



ANTI-MONEY LAUNDERING & COUNTER TERRORISM FINANCING STAFF TRAINING MANUAL



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INTRODUCTION

The ClubsVIC Anti Money Laundering and Counter Terrorism Financing Staff Training Manual is a component of the ClubsVIC Anti Money Laundering and Counter Terrorism Financing Program developed by ClubsVIC for use in Victorian clubs with gaming and wagering facilities.

The manual is designed to ensure that club employees involved in the provision of gaming and wagering services are aware of:

1. The club's obligations under the program;
2. How compliance with the program relates to them;
3. The type of money laundering and terrorism financing risk posed by the club;
4. The requirements and procedures for verifying a customer's identity;
5. The possibility that other staff members may be involved in money laundering or terrorism financing;
6. The requirements and procedures for identifying and reporting suspicious matters to AUSTRAC;
7. The prohibition against tipping off persons reported to AUSTRAC; and
8. The consequences of failing to comply with the program and/or legislation.

HOW TO USE THIS MANUAL

You should read through each section of this manual carefully. Once you feel that you have gained an understanding of all the relevant information you should complete the quiz.

The quiz is intended to test your knowledge and you are required to achieve a 100% success in each section of the quiz to complete your training.

DEFINITIONS

AUSTRAC

means the Australian Transaction Reports and Analysis Centre.

AML/CTF

means anti-money laundering and counter-terrorism financing.

AML/CTF Act

means the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth)*.

AML/CTF program

means the program prepared by the club from the ClubsVIC AML/CTF template.

AML/CTF Register

means the club's register used to record KYC documentation.

Compliance Officer

means the person appointed by the club to administer the club's AML/CTF Program.

Customer identification procedure

means the procedure specified in Section 3 of this manual.

Designated services

means gaming machines and wagering services must be covered by an AML/CTF Program.

Reporting entity

means an organisation that provides designated services is a reporting entity.

KYC

means know your customer.

KYC information

means know your customer information being: Name, date of birth, residential address.

KYC documentation

means documents that verify a persons KYC Information.

Privacy Act

means information collected for the purposes of KYC is subject to the *Privacy Act*.

SECTION 1: What is Anti Money Laundering/Counter Terrorism Financing and What are the club's Legal Obligations?

What is Money Laundering?

Money Laundering is the term given to the process by which illegally obtained funds are given the appearance of having been obtained legitimately.

There are many reasons why people launder money however the most common reasons include:

- To prevent the proceeds of crime being seized by authorities,
- To avoid criminal prosecution; and
- To avoid having to pay tax.

AUSTRAC estimates that more than AUD\$ 1.5 trillion dollars are laundered world-wide each year.

The Current Legal Regime

In an attempt to combat money laundering the Federal government passed the AML/CTF Act 2006. The AML/CTF Act provides that:

- An organisation that provides *designated services* must have an AML/CTF program and must comply with that program;
- An organisation that provides designated services becomes a *reporting entity* and must comply with the AML/CTF Act.

Are clubs covered by the AML/CTF Act?

Gaming machines and wagering are *designated services*, therefore all clubs that provide gaming machines and/or wagering facilities are *reporting entities* and must comply with the AML/CTF Act.

To comply with the AML/CTF Act a club with gaming or wagering facilities must:

- a) Verify the identity of persons who collect \$10,000 or more.
- b) Record any suspicious matter in the club's AML/CTF Register.
- c) Report any suspicious matter to AUSTRAC. This reporting requirement commences on 12 December 2008.
- d) Report any *cash* payments of \$10,000 or more. This reporting requirement commences on 12 December 2008.
- e) Have an AML/CTF program in place.
- f) Register with AUSTRAC online and lodge compliance reports.

Does the AML/CTF Act apply in relation to Keno and Bingo Services?

Keno and bingo services are **not** designated services. Therefore, clubs do not need to comply with the AML/CTF Act if they only provide these services.

For clubs which provide keno and bingo in addition to gaming and/or wagering services it is important to note that the AML/CTF Act does not apply to monies or prizes paid out in relation to keno or bingo.

What is your role as a staff member involved in the provision of gaming and/or wagering services?

As an employee of a club that provides wagering and/or gaming facilities you are required to be familiar with the club's AML/CTF program, and do all necessary things to ensure that the club complies with its AML/CTF program.

AML/CTF programs are divided into two parts.

Part A of the program requires the club to take steps to identify, manage and mitigate the risks of AML/CTF occurring in relation to designated services.

Relevant steps include:

- Appointing a compliance officer;
- Determining the level of AML/CTF risk posed by the club;
- On-going staff training; and
- Employee due diligence.

Part B of the program sets out the procedure the club has adopted in order to meet its obligations to verify the identity of customers and make reports to AUSTRAC where necessary.

As an employee who provides wagering and/or gaming services your primary role is to implement the customer identification procedure and the reporting procedure contained in part B of the club's program.

If you fail to do so you may be subject to criminal or civil penalties under the AML/CTF Act and/or disciplinary action by the club.

Penalties under the AML/CTF Act are discussed below in Section 6 of this manual.

SECTION 2: What Type of AML/CTF Risk does the Club Pose?

Although your primary focus should be on implementing the customer identification procedure and the reporting procedure contained in part B of the club's AML/CTF program it is useful for you to understand the types and level of AML/CTF risk posed by the club.

Clubs pose a relatively low AML/CTF risk when compared with larger more complex entities, such as banks and insurance companies, that are also subject to the AML/CTF Act. Despite the low risk posed by clubs you should be aware of the manner in which a money launderer is most likely to use the club's wagering or gaming services to launder funds. The most common methods include:

Third Party Purchase of Credits

This occurs when the person who collects the winnings is not the person who won the prize. Third party purchasing of cheques is more likely to happen in Victorian gaming rooms because of the requirement to pay all winnings over \$1,000 by cheque. Winners who do not want to take their winnings in cheque will be especially prone to being exploited in this way.

The launderer gives the winner cash for the winning ticket. The launderer uses the winning ticket to collect a cheque from the club. The launderer therefore has a legitimate source for the money that was actually the proceeds of illegal activity. The winner has cash rather than a cheque. Often the launderer will offer the winner more cash than the winning ticket/credit is worth.

Abnormal Play

Launderers will often adopt unusual playing behaviour. For example, they may load a large amount of cash into the gaming machine and only play for a short period. They will then take out the credits and have a ticket to provide a legitimate source for the cash. The launderer may have spent some money in order to get the ticket, however this is just the 'business cost' of laundering the money.

Another example of abnormal play is where the launderer collects credits of less than \$10,000 frequently in order to keep payments under \$10,000. The launderer does this in order to avoid providing identification documents to collect a payment of more than \$10,000.

Stolen or Counterfeit Money

Launderers may use stolen or counterfeit notes in the machines and then take a cheque for the credits leaving the club to deal with the counterfeit or stolen money.

Staff Collusion

The club is at risk of staff being involved in money laundering or colluding with launderers either advertently or inadvertently. For example, staff members may identify a person who has won a prize. This allows the launderer the opportunity to try to purchase the winning ticket from the winner.

In the event that an employee witnesses any of the above behaviours and the employee suspects that money laundering or any other criminal activity is occurring the employee must follow the procedures set out in the AML/CTF program. If the employee does not suspect money laundering or any other criminal activity no action is required.

SECTION 3: *Customer Identification Procedure:* When and How to Verify the Identity of a Customer

Since 12 December 2007 clubs with gaming and/or wagering facilities have been required to verify the identity of customers in the following circumstances:

1. Prior to making any pay-outs of \$10,000 or more; and
2. In the event of a suspicious matter occurring.

How do you verify a customer's identity?

As an employee in the gaming/wagering area you will be responsible for implementing the club's customer identification procedure as set out in part B of the club's program.

Step 1: KYC **information**

First you are required to ask the customer to provide the following KYC information:

- a) Their full name;
- b) Their date of birth; and
- c) Their residential address.

Record this information in the AML/CTF Register

Note: *In step 1 you obtain verbal information, in step 2 you will obtain written documentation to support the information. You need to be aware of the difference between information and documentation*

Step 2: KYC **documentation**

Second you must *verify* the customer's name **and** one **or** both of the customer's date of birth and residential address. In order to verify this KYC information you must view one or more pieces of reliable and independent KYC documentation.

When requesting KYC documentation it is preferable to obtain photographic ID such as a passport or drivers licence, however, this is not necessary. In the event that a person cannot provide photographic ID that verifies their name and either their address or date of birth, you can accept multiple pieces of KYC documentation that confirm the KYC information you have been given.

As Victorian clubs are assessed as low risk for AML/CTF, the customer identification procedure that is prescribed in the ClubsVIC program allows for the staff to use any reasonably reliable and independent KYC documentation when verifying a customer's identity. It is best to ask for documentation that has been issued by the government eg:

- Pension cards
- Medicare cards
- A proof of age or similar national identity card
- a notice issued by a Commonwealth, a State, Territory or Local government authority that is:
 - less than twelve months old; and
 - contains the name and residential address of the person.
- Seniors benefit cards
- Rates or rental notices

Even if the customer is known to you, eg has been a member for many years, plays bowls or golf regularly etc, it is still required that the customer produces some form of reliable and independent KYC documentation prior to being paid \$10,000 or more.

When a customer is known to you, then it is reasonable for you to accept less official KYC documentation to verify the customer's identity. (because the risk of AML/CTF activity is extremely low). When the customer is less well known or a stranger, then you are required to obtain more official KYC documentation before making the payment (because the risk of AML/CTF activity is higher when the customer is unknown). In this case you should request government issued KYC documentation which includes photographic documentation eg drivers licence or passport.

When you have received the KYC documentation you must record the details in the club's AML/CTF register. If possible, you should photocopy any documentation that you view and file the photocopies with the register.

You must follow this process every time there is a payout of \$10,000 or more, or a suspicious matter - even if you know the customer or have previously verified their identity.

Do you need to see original documents?

It is preferable to ask for original documents. If the customer cannot provide original documents, then certified copies are acceptable KYC documentation. For information on how to certify and who can certify copies of documents refer to attachment 3 of the club's AML/CTF program.

What happens if you receive the required KYC documentation, but you still suspect that the customer is not the person they claim to be?

You must **not** make a payment of \$10,000 or more to a customer whom you suspect is not the person that they claim to be. You must continue to ask the customer to provide KYC documentation until you are satisfied that the customer's identity has been verified.

What happens if a customer's identity cannot be verified?

If a customer is not able to provide the necessary KYC documentation to verify their name and either their date of birth or residential address you must withhold a payment of \$10,000 or more until the customer provides the necessary KYC documentation.

If the required KYC documentation is not provided by the customer during your shift, you should fill-in as much information as necessary in the "description of incident" part of the AML/CTF register, and report the matter to the compliance officer or, in the absence of the compliance officer, the duty supervisor. In this way if the customer provides the KYC documentation later to another employee, that employee will be able to verify the customer's identity.

If the customer does not provide the KYC documentation within 14 days the club's compliance officer must report the matter to AUSTRAC as a suspicious matter.

If the customer provides the KYC documentation after 14 days have expired they are still entitled to the payment even if the matter has been reported to AUSTRAC. In the event that a customer provides KYC documentation later than 14 days after the original win, you should refer the matter to the compliance officer, or in the absence of the compliance officer the duty supervisor, who is authorised to make the payment to the customer and who will advise AUSTRAC of the payment.

What happens if a customer asks for a payment to be made to a Third Party?

If a customer asks for a payment to be made to a third person, i.e. someone other than the winner, you must implement the customer identification procedure for the third party. This means that you must get the required KYC information and documentation from the person to whom the payment is being made (i.e. the third party) and, if you suspect money laundering, you should also implement the customer identification procedure for the actual winner.

You should not agree to make payments of \$10,000 or more to companies. If such a request is made you should refer the matter to the compliance officer or in the absence of the compliance officer the duty supervisor.

How long must the club keep the AML/CTF register and verification documentation?

All records relating to the club's AML/CTF program must be kept for 7 years.

Section 4: Suspicious Matters

What are Suspicious Matters?

Suspicious matters are not limited to the issues of money laundering and terrorism financing and can include any number of matters including:

1. Where a customer's identity cannot be verified by implementation of the customer identification procedure;
2. Where a customer has not been able to provide KYC documentation to verify their identity within 14 days;
3. Any circumstance where you suspect that illegal activity is happening. For example, a matter will be suspicious if you believe that someone may be involved in drug dealing, theft, tax avoidance, avoidance of child support payments or any other criminal activity.

What are the club's obligations?

Details of the suspicious matter should be recorded in the club's AML/CTF register.

From 12 December 2008 the compliance officer must report all suspicious matters to AUSTRAC.

What do you do if you believe there is a suspicious matter?

If you witness a suspicious matter you should report it to the compliance officer. If the compliance officer is not on duty you should report the matter to your duty supervisor.

The compliance officer or duty supervisor should assess the situation, and if appropriate, they should attempt to verify the identity of the people involved in the suspicious matter by implementing the customer identification procedure.

If it is not appropriate to apply the customer identification procedure (e.g. if doing so would tip-off the person or if it is dangerous to approach the person/s) then details of the matter should be recorded in the club's AML/CTF register and reported to AUSTRAC.

What do you do if you believe the compliance officer is involved in a suspicious matter?

In the event that you believe that the compliance officer is involved in a suspicious matter you should immediately notify the manager and/or a member of the board. Under no circumstances should you raise your concerns with the compliance officer.

What do you do if you believe another staff member is involved in a suspicious matter?

If you suspect that another employee is involved in a suspicious matter you should immediately advise the compliance officer. If the compliance officer is not on the premises you should advise your duty supervisor. You should not approach the staff member you suspect of being involved in a suspicious matter.

Section 5: - Privacy

The information that you collect for the purposes of the customer identification procedure is subject to the Privacy Act¹.

In summary the Privacy Act requirements are:

- (a) Only collect the information that is needed to comply with the KYC identification procedure.
- (b) Advise the person of the use to which the information will be put, eg when you collect KYC information and documentation in accordance with the KYC identification procedure, you should tell the customer that the information will be kept for the purposes of the AML/CTF Act (but NOT suspicious matters).
- (c) Do not disclose the KYC information to any unauthorized persons, eg marketing companies, without obtaining specific consent from the customer first.
- (d) Do not or discuss KYC information with other employees or friends.
- (e) Take reasonable steps to ensure that the KYC information is correct and up to date.
- (f) Store the register and any copies of KYC documentation in a manner which protects it from misuse, loss or unauthorized access.
- (g) Destroy the KYC entries and documentation after 7 years.
- (h) Provide the customer with access to the information and documentation that relates to the customer (but NOT suspicious matters).
- (i) Correct any false information relating to the customer.

Suspicious matters are *not* subject to the Privacy Act. Any information collected and recorded in response to a suspicious matter that is reported to AUSTRAC cannot be disclosed to anyone other than to AUSTRAC. If the information is disclosed, in particular to the person/s noted in the suspicious matter report, the club and the person who does the tipping off will be breaching the tipping off laws and liable for penalties.

More information regarding privacy can be found at www.privacy.gov.au. A summary of the National Privacy Principles is contained in attachment 5 to the club's AML/CTF program.

¹ Note: Although the Privacy Act covers the KYC information and documentation collected and recorded when complying with the KYC identification procedure, the Privacy Act does not apply to reports to AUSTRAC about suspicious matters.

Section 6 – The Prohibition on Tipping Off

It is an offence to tip off any person that a suspicious matter has been reported to AUSTRAC. There are heavy penalties for tipping off that apply to both the club and the individual who tips someone off.

When does the Privacy Act apply and when does the prohibition on tipping off apply?

In the last section we discussed the operation of the Privacy Act. It is important to know when the Privacy Act applies and when the Privacy Act does not apply because the prohibition on tipping off applies.

Privacy Act

If the information is collected solely for the purposes of the KYC identification procedure, and the KYC identification procedure did not result in a report to AUSTRAC, then the Privacy Act applies and the customer is entitled to know about the information that is recorded.

Prohibition on tipping off

When a suspicious matter arises or when the KYC identification procedure results in a report to AUSTRAC² then the customer must not be informed that a report has been made to AUSTRAC or about the contents of the report.

Accordingly, you must be very careful when handling information that relates to suspicious matters to ensure that you do not disclose the information to an involved person/s or any other person (including friends or other staff members who do not need to know).

You must not discuss the matters with anyone other than the compliance officer and if the compliance officer is not present the supervisor in charge.

You should also be careful to ensure that the club's AML/CTF register is not left in a position where it can be viewed by customers or staff who may be reported to AUSTRAC or know people who may be reported to AUSTRAC. If you see that the club's AML/CTF Register is in the wrong place you should immediately return it to the appropriate place and advise the compliance officer of the incident.

² If the KYC documentation is not produced within 14 days, a report must be made to AUSTRAC

Section 7: The Role of AUSTRAC and Consequences of Failing to Comply with the Program and/or the AML/CTF Act

What is the role of AUSTRAC?

AUSTRAC is the government regulator responsible for ensuring that businesses that provide financial, gambling or other specified services comply with the AML/CTF Act.

As part of its regulatory role AUSTRAC:

- Monitors compliance with the AML/CTF Act and the associated reporting requirements;
- Works with businesses to raise awareness of AML/CTF risks;
- Works with businesses to ensure that they are aware of and meet their legal obligations; and
- Undertakes enforcement action against individuals or companies that breach their legal obligations.

AUSTRAC's enforcement policy indicates that prior to commencing legal action against an individual or company for a breach of the AML/CTF Act they will work with the offender to achieve voluntary compliance. It is only where serious or persistent breaches occur that AUSTRAC will commence legal action.

What are the penalties under the AML/CTF Act?

In cases of serious non-compliance AUSTRAC has a number of enforcement powers including criminal prosecution, civil penalties, remedial directions and written undertakings.

In cases of criminal prosecutions the maximum penalties include 10 years imprisonment and fines of up to \$1.1 million.

Likewise, the civil penalties that apply are also severe. Individuals can be fined up to \$2.2 million and corporations up to \$11 million.

What other consequences may result from a failure to follow the club's AML/CTF program?

As an employee of the club you are required to follow the club's AML/CTF program.

If you fail to follow the program you will face disciplinary action which may include having your employment terminated.