



Anti-Money Laundering - Ongoing Customer Due Diligence Requirements Commencing 12 December 2008

The “ongoing customer due diligence” component of the Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF) regime commences on 12 December 2008.

Those entities who are a Reporting Entity will now be required to monitor customers to whom they provide designated services and their transactions on an ongoing basis.

The AML Rules specify three mandatory components of “ongoing customer due diligence”:

1. **Collection and verification of additional “know your customer” (KYC) information:**

Reporting Entities are already required to collect and verify information about a customer’s identity before providing a designated service to that customer. As part of the “ongoing customer due diligence” obligations, Reporting Entities must also determine when it is necessary to collect further KYC information, or update or verify existing KYC information. All Reporting Entities must address this in their AML/CTF programs.

2. **Transaction monitoring program:**

A Reporting Entity must include in Part A of their AML/CTF program a transaction monitoring program which identifies transactions that appear to be “suspicious”. Each Reporting Entity must decide on the most appropriate form of transaction monitoring for their business. Reporting Entities may adopt computer based

systems or paper monitoring programs.

3. **Enhanced customer due diligence program:**

A Reporting Entity must also include in Part A of their AML/CTF program an enhanced customer due diligence program which the Reporting Entity will apply when there is high ML/TF risk or a reportable suspicious matter has arisen.

The AML/CTF governing body, AUSTRAC, requires that the Reporting Entity be compliant with these obligations by 12 March 2010, at the very latest, and will require the Reporting Entity to apply its transaction monitoring program, once implemented, retrospectively to those transactions that occurred from 12 December 2008.

AUSTRAC expects reporting entities who are implementing complex computerised “ongoing customer due diligence” procedures which will not be fully functional on 12 December 2008, to utilise manual or other existing tools during the interim period.

The “ongoing customer due diligence” obligations do not apply to an Australian financial services licence holder who arranges for a person to receive a designated service pursuant to item 54 of table 1 in section 6 of the AML/CTF Act.

If you have any queries about the implications of the “ongoing customer due diligence” requirements, please contact Michael Levy on (03) 9242 4792 or via email michael.levy@madgwicks.com.au or Rick Goldberg on (03) 9242 4734 or via email rick.goldberg@madgwicks.com.au

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