

# Anti-Money Laundering - Counter Terrorism Finance ID; Suspicious Matter Reporting & Client Signatures

## *InterPrac Business Principle*

Date	15 <sup>th</sup> September 2020
Version	1.5
Description	Austrac Client Identification, Suspicious Matter reporting, Client Signatures,
Author	Shane Miller

## Purpose

To outline the responsibilities of ARs in reference to AUSTRAC's legislated requirements.

## Scope

What is needed to ID a client? (incl. non-conventional means)

What needs to be recorded on the client file?

When must a client be Identified

AML CTF 'attestation'

Certification documentation and Adviser Resource Centre

What is Suspicious Matter Reporting (SMR)?

What is the SMR process?

What is Reasonable Enquiry?

Wet Signatures

Digital Signatures

Certifying Documents

## Policy

### AML/CTF Reporting Entity

An entity that provides any designated financial service listed under section 6 of the AML/CTF Act must meet reporting obligations under the AML/CTF Act.

InterPrac is the reporting entity and the ONLY designated person to create reports is the Sequoia Financial Group's Head of Risk & Compliance.

### Regulator - AUSTRAC

Australian Transaction Report & Analysis Centre (AUSTRAC) is the financial intelligence agency that enforces anti-money laundering & counter-terrorism financing regulations and monitors compliance with ongoing obligations for reporting and risk assessment.

### Responsibilities of Authorised Representatives

For Authorised Representatives, the two major responsibilities that arise are:

- **Initial:** Identifying clients in accordance with AUSTRAC requirements
- **Ongoing:** Suspicious Matter Reporting (SMR)

#### 1. Initial (one-off) Identifying a Client

InterPrac requires that, at the outset of the advice relationship, an AR obtain reasonable proofs of client identity.

These proofs will typically be:

- Photo ID (licence – both sides- or passport)
- Completion of the appropriate AML/CTF certificate(s)

If originals of photo ID are not supplied by clients, certified copies are required. Photo ID must be unambiguously clear and readable.

A document cannot be certified if it is only sighted remotely eg. birth certificate, driver's licence, passport.

Alternative ID exhibits are listed in the screenshot "*AUSTRAC Certificates ...*" (see below)

Some Product Providers will require AML/CTF documentation before providing a service. **However, even if this isn't the client's situation, the ID process must be undertaken in full.**

Identification exhibits & certificates must be stored on the client file.

It is best practice that Insurance Only clients follow this ID process and InterPrac mandates this.

The '100 points' requirement applicable to many banks and other agencies is NOT mandated by InterPrac for AML/CTF purposes.

### Non-Conventional Identification of a Client

If a client doesn't have conventional ID (living in remote circumstances, affected by natural disasters, homelessness, pandemic, say) AUSTRAC allows an alternative ID that is 'reliable & independent'.

*Also, see 'Associated Documentation' section (below).*

## AML Certification

Completion of the AML/CTF certificate is a one-off requirement initiated at the outset of the client relationship. It must precede advice Implementation.

*AUSTRAC Certificates may be obtained directly from AUSTRAC or from the Adviser Resource Centre.*

AML ID Form: 1 – Individuals
AML ID Form: 2 – Australian Companies
AML ID Form: 3 – Foreign Companies
AML ID Form: 4 – Australian Regulated Trusts
AML ID Form: 5 – Unregulated Australian Trusts and Foreign Trusts
AML ID Form: 6 – Partnerships
AML ID Form: 7 – Associations
AML ID Form: 8 – Registered Co-Operatives
AML ID Form: 9 – Foreign Tax Status Declaration (Curing) Entities
AML ID Form: 10 – Verifying Officer
AML ID Form: 11 – US Tax Status Declaration (Curing Form) Individuals
AML ID Form: 12 – Tax Status Declaration (Curing) Individuals

More than one certificate may be relevant eg. SMSF advice and/or advice Implementation involving clients in their capacities as both Individuals and Trustees.

In that case, both 'Individual' & 'Regulated Trust' certificates would need to be completed at a minimum.

*AUSTRAC's detailed guidance "AML Guidance" is provided on the Adviser Resource Centre:*

## Certificate 'Attestation'

AML Certificates contain an attestation that only the AR must complete. By completing this attestation, the AR acknowledges his/her responsibilities under the AUSTRAC legislation.

By completing and signing this Record of Verification Procedure I declare that:

- an identity verification procedure has been completed in accordance with the AML/CTF Rules, in the capacity of an AFSL holder or their authorised representative and
- the tax information provided is reasonable considering the documentation provided.

## Alternative ID Exhibits

Certificates contain a list of acceptable ID alternatives.

PART I – ACCEPTABLE PRIMARY PHOTOGRAPHIC ID DOCUMENTS	
<b>Tick ✓</b>	Select ONE valid option from this section only
<input type="checkbox"/>	Australian State / Territory driver's licence containing a photograph of the person
<input type="checkbox"/>	Australian passport (a passport that has expired within the preceding 2 years is acceptable)
<input type="checkbox"/>	Card issued under a State or Territory for the purpose of proving a person's age containing a photograph of the person
<input type="checkbox"/>	Foreign passport or similar travel document containing a photograph and the signature of the person*
PART II – ACCEPTABLE SECONDARY ID DOCUMENTS – should only be completed if the individual does not own a document from Part I	
<b>Tick ✓</b>	Select ONE valid option from this section
<input type="checkbox"/>	Australian birth certificate
<input type="checkbox"/>	Australian citizenship certificate
<input type="checkbox"/>	Pension card issued by Department of Human Services (previously known as Centrelink)
<b>Tick ✓</b>	<b>AND ONE valid option from this section</b>
<input type="checkbox"/>	A document issued by the Commonwealth or a State or Territory within the preceding 12 months that records the provision of financial benefits to the individual and which contains the individual's name and residential address
<input type="checkbox"/>	A document issued by the Australian Taxation Office within the preceding 12 months that records a debt payable by the individual to t

## 2. (Ongoing) Suspicious Matter Reporting

Suspicious Matter Reporting is an ongoing responsibility for ARs throughout the client relationship.

'Red Flags' (see below) are NOT automatic proof of a suspicious matter. Instead, they are meant to prompt ARs to make reasonable enquiries.

AML/CTF Poster \_ Financial Crime Red Flags – An Austrac Guide for Financial Planners – 9th January 2018

**FINANCIAL CRIME RED FLAGS - A GUIDE FOR FINANCIAL PLANNERS**

Financial planners are well-placed to detect possible criminal activity by customers and are required to report suspicious matters to AUSTRAC under the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006*. Here are some red flag indicators that financial planners can look out for; this list is non-exhaustive and there may be other red flags specific to the planner's business.

**CRIME TYPE KEY:** Money laundering, Tax evasion, Fraud, Terrorism financing, Cyber-enabled fraud, Welfare fraud

1 Client/planner relationship: Customer enquires whether planner accepts large cash deposits

AUSTRAC's 'Red Flags' poster is provided separately on the Adviser Resource Centre:

Also, see 'APPENDIX' (below).

Licensee's guiding principles:

- Is the matter, or transaction, a 'red flag'?
- If 'No', no further action.
- If 'Yes', but the circumstances are fully known to the AR, and are benign, then this isn't a suspicious matter to be reported
- If 'Yes', but the circumstances are either unknown or insufficiently clear, then this is a suspicious matter that must be subject to reasonable enquiry.

If, after this enquiry, no clear evidence clarifies/discounts the suspicion, then it must be reported

**ALL reporting is directed to Sequoia Financial Group's Head of Risk & Compliance.**

**Note:** It is because an AR is uncertain or unsure whether there's any substance behind a 'red flag' that it constitutes *suspicion*.

If an AR definitely knew the 'red flag' was an act of money laundering or terrorism finance, then it wouldn't qualify as 'suspicious'; it would be *fact* - a Compliance breach.

However, such 'fact' (Compliance Breach) also needs to be reported to the National Compliance Manager.

Refer: "Business Principles \_ Breach & Incident Reporting" on the Adviser Resource centre

### Reasonable Enquiry

AUSTRAC effectively says that a 'reasonableness test' is met if the AR has no reason to know, from the information collected, whether that client presents themselves truthfully or accurately.

It still leaves a grey area regarding how much enquiry must be undertaken by an AR. However, practically, this can be clarified when matters are reported to the National Compliance Manager.

## Consequences

Failure to comply with these requirements may result in:

- Failure to meet AUSTRAC requirements with regulatory penalties
- Revocation of Licensee Authorisation
- Licensee imposed remedial activities

## Client Signatures

Wet signatures, as available, are preferred.

If a process allows, digital signatures are acceptable but the issued certificate that links/verifies the signature to the client must be on file.

When Deeds are to be signed, InterPrac requires wet signatures only.

## Associated Documentation

Found of the Adviser Resource Centre website:

- AUSTRAC's AML/CTF guidance and proformas
- "Business Principles \_ Breach & Incident Reporting"

Also:

- <https://www.austrac.gov.au/business/how-comply-and-report-guidance-and-resources/customer-identification-and-verification/identifying-customers-who-dont-have-conventional-forms-id>
- <https://www.austrac.gov.au/business/how-comply-and-report-guidance-and-resources/customer-identification-and-verification/kyc-requirements-covid-19>
- <https://www.justice.vic.gov.au/certifiedcopies>



Australian Government  
AUSTRAC

## FINANCIAL CRIME RED FLAGS - A GUIDE FOR FINANCIAL PLANNERS

Financial planners are well-placed to detect possible criminal activity by customers and are required to report suspicious matters to AUSTRAC under the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006*. Here are some red flag indicators that financial planners can look out for; this list is non-exhaustive and there may be other red flags specific to the planner's business.

### CRIME TYPE KEY:



Money laundering



Tax evasion



Fraud



Terrorism financing



Cyber-enabled fraud



Welfare fraud

Client/planner relationship established

1



Customer enquires whether planner accepts **large cash deposits**



Customer requests advice on overly **complex company/trust structures** that go beyond their financial needs



Customer is **reluctant to provide identification** or behaves nervously



Customer requests advice on **how to evade tax**

Client information is collected, analysed and evaluated

2



Customer **documents not in expected formats, appear altered or inconsistent** (e.g. date of birth)



Customer has **unexplained wealth** inconsistent with economic situation



Customer requests **unusual/uneconomic investments**



Customer uses company/trust structures with **unclear beneficial owners**



Customer reveals they are **misleading Centrelink** for welfare benefits



Customer has **suspicious property ownership arrangements**



Customer has money in, or corporate entities based in, **tax havens**



Customer's name appears on the Department of Foreign Affairs & Trade's **list of sanctioned persons** ("Consolidated List")

Financial planner provides advice

3



Customer asks **how to make an insurance claim** before an insurable event takes place



Customer receives advice but chooses to **implement the advice without the planner**



Customer asks to establish a self-managed super fund (SMSF) without being able to show **source of funds/ownership** for the initial transfer

Financial planner arranges products

4



The members or trustees of an **SMSF change several times** over a short period of time



**Funds from several sources** are consolidated into customer's account

Financial planner reviews or makes variations to portfolio

5



Product issuer receives email instructions from a financial planner, however it **appears financial planner's email has been compromised**



Customer **changes bank details by email or online** soon after changing contact details



Email request from customer expresses **urgency**



Customer makes **structured or large cash deposits** into their bank account to facilitate investments



Customer requests **radical change to financial strategy**

Withdrawal/closure

6



Customer **quickly withdraws funds** soon after making initial investment



Planner receives **withdrawal request from customer by email**, but customer usually makes contact via telephone



Customer requests funds transfer to a **conflict zone**, or country neighbouring a conflict zone



Planner receives request for funds to be sent to a **third party overseas**