



BUSINESS | *Drilling down to the ultimate beneficial owner – new customer identification requirements*

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There are new requirements for customer identification under Anti-Money Laundering and Counter-Terrorism Financing Rules (AML/CTF) Amendment Instrument 2014 (No.3) (Rules).

The AML/CTF came into effect on 1 June 2014 in an attempt to combat tax evasion, money laundering and terrorism financing, to fulfil our international obligations under the Financial Action Task Force. Reporting entities are required to update their AML/CTF Program in relation to Customer Due Diligence (CDD) which includes the following key changes:

- 1 The definition of “beneficial owner” has been expanded to include control and all customer types under Chapter 4. Therefore, reporting entities are required to “understand” the ownership and control structure of a customer, and identify and verify the individual who ultimately owns or controls the customer. However, the reporting entity may assume the customer and beneficial owner are identical unless there are reasonable grounds to suggest otherwise in light of money laundering and terrorism financing risks.
- 2 In relation to CDD for trustees, the identity of the settlor of a trust will also be required to be verified subject to certain exceptions.
- 3 Reporting entities need to assess whether their customer or the beneficial owner is a politically exposed person (PEP) and to implement additional due diligence measures and risk management systems for classification of a PEP as domestic, foreign or high risk.
- 4 Before providing service to a new customer, additional factors such as customers’ beneficial ownership, source of funds or wealth, PEP, nature and purpose of the business relationship with customer are to be taken into account in the money laundering and terrorism financing risk assessment.

As a result of the new Rules, the ultimate beneficial owner can no longer remain anonymous behind blind corporate or trust structures. With the new CDD in place, this should help provide an effective measure to ensure that any suspicious transactions with a high money laundering and terrorism financing risk will be monitored with close scrutiny.



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