



INDIGENOUS BUSINESS AUSTRALIA
ABN 25 192 932 833

ANTI-MONEY LAUNDERING & COUNTER TERRORISM FINANCING ACT

COMPLIANCE PROGRAM

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Compliance Program

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Forward

The anti-money laundering and counter-terrorism financing (AML/CTF) laws were introduced to reduce the risk of Australian businesses being misused for the purposes of money laundering or terrorism financing. IBA is deemed to be a reporting entity for the purposes of the AML/CTF Act as IBA makes loans as part of a loans business for housing and business enterprises. The IBA AML/CTF Compliance Program details our approach to the identification, mitigation and management of the money-laundering and/or terrorism finance risks.

IBA is committed to complying with the Anti-Money Laundering and Counter-Terrorism Financing Act (AML/CTF), as far as the *Aboriginal and Torres Strait Islander Act 2005* (the ATSI Act) allows. Our policy position is to oppose the crimes of money laundering and terrorist financing and we will take all reasonable precautions to ensure our products and services are only utilised for legitimate purposes.

The duties of the AML/CTF Compliance Officer are managed by the Deputy Chief Executive Officer – Business Support.

1. Overview

1.1 Indigenous Business Australia

Indigenous Business Australia (IBA) is a Commonwealth statutory authority within the Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) Portfolio. IBA plays an important role in creating opportunities for Aboriginal and Torres Strait Islander individuals and communities to build assets and wealth.

IBA offers a range of programs designed to develop initiatives for long term asset accumulation that includes:

- IBA Homes - designed to increase home ownership participation rates by providing affordable home loans to eligible Aboriginal and Torres Strait Islander people.
- IBA Enterprises - aims to provide Indigenous people with skill development services and alternate funding products to achieve greater independence from Government and improve business management capabilities.
- IBA Partnerships - works collaboratively with program areas, clients and external stakeholders, including the private sector and all levels of government, to develop policy and implement and coordinate strategic projects that enable IBA to achieve its key business outcomes.
- IBA Investments - plays a central role in working with the private sector and Indigenous people to encourage and foster Indigenous economic independence.

1.2 Our Clients

Our Homes, Enterprises and Investments programs offer designated services, consumer and commercial loans. The ATSI Act mandates we must be satisfied the loans provided will further the social, cultural or economic welfare of Aboriginal and/or Torres Strait Islanders persons or business.

We identify Indigenous ownership and management as important in satisfying our legal obligations. Consequently, our lending policies specify applications will only be received from Indigenous Australians for:

- Home purchase or associated home improvement purposes
- A sole trader business
- A partnership where 50% or more of the partnership is owned by Indigenous Australians and there is active Indigenous management of the business
- A company where 50% or more of the shareholders are Indigenous and those shareholders are actively engaged in the business as Managers/Directors
- A business operated through a trust where the beneficiaries/unit holders are Indigenous Australians

1.3 Our Board

IBA has a Board of Directors who are appointed by the Minister and which is responsible for exercising IBA's powers and functions as outlined in the ATSI Act. The Board of Directors can consist of up to nine members and includes a chairperson and deputy chairperson. The day to day operations of IBA are the responsibility of the Chief Executive Officer supported by the Deputy Chief Executive Officers and the IBA management team.

1.4 Our Compliance Approach

IBA is committed to complying with the Anti-Money Laundering and Counter-Terrorism Financing Act (AML/CTF), as far as the ATSI Act allows.

We have developed AML/CTF policies and procedures which clearly set out our approach to the identification, mitigation and management of the money-laundering and/or terrorism financing risks that we can reasonably anticipate.

The key objectives of our AML/CTF Compliance Program are to:

- Establish the core principles that guide the way we identify, manage and mitigate the risk of money laundering or terrorist financing occurring in our business;
- Meet our legal and regulatory obligations;
- Train relevant staff to comply with these requirements; and
- Protect our business from the adverse consequences of non-compliance with legislative AML/CTF obligations.

Our approach to AML/CTF compliance is based on the following core principles:

- We oppose the crimes of money laundering and terrorist financing and will take all reasonable precautions to ensure our products and services are only utilised for legitimate purposes;
- We will avoid relationships with those who we reasonably assess as posing an unacceptable risk of money laundering or terrorist financing
- Relevant staff and Board members will undertake appropriate AML/CTF training so they understand IBA's AML/CTF obligations and to conduct their duties diligently to minimise AML/CTF risks;
- We will not tolerate conduct from staff which compromises our compliance with AML/CTF legislation;
- We will constantly monitor, measure and develop our AML/CTF Compliance Program to ensure it is as effective as possible for our business; and
- We will manage changes to our products, business processes and systems to ensure AML/CTF risks are identified and appropriately managed.

1.5 Compliance Limitations

It is important to note, we are unable to comply with the reporting provisions of the AML/CTF Act. This is because the ATSI Act prohibits us from releasing any information to any party, including AUSTRAC, which identifies our clients. The only exception is where that information is required to comply with the ATSI Act itself.

We have received advice from the Australian Government Solicitor and AUSTRAC on our legal position. Rather than seek an exemption from the AML/CTF Act, we have taken the decision to comply with the AML/CTF Act to the extent the ATSI Act allows to ensure our business meets accepted community and commercial standards.

1.6 Compliance Program Development Process

Our Executive team and the Board engaged external consultants to assist and advise in the development of the AML/CTF compliance program, within the limitations imposed by the ATSI Act. In meeting our compliance obligations, we have incorporated AML/CTF compliance into all aspects of our business. Our key compliance strategies include:

- Integration of our AML/CTF program with all relevant operations policies and procedures
- Board monitoring and supervision of the AML/CTF program through the consideration of relevant reports
- Appointment of an AML/CTF Compliance officer who reports directly to the Board
- Customer due diligence/Know Your Customer policies and procedures
- Risk identification policies and procedures
- Account conduct monitoring to identify suspect transactions and matters
- Internal reporting processes to manage suspect transactions and matters
- Independent auditing and compliance review processes
- Employee training and monitoring
- Record retention to ensure all customer identification documents are retained for 7 years from account closure.

Our AML/CTF Compliance Program is detailed in this document. We recognise AML/CTF compliance is an ongoing obligation which will require our program to undergo constant development to manage changes to our operational environment and the risks of facilitating money laundering and/or terrorism financing to which our business may be exposed.

2. Internal Organisation

2.1 Corporate Structure

IBA is accountable to the Commonwealth Parliament through the Minister for Families, Housing, Community Services and Indigenous Affairs.

As a statutory corporation, we are subject to the following requirements:

- *Aboriginal and Torres Strait Islander Act 2005*
- Obligations under the *Commonwealth Authorities and Companies Act 1997*
- Commonwealth Government Reviews and Audits through the Australian National Audit Office and the Office of Evaluation and Audit (Indigenous Programs)
- Scrutiny by the Commonwealth Parliament such as Annual Reporting, Parliamentary Inquiries and Senate Estimates
- Internal Audit - ongoing

Our Business and Governance Structure (Organisational Chart) is contained in our Annual Report.

2.2 Designated Services

IBA offers the following designated services:

Consumer:

Our standard consumer loan products are all associated with home purchase. Our products include:

- **Purchase/construction loans**
 - to purchase an established residential property or the construction of a house.
 - a construction loan may include the purchase or refinance of land on which the house is to be constructed or a builder “package deal”.
- **Split loans**
 - to assist people who have the servicing capacity to borrow a portion of their loan funds from a mainstream lending institution with IBA only providing the balance needed to complete the purchase of a home.
- **Residential Land Purchase loans**
 - to purchase a residential block of land.
 - a time period to complete construction of a house applies
- **Repairs & Maintenance and Home Improvement loans**
 - available to assist existing homeowners maintain their homes in good order.
- **Refinance loans**
 - for the refinance of existing home borrowings from another financial institution, where, due to unforeseen circumstances, the borrower is unable to maintain the required loan payments and is in danger of losing their home.

- **Property Settlement loans**
 - where there is a relationship breakdown and there is a formal agreement for one party to buy the other party's share in the home.
- **Home Ownership on Indigenous Land (HOIL)**

We are working closely with (FaHCSIA) and at the State, Territory and Community level implementing recent government initiatives to improve Indigenous home ownership participation rates. Loans with an additional support assistance package will be offered under the Home Ownership on Indigenous Land program to eligible individuals and families wishing to buy or build houses on Indigenous land.

This program is being progressively implemented as land tenure reforms become operative.
- **Guarantees**
 - IBA has the statutory power to give home loan guarantees but its policy is not to give guarantees.

Enterprise:

IBA Enterprises provides business loans to assist Indigenous Australians to establish, acquire and grow viable businesses.

Business loans can be provided to the following:

- Indigenous individuals;
- Indigenous people who are in partnerships;
- Indigenous controlled corporations, public or private; or
- Indigenous people or Indigenous controlled corporations in joint ventures.

Our loan products are:

- **Business** (secured and unsecured)
 - to establish new business ventures or buy or expand existing businesses or consolidate existing business loans
 - minimum of \$500
- **Guarantees**
 - IBA has the statutory power to give enterprise loan guarantees but its policy is not to give guarantees.

2.3 Designated Business Group

IBA related companies do not provide designated services and we are not part of a Designated Business Group.

2.4 Permanent Establishments Overseas

We do not provide designated services outside of Australia.

2.5 AML/CTF Compliance Structure

IBA's AML/CTF compliance structure incorporates a number of elements including documentation, operations, monitoring, reporting and training.

The AML/CTF compliance program, as set out in this manual, is based on our standard operations policies and procedures and is supported by:

- IBA Homes Procedural Instructions
- IBA Enterprises Policies and Procedures
- IBA Risk Management Framework and Practice
- IBA Risk Management Plan
- IBA Fraud Plan
- IBA IT Security Policy
- IBA Recruitment Policy

In addition, IBA has integrated AML/CTF compliance monitoring and reporting into all levels of its management structure. The AML/CTF compliance officer is responsible for ensuring these processes are followed effectively.

The reporting structure and time frames are set out in the table below.

Matter	Reporting to	Frequency
Product Development	<ul style="list-style-type: none">• AML/CTF Compliance Officer• Audit and Risk Committee• Board	<ul style="list-style-type: none">• As required
Suspicious matters and/or transactions	<ul style="list-style-type: none">• AML/CTF Compliance Officer	<ul style="list-style-type: none">• Immediately when suspicion is formed
Compliance reports	<ul style="list-style-type: none">• Senior Management• Audit & Risk Committee	<ul style="list-style-type: none">• Fortnightly• Quarterly (4 - 6 meetings p.a.)

Matter	Reporting to	Frequency
	<ul style="list-style-type: none"> • Board 	<ul style="list-style-type: none"> • Quarterly (4 – 6 meetings p.a.)
	<ul style="list-style-type: none"> • AUSTRAC online • AUSTRAC staff 	<ul style="list-style-type: none"> • Annually, or as required, for compliance reporting • As required, for compliance advice or to respond to AUSTRAC feedback on our compliance program

AML/CTF compliance reports form part of standing agenda items for all management committee, Audit and Risk Committee and Board meetings.

2.6 AML/CTF Compliance Officer

IBA has appointed an AML/CTF Compliance Officer who reports to the Senior Management team fortnightly, the Audit and Risk Committee and the Board quarterly.

The AML/CTF Compliance Officer is involved in product development and delivery to ensure AML/CTF compliance before any product is approved for release.

The AML/CTF Compliance Officer's duties are listed in Appendix A (attached).

The duties of the AML/CTF Compliance Officer are managed by the Deputy Chief Executive Officer – Business Support.

2.7 Board & Senior Management Oversight

The IBA Board and Senior Management maintain oversight of the AML/CTF Compliance Program through the following strategies:

- Consideration of AML/CTF Compliance Officer exception reports on significant AML/CTF matters at Executive meetings and Audit and Risk Committee meetings
- Consideration of Audit and Risk Committee exception reports on significant matters at Board meetings.

2.8 Summary

We are confident we have in place robust structures to ensure all levels of IBA monitor and manage our AML/CTF compliance obligations appropriately.

3. ML/TF Risk Assessment

3.1 Overview

IBA undertook a risk assessment on the potential for money laundering and terrorism financing in its activities. Details of the assessment are in sections 3.2.4 Product Risk Assessment, 3.4.4 Customer Risk Assessment and 6.1.1 Employee Risk Assessment. These assessments were conducted in accordance with the IBA Risk Management Framework and the Australian / New Zealand Standard 4360:2004 titled "Risk management".

IBA has formed the view its designated services provide a low risk for money laundering or terrorism financing. Our view is based on the following rationale:

- Our mandate is to provide services to Indigenous Australians and Indigenous owned businesses
- Customers must prove their Indigenous heritage
 - Indigenous heritage may be verified by an Indigenous corporation registered with the Australian government's Office of Registrar of Indigenous Corporations or Local Councils or associations where a majority of the governing body are Aboriginal or Torres Strait Islanders. In certain limited circumstances verification can be provided by State Government Agencies or Indigenous community Elders.
- Customers are those who would generally not qualify for finance through mainstream lenders
- IBA subjects each application to scrutiny as to loan purpose, serviceability and viability
- Our business loan approval processes extend over a number of weeks and involve meetings between applicants and mentors, business consultants and IBA staff, as appropriate, so the customer and business are well known and subject to close scrutiny
- Mentors work closely with new business ventures over the first twelve months, as a minimum
- Capability partners, acceptable to IBA, are required on many joint ventures
- We require annual reports on financed business operations, including financial information over 5 years where available
- Home loan and business clients are encouraged to transition to mainstream lenders once they have established equity in their homes or viable businesses and would generally meet mainstream lending criteria
- IBA itself is subject to significant government scrutiny

Regardless, we have taken a robust approach to limit any potential for our services to be used for money laundering or terrorism financing. Our risk management strategies are designed to quickly identify and investigate any potential risk

IBA's ML/TF risk assessment incorporates the following elements:

- Product risk profile
- Customer risk profile
- Credit assessment criteria
- Fraud minimisation processes
- Employee due diligence and monitoring

While this document sets out IBA's compliance program specific to AML/CTF obligations, it must be read in conjunction with all operational policies and procedures as all aspects of the business are integrated to meet a range of compliance, business and operational requirements. Relevant policies and procedures are cross-referenced to support the rationale behind IBA's AML/CTF compliance program.

3.2 Product risk profile

IBA's product risk profile has been based on five key criteria / controls. They are:

- Restricted market involving significant IBA cultural understanding and expertise
- A sound knowledge of our clients, their businesses and normal account conduct
- Loan agreement terms and conditions
- Ownership of the financed goods/property
- Account management policies

3.2.1 Finance Agreements

We have structured our business to minimise a range of risk issues, including fraud and TF/ML. Operational policies and procedures incorporated into our AML/CTF program include:

- IBA Risk Management Framework & Practice
- IBA Risk Management Plan
- IBA Fraud Control Plan

These policies and procedures are in addition to our program specific lending policies and procedures contained in the IBA Home Ownership Program Policy, the Home Ownership on Indigenous Land Program Policy, and the IBA Homes Procedural Instructions and the IBA Enterprises Policy and Procedures Manuals, collectively referred to as the "Credit Policies".

Key risk control strategies for our loans include:

- At least one customer must be accepted as an Indigenous person and known to an Indigenous community
 - Indigenous applicants must provide written confirmation of Aboriginality provided by an Indigenous corporation registered with the Australian Government's Office of Registrar of Indigenous Corporations or Local Councils or associations where a majority of the governing body are Aboriginal or Torres Strait Islanders. In certain limited circumstances verification can be provided by State Government Agencies or Indigenous community Elders.
- There usually is a significant waiting period before home loan approval – which can be up to 12 months
- The loan approval process is robust and conducted over a number of weeks, ensuring we personally know our clients and their lending purposes
- Funds are generally disbursed to authorised third parties, not the customer
- Cash disbursements to clients are generally limited and for specific purposes
- Customers can only seek to assign their loan agreements to Indigenous Australians or others that have responsibility for the care of Indigenous persons
- We take security for all home loans and all large business loans
- Direct debit from the customer's bank account is the preferred repayment method
 - We do not accept cash payments
- We, or approved service providers, actively work with our clients to assist them manage their finance obligations and to develop their businesses, so our clients and their normal account conduct is well known to us
- We investigate early contract payouts or multiple payments involving significant amounts

3.2.2 Ownership

The majority of IBA loans are secured by goods or land. Title in the goods or land passes to the customer at settlement, but IBA's security interest means the secured goods/land cannot be assigned or sold without IBA's specific consent except in the ordinary course of business.

Where the customer obtains title at the commencement of the agreement, we view the money laundering or terrorism financing risk to be low if the contract runs to term.

There may be a low risk of money laundering if the agreement is paid out early or additional unexpected payments are made during the course of the agreement. These risk factors will be identified and investigated through our account management policies and procedures.

Transaction	Identification	Management	Responsible Manager
Payments from unknown third parties	<ul style="list-style-type: none"> Loans System Staff will process 	<ul style="list-style-type: none"> Relevant Homes and Enterprises Program staff will cross check all cheques presented to identify any third party cheques Where identified, Relevant Homes and Enterprises Program staff will phone the customer to obtain the reason why a third party is making a payment on their behalf Where the answer provided is suspicious, the matter will be referred to the AML/CTF Compliance Officer 	<p>Assistant General Managers, Homes and Enterprises; Chief Financial Officer</p> <p>AML/CTF Compliance Officer</p>
Payments to unknown third parties	<ul style="list-style-type: none"> Consumer insurance rebates may result in a customer request for funds to be directed to an unknown third party 	<ul style="list-style-type: none"> IBA policy is only to refund the monies to the customer concerned or on receipt of insurance invoice to pay for insurance coverage 	Assistant General Manager
Electronic access generally	<ul style="list-style-type: none"> Customers will not have draw down capabilities 	N/A	N/A
Electronic transfers from third parties	<ul style="list-style-type: none"> Loans System staff will identify all third party electronic transfers 	<ul style="list-style-type: none"> Where identified, Relevant Homes, Enterprises and Finance Program staff will contact the customer to verify the payment is correct and to ascertain the reason for third party involvement Where the answer provided is suspicious, the matter will be referred to the AML/CTF Compliance Officer 	<p>Assistant General Managers, Homes and Enterprises; Chief Financial Officer</p> <p>AML/CTF Compliance Officer</p>

3.2.4 Product Risk Assessment

On the basis of the analysis above, we have rated all our products as low risk. The key factors in forming this view are:

- The majority of funds are disbursed to Australian vendors holding ABNs, not the customer
 - The exception is for small amounts of working capital or customer reimbursement for agreed expenditures on production of a tax invoice
 - Customer funds are always paid directly into the customer’s bank account in the customer’s name or by cheque made payable to the customer’s name
- All Home loans are secured. Loans in excess of \$15,000 are by way of registered mortgages. Business loans up to \$50,000 are unsecured. Business loans in excess of \$50,000 will only be made to companies and secured by registered fixed and floating charge.
- Customer assignment is rare and is limited to circumstances as set out in our procedural manuals
- Repayment methods do not involve cash payments
- Payments will only be accepted from the customer’s account, by coupon book deposit at a Westpac branch, BPost at an Australia Post Office or Bpay via the internet.

The key risk criteria are summarised in the table below.

PRODUCT RISK – KEY CRITERIA / CONTROLS

Product	Loan Amount (Max.) & Term	KEY CRITERIA / CONTROLS							Residual Risk
		Secured Y/N	Disbursement to customer	Repayment method	Early repayments	Assignment - Customer	Title	Security register	
1. Consumer									
Land Purchase Loan	Zone Purchase Price Limit 10 yr	Y	X	Direct Debit / BPost / Bpay / Cheque	√	X	Customer	√	Low
Purchase/Construction Loans	Zone Purchase Price Limit Generally 32 yrs	Y	X	Direct Debit / BPost / BPay / Cheque	√	X	Customer	√	Low
Deposit gap loans	20-60% of Zone Purchase	Y	X	Direct Debit / BPost / BPay / Cheque	√	X	Customer	√	Low – paid to, vendor

Product	Loan Amount (Max.) & Term	KEY CRITERIA / CONTROLS							Residual Risk
		Secured Y/N	Disbursement to customer	Repayment method	Early repayments	Assignment - Customer	Title	Security register	
	Price Limit General 32 yrs								
Repairs & maintenance / Home improvement	Zone Purchase Price Limit	N	X	Direct Debit / BPost / BPay / Cheque	√	X	Customer	√	Low
Refinance	Zone Purchase Price Limit Generally 32 yrs	Y	X	Direct Debit / BPost / BPay / Cheque	√	X	Customer	√	Low
Property settlement	Zone Purchase Price Limit Generally 32 yr	Y	X	Direct Debit / BPost / BPay / Cheque	√	X	Customer	√	Low
Home Ownership on Indigenous Land (HOIL)	\$300,000 Generally 32 yrs	Y	X	Direct Debit / BPost / BPay / Cheque	√	X	Customer	√	Low
2. Commercial									
Business Finance	No limit. 15 year term max.	Y	X	Direct Debit / BPost / BPay / Cheque	√	√	Customer	√	Low
Economic Development	No limit	Y	X	Direct Debit / BPost / BPay / Cheque	√	X	Customer	√	Low
Business Support	\$10,000	Y	X	Direct Debit / BPost / BPay / Cheque	√	X	N/A	X	Low

3.3 Joint Ventures

The joint venture arrangements do not involve designated services.

3.4 Customers

3.4.1 Risk Criteria / Controls

We have established our customer risk criteria / controls based on our credit assessment and fraud control policies and procedures as they are directly relevant to the AML/CTF compliance program. Factors such as customer identification criteria, loan purpose, employment/business history, accommodation stability and credit capacity all impact on our lending decisions. At least one of the borrowers to any loan or a majority of shareholders in the case of a company or similar structure will be Indigenous Australians, known to an Indigenous community and resident in Australia.

The credit assessment process, which takes place over a number of weeks, provides us with confidence clients will honour their credit commitments to us. The intensity of the Business application process, involving mentors, accountants and capacity partners, also provides confidence our products are not used for money laundering or terrorism financing purposes. As funds are disbursed directly to third parties for home purchase or business development and limited funds (usually under \$1000 for Home loans and under \$10,000 for Business loans) are disbursed directly to the customer, there is negligible potential for terrorism financing.

We have also taken into account our obligations under ATSI Act, Privacy legislation and other relevant legislative requirements in determining customer risk profiles.

3.4.2 Cash Intensive Businesses

Cash-intensive businesses and entities cover various industry sectors. While the majority are legitimate businesses some may be susceptible to money laundering or terrorist financing. Examples of cash intensive businesses include, but are not limited to, the following:

- Casinos
- Bookmakers
- Convenience stores
- Restaurants
- Retail stores
- Liquor stores
- Cigarette distributors
- Privately owned automated teller machines (ATMs)
- Vending machine operators
- Parking garages

IBA will provide finance to applicants in cash intensive businesses who meet our identification requirements and credit criteria. The Standard qualifying criteria, as detailed in the Enterprises Program is as follows:

- i) Confirmation of Aboriginality
- ii) provision of a credit reference report that is satisfactory to IBA
- iii) in the case of an application for business support or a business loan, sufficient information for IBA to conclude that the business proposal has the potential to become commercially viable
- iv) applicants are not able to reasonably meet the cost of the services from their own resources
- v) the business must be a minimum of 50% Indigenous owned and the owners must be actively involved in the management of the business operations

Supported businesses will receive mentoring for a minimum of 6 months from loan approval. No cash is provided directly to the client.

IBA will not provide funding for:

- i) Applicants who have defaulted previously on any Commonwealth funding. Commonwealth funding includes funding from any Commonwealth agency.
- ii) Unlawful businesses or businesses that are involved in the sex industry or the production and distribution of pornography or are culturally or socially inappropriate in the relevant local community. We will not lend for casino businesses or stores that deal solely with the sale of liquor.

3.4.3 Non-Indigenous Australian Residents

While the majority of our clients are Indigenous Australians, we will lend to non-Indigenous co-borrowers provided they are Australian residents.

There is a very small possibility a non-Indigenous Australian resident may have links to any of the countries the Department of Foreign Affairs and Trade (DFAT) has identified as high risk. Regardless, we will not consider these clients a higher risk than an Australian citizen. We are conscious of our obligations under Anti-Discrimination laws and have assessed the risk of our products being used for money laundering or terrorism financing as low. Please refer to the rationale in 4.1. In addition, our customer identification and verification processes are robust and exceed the minimum requirements contained in the AML/CTF Rules.

When these factors are considered in conjunction with our business support and account monitoring procedures, we are confident there is no opportunity for money laundering or terrorism financing activity at the commencement of the lending cycle. Suspicious matters may be identified during this process. Subsequent account conduct may also indicate suspicious transactions or matters. These will be identified and investigated as they arise.

Where a suspicious matter arises during the course of the lending cycle, an investigation will be undertaken and appropriate remedies considered, including those for breach of loan conditions.

3.4.4 Customer Risk Assessment

The risk register below identifies the criteria used to determine the risk of the customer (as the risk owner) in undertaking AML/CTF activities through the services of IBA. Further credit assessment details are available in the IBA Homes Procedural Instructions Manual and the IBA Enterprises Policy and Procedures Manual.

Customer Type	Assessment criteria / Controls	Exceptions	Residual Risk Rating
Australian citizen	<p>Information required includes:</p> <ul style="list-style-type: none"> • full name • address • confirmation of Aboriginality • employer details • driver's license • date of Birth • previous address (if less than 2 years at current address) • 12 months continuous work history or nil if income is social security payments <p>Address Checks Customer addresses are checked:</p> <ul style="list-style-type: none"> • via white pages and/or • against credit file. <p>Employment Checks Employment checks are required on all consumer applications.</p> <p>When an employment reference check is conducted:</p>	<p>Where an applicant's identification cannot be established the application is to be declined.</p> <p>Relevant Homes and Enterprises Program staff is to complete Suspicious Matter Report to AML/CTF Officer.</p>	<p>Low</p>

Customer Type	Assessment criteria / Controls	Exceptions	Residual Risk Rating
	<ul style="list-style-type: none"> • employer should be checked against white pages • where a mobile is the only option, employer ABN must be obtained and checked to confirm its existence <p>When pay slips are provided:</p> <ul style="list-style-type: none"> • employers name and ABN are to be on pay slip • pay slips are not to be hand written • pay slips clearly state income of applicant <p>Employment references and/or pay slips are required on all applications.</p> <p>IBA will accept letters from employers to substantiate employment details in limited but appropriate circumstances</p> <p>Capacity – Consumer The following income streams are acceptable:</p> <ul style="list-style-type: none"> • employment • ongoing government benefits • home loan applicant is ineligible if in receipt of investment rental income. • overtime – where it is regular and can be confirmed via year to date payslip <p>We do not accept:</p> <ul style="list-style-type: none"> • Non-taxed income 		

Customer Type	Assessment criteria / Controls	Exceptions	Residual Risk Rating
	<p>Credit Reference Agency</p> <ul style="list-style-type: none"> • Credit check • full name, date of birth, address & AML/CTF Risk (where circumstances warrant) 		
<p>New Resident – (only if spouse/partner of resident Indigenous client)</p>	<p>A new resident to Australia, for credit purposes, is defined as:</p> <ul style="list-style-type: none"> • an applicant on a temporary work visa or, • a new resident under twelve months <p>Any new resident to Australia will be required to provide the following information prior to or at time of assessment:</p> <ul style="list-style-type: none"> • copy of Passport/Visa which remains current for at least the term of the loan. • Visa subclass to be checked if able to work and earn income within Australia legally. • copy of current Driver’s Licence, • International Driver’s Licence accepted if in Australia < 3 months or on a temporary Visa. • applicant to be in permanent full time employment or receipt of ongoing Government benefits. • employment checks are required at Application stage 	<p>Diplomats</p> <p>Additional information is required, including:</p> <ul style="list-style-type: none"> • copy of Diplomatic ID issued by (DFAT) • copy of current Passport and/or Visa • letter from Embassy/Consulate confirming employment details including remuneration. 	<p>Low</p>

Customer Type	Assessment criteria / Controls	Exceptions	Residual Risk Rating
Commercial Entities	<p>Key information required includes:</p> <ul style="list-style-type: none"> • confirmed Indigenous majority ownership • Australian based • company/business/trading names • address • ACN/ABN • industry type & sub type • establishment date <p>Financial Documents It is IBA's policy that business plans, including financial details, are required in all commercial applications.</p>	<p>Trust Documents</p> <p>When assessing financial documents IBA checks whether the customer operates via a trust.</p> <p>If a trust is involved, the trust name must be included in the application and the Enterprises Procedural Manual requirements followed.</p>	Low
Incorporated Associations	<p>Key criteria includes:</p> <ul style="list-style-type: none"> • confirmed Indigenous majority membership • incorporated in Australia • Association details, including purpose • 3 years in operation • 2 years financial records • Accountant's budget projections for loan term • certified copies of government funding agreements for loan term, if relevant 	Assistant General Manager	Low
Unincorporated Associations (Will IBA loan to this category? Very rare)	<p>Key criteria includes:</p> <ul style="list-style-type: none"> • confirmed Indigenous majority membership • no overseas linkages • Association details 	Assistant General Manager	Low

Customer Type	Assessment criteria / Controls	Exceptions	Residual Risk Rating
	<ul style="list-style-type: none"> • 5 years in operation • 3 years financial records • Accountant's budget projections for loan term • certified copies of government funding agreements for loan term, if relevant <p>In addition, all office holders will be required to meet the criteria that apply to consumer applicants.</p>		

These processes allow us to:

- Identify any discrepancies in consumer customer identity, work history, business operation and capacity
- Identify any cash intensive businesses

3.5 Politically Exposed Persons

The Financial Action Task Force (FATF) defines Politically Exposed Persons (PEPs) as:

'PEPs are individuals who are or have been entrusted with prominent public functions in a foreign country, for example Heads of State or of government, senior politicians, senior government, judicial or military officials, senior executives of state owned corporations [and] important party officials'.

IBA will not provide finance to any PEP, other than a Foreign Diplomat, who is to be a co-borrower with an Indigenous applicant.

We require all our consumer applicants to provide a 12 months employment history which is checked at credit assessment stage by the lending officer. If that employment history indicates the applicant may be politically exposed, we will treat that person as a “Politically Exposed Person” (PEP).

Where we receive an application from a Foreign Diplomat, further information will be sought before credit assessment proceeds. The additional information required includes:

- Copy of Diplomat ID issued by the Department of Foreign Affairs and Trade (DFAT)
- Copy of current Passport and/or Visa
- Letter from Embassy/Consulate confirming employment details including remuneration.

Our **Credit Policies** detail all identification requirements and our verification processes.

4. Customer identification and verification – (Part B)

4.1 Identification

Our customer identification requirements are based on our obligations under the ATSI Act (the Act) and our assessment is that our target market is low risk. This low risk categorisation is supported by the additional requirements on Indigenous Australians to prove their Indigenous heritage to qualify for an IBA loan. In addition, our loan processes involve significant interaction with the applicants over the application and lending cycle, so our clients are well known to us through these processes.

On this basis, our customer identification verification documentation is based on the proof of Aboriginality requirement in the ATSI Act and the minimum requirements specified in the AML/CTF Rules. Our **Credit Policies** provide further detail on our overall requirements.

4.1.1 Company Verification – minimum requirements

For companies rated as low risk, we will verify the identity by obtaining one, or a combination of, the following:

- confirmation of registration as an Indigenous corporation by an ORAC register search;
- a search of the relevant domestic stock exchange;
- a public document issued by the relevant company;
- a search of the relevant ASIC database; or
- a search of the licence or other records of the relevant regulator.

4.1.2 Beneficial Owners – Identification and Verification

Beneficial owners of companies that are not subject to an industry specific licensing regime will be identified by obtaining an ASIC report.

If the ASIC report cannot identify the beneficial owner(s) then we will require confirmation from the company accountant or a certified copy of the company's share register.

4.1.3 Partnership Verification – minimum requirements

For medium to low risk partnerships, IBA will obtain and verify the following:

- written confirmation of each Indigenous partner's Aboriginality;
- a partnership agreement, certified copy or certified extract of a partnership agreement;
- a certified copy or certified extract of minutes of a partnership meeting;
- reliable and independent documents relating to the partnership;
- reliable and independent electronic data; or
- a combination of points (1) to (5) above.

4.1.4 Trusts – minimum requirements

For trusts rated as low risk, we will obtain and verify the following:

- registration as a corporation;
- the full name of the trust;
- the full business name (if any) of the trustee in respect of the trust;
- the type of the trust;
- the country in which the trust was established;
- if any of the trustees is an individual, then the information required to be collected from an individual
- if any of the trustees is a company, then in respect of one of those companies – the information required to be collected from a company
- if the trustees comprise individuals and companies then the information required to be collected from the individual or company, as the case may be.

4.1.5 Individuals – other than sole traders – minimum requirements

For individuals rated as low risk, we will obtain and verify the following:

- the customer's full name;
- the customer's date of birth;
- the customer's residential address; and obtain
- written confirmation of each Indigenous applicant's Aboriginality, as applicable

4.1.6 Individuals – sole traders – minimum requirements

For sole traders rated as medium to low risk individuals, we will obtain and verify the following:

- the customer's full name;
- the customer's date of birth;
- the full business name (if any) under which the customer carries on his or her business;
- the full address of the customer's principal place of business (if any) or the customer's residential address;
- any ABN issued to the customer; and
- written confirmation of Aboriginality

4.1.7 Incorporated Associations – minimum requirements

We will collect, at a minimum, the following information from an incorporated association:

- the Association's full name;
- the full address of the registered office or principal place of operation;
- any incorporation identifier, issued by a government body;
- the full name of the chairman, secretary and treasurer or equivalent officers; and
- Confirmation of Aboriginality in respect of a majority of the members of the governing body.

4.1.8 Unincorporated Associations – minimum requirements

We will collect, at a minimum, the following information from an unincorporated association:

- the Association's full name;
- the full address of the principal place of operation;
- the full name, address and date of birth of the chairman, secretary and treasurer or equivalent officers; and
- Confirmation of Aboriginality in respect of a majority of the members of the governing body.

4.2 Verification

All clients will be fully identified during the application process. The processes include:

- submission of original or certified identification documentation for approval by the Loans Officer;
- consumer or commercial credit reporting obtained as set out in procedural manuals;
- employer name and ABN on payslips (where applicable);
- check of customer address and employee details –
 - credit report, phone book search and direct employer contact;
- ABN applicant verified by IBA originations processes against ASIC/ABR business names register; and
- accountant contact & verification of financial information.

The following will not be accepted in the verification process:

- mobile contact numbers for employers and commercial entities -
 - where mobile is the only form of contact, then business ABN must be obtained and business verified by methods listed above
- handwritten payslips

The matrix below details the processes we will take to verify customer identification data is reliable

Customer Identification Requirements and Verification Processes

Customer Type	Data Required	Verification processes	Persons Responsible
Consumer	<ul style="list-style-type: none"> • Written confirmation of Aboriginality • Driver's licence; • Passport; or • Proof of age card 	Loans Officer to sight original or certified copy Credit Reference Check Employer contact	Loans Officer
Company	<ul style="list-style-type: none"> • Domestic stock exchange listing or • ASIC listing • Registration with the Office of Registrar of Indigenous Corporations 	ASIC database search Manual/online check with the Office of Registrar of Indigenous Corporations	Loans Officer
Partnership	<ul style="list-style-type: none"> • Written confirmation of Aboriginality 	Loans Officer to sight originals or obtain certified extract	Loans Officer

Customer Type	Data Required	Verification processes	Persons Responsible
	<ul style="list-style-type: none"> • A partnership agreement, certified copy or certified extract of a partnership agreement; • a certified copy or certified extract of minutes of a partnership meeting • Accountant confirmation of financial • Names and Addresses of each Partner in the Partnership is to be collected 	<p>Credit Reference check</p> <p>Accountant contact</p>	
Sole Trader	<ul style="list-style-type: none"> • Written confirmation of Aboriginality • Driver's licence or • Passport • ABN 	<p>Loans Officer to sight originals or obtain certified extract</p> <p>ABR business names register</p> <p>Credit reference check</p>	Loans Officer
Trust	<ul style="list-style-type: none"> • a trust deed, a certified copy or a certified extract of a trust deed; <p>If any of the trustee is an individual, as per consumer requirements</p> <p>If any of the trustee is a company, as per company requirements</p> <p>If the trustee comprise individuals and companies then the information required to be collected from the individual or company, as the case may be</p>	<p>Loans Officer to sight originals or obtain certified extract</p> <p>Credit Reference check</p>	Loans Officer

Customer Type	Data Required	Verification processes	Persons Responsible
Incorporated Associations	<ul style="list-style-type: none"> • ASIC check • Certified copy or extract of the Association's rules or constitution 	Loans Officer to sight originals or obtain certified extract ASIC database check Credit Reference Check	Loans Officer
Unincorporated Associations	<ul style="list-style-type: none"> • Certified copy or extract of the Association's rules or constitution • Driver's licence or passport details of office holders • Written confirmation of Aboriginality for a majority of the governing body 	Loans Officer to sight originals or obtain certified extract Credit Reference check	Loans Officer

4.3 Authentication

In addition to its own internal verification methods, IBA will use the services of VEDA Advantage or other appropriate credit reference agency to verify customer identity against publicly available databases, both private and commercial.

VEDA Advantage is the largest custodian of credit-related information in Australia and New Zealand. It collects data on the financial behaviours of more than 14 million individuals and one million companies in New Zealand, Australia and Asia. On a daily basis, it reports on the credit status of the 60,000 individuals and businesses on both sides of the Tasman that apply for credit.

VEDA Advantage's credit bureau stores individual credit files that contain the following:

- Identity data (e.g. name, date of birth, drivers license number, current and previous address, employment and occupation details, cross-reference information)
- Consumer credit applications
- Consumer default history
- Public record information (e.g. bankruptcy, judgments, writs, directorships, previous directorships, proprietorships)
- Commercial credit enquiries
- Commercial default history

The commercial credit files contain the following data:

- ASIC data
- Business names data
- Sole trader data

- Commercial credit enquiries
- Commercial default history
- Sole trader credit enquiries
- Sole trader default history

In light of our eligibility verification processes we do not do a DFAT check.

4.4 Agents - clients

4.4.1 Agent categories

Our clients may have a range of people acting as their agents. Those people include:

- Accountants – to provide financial details
- Company agents – appointed by the corporation to act on behalf of directors
- Third parties – to negotiate on the customer's behalf
- Business Consultants
- Solicitors, Attorneys or Conveyancers
- Valuers

We require all our clients who are individuals to provide us with written authorisation of any agent who acts on his or her behalf in relation to the finance agreement.

Our credit assessment process will verify receipt of the authorities and validity of the signature(s) prior to credit approval.

4.4.2 Agents - Individuals

IBA has an Agent Authority available to clients if required and will also accept a customer's own signed authority. The signature on any authority will be verified against the customer's signature on the Agreement for Loan and/or signed security documents.

4.4.3 Agents – Corporate Entities

IBA policy is that Directors of corporations and/or the company secretary must sign finance agreements with us.

Directors will be identified and verified in our credit assessment process. Where the company secretary is to sign on behalf of the corporation we will undertake the following process:

- a director is to provide written notification of the company secretary's name
- an ASIC search will be conducted to verify that information

4.4.4 Agents – Corporate Entities - Verifying Managers

Where IBA is to provide finance to a corporation where an agent is to act on its behalf, the corporation must provide written notice of its appointment of a Verifying Manager. The Verifying Manager can be an employee, agent or contractor of the entity.

The written appointment must include the following details of the Verifying Manager:

- Employee's name
- Personal Address
- Date of birth
- Position – employee, agent or contractor

We will then conduct identification verification checks on that person as we do for individuals, with the exception of a credit reference check.

The Verifying Manager is to identify the customer's agent by obtaining, and retaining, the following information:

- The agent's full name
- The agent's title or position
- The agent's signature
- Evidence of the agent's appointment.

The Verifying Manager must provide us with those details and an original of the agent's signature.

The agent's signature on any documentation signed on behalf of the entity or corporation will be verified against the signature provided by the Verifying Manager prior to any credit approval or other instructions from the agent.

5. Monitoring and reporting

5.1 Ongoing customer due diligence

We have a close relationship with our business clients through a range of strategies to support and monitor business clients, in particular.

Those processes include support from:

- our Economic Development Managers
- Indigenous Co-ordination Centres
- Mentoring and other business support strategies through approved Preferred Services Providers
- Annual reviews

Consequently, we have a range of ongoing customer due diligence processes in place, in addition to the standard system account monitoring processes. Refer to the IBA Enterprises Manual for further details.

For our home loan clients, there may be no direct customer contact during the repayment term given payment arrangements are usually automated, as agreed at the time the contract is formed. IBA has an extensive regional network of business offices which monitor accounts and initiate early intervention when unforeseen events occur.

Any variations in account conduct also are managed through our transaction monitoring and exception reporting policies and procedures.

5.2 Transaction monitoring program

Normal account conduct for our clients simply involves meeting contractual arrangements to repay the finance provided. Consequently, our transaction monitoring program focuses on repayment conduct that may indicate money laundering, in particular.

Our account management policies and procedures are explained in detail in section **3.2.3 Account Management Policies & Procedures**. Refer to that section for details of how we manage abnormal account conduct.

5.3 Suspicious matter reports

5.3.1 Reporting Requirements

From 12 December 2008, the AML/CTF Act placed an obligation on designated service providers to report the following types of transactions to the Chief Executive Manager of AUSTRAC:

- international funds transfer instructions
- significant cash transactions
- suspect transactions
- suspect matters, including breaches of other legislation.

The Australian Government Solicitor has advised we are prohibited from complying with this obligation by s 191(2) of the ATSI Act. That section prohibits an IBA officer from communicating to any other person any information concerning the affairs for another person acquired in the performance of the officer's duties under the ATSI Act, unless a relevant exemption applies. The exceptions to this provision are that information can be disclosed for the purposes of the ATSI Act or of a prosecution for an offence under the Act.

Our policy position is to oppose the crimes of money laundering and terrorist financing and we will take all reasonable precautions to ensure our products and services are only utilised for legitimate purposes. While we are prohibited by the ATSI Act from reporting to AUSTRAC the matters listed above, we will identify any account conduct that would be reportable under the AML/CTF Act and review our policies and procedures to avoid, or minimise such conduct or which may be reportable to the Australian Federal Police under the secrecy exemptions in the ATSI Act.

Staff, who have reasonable grounds to suspect funds are the proceeds of a criminal activity or are related to terrorist financing or where there may be a breach of other legislation, are to report the matter to the AML/CTF Compliance Officer. The AML/CTF Compliance Officer will review the conduct to determine whether it can be reported to the Australian Federal Police under the exemption provisions of the ATSI Act. Under no circumstances is the conduct to be reported to AUSTRAC.

Guidelines on the identification and management of suspicious matters follow.

5.3.2 Suspicious matters – identification

The identification of suspicious matters is integral to our business integrity. We have processes at all stages of the lending cycle to ensure compliance with our broad legislative obligations and to identify fraud. The identification, and management, of suspicious matters is covered in a range of our operational policies and procedures.

Our risk management framework which assists in the identification of suspicious matters covers clients and staff. It includes the following documents

- Clients
 - IBA Home Ownership Policy
 - IBA HOIL Policy
 - IBA Homes Procedural Instructions
 - IBA Enterprises Policy
 - IBA Enterprises Procedural Instructions
 - IBA Risk Management Framework & Practice
 - IBA Risk Management Plan
 - IBA Fraud Control Plan

- Staff
 - Human Resources Policies, General Manager's Instructions & Procedures
 - Collective Agreement & Employment contract
 - Supervision
 - Training

Section 3.2.3 details our account management policies and procedures which will identify abnormal account conduct and the staff responsible for their management.

In addition to our account management policies and procedures, other types of suspicious matters which may occur, and the person(s) responsible for their identification, are listed in the following table.

Suspicious matter identification

Suspicious matter	Triggers	Identifying position	Action Required
Identity fraud	ID documents are inconsistent or appear forged	Loans Officer	Loans officer to obtain further ID documents (certified copies) from applicant. Any two of the following docs is required: <ul style="list-style-type: none"> • copy of passport • utilities bill • bank statement Where the additional information does not resolve the concern, the matter is to be referred to the AML/CTF Compliance Officer
Centrelink fraud	Taxable income indicates there may be no, or reduced, entitlement to Centrelink payments Applicant may indicate Centrelink payments should be kept confidential	Loans Officer	Loans officer to check entitlements with Centrelink on basis of a general enquiry - NB - Applicant name must not be given
Tax fraud	Financial information indicates cash in hand payments, with no supporting pay slips or invoices	Loans Officer	AML/CTF Officer to be notified

Conversion	Customer on sells secured property	Loans Officer	AML/CTF Officer to be notified
False credit approvals –Credit Analyst fraud	Finance requested and/or approved beyond value of transaction involved	Loans Officer or Settlements to identify	AML/CTF Officer to be notified

Where a staff member forms a reasonable suspicion that another staff member or client may be involved in suspicious matters or transactions, IBA’s Code of Conduct imposes obligations on that person to report the suspicion. Both formal and informal complaint and resolution processes are available to investigate the matter. An impending General Manager’s Instruction on Reporting Suspected Breaches and Whistleblower Protection (GMI14) provides staff a process for reporting fraud and wrongdoings. IBA supports an ethical workplace culture and respects the rights of its employees. An independent whistleblower hotline is provided to staff.

All suspicious matters, at any stage of the lending process, including the application stage, are to be reported to the AML/CTF Compliance Officer.

Lending decisions will be based on our credit policies. These will proceed as normal, even if a report has been made to the AML/CTF Compliance Officer. Where there is a suspicion of identity fraud, however, credit will be declined – refer to our Policy Manuals.

Fraudulent applications will be declined. All other applications will be assessed to determine credit worthiness.

5.3.3 Investigation processes

The table above and the Account: Risk Identification and Management table in 3.2.3 indicate the investigation processes to be undertaken by the staff who identify any irregularity or suspicious matter.

Staff are to keep accurate and objective file notes on the processes undertaken to resolve concerns about any matter that has raised concerns. These records will be available to regulatory authorities and auditors if further action is to be taken on the matter or transaction.

5.3.4 Reporting processes

Where staff identify a matter as suspicious, or the investigation process does not resolve the concern, the matter is to be reported to the AML/CTF Officer immediately. This will be done via an email to the AML/CTF Compliance Officer.

Where the matter involves a customer, the following details will be provided:

- Account number, if applicable
- Suspicious Event/Matter details
- Supporting Evidence

Where the matter involves staff, the matter is to be reported personally to the AML/CTF Compliance Officer (or if the suspicious matter is detected by a regional network staff member, reported by telephone). The matter must be managed in keeping with human resources policies and procedures as well as AML/CTF policies and procedures.

The AML/CTF Officer will conduct his/her own investigation and, if s/he forms the view the matter or transaction is suspicious, a report will be lodged with AUSTRAC in accordance with the reporting structure and timeframes in 2.5 AML/CTF Compliance Structure. The reports will be lodged online.

If the matter or transaction relates to terrorism financing, the AML/CTF Compliance Officer will report it to AUSTRAC within 24 hours of the suspicion being formed. In all other cases, the report will be lodged within 3 business days after the day on which the suspicion was formed. (see above comment)

5.3.5 Tipping off

No staff member may disclose to any person s/he has formed a suspicion that a person may be involved in suspicious matters or transactions or that a report has been lodged about that person with AUSTRAC or any other regulatory authority.

Staff are to maintain clear lines of reporting where matters or transactions are referred to the AML/CTF Compliance Officer. All matters or transactions are to remain confidential between the reporting staff member and the AML/CTF Compliance Officer.

For internal reporting purposes, the AML/CTF Compliance Officer will only provide generic information to Senior Management, Audit & Risk Committee and the Board on the nature of the suspect matters and transactions to assist in the development of appropriate policies and procedures to minimise, or manage, them. The person involved in the suspect matter or transaction must not be named or identified in any way in the internal reporting process.

5.4 Threshold transaction reports

The term “threshold transaction” is defined in Section 5 of the Act as a transaction involving the transfer of physical currency or e-currency, where the total amount transferred is not less than \$10,000. Our repayment arrangements will not involve e-currency or cash.

5.4.1 Cash transactions

We have no capacity to accept cash payments as our customer based is geographically diverse and our branch offices have no facilities to accept payments. Customers are required to make payments via the banking system.

5.5 Originator information in electronic funds transfer instructions

Electronic payment systems such as Direct Debit, Direct Credit, BPay and BPost are approved third party bill payment systems. We have no record keeping obligations where these systems are used.

6. Employee due diligence

6.1 Employee due diligence program

Our employee due diligence program consists of the following policies and procedures:

- Position risk categorisation
- Employment screening
- Employee monitoring
- Training

6.1.1 Employee Risk Assessment

We have assessed all employee duties to identify areas where the employee may be able to facilitate money-laundering and/or terrorism financing. The table below identifies the positions, the responsibilities that may permit the facilitation of money-laundering and/or terrorism financing, the internal controls on those positions to mitigate the risks and the overall rating.

Employee Duties	Risk Controls		Residual Risk Rating
	Risk Elements	Risk Limits	
Loans and Business Support Staff	Influence over lending decisions or account management	Recommending and decision making roles are separated	Low
Preferred Service Providers	Nil – no influence over lending decisions or account management	N/A	Low
IBA Approving Delegates	Credit approval limit under delegations / guidelines exceeded	Loan System controls limit delegates capacity to approve	Low

Settlements/Compliance Managers	<ul style="list-style-type: none"> • Compliance of documentation • Verifying approval conditions as set by the approving delegate • Enforcing the implementation of IBA business rules • Confirming various legal requirements associated with different product agreements. 	National and Area Managers monitor approval and settlement processes. Regular Loan System reporting and independent reviews undertaken	
Accounts/Collections (receivables)	Payments – receivable	<ul style="list-style-type: none"> • Validation and cross checking process with Finance and Accounting 	Low
Collections	Collections functions subject to account management policies and processes	<ul style="list-style-type: none"> • Systems generated customer contact & audit trail 	Low
IT&T	Systems manipulation.	<ul style="list-style-type: none"> • Automated data transfers • Secure data storage. • System Audit Logs of actions • Role Based Permissions 	Low
Finance and Accounting (Payable)	Payments - payables	<ul style="list-style-type: none"> • Validation and cross checking process. Separation of recommending, approving and processing roles. 	Low

6.1.2 Employee Screening

IBA has a Human Resources Policy on the recruitment of new employees which “seeks to attract the right people for both the immediate work requirements and long term business needs”.

Our screening and promotion processes seek to verify the integrity of the applicant to ensure our staff meet job requirements and to avoid the potential for employee fraud. These processes are equally as relevant to avoiding the potential for staff to facilitate money laundering and terrorism financing.

These include a detailed selection process, validation of essential qualifications and a probationary period of a minimum of three months for all new employees. IBA will conduct police checks from July 2011 as part of the recruitment process for relevant positions, dependent upon the ML/TF risk.

We have our *Code of Conduct*, *Service Charter* and *Values* which requires employees at all times to behave in a way that upholds IBA’s values and the integrity and good reputation of IBA.

Our employment processes are structured to ensure all employees meet an appropriate standard of behaviour and represent IBA with the highest standard of integrity, honesty and respect for our colleagues, clients, suppliers and the public. This applies to both new employees and staff promotions.

Refer to the General Manager’s Instruction 11 Recruitment and Selection- for our employee screening processes and employment criteria.

6.1.3 Employee Monitoring

As indicated above, staff are subject to a range of monitoring and reporting processes. These processes include:

- Credit approval limits and processes
- Supervisor monitoring
- Account audits – manual and systems based
- Systems process trails – by user and account
- Automated reports

These elements limit personal autonomy and provide an audit trail of individual conduct. As a consequence, any inappropriate account management conduct will be quickly identified and investigated.

6.1.4 Code of Conduct

We have a *Code of Conduct* (the Code)/Employment Policies, in place which places a positive obligation on staff to report breaches. Acceptance of the Code/Employment Policies is a mandatory employment requirement. All staff receive induction training, which includes an explanation of the Code/Policies.

Our resolution processes incorporate a confidential avenue for raising any concerns about inappropriate employee conduct with their supervisor, the HR Manager and the AML/CTF Compliance Officer.

6.2 Disciplinary measures

Our disciplinary procedures are contained in our Human Resources Policy – Procedures for Determining Breaches of the IBA Code of Conduct. Where a staff member is involved in a breach of our AML/CTF compliance program, the disciplinary action taken will depend on the nature of the breach and whether it was deliberate or inadvertent.

The AML/CTF Compliance Officer will be involved in the investigation processes involving potential AML/CTF compliance breaches. The staff member concerned is entitled to due process and representation during the investigation of the matter. Refer to the above for details of the process and our obligations under industrial relations legislation.

In keeping with our core principle not to tolerate conduct from staff or introducers which compromises our compliance with AML/CTF legislation, any staff member who deliberately attempts to facilitate money laundering or terrorism financing will be treated as a breach of the *Code of Conduct* and appropriate disciplinary action taken. In appropriate circumstances the matter will be reported to the Police and to AUSTRAC if permitted under the ATSI Act and the AML/CTF Act.

Any staff member who fails to comply with our AML/CTF compliance program, but who is not deliberately involved in the facilitation of either money laundering or terrorism financing, will be required to

- participate in appropriate training, and
- be closely monitored for an agreed period of time

to ensure no further breach of our AML/CTF compliance obligations.

7. Training and awareness

7.1 AML/CTF risk awareness training program

7.1.1 Training Policies

We have implemented a training program that specifies appropriate levels of training for our staff and Board members. Our key policies on AML/CTF compliance are:

- Basic compliance awareness training is required for all staff and Board members – at induction

- Exception: where an individual has undertaken acceptable training elsewhere, there will be no requirement to undertake the basic compliance awareness course
- AML/CTF compliance procedures for Homes and Enterprises staff – at induction
- Staff will be updated with relevant AML/CTF information through our intranet
- In-house training will be conducted for Senior Management on IBA specific compliance policies and procedures
 - at fortnightly/monthly management meetings
 - on changes to the legislation and/or on compliance issues identified through the compliance program
 - at Homes and Enterprises Annual Program Workshops
 - at Audit and Risk Committee meetings
 - on changes to the legislation and/or on compliance issues identified through the compliance program

In-house training will include formal presentations, workshops, bulletins, notices and discussions, as appropriate to the scope of the training required. The AML/CTF Compliance Officer and Governance Officer will deliver the training or engage external consultants, depending on the complexity of the matters to be covered. The AML/CTF compliance training will be conducted annually as a refresher for existing staff.

All training is to incorporate the following elements:

- Our obligations under the AML/CTF Act
- The consequences of non-compliance
- The risks we face and the potential consequences of those risks
- The policies and procedures necessary to manage those risks

The AML/CTF Compliance Officer is to retain a copy of all training materials used in any form of training.

7.1.2 Training Service Providers

Where we source our AML/CTF compliance training externally, the training program must meet the following criteria:

- It is developed to cover the risks financiers may face
- It is been reviewed by a lawyer for accuracy
- There is an assessment component

The AML/CTF Compliance officer is responsible for ensuring externally sourced training meets these criteria.

7.2 Evidence of training

The HR Manager and the AML/CTF Compliance Officer are jointly responsible for ensuring staff and the Board complete basic AML/CTF compliance training.

A training register is kept detailing the type of basic compliance training undertaken, the service provider or trainer and successful completion.

Minutes of Senior Management and Audit and Risk Committee meetings will record training on all AML/CTF matters.

8. Compliance and audit

8.1 Compliance program

Our compliance program will be updated by the AML/CTF Compliance Officer as required and will be reviewed annually by Senior Management prior to independent review.

8.2 Compliance reports

The compliance reporting structure and time frames are set out in the table below.

Matter	Reporting to	Frequency
Suspicious matters and/or transactions	<ul style="list-style-type: none"> • AML/CTF Compliance Officer 	<ul style="list-style-type: none"> • Immediately when suspicion matter is formed • Immediately when terrorist financing suspicion is formed
Compliance reports	<ul style="list-style-type: none"> • Senior Management • Audit and Risk Committee • Board 	<ul style="list-style-type: none"> • Fortnightly • Quarterly (4 - -6 meetings p.a.) • Quarterly (4 – 6 meetings p.a.)
AUSTRAC reports & liaison	<ul style="list-style-type: none"> • AUSTRAC online • AUSTRAC staff 	<ul style="list-style-type: none"> • Compliance reporting - annually, or as required • As required, for compliance advice or to respond to AUSTRAC feedback on our compliance program

8.3 Independent review

The Audit and Risk Committee is a committee of the IBA Board and will undertake an independent review through the Internal Audit Program every second year. The AML/CTF Compliance Officer is not a member of the Audit and Risk Committee.

Alternatively, IBA may choose to employ external consultants, with appropriate expertise, to undertake the review.

Key review criteria will include the following:

- The AML/CTF compliance program appropriately manages our ML/TF risks
- Consistency between our operational practices and our AML/CTF compliance program
- Gap analysis – documents, policies and procedures

The compliance summary matrix at Appendix B will guide the review process.

8.4 AUSTRAC feedback

The AML/CTF Compliance Officer is responsible for ensuring all AUSTRAC feedback is reported to Senior Management, the Audit and Risk Committee and the Board under the reporting structure outlined in 8.2 above.

9. Record keeping – Guidance Note 08/04 refers

9.1 Policies and procedures - General

We hold documents, data, and file notes of discussions and interviews (“records”) of prescribed information that must be retained for specified periods of time under the AML/CTF Act and other legislation.

We have adopted the definitions contained in the AML/CTF Rules in relation to terminology. The key definitions are:

- **document** includes
 - any paper or other material on which there is writing;
 - any paper or other material on which there are marks, figures, symbols or perforations having a meaning for persons qualified to interpret them; and
 - any article or material from which sounds, images or writings are capable of being reproduced with or without the aid of any other article or device.
- **record** includes information stored or recorded by a computer
- **writing** includes any mode of representing or reproducing words, figures, drawings or symbols in a visible form
- **information** means information in the form of data, text, images or speech
- **data** includes the whole or part of a computer program within the meaning of the *Copyright Act 1968*

All our records will be kept in manual (especially where originals are required under other legislation) or electronic form. Records will be kept of applications even where a contract does not result.

9.2 Customer Records

The matrix below sets out our customer record retention, storage and retrieval policies and processes.

Customer – Record Storage and Retrieval

Record type	AML/CTF Obligations	Storage Method	Archive Retrieval Timeframes
Customer Identification Documents	7 years after contract finalisation	Manual or Manual	3 -5 days
Customer Financial Details	7 years	Manual or Electronic	3 – 5 days
Transaction records	7 years from creation	Manual or Electronic	3 – 5 days

9.3 IBA Records

The matrix below sets out our business record retention, storage and retrieval policies and processes.

IBA – Record Storage and Retrieval

Record type	AML/CTF Obligations	Storage Method	Archive Retrieval Timeframes
Product information	7 years	Manual or Electronic	3 – 5 days
AML/CTF programs, including amendments	7 years after program or amendment is superseded	Manual or Electronic	3 – 5 days
AML/CTF development processes – minutes, notes, emails etc	7 years from creation	Manual or Electronic	3 – 5 days

Customer identification & verification procedures	7 years after relationship with customer ends (does not apply to unverified information)	Manual or Electronic	3 – 5 days
Records of program adoption – Board minutes All AML/CTF Program amendments be Board approved	7 years after program is superseded	Manual or Electronic	3 – 5 days
File notes – electronic and written	7 years from creation	Manual or Electronic	3 – 5 days
AUSTRAC reports	7 years from lodgement – only to be released with the approval of the AML/CTF Compliance Officer	Manual or Electronic	3 – 5 days
Systems	7 years from date of creation	Manual or Electronic	3 – 5 days

9.4 Systems

We have a range of security and integrity measures which protect our systems from misuse. Those measures include:

- Systems changes are managed through a change management process with sign off required from the Assistant General Manager, IBA Homes
- System changes are logged for auditing of maintenance type, user, date and time.
- Documents are either stored electronically within our document management system (DMS), or manually in a secure environment, with access restricted to authorised users.
- Access to all systems is enforced by our password policy and password change frequency.

All electronic security breaches are reported to the Information Technology and Telecommunications (IT&T) Manager for investigation. Manual security breaches are referred to the relevant Assistant General Manager for investigation. Any suspect matters will then be reported to the AML/CTF Compliance Officer. Internal disciplinary procedures, as outlined in 6.2, will be implemented.

APPENDIX A
AML/CTF COMPLIANCE OFFICER
POSITION REQUIREMENTS

PURPOSE:

The AML/CTF Compliance Officer is responsible for IBA's ongoing compliance with the AML/CTF Act and AML/CTF Rules.

POSITION RESPONSIBILITIES:

Key requirements of the position are:

- **Operational Policies and Procedures**
 - Facilitate the design, implementation and maintenance of internal AML/CTF compliance manuals, policies, procedures and systems
 - Develop and implement procedures for the approval of new designated services and delivery channels
 - Develop and implement processes to allow staff to report violations of the AML/CTF program confidentially to the AML/CTF Compliance Officer, with alternative arrangements if the AML/CTF Compliance Officer is implicated
 - Develop and implement recording keeping policies and procedures
 - Keep IBA up to date with on the ML/TF risks it may reasonably face
 - including any relevant legislative developments and AML/CTF publications, for example from the Financial Action Task Force (www.fatf-gafi.org) or AUSTRAC
 - Provide advice on transitional obligations from the *Financial Transaction Reports Act 1988* to the AML/CTF Act
 - Provide leadership and contribute to a culture of AML/CTF compliance within the reporting entity
 - Conduct initial due diligence on and ongoing evaluation of any third party AML/CTF compliance-related service providers
 - Ensure consistency between AML/CTF compliance and other legislative requirements, including the Privacy Act
- **Staffing & Introducers**
 - In consultation with Human Resources, develop and monitor the employee due diligence program
 - Develop and monitor AML/CTF risk awareness training for staff and Board members
- **AUSTRAC Liaison**
 - act as the AUSTRAC contact officer on matters such as suspicious matters, international funds transfer instructions and threshold transactions, reporting obligations and restrictions, compliance audits, or requests for information or documents

- **Reporting**
 - Liaise with senior management on AML/CTF issues
 - Advise matters of significance on AML/CTF issues to the Board through Audit and Risk Committee exception reporting
- **Record-keeping**
 - Develop and implement recordkeeping in accordance with Part 10 of the AML/CTF Act
- **Audit and Review**
 - organise yearly independent reviews of the AML/CTF Compliance program
 - coordinate periodic internal reviews of AML/CTF compliance at regional network offices
 - review and implement any AUSTRAC feedback on IBA risk management performance
 - ensure AML/CTF compliance is measured

REPORTING:

Under the ATSI Act the AML/CTF Compliance Officer reports to the Chief Executive Officer, and the Chief Executive Officer reports directly to the IBA Board.

APPENDIX B

**AML/CTF COMPLIANCE PROGRAM
Summary – Matrix**

Issue	Policy	Rationale	Procedures	Systems	Training	Comments/Recommendations
1. Internal Organisation						
1.1 Designated Services	√	√	√	√		
1.2 Designated Business Group	N/A	√	N/A	N/A		
1.3 Permanent Establishments Overseas	N/A	√	N/A	N/A		
1.4 AML/CTF Compliance Structure	√	√	√	√		
1.5 AML/CTF Policies & Procedures	√	√	√	√		
1.6 AML/CTF Compliance Officer	√	√	√	N/A		
1.7 Board & Senior Management Oversight	√	√	√	√		
2. AML/CTF Program						
2.1 Part A – nature & scope	√	√	√	√		
2.2 Part b – nature & scope	√	√	√	√		
3. ML/TF Risk Identification						
3.1 ML/TF risk assessment	√	√	√	√		
3.2 Services/Products	√	√	√	√		
3.3 Channels	√	√	√	√		
3.4 Jurisdictions	√	√	√	√		
3.5 Customers	√	√	√	√		
3.6 Politically exposed persons	√	√	√	√		
3.7 Permanent establishments overseas	N/A	√	N/A	N/A		
4. Customer identification and verification						
4.1 Identification	√	√	√	√		
4.2 Verification	√	√	√	√		
4.3 Authentication	√	√	√	√		
4.4 Customers' Agents	√	√	√	√		

Issue	Policy	Rationale	Procedures	Systems	Training	Comments/Recommendations
5. Monitoring & Reporting						
5.1 Ongoing customer due diligence	√	√	√	√		
5.2 Transaction monitoring program	√	√	√	√		
5.3 Suspicious matter reports	√	√	√	√		
5.4 Threshold transaction reports	√	√	√	√		
5.5 International funds transfer reports	√	√	√	√		
5.6 Originator information in electronic funds transfers	N/A	√	N/A	N/A		
6. Employee Due Diligence						
6.1 Employee due diligence program	√	√	√	√		
6.2 Disciplinary Measures	√	√	√	√		
7. Training & Awareness						
7.1 ML/TF risk awareness training program	√	√	√	√		
7.2 Training Records	√	√	√	√		
8. Compliance & Audit						
8.1 Compliance Program	√	√	√	√		
8.2 Compliance Reports	√	√	√	√		
8.3 Independent Review	√	√	√	√		
8.4 AUSTRAC Feedback	√	√	√	√		
9. Record Keeping						
9.1 Policies & Procedures	√	√	√	√		
9.2 AML/CTF Program	√	√	√	√		
9.3 Customer Identification & Verifications	√	√	√	√		
9.4 Transactions & Suspicious Matters	√	√	√	√		