

Enhanced Independent Review

ARCPA members will be assessed via the Enhanced Independent Review (EIR) in order to qualify to become a ARCPA Certified member.

1. Scope for Enhanced Independent Review

The following outlines the how the remittance business will be tested against the standards based on the ARCPA Compliance Best Practice.

Using the EIR, members will be able to demonstrate competency in achieving industry best practice (additional compliance and business standards). Elements of EIR include:

- Enhanced Independent Review conducted of Parts A & B of AML/CTF Program, ML/TF Risk Assessment, Screening Policy (including PEPs, Sanctions and other watchlists) and sample testing of transactions
- Evidence of Employee and Due Diligence and Training Program
- Evidence of Affiliate Due Diligence and Training Program (if applicable)
- Evidence of a Screening Policy (including PEPs, Sanctions and other watchlists)
- Evidence of a Sanctions screening Policy (including DFAT, UN, EU and OFAC sanctions)
- Review of previous Independent and/or Internal Reviews to ascertain deficiencies and remediation
- AML/CTF Compliance Officer to have appropriate experience and/or training/qualifications

2. Review Criteria against Enhanced Independent Review

S/N	Area	Review Criteria
1.	Legal structure	Minimum of Company structure and not Sole Trader.
2.	ABN (if applicable)	Must be active and not deregistered.
3.	ACN (if applicable)	Must be active and not deregistered.
4.	AFSL number (if applicable)	Identify what other financial services are provided in addition to money transfer/remittance.
5.	Address of Principal Place of Business	Identify where the entity has more than one business location or branches.
6.	Nature of Business – Describe the core business. Is your business a dedicated money transfer/remittance, currency exchange provider and/or sell other goods or services)	Profile the entity. If they are dedicated, they are likely going to be a more sophisticated provider than another business that provides remittance as a side business.

		Assess number of employees.
7.	Is your business registered with AUSTRAC as a provider of designated remittance services?	Ensure entity is registered with AUSTRAC Remittance Sector Register (RSR).
8.	If your business is registered with AUSTRAC as a provider of designated remittance services, please indicate below under which category/ies your business is regulated and the relevant registration number. If more than one category please indicate each category:	Assess what categories apply to entity.
	Remittance network provider	
	Affiliate of remittance network provider	
	Independent remittance provider	
9.	For remittance network provider, are all your affiliates registered with AUSTRAC on the Remittance Sector Register?	Test entity's list of affiliates against AUSTRAC RSR.
10.	What affiliate due diligence is carried out by your business? (if applicable)	Test due diligence records for onboarding of new affiliates including check against PEP and Sanctions lists.
11.	Does your business have a written agreement with your affiliate? (if applicable)	Test written agreement records of affiliates.
12.	In this agreement what AML/CTF obligations are the affiliates responsible for? (if applicable)	Review sample agreements for AML/CTF obligations.
13.	Are any sub-agents involved with the agents? (if applicable)	Test for written agreement and formal arrangement.
14.	If your business is registered as an affiliate of a remittance network provider, please provide details of the legal name and registration number of the remittance network provider. If you are registered with more than one remittance network provider, please provide all details.	Review business structure and arrangement.
15.	Please provide full names of key personnel of your business including decision makers not recorded with ASIC or formal documentation.	Screen names of key personnel against Sanctions and PEP lists including AUSTRAC suspension and cancellation of remittance providers.

16.	For all key personnel, are they Fit and Proper to provide remittance services?	<p>Verify whether each key person has:</p> <ul style="list-style-type: none"> • competency to operate a remittance business (as demonstrated by the person's knowledge, skills and experience); • the attributes of good character, diligence, honesty, integrity and judgement; • not been disqualified by law from performing their role in your remittance business; and • no conflict of interest in performing their role in the remittance business.
17.	Do you provide other designated services under the AML/CTF Act? If so, please specify.	Identify what other designated services are provided besides money remittance.
	Customer Due Diligence	
18.	Do you conduct customer due diligence, including: (a) verification of the identity of Customers and beneficial owners of, and signatories who represent, non-natural customers; and	Assess whether entity takes transactions from individual and/or non-individual.
	(b) collection of sufficient information to understand the purpose of each customer's relationship with you	Does entity know what their typical customer profile is? For example, migrants sending money home.
19.	Do you offer services to walk-in customers?	Is the entity a retail or office business?
20.	Online and non-face to face transactions.	Assess what controls are implemented to prevent ML/TF and test.
21.	Do you sight your customers' original identification documents or obtain certified copies of identification documents?	Test KYC samples.
22.	Do you rely on copies of your customers' identification documents which have not been certified?	Assess degree of risk/exposure.
23.	Do you rely on third party/independent electronic data sources to verify the identity of your customers? If so, please provide details.	Assess reliability of data providers and test process.
24.	Do you engage any third party to undertake customer identification and	Review terms of services provided by third

	verification or any other AML/CTF obligations on your behalf? Please provide details of any third party.	party.
25.	Describe the level of review your business conducts to ensure that the third party or affiliate complies with the AML/ CTF obligations and that the money laundering, terrorism financing and sanctions risk is managed appropriately.	Test controls as appropriate.
26.	Have you ceased any third party/remittance affiliate relationship due to non-compliance with your AML/CTF or business policy or AML/CTF obligations?	Test for termination of affiliate or third party.
27.	Do you risk assess your customers? If so, please provide procedure details of customer risk assessment.	Ascertain appropriateness of customer risk criteria, likelihood and risk mitigation.
28.	Do you perform any procedure relating to high-risk customers? If so, please provide details.	Test high risk customer samples.
29.	Do you perform any procedure relating to politically exposed persons (PEPs)? If so, please provide details.	Minimum of global PEP subscription with a reputable data provider. Minimum of automated PEP screening.
30.	Do you perform any procedure relating to customers from and to high risk countries? If so, please provide details.	Ascertain high risk countries and test of controls.
31.	Do you retain records of customer due diligence and transactions? If so, how do you retain these records, and for how long?	Minimum of 7 years. Test record keeping process.
32.	Do you maintain an AML/CTF compliance program of internal controls including employee and affiliate screening and training, audit and senior management oversight of your anti-money laundering and counter-terrorism financing obligations	Obtain evidence of version updates, changes and board resolutions.
33.	If so, is your AML/CTF compliance program independently reviewed on a regular basis?	Check on frequency.
34.	Does your Independent Review include Part A and Part B of your AML/CTF Program?	Part B should include CDD and ECDD testing.



35.	Is your Independent Review performed by internally or by an external service provider?	Minimum of an <i>external</i> Independent Review.
36.	If your Independent Review is performed by an external service provider, how have you selected the provider?	Assess criteria used when selecting the provider.
37.	How often is your Independent Review performed?	Minimum of every 1.5 year.
38.	Please provide a brief description of the nature of AML/CTF training you provide to employees and (if applicable) affiliates	Training should include risk, consequences for non-compliance, red flags and case studies relevant to remittance sector.
39.	Please provide a copy of your AML/CTF compliance program documentation?	<p>Minimum of:</p> <p>Designated Business Group (as required).</p> <p>ML/TF Risk assessment conducted and documented</p> <p>AML/CTF risk awareness training program implemented</p> <p>Employee Due Diligence program</p> <p>Oversight by board or senior management in place</p> <p>External independent review scheduled</p> <p>AML/CTF Compliance Officer appointed</p> <p>Reporting obligations and monitoring (TTR, SMR, IFTI) and annual compliance report</p> <p>Ongoing customer due diligence</p> <ul style="list-style-type: none"> • KYC information • Transaction monitoring program • Enhanced customer due diligence <p>Record keeping</p> <p>Permanent establishments in a foreign country</p> <p>Part B Program/customer due diligence (CDD)</p>
40.	Does your compliance program include established policies, procedures and processes for screening against Sanctions	Test screening process.

	lists and managing economic and trade sanctions breaches?	
41.	If yes, please indicate whether the following Sanctions lists are incorporated into your compliance program:	Sanctions screening must either be done manually that incorporates the lists below or done via subscriptions with a reputable provider such as Thomson Reuters or Dow Jones, etc.
	Australian Department of Foreign Affairs & trade	
	United Nations Consolidated List	
	European Union	
	US Office of Foreign Assets Control	
	UK HM Treasury	
	Foreign Affairs, Trade and Development Canada	
	Hong Kong Monetary Authority	
	Monetary Authority of Singapore	
	Japan Ministry of Finance	
	Other (please list)	
42.	If Sanctions screening is performed, please provide details on screening frequency and updating of Sanctions lists.	Minimum of automated screening for every transaction and automated update to Sanctions lists, including a reputable screening solution implemented.
43.	If Sanctions screening is performed, explain how possible matches are reviewed.	Review for how possible matches are reviewed and resolved.
44.	Have you exited any customers in the last 12 months who have posed increased fraud, money laundering, terrorist financing or sanctions risks? If so, please provide details of procedure.	Review for audit trail and rationale for exiting customers.
45.	How do you ascertain the beneficial owners of an entity you deal with in the capacity of either a customer or an associate/provider/partner? If you have a detailed policy of beneficial ownership, then enclose a copy, including what documents do you collect from the customer.	Review the process for ascertaining beneficial owners of a customer/associate.

46.	Have you deployed a specific software application to manage your Transaction Monitoring?	Review how Transaction Monitoring is conducted.
47.	If yes, please confirm the settings and rules used/behaviours captured conduct Transaction Monitoring showing alignment to your Transaction Monitoring program.	Confirm if the application's setting reflects the Transaction Monitoring program.
48.	If no, what manual or semi-automated procedures do you do you follow? Provide the list of settings and rules used/behaviours showing alignment to your Transaction Monitoring program.	Confirm if the application's setting reflects the Transaction Monitoring program
49.	Do you have procedures to escalate and manage suspicious behaviours/patterns. Please explain the flow in detail.	
	AUSTRAC Reporting	
50.	IFTI	Test for accuracy and timeliness of IFTI submission.
51.	TTR	Test for accuracy and timeliness of TTR submission. Verify if it is cash transaction or non-cash.
52.	SMR	Test for accuracy and timeliness of SMR submission.
53.	Describe the types of monitoring and the system you use to monitor and detect unusual and/or suspect transactional activity.	
54.	Do you accept money from your customers to be transferred to a beneficiary in any of the following locations?	Review list of beneficiary countries.
	Afghanistan	
	Belarus	
	Central African Republic	
	Cuba	
	Democratic Republic of the Congo	
	Egypt	
	Eritrea	
	Guinea	

	Guinea-Bissau	
	Iran	
	Iraq	
	Ivory Coast	
	Lebanon	
	Liberia	
	Libya	
	Myanmar (Burma)	
	North Korea	
	Somalia	
	Sudan	
	Syria	
	Tunisia	
	Ukraine	
	Yemen	
	Zimbabwe	
55.	What is the composition of payment methods you accept from your customers? Please outline an approximate % of:	
	Cash	
	Electronic bank transfer	
	EFTPOS	
	Cheque	
	Credit card	
56.	Does your customer base include e-currency/virtual currency/bitcoin traders or does your business facilitate e-currency/virtual currency/bitcoin transaction?	Verify whether this is incorporated into ML/TF risk assessment and AML/CTF Program.
57.	Please advise the typical/primary currencies that you use in your transfer services.	
58.	Please advise your monthly (or estimated) volume of transactions for the following services:	

	Money transfer	
	Currency exchange	
59.	Does your business provide incoming remittances from outside Australia? If so, what are the top 3 countries?	Assess for high risk countries.
	Regulator Action	
60.	Has your business been issued any infringement action by ASIC or AUSTRAC? If so what was the subject matter of the remedial direction and what is the status of this infringement?	Where there is a regulator action, check for remediation effort.
61.	Has your business been issued a remedial direction by ASIC or AUSTRAC within last 2 years, and if so what was the subject matter of the remedial direction, and what is the status of this remediation?	Where there is a regulator action, check for remediation effort.
62.	Has your business given an enforceable undertaking to ASIC or AUSTRAC? If so what were the matters covered by the enforceable undertaking and what is the status of these matters?	Where there is a regulator action, check for remediation effort.
63.	Has your business been the subject of regulator censure or criticism within the last five years? If so what was the subject matter of the criticism or censure and what is the status of these matters of criticism or censure?	Where there is a regulator action, check for remediation effort.
64.	Do you conduct business with any US person as defined by FATCA?	
65.	If yes, are you registered with FATCA as a reporting entity.	
66.	Please explain the work flow in detail, whether it is manual or computerised?	

3. Review steps

At minimum, the Enhanced Independent Review will need to incorporate the following steps to conduct the review.

1. Obtain understanding of methodology, scope and process for the ML/TF risk assessment and risk matrix for customers.

2. Assess the effectiveness of the design of the AML/CTF Program in addressing the outcomes of the ML/TF risk assessment.
3. Consider the extent to which the risk assessment has been taken into account in any other relevant systems, processes and controls that support the AML/CTF Program.
4. Review the AML/CTF Program, Parts A and B, related policies, procedures and other documentation. Understand changes made during the period under review.
5. Assess the AML/CTF Program and relevant policies, procedures and other documentation against the requirements outlined in the AML/CTF Rules, including how the entity is able to address the changes to ongoing customer due diligence requirements made effective from 1 June 2014.
6. Review of Sanctions policies and procedures. Consider how these have been integrated into the AML/CTF Program.
7. Review AUSTRAC feedback and reports, including evidence of management consideration and subsequent updates to the AML/CTF Program and relevant policies and procedures.
8. Review previous Independent Review reports, management comments and how findings have been addressed.
9. Consider and assessing the effectiveness of the governance and compliance framework underpinning the operation of the AML/CTF Program.

4. Testing of controls

Test of underlying procedures, practices, systems and controls in operation for the period under review involving the following:

1. Sample test due diligence records for onboarding new customers and affiliates (if applicable) and ongoing review of existing affiliates, including checks performed against PEP and Sanctions lists.
2. Test entity and its list of affiliates (if applicable) against the AUSTRAC Remittance Sector Register.
3. Sample test training logs or other documentation demonstrating employee attendance at required AML/CTF training.
4. Sample test employee records demonstrating due diligence performed.
5. Sample test of CDD and enhanced CDD documentation for new and existing customers, including checks performed against PEP and Sanctions lists.
6. Review and assess relevant documentation regarding Board and senior management oversight of the Program.
7. Sample testing of SMR, IFTI and TTR records and reports lodged with AUSTRAC.
8. Review and sample test unusual or suspicious activity and relevant investigation processes, including where alerts do not result in an SMR.
9. Review and assess other relevant documentation and procedures performed as required by entity's AML/CTF Program.

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