



1 July 2014

Director - Rules  
AUSTRAC  
PO Box 13173  
Law Courts  
MELBOURNE VIC 8010

**By email:** [aml\\_ctf\\_rules@austrac.gov.au](mailto:aml_ctf_rules@austrac.gov.au)

Dear Sir/Madam,

### **Proposed Amendment to AML/CTF Rules Electronic Due Diligence**

The Australian Financial Markets Association welcomes the opportunity to provide comments in relation to the proposed amendments to the Anti-Money Laundering and Counter-Terrorism Financing Rules (**AML/CTF Rules**) to align the safe harbour procedures for customers to those for beneficial owners.

#### **Policy Position**

Broadly, AFMA understands that the change to the AML/CTF Rules is to require verification, with respect to customers, of name and any of address, date of birth or transaction history, as opposed to name and address and either date of birth or transaction history. This change, to Rule 4.2.13, will allow for consistency with Rule 4.12.7(4) with respect to beneficial owners.

AFMA is supportive of the proposed amendment. AFMA believes that the amendment will deliver significant benefits for reporting entities/designated business groups through an increase to the Electronic Verification match rate of approximately 25%. This will result in cost savings through a reduction in the required number of manual verifications and also the costs associated with such verifications, such as paper, storage and transport. There is expected to be further savings arising from reducing the time spent by staff completing electronic verification that results in a wrong match.

In terms of quantification of the benefits arising from the proposed amendment, AFMA estimates that the benefits in terms of cost savings would be in the order of \$3-4 million per annum.

### **Rule Drafting**

Given AFMA's understanding of the change to the AML/CTF Rules, AFMA submits that given the optionality of the reporting entity/designated business group to verify either address, date of birth (or both) or that the customer has had a transaction history for at least the past three years, then these options should be included in the same subparagraph. Accordingly, AFMA would advocate the following Rule 4.2.13(2):

- “(2) verify, having regard to the matters set out in subparagraph 4.10.2:
  - (a) the customer's name; and
  - (b) either:
    - (i) the customer's residential address; or
    - (ii) the customer's date of birth; or
    - (iii) both (i) and (ii); or
    - (iv) that the customer has a transaction history for at least the past 3 years.”

We are of the view that proposed Subparagraph (b)(iii) does not add a great deal to the verification requirements, particularly to the extent that the word “either” was replaced with “one or more of,” thereby allowing for a combination of residential address, date of birth or customer history to be verified. We acknowledge the current drafting, however, and do not object, particularly if this drafting has other consequences within the Rules.

### **Birth Validation from Government Agencies**

On a separate but related matter, AFMA would recommend that Federal Government Agencies (such as Medicare) and State Government Agencies (such as the RTA and VicRoads) that collect date of birth and/or residential address information providing validation via the Federal Government's Document Validation Service (**DVS**). AFMA understands that, at present, such agencies believe that they are restricted from providing a match result in the DVS on dates of birth or residential addresses due to legislative impediments. AFMA submits that given the DVS is only a validation of a match as opposed to disclosure, and is provided with consent, then such impediments should not exist.

AFMA would welcome AUSTRAC's view on this issue and potential pathways for resolution, given the significant increase in EV match rates that would arise and hence the contribution to the Government's deregulation agenda and targets.

Please contact me on (02) 9776 7996 if you have any queries or comments.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Rob Colquhoun', written in a cursive style.

Rob Colquhoun  
Director, Policy