

## **Anti-Money Laundering and Counter-Terrorism Financing Act 2006 – Awareness Training and Implications for Advisers**

### **Q1: What is the Anti-Money Laundering and Counter-Terrorism Financing Act 2006?**

The Act is designed to assist businesses with the identification of various risks relating to money laundering and terrorism financing by their staff and customers using the products and services offered by that business. Once the risks are identified, the business must implement a program and procedures to reasonably protect against the occurrence of the risks. This will include enhanced customer identification procedures and record keeping.

### **Q2: What is Money Laundering?**

Money laundering is the process undertaken by individuals and organisations to hide the true origin and ownership of the proceeds of criminal activities. The aim of this process is to disguise the source of profits obtained by criminal activity. There are three stages to money laundering: Placement, Layering and Integration.

### **Q3: What is Terrorism Financing?**

Terrorism financing is the process of using money to fund terrorists and terrorist related activities.

### **Q4: Why all these new obligations?**

The new obligations are intended firstly to make it more difficult for criminals to hide and clean the proceeds of their crime and secondly to make it more difficult for terrorists to fund themselves and their activities. The Anti-Money Laundering and Counter-Terrorism Financing Act 2006 was designed to strengthen obligations which already exist in the Financial Transactions Reporting Act 1988. The Financial Action Task Force (FATF), the Department of Foreign Affairs and Trade and the Australian Transaction Reports and Analysis Centre (“AUSTRAC”) all have roles to play in the identification and prevention of money laundering and terrorism financing.

### **Q5: Who is impacted by these new obligations?**

The Act applies to Reporting Entities such as TOWER and applies to over 70 Designated Services including financial services. All issuers and sellers of life insurance, superannuation and investment products are impacted by the new obligations. The Act also applies to businesses such as casinos and antique houses.

### **Q6: When do the new Anti-Money Laundering and Counter-Terrorism Financing obligations take effect?**

The Act received Royal Assent on 12 December 2006 but the provisions of the Act are being phased in over 2 year period to 12 December 2008. One of the immediate obligations is to ensure that records of transactions involving a Designated Service are retained for 7 years. From 12 December 2007 we will also need to have processes in place to confirm the identity of new clients, such as taking a copy of their passport or drivers licence.

### **Q7: How will TOWER work out what needs to be done to meet the new obligations?**

TOWER is undertaking a risk based assessment on each of the following:

1. Customers: including individuals, companies, superannuation trustees, employer groups and charities
2. Products: life insurance, superannuation, investment and other designated services
3. Distribution channels and advisers
4. Employees and contractors
5. Services and processes

The risk assessment needs to analyse risks between each of the five categories above. For example, a product such as life insurance may be categorised as low risk, but the client may be considered to be high risk and further identification checks may need to be made before the business is transacted. Controls and procedures will be implemented to comply with AML/CTF provisions.

### **Q8: What is TOWER doing to help advisers understand their new obligations and comply the AML/CTF Act?**

A project has been established within TOWER to identify all risks and to develop a comprehensive AML/CTF Program specifically designed for our business needs and tailored for our product range. TOWER has also engaged external consultants who are experts in the fields of AML/CTF, to assist us to comply with all the obligations within the deadlines set out in the Act. TOWER will continue to provide updates to advisers and will assist with any queries they may have from time to time.

### **Q9: What AML/CTF training will advisers get?**

All advisers will receive initial and ongoing training on the TOWER AML/CTF Program. Training will include both on-line sessions and workshops. Training registers must be maintained by both TOWER and the advisers.

### **Q10: What new record keeping obligations does the new AML/CTF Act impose?**

TOWER is obliged to keep Customer Information Files for 7 Years. TOWER will work with advisers to implement procedures to gather, retain, store and retrieve this information.

### **Q11: What new Know Your Client (“KYC”) obligations does the new AML/CTF Act impose?**

The level of obligation is risk based and not specific and must be tailored for TOWER and advisers. Examples of Know Your Client obligations include enhanced due diligence, customer screening and monitoring for suspicious activities.

### **Q12: Will there be new AML/CTF policies and procedures?**

Yes, TOWER is in the process of developing its AML/CTF Policy and Procedures and these will be implemented in accordance with the obligations and timeframes imposed by the legislation.

### **Q13: How does the new AML/CTF Act impact upon adviser practices?**

TOWER will conduct a risk based assessment of all practices. Advisers may need to implement new procedures to identify personnel working in each practice, especially those dealing with client money. Similar new procedures will be implemented for all TOWER staff.

### **Q14: Where can additional information about the AML/CTF Act be found?**

TOWER will provide appropriate training over the coming months. In the interim, there is a great deal of useful information about AML/CTF matters on the website of the regulator AUSTRAC. The website address is [www.austrac.gov.au](http://www.austrac.gov.au)