	Total cost for all businesses
Startup cost	\$0.00	\$0.00
Ongoing compliance cost per year	\$142.00	\$725,620.00

Option 2: Heavy regulation option

REs currently required to submit an ACR plus RNPs will be required to lodge an AR and an ECR during the applicable compliance report lodgement period (current exemptions apply except for the RNP exemption which is removed).

Businesses affected: 5,210

Type of cost	Cost per business	Total cost for all businesses
Startup cost	\$0.00	\$0.00
Ongoing compliance cost per year	\$2,110.38	\$10,995,060.00

Regulation Impact Statement

Proposed changes to the annual compliance report

Option 3: Light handed regulatory option A

- i) A category of large REs will be required to lodge and AR and ECR during the applicable compliance report lodgement period
- ii) REs currently required to submit an existing compliance report (plus RNPs) will be required to lodge and ECR applicable compliance report lodgement period (current exemptions apply except for the RNP exemption which is removed plus additional 2,350 exempt micro-businesses and REs exempt from Part 7 of the AML/CTF Act, the exemption applying to micro-business will not apply where the RE is a large RE).

Businesses affected: 3,670

Type of cost	Cost per business	Total cost for all businesses
Startup cost	\$0.00	\$0.00
Ongoing compliance cost per year	\$174.50	\$640,420.00

Option 4: Light handed regulatory option B

REs will be required to lodge an ECR during the applicable compliance report lodgement period (current exemptions apply except for the RNP exemption which is removed plus additional 2,350 exempt micro-businesses and REs exempt from Part 7 of the AML/CTF Act).

Businesses affected: 3,550

Type of cost	Cost per business	Total cost for all businesses
Startup cost	\$0.00	\$0.00
Ongoing compliance cost per year	\$142.00	\$504,100.00

Regulation Impact Statement

Proposed changes to the annual compliance report

Option 5: Light handed regulatory option C

REs currently required to submit an existing compliance report will be required to lodge an ECR during the applicable compliance report lodgement period (current exemptions apply except for the RNP exemption which is removed).

Businesses affected: 5,210

Type of cost	Cost per business	Total cost for all businesses
Startup cost	\$0.00	\$0.00
Ongoing compliance cost per year	\$142.00	\$739,820.00

Option 6: Voluntary option (non-regulatory)

Adopt a voluntary compliance reporting framework for all or some Res.

Businesses affected: 5,110

Type of cost	Cost per business	Total cost for all businesses
Startup cost	n/a	n/a
Ongoing compliance cost per year	n/a	n/a

Appendix D: Current annual compliance report



Introduction

Under subsection 47(2) of the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (AML/CTF Act) a reporting entity is required to periodically provide an AML/CTF compliance report to AUSTRAC. The compliance report sets out a reporting entity's compliance with the AML/CTF Act, regulations and Anti-Money Laundering and Counter-Terrorism Financing Rules (AML/CTF Rules).

AUSTRAC performs part of its statutory function as administrator of the AML/CTF Act through the compliance report. AML/CTF compliance reports contribute to AUSTRAC's monitoring of ongoing industry compliance with the AML/CTF Act, regulations and Rules.

Reporting period

The responses you provide in your compliance report should be for your activities during the reporting period. The reporting period for the 2013 compliance report is:

1 January 2013–31 December 2013.

Lodgement period

The compliance report should be completed and submitted to AUSTRAC during the lodgement period. The lodgement period for the 2013 compliance report is:

2 January 2014 –31 March 2014.

It is AUSTRAC's strong preference for the AML/CTF compliance report to be completed online. However, provisions have been made for the completion and submission of paper-based compliance reports.

Lodgement by paper

Please complete this form in black ink and print in CAPITAL LETTERS. Return completed forms to:

AUSTRAC Reporting Entity Operations
PO Box 13173, Law Courts
Melbourne VIC 8010.

Key terms

For the purposes of this compliance report:

Terms and expressions used in the compliance report will have the meanings given to them in the AML/CTF Act or Rules unless indicated otherwise.

A *reporting entity* is a person that provides a designated service.

A *designated service* is a service that is listed in section 6 of the AML/CTF Act.

The term *customer* is defined in section 5 of the AML/CTF Act and includes a prospective customer.

A *politically exposed person* is a term used by the Financial Action Task Force to refer to individuals who are or have been entrusted with prominent public functions in a foreign country, for example heads of state, senior politicians, senior government, judicial or military officers, senior executives of state owned corporations, and important political party officials.

Designated business groups

Subsections 47(6) and 47(7) of the AML/CTF Act allow a member of a *designated business group (DBG)* to lodge group compliance reports. The term *designated business group* is defined in section 5 of the AML/CTF Act.

Help

Help is provided for each question in the AML/CTF compliance report. If you are completing your compliance report in AUSTRAC Online, help may be accessed by selecting the help icon for each question. In addition, an Instruction Guide to completing the compliance report is available on the AUSTRAC website (www.austrac.gov.au). If you need assistance in completing the hard copy paper compliance report, please contact the Help Desk.

For further information, please contact the AUSTRAC Help Desk on:

- Telephone (within Australia): 1300 021 037
- Telephone (international): +61 2 9950 0055
- Email: help_desk@austrac.gov.au.
- TTY access (within Australia):

National Relay Service

- TTY/voice: 133 677 and ask for 1300 021 037
- Speak & listen (SSR): 1300 555 727 and ask for 1300 021 037.

Regulation Impact Statement

Proposed changes to the annual compliance report



Anti-money laundering and counter-terrorism financing (AML/CTF) programs – Part A (General)

1. Did you have a written AML/CTF program on 31 December 2013?

Yes No

2. For each component of your AML/CTF program, indicate your status on 31 December 2013.

(a) AML/CTF risk awareness training for employees:

The fourth response option (not applicable) should only be selected if you do not have any employees.

Not commenced Partially implemented Implemented Not applicable

(b) Employee due diligence program:

The fourth response option (not applicable) should only be selected if you do not have any employees.

Not commenced Partially implemented Implemented Not applicable

(c) Oversight by boards and senior management (or equivalent):

The fourth response option (not applicable) should only be selected if you operate a single person business.

Not commenced Partially implemented Implemented Not applicable

(d) AML/CTF compliance officer appointed:

Yes No

(e) Procedures for independent review of your AML/CTF program:

Not commenced Partially implemented Implemented

(f) Procedures to respond to AUSTRAC feedback:

Not commenced Partially implemented Implemented

(g) Enhanced customer due diligence program:

Not commenced Partially implemented Implemented

(h) Transaction monitoring system to identify suspicious customer activity:

Not commenced Partially implemented Implemented

3. (a) From the following list, please select the customer types to which you provided a designated service:		3. (b) Did you assess the money laundering/terrorism financing risks posed by these customer types: Responses for question 3(b) are only required for each customer type selected in 3(a).	
Individuals	<input type="checkbox"/>	Yes <input type="checkbox"/>	No <input type="checkbox"/>
Companies	<input type="checkbox"/>	Yes <input type="checkbox"/>	No <input type="checkbox"/>
Trustees	<input type="checkbox"/>	Yes <input type="checkbox"/>	No <input type="checkbox"/>
Partnerships	<input type="checkbox"/>	Yes <input type="checkbox"/>	No <input type="checkbox"/>
Incorporated and unincorporated associations	<input type="checkbox"/>	Yes <input type="checkbox"/>	No <input type="checkbox"/>
Registered co-operatives	<input type="checkbox"/>	Yes <input type="checkbox"/>	No <input type="checkbox"/>
Government bodies	<input type="checkbox"/>	Yes <input type="checkbox"/>	No <input type="checkbox"/>

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Regulation Impact Statement

Proposed changes to the annual compliance report



Anti-money laundering and counter-terrorism financing (AML/CTF) programs – Part A (General)

4. Did you assess the money laundering/terrorism financing risk of each of your designated services?

Yes No

5. Did you have a procedure to assess the money laundering/terrorism financing risk of any new designated services before making them available to customers?

Yes No

6. (a) Did you provide designated services from a permanent establishment in a foreign country?

Yes No

(b) Did you assess the money laundering/terrorism financing risk posed by the provision of designated services in that country?

A response for question 6(b) is only required if you responded 'Yes' to question 6(a).

Yes No

7. Did you assess the money laundering/terrorism financing risk posed by the methods used to deliver your designated services? Some examples of delivery methods are:

- face-to-face
- internet, telephone, mail, facsimile, or email
- via a third party such as an agent, broker or intermediary.

Yes No

8. Did you have a procedure to assess the money laundering/terrorism financing risk of any new delivery methods before making them available to your customers?

Yes No

9. Have all members of your designated business group adopted a joint AML/CTF program?

A response for question 9 is only required if you belong to a designated business group.

Yes No

10. (a) Did you screen employees who were in a position to facilitate money laundering or terrorism financing?

Yes No

(b) Did you have a procedure in place to manage employee non-compliance with your AML/CTF program?

Yes No

11. Was an independent review of your AML/CTF program conducted by:

(a) an internal party?

Yes No

(b) an external party?

Yes No

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Regulation Impact Statement

Proposed changes to the annual compliance report



Anti-money laundering and counter-terrorism financing (AML/CTF) programs – Part B (Customer identification)

12. For each of your customer types, indicate if you had procedures to:

Responses to question 12 are only required for each customer type that was selected in question 3(a).

Customer type	Collect the minimum know your customer (KYC) information?		Verify the minimum KYC information?		Identify if additional KYC information needed to be collected?		Identify if additional KYC information needed to be verified?	
	Yes <input type="checkbox"/>	No <input type="checkbox"/>	Yes <input type="checkbox"/>	No <input type="checkbox"/>	Yes <input type="checkbox"/>	No <input type="checkbox"/>	Yes <input type="checkbox"/>	No <input type="checkbox"/>
Individual	Yes <input type="checkbox"/>	No <input type="checkbox"/>	Yes <input type="checkbox"/>	No <input type="checkbox"/>	Yes <input type="checkbox"/>	No <input type="checkbox"/>	Yes <input type="checkbox"/>	No <input type="checkbox"/>
Company	Yes <input type="checkbox"/>	No <input type="checkbox"/>	Yes <input type="checkbox"/>	No <input type="checkbox"/>	Yes <input type="checkbox"/>	No <input type="checkbox"/>	Yes <input type="checkbox"/>	No <input type="checkbox"/>
Trustees	Yes <input type="checkbox"/>	No <input type="checkbox"/>	Yes <input type="checkbox"/>	No <input type="checkbox"/>	Yes <input type="checkbox"/>	No <input type="checkbox"/>	Yes <input type="checkbox"/>	No <input type="checkbox"/>
Partnerships	Yes <input type="checkbox"/>	No <input type="checkbox"/>	Yes <input type="checkbox"/>	No <input type="checkbox"/>	Yes <input type="checkbox"/>	No <input type="checkbox"/>	Yes <input type="checkbox"/>	No <input type="checkbox"/>
Incorporated and unincorporated associations	Yes <input type="checkbox"/>	No <input type="checkbox"/>	Yes <input type="checkbox"/>	No <input type="checkbox"/>	Yes <input type="checkbox"/>	No <input type="checkbox"/>	Yes <input type="checkbox"/>	No <input type="checkbox"/>
Registered co-operatives	Yes <input type="checkbox"/>	No <input type="checkbox"/>	Yes <input type="checkbox"/>	No <input type="checkbox"/>	Yes <input type="checkbox"/>	No <input type="checkbox"/>	Yes <input type="checkbox"/>	No <input type="checkbox"/>
Government bodies	Yes <input type="checkbox"/>	No <input type="checkbox"/>	Yes <input type="checkbox"/>	No <input type="checkbox"/>	Yes <input type="checkbox"/>	No <input type="checkbox"/>	Yes <input type="checkbox"/>	No <input type="checkbox"/>

13. Did you have procedures in place to respond to discrepancies that arose in the course of verifying KYC information?

Yes No

14. Did you have procedures in place to identify agents of customers?

Yes No Not applicable

15. Did you have any high-risk customers or groups of customers (including politically exposed persons)?

Yes No

16. Did you outsource any of your customer identification or verification procedures?

Yes No

17. Did members of your designated business group rely on the customer identification and verification procedures carried out by another member?

A response for question 17 is only required if you belong to a designated business group.

Yes No

18. Did you make and retain records of all customer identification information?

The third response option for question 18 ('Done by another DBG member') is only applicable if you belong to a designated business group.

Yes No Done by another DBG member

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Regulation Impact Statement

Proposed changes to the annual compliance report



Reporting of international funds transfer instructions, threshold transactions, suspicious matters.

19. Indicate whether you have procedures in place to report the following to AUSTRAC, as at 31 December 2013.

(a) International funds transfer instructions:

The fourth response option (not applicable) is only required if you are not an authorised deposit-taking institution, a bank, a building society, or a credit union; or you are one of these institutions but do not accept and process electronic funds transfer instructions.

Not commenced Partially implemented Implemented Not applicable

(b) Threshold transactions:

The fourth response option (not applicable) is only required if you do not allow transactions involving the transfer of physical currency or e-currency of AUD\$10,000 or more.

Not commenced Partially implemented Implemented Not applicable

(c) Suspicious matters:

Not commenced Partially implemented Implemented



Appendix E: Draft enhanced compliance report

All of the questions apply to all REs required to submit an ECR except where additional questions must be specifically answered by a remittance network provider (RNP).

Introduction

Under subsection 47(2) of the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (AML/CTF Act) a reporting entity (RE) is to periodically provide an anti-money laundering and counter-terrorism financing (AML/CTF) Compliance Report to AUSTRAC. The Compliance Report sets out an RE's compliance with the AML/CTF Act, regulations and *Anti-Money Laundering and Counter-Terrorism Financing Rules Instrument 2007 (No.1)* (AML/CTF Rules).

AUSTRAC performs part of its statutory function as administrator of the AML/CTF Act through the Compliance Report. AML/CTF Compliance Reports contribute to AUSTRAC's monitoring of ongoing industry compliance with the AML/CTF Act, regulations and AML/CTF Rules.

Reporting period

The responses you provide in the Compliance Report should be for the RE's activities during the reporting period, unless the question specifies a point in time date reference. The reporting period for the 20XX Compliance Report is 1 January 20XX – 31 December 20XX.

Lodgement period

The Compliance Report should be completed and submitted to AUSTRAC during the lodgement period. The lodgement period for the 20XX Compliance Report is the first business day of January 20XX – 31 March 20XX.

It is AUSTRAC's preference for the AML/CTF Compliance Report to be completed online. However, those who do not have internet access can submit paper-based Compliance Reports.

Key terms

For the purposes of completing the 20XX Compliance Report:

- Terms and expressions used in the Compliance Report will have the meanings given to them in the AML/CTF Act or AML/CTF Rules unless indicated otherwise.
- An RE is a person that provides a designated service.

Regulation Impact Statement

Proposed changes to the annual compliance report

- A designated service is a service that is listed in section 6 of the AML/CTF Act.
- The terms 'you' and 'your' refer to the RE.
- The term 'customer' is defined in section 5 of the AML/CTF Act and includes a prospective customer.
- A 'politically exposed person' is a term used by the Financial Action Task Force to refer to individuals who are or have been entrusted with prominent public functions in a foreign country or domestically. For example heads of state, senior politicians, senior government, judicial or military officers, senior executives of state-owned corporations, and important political party officials.

Designated business groups

Subsections 47(6) and 47(7) of the AML CTF Act allow a member of a designated business group (**DBG**) to lodge a Compliance Report on behalf of the group. The term 'designated business group' is defined in section 5 of the AML/CTF Act.

Help

Resources are available on the [AUSTRAC website](http://www.austrac.gov.au) (www.austrac.gov.au). For further information you can also contact the AUSTRAC Help Desk on:

- Telephone (within Australia): 1300 021 037
- Telephone (international): +61 2 9950 0057
- Email: help_desk@austrac.gov.au.

TTY access (telephone typewriter for the hearing and speech impaired) within Australia:

- National Relay Service:
- TTY / voice: 133 677 and ask for 1300 021 037

Speak & listen (SSR): 1300 555 727 and ask for 1300 021 037.

Regulation Impact Statement

Proposed changes to the annual compliance report

1. Business information

1.1 Is your enrolment and/or registration information up to date and accurate?

Yes No Do not know

If you are an RNP also answer the following:

Do you have processes to ensure that your affiliate's registration is up to date and accurate?

Yes No Do not know

1.2 Approximately how many employees do you have?

1-4 5-19 20-200 More than 200

1.3 Do you outsource any of your AML/CTF obligations?

Yes No Do not know

1.4 When you provide a designated service, with which of these regions do you do business (select all that apply)?

<input type="checkbox"/> Not applicable	<input type="checkbox"/> Northern Africa	<input type="checkbox"/> Sub-Saharan Africa
<input type="checkbox"/> Southern Africa	<input type="checkbox"/> Greater Middle East Africa	<input type="checkbox"/> Pacific Islands
<input type="checkbox"/> North America	<input type="checkbox"/> Caribbean	<input type="checkbox"/> South America
<input type="checkbox"/> Central Asia	<input type="checkbox"/> Eastern Asia	<input type="checkbox"/> South-east Asia
<input type="checkbox"/> North-east Asia	<input type="checkbox"/> Northern Asia	<input type="checkbox"/> Southern Asia
<input type="checkbox"/> Western Asia	<input type="checkbox"/> Asia-Pacific	<input type="checkbox"/> Central Europe
<input type="checkbox"/> Eastern Europe	<input type="checkbox"/> Northern Europe	<input type="checkbox"/> South-eastern Europe

Regulation Impact Statement

Proposed changes to the annual compliance report

If you are an RNP also answer the following:

When your platform or operating system was used to provide a remittance service for the customers of your affiliates, which of these regions were dealt with (select all that apply)?

- | | | |
|--|---|---|
| <input type="checkbox"/> Not applicable | <input type="checkbox"/> Northern Africa | <input type="checkbox"/> Sub-Saharan Africa |
| <input type="checkbox"/> Southern Africa | <input type="checkbox"/> Greater Middle East Africa | <input type="checkbox"/> Pacific Islands |
| <input type="checkbox"/> North America | <input type="checkbox"/> Caribbean | <input type="checkbox"/> South America |
| <input type="checkbox"/> Central Asia | <input type="checkbox"/> Eastern Asia | <input type="checkbox"/> South-east Asia |
| <input type="checkbox"/> North-east Asia | <input type="checkbox"/> Northern Asia | <input type="checkbox"/> Southern Asia |
| <input type="checkbox"/> Western Asia | <input type="checkbox"/> Asia-Pacific | <input type="checkbox"/> Central Europe |
| <input type="checkbox"/> Eastern Europe | <input type="checkbox"/> Northern Europe | <input type="checkbox"/> South-eastern Europe |

1.5 To which customer types did you provide designated services during the reporting period (select all that apply)?

- | | | |
|---|---------------------------------------|--|
| <input type="checkbox"/> Individuals | <input type="checkbox"/> Companies | <input type="checkbox"/> Trustees |
| <input type="checkbox"/> Partnerships | <input type="checkbox"/> Associations | <input type="checkbox"/> Government bodies |
| <input type="checkbox"/> Registered co-operatives | | |

If you are an RNP also answer the following:

When your platform or operating system was used to provide a remittance service for the customers of your affiliates, which of these customer types were they provided to by the affiliates (select all that apply)?

- | | | | |
|---------------------------------------|--|---|---------------------------------------|
| <input type="checkbox"/> Individuals | <input type="checkbox"/> Companies | <input type="checkbox"/> Trustees | <input type="checkbox"/> Partnerships |
| <input type="checkbox"/> Associations | <input type="checkbox"/> Government bodies | <input type="checkbox"/> Registered co-operatives | |

1.6 Through which of the following channels did you provide designated services during the reporting period (select all that apply)?

- Face-to-face
- Electronic or mobile phone communications such as text messages, faxes and emails
- Via third party or agent
- Other
- Do not know

Regulation Impact Statement

Proposed changes to the annual compliance report

2. AML/CTF program

2.1 How effective was your AML/CTF program in identifying, managing and mitigating the ML/TF risk faced by your organisation during the reporting period?

Fully effective Partially effective Not effective Do not know

If you are an RNP also answer the following:

Did you provide a standard AML/CTF program to all of your affiliates?

Yes No Do not know

Did they all adopt the provided AML/CTF program?

Yes No Do not know Not applicable

2.2 Were there any material instances of non-compliance with your AML/CTF program?

Yes No Do not know

If YES, select all that apply?

Risk identification, mitigation and management Customer identification
 AML/CTF risk awareness training Employee due diligence
 Ongoing customer due diligence Reporting obligations

3. AML/CTF compliance officer

3.1 Did the position of AML/CTF compliance officer exist at the management level within your organisation at all times during the reporting period?

Yes No Do not know

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3.2 How many years of experience in AML/CTF functions does the AML/CTF compliance officer have?

- Less than 1 year at least 1 year and less than 3 years
 at least 3 years and less than 5 years 5 years or more

3.3 To what level did the AML/CTF compliance officer report to?

- Board CEO Executive management Other

4. ML/TF risk

4.1 In which year was the last time you completed an assessment of your ML/TF risk?

- Current reporting period (20XX) Previous year (20XX)
 Two years ago (20XX) More than two years ago (prior to 20XX)
 Not completed

4.2 Have you risk-rated any of the following within your business as high risk during the reporting period (select all that apply)?

- Customers Products Jurisdictions Delivery channels

4.3 Approximately what percentage of your customers are rated 'high' risk?

- None 0% < 1% 1% < 2% 2% < 3% 3% < 4%
 4% < 5% 5% < 10% More than 10%

5. AML/CTF risk awareness training

5.1 What percentage of applicable employees received AML/CTF risk awareness training during the reporting period?

- None 0% < 25% 25% < 75% 75% < 90% More than 90%

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5.2 Did you test the effectiveness of the AML/CTF risk awareness training during the reporting period?

Yes No Do not know

6. Employee due diligence

6.1 Do you have an employee due diligence program?

Yes No Do not know

6.2 Were there any instances where prospective employees failed your employee screening process during the reporting period?

Yes No Do not know

7. Independent review

7.1 When was your last independent review completed?

Current reporting period (20XX) Previous year (20XX)
 Two years ago (20XX) More than two years ago (prior to 20XX)
 Not completed

7.2 Did the independent review identify any material findings?

Yes No Do not know Not applicable

7.3 Were the results of your most recent independent review provided to your Board or senior management?

Yes No Do not know Not applicable

7.4 Have any AML/CTF remediation activities been established as a result of the independent review?

Yes No Do not know Not applicable

8. Oversight by the Board and senior management

8.1 Has your AML/CTF program been approved by the Board or senior management?

Yes No Do not know

8.2 How often was AML/CTF reporting provided to the Board or senior management during the reporting period?

Never Once 2 to 4 5 or more Do not know

8.3 Were failures and breaches to the AML/CTF program, policies and procedures notified and provided to the Board or senior management during the reporting period?

Yes No Do not know Not applicable

8.4 If any AML/CTF remediation activities are in progress, is reporting provided to the Board or senior management?

Yes No Do not know Not applicable

9. Reporting to AUSTRAC, regulatory interactions and law enforcement enquiries

9.1 Who determines whether SMRs are reported to AUSTRAC?

AML/CTF compliance officer Executive management Other
 Do not know

If you are an RNP also answer the following:

Do you have a written agreement in place with your affiliates that authorises you to provide SMRs to AUSTRAC on their behalf?

Yes Some No Do not know

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9.2 To the best of your knowledge, do you believe you have reported all transactions (IFTIs, TTRs and SMRs) as required under the AML/CTF Act and Rules?

Yes No Do not know

9.3 Did you have any interaction with law enforcement agencies in respect of AML/CTF matters during the reporting period?

Yes No Do not know

9.4 Have there been any AML/CTF related regulatory actions or issues in Australia or overseas that has, or may have, an impact on your Australian business operations either directly or through the other members of your group structure?

Yes No Do not know Not applicable

10. Ongoing customer due diligence

10.1 How do you meet your obligations with regard to transaction monitoring?

Automated system only Manual only
 Combination of automated and manual Not implemented
 Do not know

If you are an RNP also answer the following:

Do you monitor transactions on behalf of your affiliates?

Yes No Do not know

10.2 When was the last time you reviewed reporting triggers used in transaction monitoring?

Current reporting period (20XX) Previous year (20XX)
 Two years ago (20XX) More than two years ago (prior to 20XX)
 Not completed

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10.3 Did you carry out enhanced customer due diligence procedures during the reporting period?

Yes No Do not know Not applicable

If you are an RNP also answer the following:

Did you carry out enhanced customer due diligence procedures on behalf of your affiliates during the reporting period?

Yes No Do not know Not applicable

11. Customer identification and verification

11.1 How many of your customers were politically exposed persons (PEPs) as identified through PEP screening during the reporting period?

None 1 < 10 10 < 20 20 or more Do not screen
 Do not know

If you are an RNP also answer the following:

How many of your customers or your affiliates' customers were PEPs as identified through PEP screening during the reporting period?

None 1 < 10 10 < 20 20 or more Do not screen
 Do not know

11.2 Do you have customers that were not identified as required by the AML/CTF Act and Rules during the reporting period?

Yes No Do not know

12. Record keeping

12.1 Do you keep records in accordance with the AML/CTF Act and Rules?

Yes No Do not know

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Attestation by the Board or similar governing body, or where no Board exists, the Chief Executive Officer or equivalent CEO of the reporting entity

The RE must provide AUSTRAC with a declaration from the Board or similar governing body (**Board**), or where no Board exists, the Chief Executive Officer or equivalent (**CEO**) of the reporting entity. In the case of a DBG, this declaration must be obtained from the Board or CEO of each entity in the DBG, or from a person or Board with written authority from each entity in the DBG. The declarer must also attest that for the reporting period:

- An AML/CTF program has been maintained which complies with the requirements of the AML/CTF Act and Rules to identify, mitigate and manage the risks of money laundering and terrorism financing.
- Systems and controls are established to monitor and manage those risks, including adequate and timely escalation and reporting processes.
- Systems and controls have been assessed to manage those risks and the declarer has satisfied themselves that the systems and controls are operating effectively and are adequate having regard to the risks they are designed to control.

Appendix F: Annual Return

1. Introduction

General guidance

This document applies to reporting entities (**REs**) required to provide an AML/CTF Annual Return (**AR**) to the AUSTRAC CEO to satisfy their compliance report obligation under section 47 of the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (**AML/CTF Act**).

The AR is intended to provide flexibility to REs in providing information to AUSTRAC. In particular, organisations are encouraged to provide information e.g. attachments, tables or graphs that support their statements, and that is already used by REs in managing and monitoring their anti-money laundering / counter terrorism financing (**AML/CTF**) programs.

Guidance for Remittance Network Providers

If you are registered as a remittance network provider (**RNP**) on AUSTRAC's Remittance Sector Register and you meet the requirements to submit the AR, your responses should include information on how you are managing your obligations under the AML/CTF Act including:

- any obligations that relate to your affiliates which are imposed on you under the AML/CTF Act or *Anti-Money Laundering and Counter-Terrorism Financing Rules Instrument 2007 (No.1)* (**AML/CTF Rules**), for example threshold transaction and international funds transfer instruction reporting;
- any obligations imposed on your affiliates that may be imposed on you which you have agreed with your affiliates that you will discharge, for example ongoing customer due diligence and suspicious matter reporting; and
- how you are managing the money laundering/terrorism financing (**ML/TF**) risk associated with transactions that are conducted through your platform that originate with your affiliates.

2. Reporting period

The responses you provide in the AR should be for the REs activities during the reporting period. The reporting period for the 20XX AR is 1 January 20XX – 31 December 20XX.

3. Lodgement period

The AR should be completed and submitted to AUSTRAC during the lodgement period. The lodgement period for the 20XX AR is the first business day of January 20XX – 31 March 20XX.

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4. Key terms

For the purposes of completing the 20XX Compliance Report:

- Terms and expressions used in the AR will have the meanings given to them in the AML/CTF Act or AML/CTF Rules unless indicated otherwise.
- An RE is a person that provides a designated service.
- A designated service is a service that is listed in section 6 of the AML/CTF Act.
- The terms 'you' and 'your' refer to the RE.
- The term 'customer' is defined in section 5 of the AML/CTF Act and includes a prospective customer.
- A 'politically exposed person' is a term used by the Financial Action Task Force to refer to individuals who are or have been entrusted with prominent public functions in a foreign country or domestically. For example heads of state, senior politicians, senior government, judicial or military officers, senior executives of state-owned corporations, and important political party officials.

5. Designated business groups

Subsections 47(6) and 47(7) of the AML/CTF Act allow a member of a designated business group (DBG) to lodge a Compliance Report on behalf of the group. The term 'designated business group' is defined in section 5 of the AML/CTF Act.

6. Help

Resources are available on the [AUSTRAC website](http://www.austrac.gov.au) (www.austrac.gov.au). For further information you can also contact the AUSTRAC Help Desk on:

- Telephone (within Australia): 1300 021 037
- Telephone (international): +61 2 9950 0057
- Email: help_desk@austrac.gov.au.

TTY access (telephone typewriter for the hearing and speech impaired) within Australia:

- National Relay Service:
- TTY/voice: 133 677 and ask for 1300 021 037

Speak & listen (SSR): 1300 555 727 and ask for 1300 021 037.

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7. Annual Return requirements

a) The AR is to be submitted by the AML/CTF compliance officer

The AR is to be submitted to AUSTRAC by the AML/CTF compliance officer.

b) Attestation by the Board or similar governing body or where no Board exists, the Chief Executive Officer or equivalent CEO of the reporting entity

The RE must provide AUSTRAC with a declaration from the Board or similar governing body (**Board**), or where no Board exists, the Chief Executive Officer or equivalent (**CEO**). In the case of a DBG, the declaration must be obtained from the Board or CEO of each entity in the DBG, or from a person or Board with written authority from each entity in the DBG. The declarer must also attest that for the reporting period of the AR:

- An AML/CTF program has been maintained which complies with the requirements of the AML/CTF Act and Rules to identify, mitigate and manage the risks of money laundering and terrorism financing.
- Systems and controls are established to monitor and manage those risks, including adequate and timely escalation and reporting processes.
- Systems and controls have been assessed to manage those risks and the declarer has satisfied themselves that the systems and controls are operating effectively and are adequate having regard to the risks they are designed to control.

Where applicable, an explanation should be provided for any qualifications to the declaration, including remediation activities undertaken during the period, or planned future remediation activities, to address any deficiencies.

c) Summary of information requirements

The AR requires you to provide:

- Business information.
- An overall assessment of ML/TF risks facing the RE.
- Information on the effectiveness of your AML/CTF systems and controls to comply with the Act and Rules and manage ML/TF risk, including improvements, remediation plans and changes to resourcing to improve the effectiveness of your AML/CTF systems and controls.
- Any other material matter in connection with your AML/CTF program that is not otherwise covered by the information requirements.

The following section provides further detail about the information required. You must address all sections outlined below in Section 8. The format and detail of responses is not prescribed and you are encouraged to use information that already exists. This will, however, depend on the quality, integrity and availability of information. A combination of qualitative and quantitative data is

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encouraged. Ultimately, it is the responsibility of the RE to determine what information is appropriate – taking into account the nature, size and complexity of your business.

Any restrictions or limitations in producing and providing the AR should be disclosed.

8. Information requirements

a) Executive Summary

The Executive Summary is required to provide a summary of the content of the AR including highlights and key issues in respect of:

- Changes to the business that have an AML/CTF impact or changes to the AML/CTF program during the period or since the last Compliance Report/AR.
- Identified ML/TF risks including material changes and emerging risks.
- A self-assessment of the effectiveness of the AML/CTF systems and controls to ensure compliance with the AML/CTF Act and AML/CTF Rules and to manage ML/TF risks.
- Any areas of non-compliance with the AML/CTF Act and AML/CTF Rules identified during the period that require remediation together with progress of remediation plans.
- The extent and adequacy of oversight by the Board and senior management.

Any identified material or significant AML/CTF issues should be highlighted in the Executive Summary including any other material matter in connection with your AML/CTF program(s) that is not otherwise covered by the information requirements.

b) Business information

This section should provide information about the business(s) which are relevant to the development, implementation and operation of your AML/CTF program. It should include:

- An overview of the business including the nature, size and complexity of the organisation, organisational structure, relationships with other group entities, geographic locations, use of outsourcing /offshoring, lines of business, customer types, products and services, reliance on third parties.
- Any significant changes to the business, noting that any changes to business documented in the Executive Summary should be expanded upon here.

c) AML/CTF Program framework

Describe your AML/CTF program framework for managing ML/TF risk including:

- An overview of the operation of the AML/CTF program including governance structure, roles and responsibilities, resources, reporting and escalation processes, alignment with existing risk management and other financial crimes management functions, key systems and processes, transaction monitoring, approach to international operations, the impact of overseas AML/CTF programs where head office is overseas, outsourced and offshore AML/CTF operations and related governance arrangements.

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- The current status of the written program and changes during the reporting period.
- The extent of implementation of the program and any material deficiencies or exemptions.
- The compliance culture of the organisation and how the RE identifies, escalates and manages employee non-compliance with the AML/CTF program.

d) Monitoring compliance with the AML/CTF program and the effectiveness of controls

Describe your methodology for monitoring compliance with your AML/CTF program and monitoring the effectiveness of controls including:

- The scope of the monitoring and the approach used, including the independence, skills and experience of those conducting the monitoring.
- The extent of monitoring that has been completed, the results of monitoring, and action plans to improve compliance and controls.
- The escalation and reporting of results of monitoring to the Board and senior management.

e) AML/CTF compliance officer and adequacy of resources

Describe the role of the AML/CTF compliance officer including:

- The role, authority, experience, seniority and reporting line(s) of the AML/CTF compliance officer, including interaction with the Board and senior management.
- The resources devoted to managing your AML/CTF program including the size of the team and their experience, authority, reporting lines, and interaction with your AML/CTF compliance officer. The description should consider the whole of business AML/CTF resources, i.e. the AML/CTF compliance resources within all business lines.
- A description of any limitations that your AML/CTF compliance officer has, including their independence, authority and the adequacy of resources.

f) AML/CTF risk awareness training program

Describe the effectiveness of your AML/CTF risk awareness training program, including:

- The level of training completed during the period and the formal consequences to management and employees of not completing AML/CTF training and any current issues.
- Your approach to assessing the effectiveness of training i.e. how has the AML/CTF risk awareness of your staff improved.
- The adequacy of your training budget and resources.

g) Employee due diligence program

Describe the effectiveness of your employee due diligence program, including:

- The nature and extent of screening completed during the reporting period and any issues in completing screening.
- Any significant issues or events that were identified.
- The nature and extent of rescreening that has been conducted.

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h) Oversight by the Board and senior management

Describe the level of oversight by your Board and senior management including:

- The approval of the current AML/CTF program.
- The interaction between your AML compliance officer and the Board and senior management.
- The key components, operation and adequacy of your AML/CTF management information systems and reporting to the Board and senior management.

i) Independent review

Describe how your business complies with the requirement for Part A of the AML/CTF program to be reviewed regularly by an independent reviewer, including:

- The frequency of the independent review and the scope and objective of the most recent review, including any limitations in its scope.
- The person who appoints the independent reviewer and why the reviewer was selected, for example relevant skills, experience, and independence.
- The level of oversight and visibility by the Board of the most recent review.
- The conclusions and findings and any remediation plans of the most recent review.

j) AUSTRAC feedback, regulatory interactions and law enforcement enquiries

Describe how your business manages communication with AUSTRAC and any relevant interactions with other regulators and law enforcement agencies, including:

- The level of oversight and visibility of the Board and senior management regarding communication with AUSTRAC.
- Details of any AML/CTF related regulatory action or issues in Australia or overseas that have, or may have, an impact on your business either directly or through the other members of your group structure (where applicable).
- The general nature and extent of interactions with law enforcement agencies during the period in respect of your customers on AML/CTF matters.

k) Permanent Establishment Overseas

Provide information about the provision of designated services from a permanent establishment overseas, including:

- A list of the foreign jurisdictions.
- How the risk posed by the provision of designated services in foreign jurisdictions is assessed and managed.
- The effectiveness of measures in place to manage the risk and any exceptions.

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l) Countermeasures

Describe the approach to the implementation of countermeasures, including:

- Customer relationships in jurisdictions subject to countermeasures.
- The effectiveness of complying with countermeasures and any exceptions during the period.

m) Reporting to AUSTRAC (IFTIs, TTRs and SMRs)

Describe your approach to reporting to AUSTRAC, including:

- The validation of the integrity of reporting data, including the use of automated or manual processes.
- The extent your AML/CTF compliance officer involvement and authority in reporting to AUSTRAC.
- Any instances where your AML/CTF compliance officer's decision to report a SMR has been overridden.
- Any deficiencies identified in complying with your AML/CTF reporting obligations and details of any data quality issues.

n) Transaction monitoring program

Describe the effectiveness of your transaction monitoring processes including:

- The scope of and approach to monitoring transactions and the extent to which consistent manual or automated processes are used.
- The integrity of the transaction data and the alert identification processes used in your transaction monitoring program.
- In what way, and how effectively, does your transaction monitoring program identify transactions that appear to be suspicious including complex, unusual, large transactions or unusual patterns of transactions which have no apparent economic or visible lawful purpose.
- The appropriateness and effectiveness of exception rules, scenarios and red flags that trigger investigation of transactions.
- The protocols for assessing transactions alerted by your Transaction Monitoring Program and determining if a suspicious matter should be reported.
- The approach to monitoring and managing the performance of your Transaction Monitoring Program and any issues identified during the period.

o) Enhanced customer due diligence

Describe the effectiveness of your enhanced customer due diligence systems and controls including:

- Levels of enhanced due diligence performed.
- Triggers for enhanced customer due diligence and escalation and reporting protocols including transactions that involve acceptance or continuation of high risk business relationships.

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p) Customer identification and verification

Provide details about the identification and verification processes of your customers, including:

- The effectiveness of policies, procedures, systems and controls.
- How individual and groups of high-risk customers are managed.
- Your approach to politically exposed persons (**PEPs**), both domestically and internationally, and the number of known PEPs with whom your business maintains a business relationship.
- How additional know your customer (**KYC**) information is collected under the risk-based approach, and how this information is kept up to date.
- Any customer identification and verification compliance deficiencies that have been identified relating to current policies and procedures, indicating the seriousness of the issue and either the action taken or the recommendations for change.

q) Correspondent banking relationships

Describe the management of correspondent banking relationships, including:

- The number and location of correspondent banking relationships that the RE has with overseas financial institutions and changes over the reporting period.
- The approach to and effectiveness of preliminary assessments and due diligence assessments that are conducted for correspondent banking relationships including the skills and experience of those conducting the assessments, approvals required to accept or continue relationships and monitoring and oversight of assessments.
- Summarise how many correspondent banking relationships have been assessed during the period and how many have not been accepted or terminated as a result.

r) Record keeping

Describe your approach to AML/CTF record keeping, including:

- The capability to retrieve accurate and reliable records within reasonable timeframes.
- Any material control failures identified during the reporting period and actions taken to address these.

s) Remittance network management (to be completed by RNPs only)

Describe the effectiveness of your affiliate registration processes, including:

- Any issues in registering affiliates and maintaining their registration information
- Any significant registration issues or events that were identified
- The nature and extent of affiliate due diligence completed during the year and any issues in completing due diligence.
- Any significant affiliate due diligence issues or events that were identified.
- The nature and extent of any ongoing due diligence that has been conducted.