



## **Fact Sheet**

### **What are the new anti-money laundering and counter terrorism financing reforms?**

The purpose of the *Anti-Money Laundering and Counter Terrorism Financing Act 2006* (AML/CTF Act) is the regulation of financial transactions in a way that will help detect and prevent money laundering and terrorism financing.

‘Money laundering’ describes the way some criminals use the legitimate financial system to try to hide or disguise the proceeds of crimes.

Money laundering enables criminals to frustrate attempts to prosecute them or to recover the illegal gains of their crimes by distancing themselves and the money from the criminal activity that generated them. It also enables criminals to use the money for future criminal activity or in legitimate business.

Anti-money laundering laws are designed to prevent this behaviour by establishing an ‘audit trail’, or transaction history, which provides evidence linking criminal acts and their organisers. These audit trails can produce vital leads in the detection and investigation of criminal activities.

### **How is money laundered?**

There are three stages to laundering money. First, the criminal or money launderer places illegal money in the financial system. This can be achieved in a variety of ways for example by splitting large amounts of cash into smaller sums for direct deposit into bank accounts, or by buying instruments such as cheques or money orders, which are then deposited into accounts at other locations.

Once the funds are in the financial system, the money launderer might carry out a series of conversions or transfers to distance the sums from their original source. The criminal might also try to disguise the transfers as payments for goods or services.

In the final stage, the money launderer attempts to move the funds into the legitimate economy, for example by investing the funds in real estate, luxury assets, or business ventures.

### **A two-stage process to combat money laundering**

Because of their key role in handling financial transactions, some businesses in the financial services sector can unwittingly assist money laundering and other financial crimes. There are a number of ways in which the banking and trading facilities of a financial institution may be exploited to launder money or otherwise avoid the reporting requirements under existing legislation.

## How will business be affected?

The AML/CTF legislative package imposes obligations on businesses or individuals offering specific services that could be exploited to launder money or to finance terrorism. These businesses might be banks, credit unions, hire purchase companies, superannuation fund managers or foreign exchange dealers. They can also be highly specialised operations such as asset managers, custodial service companies and gambling enterprises, including bookmakers.

These businesses or individuals are required to undertake AML/CTF obligations **only** when they provide 'designated services' under the new regulations. Examples include:

- opening an account
- accepting money on deposit
- making a loan
- issuing a debit card
- issuing travellers' cheques, and
- sending and receiving instructions on electronic funds transfers.

The AML/CTF Act allows a greatly increased flow of intelligence on money laundering and financing of terrorism. This information will help in the detection and prosecution of crime, as well as protecting the integrity and the reputation of the Australian financial system.

## What are the new requirements under the AML/CTF Act?

New obligations on financial businesses include:

- Requirements to monitor customer transactions during their provision of the designated service to identify, mitigate and manage the risk that the provision of the designated service may involve or facilitate money laundering or terrorism financing.
- Extension of existing significant cash transaction reporting obligations to some non-cash transactions such as e-currency.
- Requirements to supply originator information in domestic and international funds transfer instructions (subject to certain exceptions).
- Requirements to report movements of bearer negotiable instruments to AUSTRAC if requested to do so by a police officer or customs officer. There is no threshold for the bearer negotiable instruments reporting requirement.
- Expansion of existing 'suspicious transaction' reporting obligations to 'suspicious matter' reporting as not all designated services under the AML/CTF Act involve transactions.

Reporting entities are required to develop 'risk-based' systems and controls. The risk-based approach recognises that financial companies have the most experience and knowledge of how to assess and implement measures to reduce the risk of money laundering and terrorism financing. It also allows industry the flexibility to adapt to risks that change over time, and is easier for most legitimate customers. (Refer to *Fact Sheet – Changes for business under the new AML/CTF reforms* at [www.ag.gov.au/aml](http://www.ag.gov.au/aml).)

For further information on the impact on customers, refer to *Fact Sheet – Changes for customers under the new AML/CTF reforms* at [www.ag.gov.au/aml](http://www.ag.gov.au/aml).

The Government is committed to combating money laundering and the financing of terrorism without imposing unreasonable regulatory requirements on industry and its customers. It has endeavoured to ensure that legitimate customers are not unnecessarily affected by the legislation.

## For more information:

Further information can be found at: [www.ag.gov.au/aml](http://www.ag.gov.au/aml)