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QUICK FACT SHEET

Module 1 – Introduction to Money Laundering

What is money laundering?

Money laundering is the process criminals use to conceal their illegal profits and to avoid jail time and confiscation of their profit. The basic aim of money laundering is to use the illegal money without getting caught, by converting it into non-detectable and legitimate money.

Effects of money laundering.

Some sources estimate that over $1.5 trillion is laundered worldwide every year. Some effects of money laundering include the following:

- Undermining the financial system
- Expansion of crime
- Financing of terrorism

How is money laundered?

Money laundering tends to occur in three stages.

1. Placement – illegally obtained funds are introduced into the legitimate financial system. Once placement has occurred, the funds can be transferred, withdrawn or used to buy financial products or other assets.
2. Layering – illegally obtained money is distributed through the legitimate financial system in order to disguise its origins and make it appear legitimate.
3. Integration – the laundered money is at least made available to criminals as apparently legitimate funds, which may be used for investment in legitimate or illegitimate businesses, or for other purposes, including the personal expenses of the criminals themselves.

The AML/CTF Act

The AML Act was passed in December 2006 in response to international pressure on Australia to update its anti-money laundering and counter-terrorism financing measures. Your organisation's key obligations under the Act are to:

1. establish and maintain an anti-money launder and counter-terrorism financing (AML/CTF) program
2. keep records
3. conduct customer identification and identity verification
4. conduct ongoing customer due diligence
5. report in relation to suspicious matters, threshold transactions and international funds transfer instructions

Who does the AML Act apply to?

The AML Act applies to "reporting entities". Reporting entities are Australian-linked individuals and businesses that provide a "designated service", which include services relating to bank accounts, loans, debit cards, electronic fund transfers, securities and derivatives, superannuation funds and gambling.

Who enforces the AML Act?

The AML Act is administered by the Australian Transaction Reports and Analysis Centre (AUSTRAC). The AUSTRAC CEO is the national AML regulator with supervisory, monitoring and enforcement powers.

Risks for your organisation

Failure to comply with your AML/CTF obligations can create other risks for your obligation, include:

- reputational risks
- operational risks
- legal risks

Civil and criminal penalties

Breaching the AML/CTF Act can attract civil penalties of up $18 million for a company, or up to $3.6 million and/or four years imprisonment on an individual.