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Director
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Assisting customers who don't have conventional identification – AUSTRAC draft guidance

The Australian Banking Association (**ABA**) welcomes the opportunity to comment on AUSTRACs draft guidance to assist customers who don't have conventional identity documents. The ABA also appreciates the ongoing engagement and collaborative approach to the development of AUSTRAC guidance.

Banks recognise the importance of ensuring vulnerable Australians have access to financial products and services. Banks as Reporting Entities (**RE**s) also understand they need to apply a flexible approach at times to some customers, but to do so within a risk framework that also ensures compliance with their obligations under Anti-Money Laundering and Counter Terrorism Financing (**AML/CTF**) laws.

Our view

The ABA welcomes this draft guidance on the types of alternative forms of identification (ID) banks may consider when providing designated services to certain cohorts of customers that cannot provide conventional forms of ID. With almost 19 million bank customers in Australia, banks already provide services to Australians from diverse backgrounds, locations, socio-economic profiles and have services catered for a variety of needs.

In recognising that there are customers who find it difficult to access banking services because they do not have conventional identification documents, banks have established pathways in their AML/CTF program to accept alternative forms of ID that ensure customers are able to receive services in line with the AML/CTF obligations.

The ABA observes that while the draft guidance assists REs in making such assessments, it helpfully confirms the importance of REs retaining a risk-based approach. We welcome this clarity and understand that there is nothing in this guidance that specifically alters or changes the risk assessments REs currently undertake.

Areas of additional clarity

While the draft guidance assists in the types of documents REs can consider when providing services, we welcome further clarity on specific issues:

- **Guidance on higher risk customers and circumstances where it would not be appropriate to provide services.** The draft guidance notes that only customers that are assessed as lower risk are suitable for utilising alternative forms of ID, consistent with the RE's risk appetite. We seek guidance on higher risk customers that are vulnerable, and whether any of those sorts of customers could be provided with services. Also, are there circumstances where higher risk customers should not be provided services?
- **Risk rating of customers.** The guidance appears to be predicated on the notion that banks assess ML/TF risk on day one. However, in practice, banks will accept customers based on their alternative ID and assess risk after on-boarding and it is not possible to ascertain the risk

to determine whether alternative ID should be accepted as this requires an assessment after the alternative ID has been submitted to test for acceptability etc.

- **Timeframes on reconfirming ID** The draft guidance indicates that customers that provide alternative ID may be provided with additional time to reconfirm their identity through conventional means. We would seek further guidance where time is provided but the customer does not provide updated details or reconfirm with conventional ID, what is the expectation of AUSTRAC in relation to such customers, as the section appears to be a short-term measure? How does this align with the requirements for timeframes under Section 34 (1)(d)(ii) of the AML/CTF Act and Chapter 79 of the AML/CTF Rules? We would welcome an example which demonstrates when ongoing monitoring is required and when banking services be terminated.
- **Ongoing monitoring and Customer Due Diligence.** The draft guidance currently reads that "You **must** apply a higher level of ongoing customer due diligence and transaction monitoring to the account until standard identification and verification can be undertaken." Given that banks will be assessing the risk of customers and applying their existing risk-based systems and controls does AUSTRAC expect REs to design bespoke controls for these circumstances as the draft appears to be written in that way?
- **Expectations on the reliance and value of referee statements.** We would like the guidance to clarify the extent to which an RE should confirm the statement – for example can Referee Statements only be received in-person, or can they also be provided via post, or certified copy? Does AUSTRAC consider it necessary to contact the referee to confirm its contents, or should that be considered in specific contexts? Is the draft guidance indicating that a referee statement on its own can be sufficient for ID purposes? Is there a minimum amount of time a referee should know the customer? We also encourage AUSTRAC to re-consider referencing self-attestation, given they are less reliable, and, as mentioned above, risks are not fully assessed until after on-boarding.
- **ATSI and vulnerable customers.** We would like to confirm whether it is AUSTRAC's view that ATSI customers can provide a referee statement without further confirmation, but non-ATSI vulnerable customers need to additionally provide conventional ID within a period? Further guidance on who would qualify as an ATSI community leader or Elder would also be helpful.
- **Business or non-individual customers.** In relation to Business or non-individual customers; does AUSTRAC consider this alternative identification and verification approach can be applied not just to individual customers but also individuals who are connected parties of non-individual customers, e.g., individual trustee, beneficial owner, authorised signatory. These individuals may not fall within the definition of "customer", but their identities are required to be verified.
- **Privacy**. We note that referee statements that provide additional information on the personal circumstances of the individual to explain why they have limited access to ID may be problematic from a privacy perspective. We request AUSTRAC consider the extent to which it is appropriate for REs to hold that information, such as details of family violence orders.

Thank you for the opportunity to provide feedback. If you have any queries, please contact me

Yours sincerely,

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