

30 September 2013

Discussion Paper – Customer Due Diligence Reform  
International Policy  
Legal and Policy Branch  
AUSTRAC  
PO Box 5516  
WEST CHATSWOOD NSW 1515

Email: [CDD\\_Consultation@austrac.gov.au](mailto:CDD_Consultation@austrac.gov.au)

Dear Sir/Madam,

**Re: Consideration of possible enhancements to the requirements for customer due diligence**

The Australian Institute of Superannuation Trustees (AIST) is an independent, not-for-profit professional body whose mission is to protect the interests of Australia's \$500 billion not-for-profit superannuation sector. AIST's members are the trustee directors and staff of industry, corporate and public-sector superannuation funds, who manage the superannuation accounts of two-thirds of the Australian workforce.

AIST and our members supports the commitment of Australia to halt the spread and proliferation of organised crime. We support efforts to improve the customer due diligence methods utilised by superannuation funds in dealing with their customers.

AISTS broadly supports the general intent of the potential reforms contained in this discussion paper; however we have some reservations about some of the proposals and are not yet in a position to support these. We believe that further information regarding these would be valuable.

**Requirements for beneficial ownership and control**

We note that the payment of a death benefit from a superannuation fund is considered to be a designated service under the *Anti-Money Laundering and Counter Terrorism Financing Act 2006* ("the Act"). Under 'Ownership and control', it is recommended as a potential solution to Deficiency 2 that the control and beneficial ownership of a customer may need to be identified.

We are concerned that this may make the payment of death benefits more difficult, especially where these are paid to deceased estates or to beneficiaries who are minors. Identifying the beneficiaries or the trustee of a deceased estate may hold up benefit payments at a sensitive time. Payments to minors may have the added problem of identifying a parent, guardian or other entity (e.g. trustee) who has effective control over monies paid, and identifying them.

We believe that a requirement to identify parties involved with these benefit payments can only have the effect of inflating fees and insurance premia, as funds and insurers look to see how to reduce liability, or to absorb the cost of compliance.

**Purpose of business relationship**

The potential solution to Deficiency 6 also requires some exploration. This potential solution considers that a reporting entity must have processes in place to understand the nature of a customer's business or occupation. We are uncertain what benefit that this could have in the context of superannuation funds. We recommend that further information be provided as to how deep the knowledge of this requirement is intended to go. For example, it is one thing for a fund to know a member's employer and occupation name, but it is something completely different to also require a fund to know what business the customer's employer is operating in.

Whilst we are presently unable to support the potential solutions to these problems, we support the policy intent, and look forward to the provision of additional information which would allow us to understand the issues better.

If you have any further questions regarding this submission, please contact Richard Webb, Policy & Regulatory Analyst on 03 8677 3835 or at [rwebb@aist.asn.au](mailto:rwebb@aist.asn.au).

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Tom Garcia', with a large, sweeping flourish at the end.

Tom Garcia  
**Chief Executive Officer**