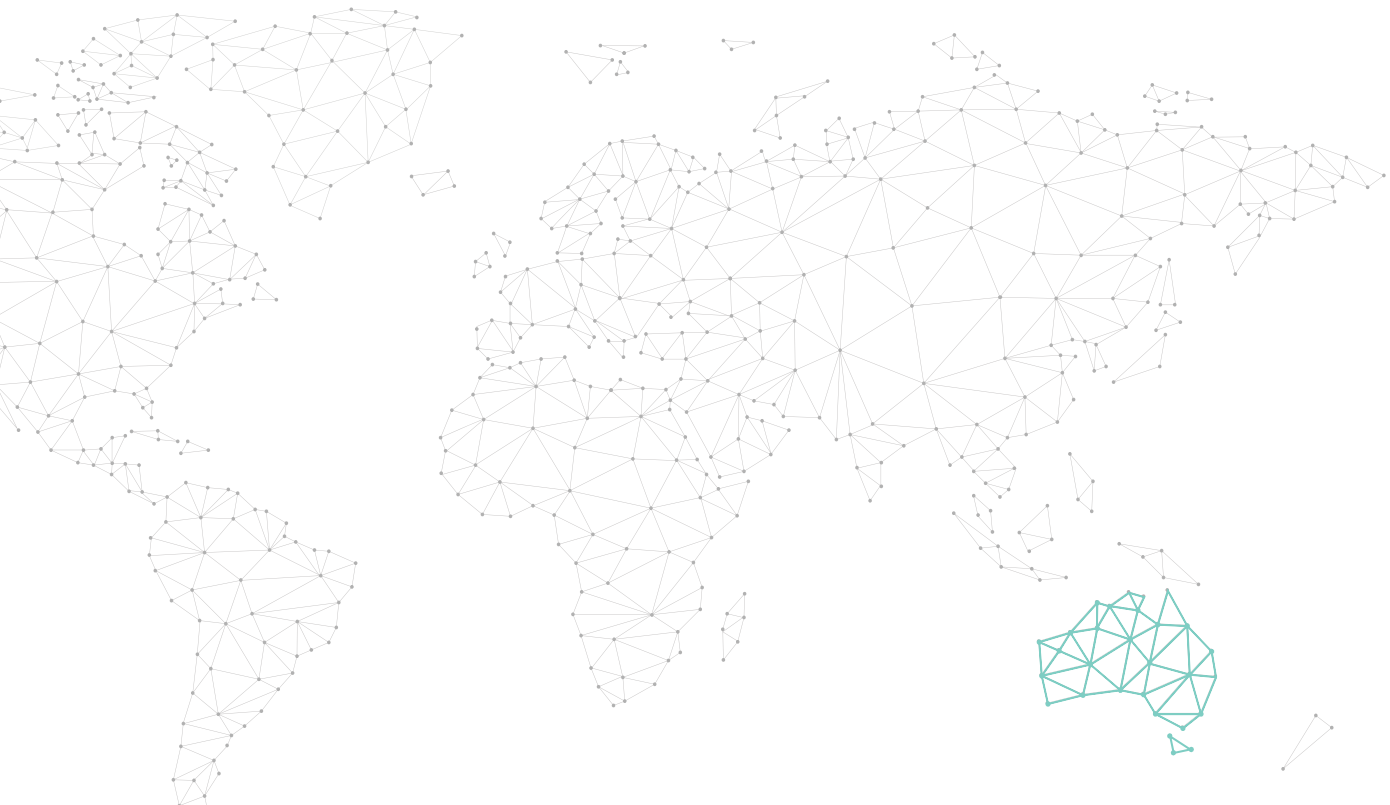


SUSPICIOUS MATTER REPORTING: REFERENCE GUIDE

How to submit more effective
suspicious matter reports (SMRs).



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DISCLAIMER

Information contained in this reference guide is intended to provide good practice guidance only and should not be interpreted as legal advice.

Information presented in this document should be used in conjunction with the SMR guidance material available on AUSTRAC Online: online.austrac.gov.au.

OVERVIEW

Submitting suspicious matter reports (SMRs) to AUSTRAC helps protect Australia against money laundering, terrorism financing and other serious and organised crime. They are also an important part of your AML/CTF reporting obligations.

The information generated from your SMRs plays a crucial role in identifying potential illegal activity and assists in the detection and prevention of the flow of illegal funds through Australia's financial system.

SMRs with incomplete, inaccurate or unstructured descriptions and summaries can make further meaningful analysis difficult and lessen your SMR's overall usefulness.

This document provides guidance to assist reporting entities in submitting more effective SMRs, helping AUSTRAC to generate more actionable intelligence for police and other partner agencies.

The better the quality, accuracy and timeliness of your SMRs, the greater the value they have for the detection, deterrence and disruption of criminal and terrorist activity.



YOUR LEGAL OBLIGATIONS AND LIABILITY

Reporting entities providing or proposing to provide a designated service have a legal obligation under the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (AML/CTF Act) to submit SMRs to AUSTRAC in certain circumstances.

You must submit an SMR if you or anyone in your business or organisation suspects on reasonable grounds that your customer is not who they claim to be, or the designated service relates to any one of the following:

- terrorism financing
- money laundering
- an offence against a Commonwealth, State or Territory law
- proceeds of crime
- tax evasion.

From the moment the appropriate person in your business or organisation has completed the checks and a suspicion is formed, you must submit an SMR to AUSTRAC:

- within **24 hours** if the suspicion is related to terrorism financing
- within **3 business days** if the suspicion is related to other matters such as money laundering.

Learn more about the [consequences of not complying](#) on the AUSTRAC website, austrac.gov.au.

TIPPING OFF

The SMRs you submit are subject to 'tipping off' prohibitions. This means that you **must not tell anyone** that you have submitted SMRs to AUSTRAC, or that you have formed a suspicion in relation to a particular matter.

SMRs that you submit are not admissible as evidence in a court or tribunal proceeding, unless the proceeding relates to a specified offence (such as providing false or misleading information) or an order for a civil penalty brought under the AML/CTF Act.

YOUR PROTECTIONS

The AML/CTF Act protects you from civil or criminal liability when you provide information in an SMR in compliance with your obligations under the Act. This means that you will not be liable under any contract or other confidentiality requirements, when you submit an SMR.



REMEMBER: It is **against the law** to tell the customer or anyone else that you have formed a suspicion or submitted an SMR to AUSTRAC, unless an exception applies.

DESIGNATED SERVICE

A service that is listed in section 6 of the AML/CTF Act (because it has been identified as posing a risk for money laundering and terrorism financing) and which meets the geographical link to Australia.

WHAT IS 'REASONABLE GROUNDS' FOR SUSPICION?

If you or anyone in your business or organisation notices something unusual, you must conduct additional checks with your customer, known as enhanced customer due diligence, to initially determine if you have **reasonable grounds** for your suspicion.

'Reasonable grounds' for suspicion means that after considering the circumstances and all the information available, including additional information obtained following enhanced customer due diligence checks, **a reasonable person would conclude that there is a relevant suspicion and an SMR should be submitted.**

Once the appropriate person in your business or organisation has completed the checks and you have formed a suspicion, you must submit an SMR within the required timeframes (see **Your legal obligations and liability**).

It's important to remember that not all unusual customer behaviour is suspicious. Sometimes customers have irregular transaction patterns or account activity. This is why you should always conduct enhanced customer due diligence checks to help you decide if the activity is actually suspicious and needs to be reported to AUSTRAC in an SMR.

REASONABLE PERSON

A legal term for a hypothetical person in society who displays average care, skill, and judgment in certain situations.

REPORTING CRIMES TO THE POLICE

Submitting an SMR to AUSTRAC is not the same as reporting a crime to the police, especially when it involves immediate risk or harm to others.

In addition to submitting your SMR, you may have to report the matter via other avenues to ensure the right information gets to the right agency or organisation for their immediate attention and action.

Disclosure to law enforcement (police) is an exception to 'tipping off' prohibitions.

In the instance you do report a crime alongside submitting an SMR to AUSTRAC, it is good practice to include the reference and contact details of any other relevant authorities in your SMR.



REMEMBER: If the suspicious activity relates to a person or child being in immediate risk of harm, including sexual exploitation or abuse, modern slavery and human trafficking, contact the **police immediately on triple zero (000)**.



INDICATORS (RED FLAGS)

There are many different types of customer transactions and indicators, or red flags, which could suggest that your business or organisation is being exploited for money laundering, terrorism financing or other serious crime.

Effective SMRs outline **all the reasons for your suspicion**, including potential indicators, in a logical and readable format.

Below is a non-exhaustive list of possible red flags which may help identify potential money laundering and other serious criminal activity.

- **Structuring:** the deliberate division of large amounts of cash into smaller deposits to avoid threshold reporting requirements.
- **Layering:** the process of passing money through 'layers' of transactions to legitimise and hide ownership. Some examples include the movement of funds between multiple banks or financial institutions, the purchase and resale of high-value assets, including real estate, luxury goods or gold bullion, and investments in other legitimate business interests.

SANCTIONS

Sanctions impose restrictions on activities that relate to particular countries, goods and services, or persons and entities.

- **Transaction volumes:** much larger or more frequent-than-usual transactions.
- **Internal reporting policy:** if the size or nature of the transaction/s triggers your internal reporting policies.
- **High-risk areas:** transactions that are sent to or come from a high-risk country or region.
- **Sanctions list:** payments that are either sent to or come from a person or organisation on a sanctions list.
- **Suspicious identification:** using false or stolen identities to open or access bank accounts.
- **Unusual account activity:** any other unusual account activity from a customer that may indicate money laundering or terrorism financing, such as transactional activity inconsistent with the customer's profile or typical patterns of behaviour.

The following SMR examples, both good and bad, represent the different types of SMRs received by AUSTRAC.





GOOD EXAMPLE: EFFECTIVE DESCRIPTIONS OF RED FLAGS

The following SMR contains clear reporting of conversations with customers and more importantly, the follow-up actions undertaken by staff.

The combination of well-articulated verbal and transactional indicators allows for better responses and actions by AUSTRAC and our law enforcement partners.

THE MOST LIKELY OFFENCE THAT HAS TAKEN PLACE IS MONEY LAUNDERING.

RED FLAGS:

- » TRANSFERS INCONSISTENT WITH CUSTOMER PROFILE
- » UNUSUAL ACCOUNT ACTIVITY
- » UNUSUALLY LARGE TRANSFER
- » UNUSUALLY LARGE CASH TRANSACTION

COMMENTS FROM FRONTLINE:

CUSTOMER PAID \$9,500 INTO ACCOUNT IN \$50 NOTES. THEY SAID THEY DIDN'T HAVE THEIR CARD SO GAVE ME A BSB AND ACCOUNT NUMBER. THEY ALSO PRODUCED AN INTERNATIONAL PASSPORT THAT SHOWED IT WAS THEM BUT THEN THEY HAD TO LOOK UP THEIR ADDRESS WHEN I ASKED THEM TO CONFIRM. AFTER I LET THEM GO I COULD SEE LARGE DEPOSITS AND WITHDRAWALS GOING THROUGH THEIR ACCOUNT.

COMMENTS FROM AML OPERATIONS:

THIS REPORT IS BEING SUBMITTED TO HIGHLIGHT THE REPEAT BEHAVIOUR ON A BANK ACCOUNT HELD BY JOHN CITIZEN. JOHN CITIZEN IS THE SOLE OWNER OF ACCOUNT 123-XXX-XXXX.

SINCE OUR LAST REPORTED SMR (REF: 123 XXX XXXX) ON DD/MM/YY, A FURTHER 20 STRUCTURED CASH DEPOSITS RANGING FROM \$1,000 TO \$9,050 EACH AND TOTALLING \$XXX,XXX HAS BEEN PROCESSED INTO ACCOUNT 123-XXX-XXXX.

IT IS WORTH POINTING OUT THAT ON DD/MM/YY THERE WERE 5 ATM CASH DEPOSITS TOTALLING \$9,000 LISTED WITH MOBILE NUMBER 043X XXX XXX. CASH DEPOSITS HAVE BEEN CONDUCTED AT MULTIPLE BANK BRANCHES BY THIRD PARTIES INCLUDING MS. MARY SMITH (CONTACT NO. 043X XXX XXX)

THE ABOVE LISTED ACTIVITY SUBSEQUENTLY FUNDED MULTIPLE OUTGOING IFTI'S TO THIRD PARTIES INCLUDING BUSINESS 'EXAMPLE BUSINESS A' BASED IN 'COUNTRY A'.

12 MATERIAL SUSPICIOUS TRANSACTIONS TOTALLING \$XX,XXX HAVE BEEN INCLUDED IN PART F.



GOOD EXAMPLE: EFFECTIVE DESCRIPTIONS OF RED FLAGS

The following SMR includes succinct and clear reporting of key financial indicators indicative of high-level money laundering (cash placement and layering between accounts).

The SMR also contains individual account names where funds have been domestically transferred, allowing AUSTRAC full visibility of the suspicious activity.

CONCERNS:

MULTIPLE CASH DEPOSITS TOTALLING TO \$XXX,XXX CONDUCTED BY JOHN CITIZEN IN THE SPAN OF ONE MONTH.

SOURCE OF FUNDS UNKNOWN AND FUNDS WERE RAPIDLY TRANSFERRED TO THIRD PARTY OFFSHORE ACCOUNTS, LAYERING CONCERNS.

A TRANSACTION MONITORING SYSTEM ALERT WAS GENERATED ON BANK ACCOUNT 123-XXX-XXXX HELD IN THE NAME OF 'JOHN CITIZEN INC PTY LTD' (ABN 1234 XXX XXXX). THE BUSINESS ACCOUNT HAS BEEN ACTIVE FROM DD/MM/YY AND IS LISTED AS BUSINESS SERVICES.

DIRECTOR/SHAREHOLDER:

INDIVIDUAL JOHN CITIZEN (M, DOB: DD/MM/YY) OF XX NAME STREET, CITY, STATE, POSTCODE ESTABLISHED RELATIONSHIP WITH OUR BANK ON DD/MM/YY IS LISTED AS MANAGER FOR JOHN CITIZEN INC PTY LTD.

PREVIOUSLY REPORTED UNDER CASES:

SMR: 123 XXX XXX

SMR: 123 4XX XXX

A REVIEW OF THE ACCOUNT 123-XXX-XXXX FROM DD/MM/YY TO DD/MM/YY SHOWS \$XXX,XXX (\$1,500 TO \$65,000) ATM AND BRANCH CASH DEPOSITS CONDUCTED BY JOHN CITIZEN USING MANUAL VOUCHER ACROSS 'STATE A'.

SUBSEQUENTLY ABOVE FUNDS WERE TRANSFERRED VIA MOBILE BANKING TOWARD 'EXAMPLE BUSINESS A', ACCOUNT 123-4XX-XXXX HELD WITH 'EXAMPLE BANK A' AND 'EXAMPLE BUSINESS B' COMPANY ACCOUNT 123-45X-XXXX HELD WITH 'EXAMPLE BANK B'.



BAD EXAMPLE: LACK OF DETAIL, NO RED FLAGS

The following SMR contains no financial indicators or red flags and fails to include specific amounts of incoming credits to the account, i.e. dates, amounts, originator, and source of the transfers, the issuer or issuers of the cheques, and the beneficiary of the funds closing the account.

Lack of details and key information makes it very difficult for AUSTRAC and our partner agencies to understand if a crime has been committed.

ACCOUNT WAS OPENED IN MM/YY. ASSETS WERE TRANSFERRED IN BY BANK TRANSFER. 50 CHEQUES FOR \$250 WERE DEPOSITED, THE ACCOUNT WAS THEN CLOSED AND PAID OUT IN MM/YY.

SUBMITTING YOUR SMR ON TIME

Police rely on financial transaction information to track criminals and criminal activity. The timeliness of your SMRs is critical to protecting Australians from serious crime and terrorism.

Late SMR submissions can have an impact on our ability to determine whether a crime was committed, continues to be committed, and the extent of any possible criminal activity that has occurred.

Remember, your SMR must be submitted **within 24 hours** if the suspicion relates to **terrorism financing** or **within 3 business days** if the suspicion relates to money laundering or any other offence (see **Your legal obligations and liability**).



GOOD EXAMPLE: EFFECTIVE TIMELINESS

An SMR of the nature below was lodged with AUSTRAC within three days of staff noticing the suspicious activity, enabling further AUSTRAC analysis, referral to law enforcement and the arrest of an offender.

PREVIOUSLY REPORTED ON DD/MM/YY – ONE OF SEVERAL MEMBERS USING SAME MOBILE NUMBERS.

NOTE: A NUMBER OF SIMILAR APPLICATIONS RECEIVED BY SEVERAL OTHER SUPERFUNDS, WHERE THE APPLICANTS HAVE STATED THE SAME MOBILE NUMBER AND MOSTLY RESIDE IN 'STATE A'.

SUPERANNUATION MEMBER JOHN CITIZEN OPENED A PERSONAL ACCOUNT, NUMBER 123-XXX-XXXX ON DD/MM/YY AND SUBSEQUENTLY ROLLED IN AMOUNTS AS FOLLOWS:

DD/MM/YY – \$XX,XXX – 'EXAMPLE SUPER FUND A'

ON DD/MM/YY THE MEMBER APPLIED FOR A BENEFIT PAYMENT ON THE GROUNDS OF SEVERE FINANCIAL HARDSHIP.

THE MEMBER PROVIDED A LETTER FROM CENTRELINK STATING THAT THEY WERE IN FACT IN RECEIPT OF INCOME SUPPORT PAYMENTS CONTINUOUSLY FOR THE PERIOD OF 26 WEEKS. THE MEMBER WAS CONTACTED AND ASKED TO PROVIDE CONSENT TO CHECK THEIR CRN THROUGH THE ONLINE E-SERVICE. THE MEMBER GOT IRATE AND REFUSED.

PAYMENT HAS NOT BEEN EFFECTED YET.

ON DD/MM/YY AN EMAIL WAS SENT TO THE MEMBER ADVISING HIS CRN WAS UNABLE TO BE VERIFIED.

ON DD/MM/YY AN EMAIL WAS RECEIVED FROM THE MEMBER ALONG WITH ANOTHER LETTER FROM CENTRELINK STATING THAT THEY WERE IN FACT IN RECEIPT OF INCOME SUPPORT PAYMENTS CONTINUOUSLY FOR THE PERIOD OF 26 WEEKS. THE MEMBER ALSO ADVISED THEY NOW HAVE A NEW BANK ACCOUNT THAT THEY WOULD LIKE THE FUNDS TO BE CREDITED TO, WHICH IS STILL THE SAME AS THE OLD ONE.

ON DD/MM/YY A COVID-19 EARLY RELEASE COMPASSIONATE PAYMENT NOTIFICATION HAS ALSO BEEN RECEIVED VIA THE ATO.



BAD EXAMPLE: INEFFECTIVE TIMELINESS

Below is an example of an SMR lodged six months after the suspicious activity occurred. Due to the long period of time that had passed since the closure of the customer's account, local police were unable to easily track the suspected person of interest.

This SMR also contains no financial indicators, making it difficult for AUSTRAC and our partner agencies to understand if a crime has been committed.

JOHN CITIZEN WAS THE ORIGINATOR OF NINE TRANSFERS TOTALLING \$XXX,XXX ON DD/MM/YY.
ALL OF THE TRANSFERS WERE REMITTED TO A 'COUNTRY A' BASED COMPANY.

DURING THE SAME PERIOD OF TIME JOHN CITIZEN DEPOSITED CASH, MONEY ORDERS, AND
CHEQUES INTO HIS ACCOUNT, THE ACCOUNT WAS CLOSED ON DD/MM/YY.



CLEAR AND CONCISE GROUNDS FOR SUSPICION

It is critical the information you provide in an SMR is as accurate and complete as possible. SMRs that contain incomplete, incorrect and disorganised explanations can make further analysis difficult, if not impossible.

PLAIN ENGLISH

Your grounds for suspicion, including the **reasons why you're submitting an SMR**, should be written in plain English, with information structured in a clear and logical way.

If you don't follow these guidelines it can make your SMR difficult to read. This is especially the case for SMRs as they are presented in an upper case (all caps) format.

When structuring your grounds for suspicion:

- include a summary of your suspicions and reasons for submitting the report
- provide a chronological sequence of events
- keep the language simple, clear and concise
- use appropriate punctuation
- avoid acronyms and jargon
- break up large chunks of text and information into short paragraphs
- use subheadings where appropriate.

Your grounds for suspicion should also aim to answer six essential key elements including:

- **who:** names of individuals involved in the suspicious activity
- **what:** the types of transactions involved
- **where:** where the activity is taking place
- **when:** specific times and dates of the activity
- **why:** your reason for suspicion and the crime type you believe is involved
- **how:** the manner in which the activity is conducted.

APPROPRIATE CRIME TYPE KEYWORDS AND DESCRIPTIONS

The more consistent and specific your crime type keywords and descriptions, the easier it is for AUSTRAC and our partner agencies to detect, deter and disrupt criminal and terrorist activity.

The best and most effective SMRs always include either the known or suspected crime associated with the suspicious activity, to ensure an accurate and complete picture is captured.

You or your staff, including your AML/CTF compliance officer, don't have to know exactly what criminal activity your customer might be involved in or where the suspect funds or property came from. However, it's always better to include what you think the likely crime may be, rather than not including any description at all.



GOOD EXAMPLE: EFFECTIVE USE OF PLAIN ENGLISH

This SMR is a good example of using plain English to describe a complicated crime type. It answers the six essential elements of who, what, where, when, why and how and includes an appropriate suspected crime type keyword (insider trading) in the first sentence of the description.

WE WOULD LIKE TO BRING YOUR ATTENTION MR JOHN CITIZEN WHO WE SUSPECT MAY BE INVOLVED WITH MARKET ABUSE (INSIDER TRADING).

THIS RELATES TO HIS TRADING IN 'EXAMPLE BUSINESS A' AHEAD OF NEWS OF A STRATEGIC COLLABORATION BETWEEN 'EXAMPLE BUSINESS A' AND 'EXAMPLE BUSINESS B'.

THIS NEWS WAS RELEASED AT XX:XX GMT ON DD/MM/YY, WITH NEWS OF A TRADING HALT BEING RELEASED 2 MINUTES PRIOR. THERE WERE NO OTHER RUMOURS ABOUT THE IMPENDING NEWS RELEASE.

MR CITIZEN HAS A VERY SMALL TRADING HISTORY IN THIS STOCK, AND HIS TRADING PRE-EMPTED THE NEWS RELEASE. WE THEREFORE BELIEVE THERE ARE REASONABLE GROUNDS TO SUSPECT THAT THE TRANSACTIONS MAY CONSTITUTE MARKET ABUSE.

WE HAVE ATTACHED AN EXCEL WORKBOOK WHICH SHOWS THE CLIENT'S TRADING IN THE STOCK.



GOOD EXAMPLE: CLEAR AND STRUCTURED HEADINGS

The following SMR is detailed, clear, and concise – it contains appropriate use of crime type keywords (money laundering) and is presented in a structured manner, using subheadings where appropriate.

SUSPICION:

IT IS BELIEVED THAT OUR CUSTOMER MAY BE INVOLVED IN MONEY LAUNDERING.

PREVIOUS REPORTS:

THE CUSTOMER HAS NOT BEEN REPORTED TO AUSTRAC PREVIOUSLY.

CUSTOMER PROFILE:

THIS REPORT RELATES TO CUSTOMER: CITIZEN FAMILY TRUST. ACCORDING TO THE APPLICATION FORM RECEIVED IN MM/YY, THE TRUST DECLARED THEIR SOURCE OF WEALTH AND SOURCE OF FUNDS AS WINDFALL, AND NATURE AND PURPOSE OF BUSINESS RELATIONSHIP WITH OUR BANK AS BUILDING WEALTH.

MR JOHN CITIZEN (DOB DD/MM/YY) AND MRS JANE CITIZEN (DOB DD/MM/YY) WERE STATED AS TRUSTEES/BENEFICIARIES/CONTROLLING PERSONS.

ADDITIONAL DETAILS:

ENQUIRIES ON VENDOR SYSTEM INDICATE MR CITIZEN TO BE DIRECTOR OF THE FOLLOWING COMPANIES:

- » 'EXAMPLE BUSINESS A' (ACN 1234 XXX XXXX)
- » 'EXAMPLE BUSINESS B' (ACN 1234 1XX XXXX)
- » 'EXAMPLE BUSINESS C' (ACN 1234 2XX XXXX)

MRS CITIZEN IS THE DIRECTOR OF 'EXAMPLE BUSINESS D' (ACN 1234 3XX XXXX).

ACCOUNT DETAILS:

THE CUSTOMER HAS BEEN ASSOCIATED WITH OUR BANK SINCE MM/YY AND CURRENTLY MAINTAINS ONE ACCOUNT.

UNUSUAL ACTIVITY:

WITHDRAWALS OF \$X.XXX MILLION ON DD/MM/YY AND \$X.XXX MILLION ON DD/MM/YY WERE PAID TO BANK ACCOUNT IN THE NAME OF 'CITIZEN FAMILY TRUST'.

ANALYSIS AND CONCLUSION:

THE ACCOUNT ACTIVITY IS UNUSUAL BECAUSE TWO LARGE WITHDRAWALS TOTALLING \$X.XXX MILLION WERE MADE OVER A SHORT PERIOD OF TWO MONTHS. AS DECLARED BY THE CUSTOMER, THE SOURCE OF FUNDS AND WEALTH IS WINDFALL (I.E. EITHER LOTTERY, WINNINGS OR GAMBLING). THESE SOURCES ARE CONSIDERED HIGH RISK ESPECIALLY WHEN TAKING INTO CONSIDERATION THE CUSTOMER BEING AN UNREGULATED TRUST.

THESE TRANSACTIONS ARE INCONSISTENT WITH THE PRODUCT'S EXPECTED BEHAVIOUR.

ALTHOUGH THE CONTROLLING PERSONS ARE APPROACHING RETIREMENT AGE, THE PURPOSE BEHIND COMPLETING TWO LARGE WITHDRAWALS WITHIN A SHORT PERIOD IS UNKNOWN.



BAD EXAMPLE: INAPPROPRIATE USE OF JARGON AND ACRONYMS

This SMR illustrates how lack of headings and use of internal jargon and acronyms makes it difficult to understand the suspicious activity being described.

BBF IS A CAR OF MMG AND PROVIDES A MARKET PLACE FOR TERM DEPOSITS. THIS REPORT IS IN RELATION TO AN EXISTING CLIENT OF BBF WHO REQUESTED TO PLACE A TERM DEPOSIT WITH A DCF ON BBF'S PLATFORM, THE CLIENT HAD NOT INVESTED WITH THAT DCF PREVIOUSLY. THE DCF NOTED THAT THE SHAREHOLDER INFORMATION PROVIDED WAS INACCURATE, AN INDIVIDUAL DIRECTOR (JOHN CITIZEN) WAS ALSO A 50% SHAREHOLDER AND THEREFORE KHM, PREVIOUSLY NOT IDENTIFIED AS A KHM AND NO ID VERIFICATION DOCUMENTATION HAD BEEN REQUESTED FOR THIS INDIVIDUAL. BBF NOTIFIED THE FINANCIAL ADVISER OF THE CLIENT (MARY SMITH), WHO IS ALSO A DIRECTOR OF THE CLIENT, THAT THE SHAREHOLDER INFORMATION PREVIOUSLY PROVIDED WAS INACCURATE AND REQUESTED ID VERIFICATION DOCUMENTATION FOR THE BBF. MS SMITH REFUSED TO PROVIDE THE DOCUMENTATION REQUESTED AND INSTEAD REQUESTED THAT THE TERM DEPOSIT BE CANCELLED. REFUSAL IS SUSPICIOUS GIVEN PROVIDING KYC FOR BBF IS A WIDELY KNOWN REQUIREMENT.

'KNOW YOUR CUSTOMER' INFORMATION

Knowing your customers and being familiar with their everyday financial activity makes it easier for your business to recognise unusual or suspicious activity. This reduces the risk of your business or organisation being exploited for money laundering or terrorism financing purposes.

Effective SMRs always include a summary of what led to your suspicion, the enhanced customer due diligence you conducted and what it revealed. You should also look to include any actions you or your business have taken as a result of the suspicion while ensuring any 'know your customer' (KYC) information about the customer/s connected to the suspicious activity is included in your report.

Any information provided in the grounds for suspicion on suspicious transactions, persons/entities and KYC must also be reported in all the **appropriate fields and sections**. This ensures the SMR we receive from you is full and complete.

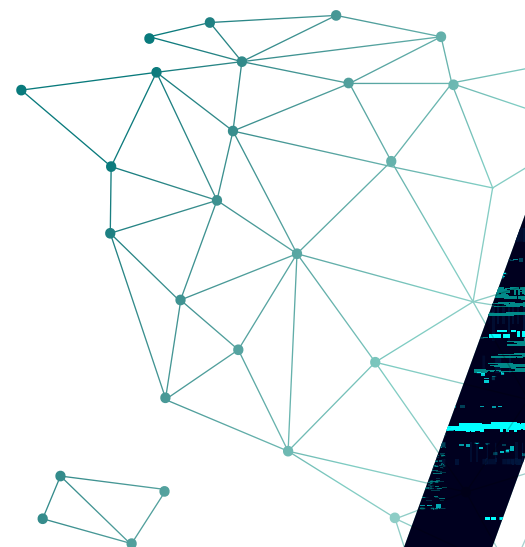
Full question-by-question instructions are available in the AUSTRAC publication 'A guide to making a suspicious matter report (SMR)' which can be downloaded from AUSTRAC Online: online.austrac.gov.au.

This information can include:

- behaviour – was the customer nervous or being told to conduct the transaction by someone else?
- their occupation or other known source/s of wealth
- any associates you believe may be linked to the suspicious activity
- additional information such as forms of identification, different phone numbers provided or their previous history
- the customer's physical appearance
- if any further open research via social media or the internet was conducted.

If you have limited information about someone's identity, or believe someone isn't who they say they are, your SMR should instead include (if available):

- » a physical description of the person
- » CCTV video footage or photographs
- » passport details, addresses, telephone numbers and email addresses.





GOOD EXAMPLE: CLEAR AND CONCISE WITH RELEVANT KYC IDENTIFICATION

The language and headings used in this SMR make it clear and concise. It also includes relevant KYC identification, listing historic phone numbers and addresses with a timeline of usage by the individual.

The SMR also includes bank account details of beneficiaries of concern along with images from surveillance footage of the account holder visiting multiple bank branches. This allowed for faster follow-up on connected lines of enquiry.

OUR FINANCIAL CRIME THREAT MANAGEMENT TEAM HAS THE FOLLOWING CONCERNS:

- » LARGE CASH DEPOSITS TOTTALLING \$X.XXX MILLION CONDUCTED BY JOHN CITIZEN FOLLOWED BY RAPID MOVEMENT OF FUNDS TOTTALLING \$X.XXX MILLION TO 'EXAMPLE BUSINESS A' (NEWLY ESTABLISHED COMPANY IN MM/YY) IN THE SPAN OF 1 WEEK
- » SOURCE OF FUNDS UNKNOWN
- » UTILISATION OF FUNDS UNKNOWN
- » LAYERING CONCERNS
- » INCONSISTENT WITH CUSTOMER'S PROFILE, SUDDEN CHANGE IN CUSTOMER ACTIVITY

AN INTELLIGENCE ALERT WAS CREATED BY FINANCIAL CRIME THREAT MANAGEMENT IN RELATION TO JOHN CITIZEN AND JANE CITIZEN DUE TO LARGE CASH DEPOSIT ACTIVITY INTO CUSTOMER'S JOINT ACCOUNT.

JOHN CITIZEN (M, DOB: DD/MM/YY) ONBOARDED WITH OUR BANK ON DD/MM/YY AND OCCUPATION LISTED AS TRADESPERSON WITH EMPLOYER 'EXAMPLE BUSINESS B'.

KYC INFORMATION:

ADDRESSES:

XX NAME STREET, CITY, STATE, POSTCODE (DD/MM/YY TO CURRENT)

XX NAME STREET, CITY, STATE, POSTCODE (DD/MM/YY TO CURRENT)

XX NAME STREET, CITY, STATE, POSTCODE (DD/MM/YY TO DD/MM/YY)

PHONE NUMBERS:

043X XXX XXX (DD/MM/YY TO CURRENT)

0431 XXXXXXXX (DD/MM/YY TO DD/MM/YY)

0432 XXX XXXX (DD/MM/YY TO DD/MM/YY)

EMAIL: JCITIZEN@EXAMPLE.COM.AU

CUSTOMER IS ASSOCIATED TO THE FOLLOWING KYC DOCUMENTATION:

- » AUSTRALIAN DRIVERS LICENCE WITH DOCUMENT ID NUMBER 123 XXX XXXX AND AN EXPIRY DATE DD/MM/YY. THE ISSUER IS SHOWN AS 'STATE A'.
- » OTHER AUSTRALIAN BANK CREDIT CARD WITH DOCUMENT ID NUMBER 123 4XX XXXX AND AN EXPIRY DATE DD/MM/YY. THE ISSUER IS SHOWN AS 'EXAMPLE BANK A'.



BAD EXAMPLE: INEFFECTIVE KYC INFORMATION AND NO EVIDENCE OF ENHANCED CUSTOMER DUE DILLIGENCE CONDUCTED

Very limited details provided without KYC or transactional information to substantiate the claims made by the business makes this SMR ineffective.

THE CLIENT'S DEPOSIT AND WITHDRAWAL ACTIVITY APPEAR TO BE INCONSISTENT WITH HIS AGE PROFILE.

REQUESTS FROM POLICE ON PERSONS OF INTEREST

From time to time, state and/or federal police may ask you for information about a customer or a specific transaction or account connected to a person of interest. It may or may not be related to an SMR you have previously submitted.

If this occurs, and following an internal review you believe there are **no reasonable grounds** for suspicion, there is no need to submit an SMR to AUSTRAC because of the request.

However, if following an internal review you do believe there **are reasonable grounds** for suspicion, you should submit an SMR as per the normal processes and explain the reasons for your suspicions as outlined in this reference guide.

REQUESTS FOR INFORMATION CONNECTED TO SMRS

To help with our investigations, we may ask you for more information or documents about an SMR you've submitted. Some of our partner agencies also have the authority to ask for further information in some circumstances.

We will issue a written notice asking for this information or the documents. This might include asking you for further details about the customer or a specific transaction or account.

If you don't provide the information or documents when asked you may be fined.



GOOD EXAMPLE: EFFECTIVE SMR REPORTING IN RESPONSE TO A REQUEST FOR FURTHER INFORMATION FROM LOCAL POLICE

This example includes succinct and clear reporting of financial indicators indicative of money laundering (layering between accounts) and follows an enquiry by law enforcement.

'EXAMPLE BANK A' SUSPECTS THAT FUNDS RELATING TO THE SMUGGLING OF ALCOHOL HAVE BEEN LAUNDERED VIA A CASH MANAGEMENT ACCOUNT HELD IN THE NAME OF CITIZEN AND CO PTY LTD. JANE CITIZEN, DOB DD/MM/YY, IS THE SOLE DIRECTOR AND SHAREHOLDER OF CITIZEN AND CO PTY LTD.

ON DD/MM/YY, JANE CITIZEN TRUST OPENED A CASH MANAGEMENT ACCOUNT. SINCE THE ACCOUNT WAS OPENED, THE FOLLOWING ACTIVITY IS THE ONLY ACTIVITY THAT HAS OCCURRED:

INCOMING:

- » DD/MM/YY - \$X,XXX FROM BANK ACCOUNT HELD IN THE NAME 'CITIZEN AND CO PTY LTD'
- » DD/MM/YY - \$X.XXX MILLION FROM BANK ACCOUNT HELD IN THE NAME 'EXAMPLE A TRUST'
- » DD/MM/YY - \$XXX,XXX FROM EXTERNAL BANK ACCOUNT HELD IN THE NAME 'MARY SMITH INVOICE'
- » DD/MM/YY - \$XXX,XXX FROM EXTERNAL BANK ACCOUNT HELD IN THE NAME 'MARY SMITH INVOICE'

OUTGOING:

- » DD/MM/YY - \$XX,XXX TO EXTERNAL BANK ACCOUNT HELD IN THE NAME OF JANE CITIZEN & CO BUSINESS
- » DD/MM/YY - \$X.XXX MILLION TO EXTERNAL BANK ACCOUNT HELD IN THE NAME OF JANE CITIZEN & CO BUSINESS
- » DD/MM/YY - \$XXX,XXX TO EXTERNAL BANK ACCOUNT HELD IN THE NAME OF JANE CITIZEN & CO BUSINESS

ON DD/MM/YY, OUR BANK RECEIVED A LAW ENFORCEMENT REQUEST FROM 'STATE A' POLICE RELATING TO MULTIPLE INDIVIDUALS AND ENTITIES (INCLUDING JANE CITIZEN & CO) AND THEIR INVOLVEMENT IN THE SMUGGLING OF CONTRABAND AND DEALING IN PROCEEDS OF CRIME (GREATER THAN \$1 MILLION).



BAD EXAMPLE: INEFFECTIVE REPORTING IN RESPONSE TO AN ENQUIRY FROM LOCAL POLICE

This example SMR was submitted to AUSTRAC after local police enquired about a suspected person of interest.

*SMRs such as these hold very limited intelligence value. Remember, you are only required to submit an SMR if you have **reasonable grounds to suspect that something suspicious is taking place**.*

THIS REPORT IS IN RELATION TO A SUSPICION OF AN OFFENCE AGAINST A COMMONWEALTH, STATE OR TERRITORY LAW RESULTING FROM LAW ENFORCEMENT INTERACTION COMPRISING OF THE FOLLOWING RED FLAG: SUSPECTED OR KNOWN CRIMINAL.

TRANSACTIONS RELATING TO SUSPICION: A REVIEW OF THE CUSTOMER'S PROFILE DID NOT REVEAL ANY SUSPICIOUS ACTIVITY.

THE CUSTOMER DOES NOT HOLD ANY ACTIVE TRANSACTIONAL PRODUCTS.



EXTRA HELP AND GUIDANCE

You can find [general information about SMRs](#) on the AUSTRAC website, austrac.gov.au.

Full question-by-question instructions are available in the AUSTRAC publication 'A guide to making a suspicious matter report (SMR)' which can be downloaded from AUSTRAC Online: online.austrac.gov.au.

Descriptions of designated services can be found in 'A guide to making a suspicious matter report (SMR)' or in the 'Designated services/international currency codes' quick guide, also located on AUSTRAC Online.

If you need further assistance contact the AUSTRAC Contact Centre on 1300 021 037 or email contact@austrac.gov.au.

