



## **ANTI MONEY LAUNDERING & COUNTER TERRORISM FINANCING**

# **PART B**

### **OBJECTIVE**

To comply with the Federal Government Anti-Money Laundering /Counter Terrorism Financing legislation (AML/CTF Act).

Gaming transactions (“payouts”) for amounts of \$10,000 or more are subject to special identification requirements using “reliable information”. “Suspicious activity” will need to be recorded and reported to AUSTRAC as will “threshold transactions”. There are also requirements relating to:

- employee training and due diligence;
- privacy, secrecy and storage of information collected and reports supplied to AUSTRAC; The AML/CTF Act and rules require a club to have appropriate “programs” (processes) in place that address these requirements and the following sections expand on details of these requirements.

### **SCOPE**

All gaming/cashier staff (including managers & Club Directors) are to receive a copy of this program at the time of induction/training, updated versions and as directed with refresher training. Existing employees (as at time of AUSTRAC review) and future employees will be required to attend an in-house training program to receive updated training on this reviewed Part B document and the Part A document.

### **AML/CTF PART B PROGRAM**

#### **1 Who are our customers (customer identification)?**

STS Club membership is regulated by state legislation and membership is attained through a process which involves identification and recording. Members are usually known to staff, management and other members through relationships built over a long period of time. Non-members are also admitted to STS, however this involves a process of identification and recording and is also regulated by state legislation governing clubs.

The designated services for AML/CTF purposes provided by clubs involve prize payouts on gaming machines and wagering. In a club environment these services are generally regarded as low risk and are considered low risk at STS. When coupled with the nature of STS patronage it is likely that the majority of customers can be regarded as posing a low risk in terms of money laundering/terrorism financing considerations.

STS is a community based organisations with a majority of patrons being regular and typically residing in the local area. Over 75% of members residing in the existing postcode of 2486 or one either side, 2485 or 2487.

Additionally, the designated services provided by clubs like STS, in the context of AML/CTF considerations, are straightforward, transparent and relatively low risk.

The program Part A includes further customer analysis and associated risk analysis.



## 2. Know your customer (KYC)

The two essential elements of KYC are:

- adequately verifying our customer's identity
- developing an understanding of who our customer is and their expected financial activities.

Appropriate KYC measures are determined through risk analysis of the customer relationship, covering:

- the type of customer
- the methods used to deliver the designated services
- the types of products or services provided
- whether the customer operates in foreign jurisdictions that have less stringent AML/CTF legislation than Australia, or if the country is identified as being at high risk for ML/TF.

The above risks have been assessed and are explained in Part A and associated appendices. Membership and visitation is highly regulated by existing legislation, *Registered Clubs Act 1976* (NSW).

### 3 Identifying customers who may pose higher ML/TF risks

Most customers using the designated services (gaming/wagering) we provide will be legitimate; however our systems and procedures need to be alert and responsive to instances where a customer's background places them into a category of a higher risk customer. Customer identification controls are only part of ensuring that the true identity of a customer is established. Criminals (including money launderers) are likely to have convincing documentation. The knowledge, experience and alertness of staff members provide the essential human intervention to ensure that systems and controls are routinely monitored and modified to identify abnormal behaviour.

Risk assessment must be realistic. Knowing who your customers are and having a good understanding of which, if any, of your designated services are vulnerable to AML/CTF. The regulated nature of membership and visitation combined with the demographics of our members/visitors and no PEPs suggest this risk is low. See Part A for more information.

### 4. Identifying existing customers

In most cases it will not be necessary to re-identify customers to whom we provided a designated service before 12 December 2007. These are referred to as 'pre-commencement customers'. An exception to this is where a customer's behaviour or transaction raises suspicion that would warrant your business lodging a suspicious matter report (SMR) to AUSTRAC. It is important to remember that it is unlawful to disclose to a customer that an SMR is being lodged.

Although existing customers will likely not be required to be identified, they will be subject to risk-based ongoing customer due diligence from 12 December 2008.

## 5. Customer identification

Customer identification involves:

- the collection of KYC information from the customer that will allow you to identify that customer
- the verification of this information in documented or electronic form by reliable and independent means.

The minimum required information and the means of verification will depend upon the type of customer being identified. *The Registered Clubs Act 1976* (NSW) sets stringent measures on the admission of members and visitors and their specific methods of identification.

With any discrepancy, the patron will not be permitted to enter unless management has satisfactory and justifiable evidence to do so.



## **6. Authentication**

On occasion, documents produced might not be genuine and may appear to be forged, tampered with, cancelled or stolen. Reception staff (who admit members and visitors) use the Australian ID Checking Guide<sup>1</sup> to assist in checking the various state and territory acceptable forms of identification.

If any concerns are raised, supervisory or management staff are discreetly informed and on such occasions local authorities are contacted and where possible, suspect documentation retained.

## **7. Relying on others to identify your customers**

Under the AML/CTF Act, a reporting entity can contract out the task of carrying out the applicable customer identification procedure on its behalf to an agent. However, the ultimate responsibility of identification and verification of customers still remains with the reporting entity. In the case of STS, this will not apply. STS will conduct its own customer identification.

## **8. Customer identification record keeping**

Under section 113 of the AML/CTF Act records of customer identification must be retained for 7 years.

In most instances, copies will be both hard copy (eg original membership applications, visitor sign in slips, gaming & wagering vouchers) and the subsequent data will be stored electronically.

Note that under the Privacy Act, storage of personal information must be secure and confidentiality needs to be maintained. Electronic records will have password restrictions to individual workstations.

## **9. Customers' obligations**

It is possible your business may face resistance from some customers who may not be willing to provide identification. It may assist to explain to such customers that due to new legislative requirements customer identification procedures have changed.

If a reporting entity has reasonable grounds to believe a customer may have information that will help them to comply with their AML/CTF program, section 92 of the AML/CTF Act allows the reporting entity to request in writing such information within a specified time. During that time the AML/CTF Act allows you to restrict or limit designated services to the customer. In the case of STS, no ID no entry unless management has satisfactory and justifiable evidence to do so.

For any concerns with legal action taken against them regarding actions taken in good faith when exercising this power, additional protection from liability may be available under subsection 92(5) of the AML/CTF Act.

## **10. Ongoing customer due diligence (OCDD)**

From 12 December 2008 reporting entities that provide designated services will be required to monitor customers and their transactions on an ongoing basis. This process is referred to as 'ongoing customer due diligence' (OCDD) and is prescribed under section 36 of the AML/CTF Act.

Our AML/CTF program needs to include systems and procedures for OCDD that reflect the risk-based approach of the legislation. This means that high-risk situations will require more attention than low-risk situations. STS risk assessment rating is medium (see Risk Assessments OCDDs and KYCs).

Chapter 15 of the AML/CTF Rules sets out the three main components of OCDD:

- a. know your customer (KYC) information
- b. transaction monitoring program
- c. enhanced customer due diligence program.

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<sup>1</sup> Published by Communities NSW (Office of Liquor & Gaming)



### **Know your customer information**

Your AML/CTF program will need to address whether and in what circumstances further KYC information about your customers should be updated or existing KYC information verified. Examples of when this may be necessary include when a significant transaction (for example, in amount, size or volume) takes place or a material change to how the account has been previously operated by the customer.

Trigger points could include:

- a significant transaction or series of transactions taking place or a significant change in the way an account has been operated by a customer (e.g. known patron gambling beyond traditional patterns)
- doubts arising about the identity of a new customer conducting significant transactions

**Risk Assessment** - The assessment rated this an acceptable risk (see Risk Assessment KYC).

From a control perspective, the risk cannot be eliminated, substituted, isolated or engineered. Administrative controls minimise the risk with staff vigilance and investigation as detailed in the risk assessment.

### **Transaction monitoring program**

Examples of suspicious transactions include:

- significant transactions (in terms of amount or volume) for that customer
- transactions that exceed transaction or amount limits
- very high account turnover inconsistent with the size of the balance
- transactions outside the regular pattern of an account's activity.

The monitoring program of STS includes CCTV, player tracking (members), observations, member or visitor identification documents.

### **Enhanced customer due diligence**

Your AML/CTF program must include an enhanced customer due diligence program. This program must be applied where we assess ML/TF risk is high, or when a suspicious matter reporting obligation arises. In applying enhanced customer due diligence you may consider:

- seeking further information from the customer or third-party sources to clarify, update or obtain the customer's KYC information; clarify the nature of the customer's ongoing business with the reporting entity; or consider any suspicion that may be reportable to AUSTRAC
- undertaking more detailed analysis of their KYC information
- verifying or re-verifying KYC information
- analysing the customer's past transactions and possibly monitoring future transactions
- whether a suspicious matter report ought to be lodged with AUSTRAC.

The monitoring program of STS includes CCTV, player tracking (members), observations, member or visitor identification documents. Refer to top of page (KYC) and review trigger points and consider if and when the trigger points occur with customers and changing behaviours.

If we lodge a suspicious matter report in relation to a pre-commencement customer, you are required to verify that customer's identity under section 29 of the AML/CTF Act.



### **FURTHER INFORMATION**

For further information refer to Background Material - ClubsNSW 2007 – Part 1/2 - AML/CTF for Clubs or AUSTRAC [www.austrac.gov.au](http://www.austrac.gov.au)

### **IMPLEMENTATION**

This policy/program document will be presented for Board approval at the August 2010 meeting.<sup>2</sup>

### **BREACH OF POLICY**

The club has an obligation to consistently enforce this policy. Likewise, staff must also enforce this policy through compliance. Any staff member (including management) that breaches this policy shall be subject to counselling and/or disciplinary action which *may* include termination of employment.

### **NOTES – CHANGES/AMENDMENTS TO POLICY**

<b>DATE</b>	<b>CHANGE (&amp; reason for)</b>	<b>RATIFIED (Board)</b>

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<sup>2</sup> Or the next available Board meeting following AUSTRAC ratification