



8 July 2015

Director, Rules
AUSTRAC
PO Box 13173
Melbourne VIV 8010

Via Email aml_ctf_rules@austrac.gov.au

Dear Sir/Madam,

Draft Amendments to Chapter 4 – Customer Identification

The Australian Financial Markets Association (AFMA) represents the interests of over 130 participants in Australia's wholesale banking and financial markets. Our members include Australian and foreign-owned banks, securities companies, treasury corporations, traders across a wide range of markets and industry service providers. Our members are the major providers of services to Australian businesses and retail investors who use the financial markets. The majority of AFMA's members are reporting entities for the purposes of the AML/CTF Act.

We are pleased to make a submission to the current AUSTRAC consultation in relation to proposed amendments to Chapter 4 of the Rules, dealing with customer identification.

Electronic safe harbour provisions for customers

The proposed amendments to Rule 4.2.13, which provides an electronic safe-harbour procedure for low or medium risk customers, change the mandatory fields for verification to the customer's name and date of birth, with residential address and transaction history being optional. The name, date of birth and residential address need to be verified from at least two data sources. The current iteration of Rule 4.2.13 only requires verification of date of birth from one data source.

The feedback from AFMA members has been that, in practice, transaction history is rarely used as a field of verification and accordingly name, residential address and date of birth are effectively all mandatory.

On this basis, AFMA supports the draft amendment to Rule 4.2.13 that was issued in June 2014. This version required verification of the customer's name and any of residential address, date of birth or transaction history. In addition, AFMA supports

further consideration of other potential fields that could be used to identify and verify a customer's identity.

Adoption of this drafting would better align the requirements for electronic verification to documentation based verification.

Collection of identification information from sources other than the customer

AFMA agrees with the proposal to remove the requirement to collect information "from the customer" in respect of the identification of the customer and verification based on reliable, independent source documents. Accordingly, the change from "from" to "about" in a number of the Rules is welcomed and we agree that the approach is more closely aligned to the FATF requirement.

Our only concern with this approach is that, notwithstanding the proposed amendments, there will be a number of Rules where the "from the customer" criterion does not change. This includes Rules 4.2.5, 4.4.3, 4.4.9, 4.5.3 and 4.11.2. In the absence of a compelling reason to the contrary, AFMA submits that each of these Rules should be amended to replace "from" with "about" to ensure consistency with the broad approach.

In addition, we agree that to the extent that the collection of the information no longer needs to come "from the customer" then it would be appropriate that the customer is able to verify the identity and would welcome AUSTRAC guidance in this regard.

Extension of current customer identification exemptions

AFMA supports the proposed amendments to the Rules to extend the existing exemptions relating to customer identification to apply to the identification of beneficial owners or politically-exposed persons.

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Thank you for the opportunity to provide comments on the draft amendments. Please contact me on (02) 9776 7996 with any questions.

Yours sincerely,



Rob Colquhoun
Director, Policy