

13 July 2018

Director,
Policy and Guidance
AUSTRAC
PO Box 5516
West Chatswood NSW 1515

By email:
Richard.Bunting@austrac.gov.au

Dear Sir

AUSTRAC Request for feedback on: Updates to AUSTRAC Compliance Guide regarding self-attestation of identity; independent review of AML/CTF programs

The Financial Services Council (**FSC**) has over 100 members representing Australia's retail and wholesale funds management businesses, superannuation funds, life insurers, financial advisory networks and licensed trustee companies. The industry is responsible for investing more than \$2.7 trillion on behalf of 13 million Australians. The pool of funds under management is larger than Australia's GDP and the capitalisation of the Australian Securities Exchange and is the third largest pool of managed funds in the world. The FSC promotes best practice for the financial services industry by setting mandatory Standards for its members and providing Guidance Notes to assist in operational efficiency.

Thank you for the opportunity to provide a submission on this topic.

By way of general observation, the FSC supports AUSTRAC's initiative to further refine the above documents arising from Recommendations 5.6 and 7.4 respectively of the AML/CTF Statutory Review. However, our members have provided feedback making comments and suggesting some changes to the documents, as follows-

Self-Attestation of Identity

Some minor changes are recommended in this document as set-out in mark up in the attachment, for ease of reference.

In particular, it is suggested that reference to "(but is not limited to)" be added wherever appropriate, such as the places indicated in the attachment, as there is a pronounced tendency for those dealing with these documents to take them very literally. Consequently, it is important to reinforce the notion that looking at other options is acceptable and may make the difference in these cases to obtain a satisfactory self-attestation of a person's identity.

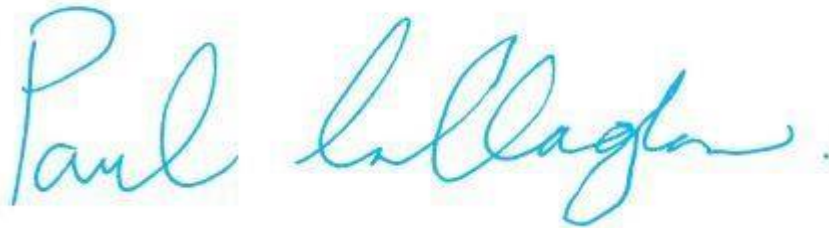
Independent Review of AML/CTF Programs

Concern was expressed in relation to the frequency of independent review of AML/CTF Programs, including:

1. having a recommended frequency appears to be contrary to the first sentence in the same paragraph of the document that states, in effect, each reporting entity must make its own determination in relation to the frequency of such reviews; and
2. if the document is to include a recommended frequency, that 2 years is too short and such a period should be at least 3 years given such factors as:
 - a. additional work involved and expense incurred in conducting a comprehensive independent review; and
 - b. there being a sufficient period between such reviews to introduce any changes and bed down those change to warrant an independent review;
 - c. this would allow sufficient time to introduce a repetitive cycle of review steps, both internal and independent, by way of example:
 - i. Year 1 – internal compliance program review;
 - ii. Year 2 – internal risk assessment of program (and bed down changes arising from Year 1); and
 - iii. Year 3 – conduct an independent review of the program.

Should you have any questions, please contact the writer on 02-9299 3022.

Yours Faithfully



Paul Callaghan

General Counsel