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30 September 2014

Director, Planning, Coordination & Relief
AUSTRAC
PO Box 5516
West Chatswood NSW 1515

Email: guidance_note_submissions@austrac.gov.au

Dear Sir/Madam,

**Draft guidance note 14/02 – use of Document Verification Service
for customer identification and verification**

The Association of Superannuation Funds of Australia (ASFA) is pleased to provide this submission to AUSTRAC regarding the draft guidance note 14/02 regarding the use of the Commonwealth Attorney-General's Department's Document Verification Service (DVS) for individual customer and beneficial owner identification and verification under the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (AML/CTF Act).

About ASFA

ASFA is a non-profit, non-political national organisation whose mission is to protect, promote and advance the interests of Australia's superannuation funds, their trustees and their members. We focus on the issues that affect the entire superannuation system. Our membership, which includes corporate, public sector, industry and retail superannuation funds, plus self-managed superannuation funds and small APRA funds through its service provider membership, represent over 90% of the 12 million Australians with superannuation.

General comments

As an overall comment, ASFA is supportive of the purpose of draft guidance note 14/02 in terms of assisting reporting entities in understanding how the DVS can be used to identify and verify individual customer and beneficial owner identities under the AML/CTF Act.

ASFA is broadly comfortable with the contents of the draft guidance note on the basis that it provides readers with a thorough description of the DVS matching process, in particular the *Information Match Request* that reporting entities would lodge as part of their 'checking processes' as well as details of the *Information Match Result* generated by the DVS matching process, and that it clarifies that the DVS is not considered to be a 'single data source'.

We note that clause 2.3 lists the specific government-issued identity documents from which the DVS can match key details (eg. visas, passports, drivers' licences, Medicare card etc). We also note that clause 2.6 explicitly outlines what the DVS is not intended to do (such as verifying the authenticity of physical documents, only the information on those documents). ASFA is supportive of the fact that the guidance note clearly articulates both the benefits and the limitations of the DVS. ASFA considers that such information will be useful to reporting entities in deciding whether or not to use the DVS.

Specific comments

(i) DVS not considered a single 'data source'

Clause 6.1 of the draft guidance note states that "AUSTRAC considers that as the DVS facilitates access to various separate databases maintained by the government (such as those containing drivers' licence and passport information), the 'data source' requirements in Part 4.2 of Chapter 4 are counted from those databases – the DVS itself is not a single 'data source'".

ASFA supports this statement on the basis that it gives reporting entities who decide to use the DVS the ability to satisfy the requirements regarding the minimum number of separate electronic data sources that must be used to verify an individual's details (full name, residential address, date of birth etc) – generally 2 separate sources – from a single service. This is because the guidance note clarifies that the DVS itself is not considered a single data source but, rather, acts as a conduit for accessing multiple data sources (i.e. the databases of the various government entities which issue the relevant identity documents).

This means that, where a reporting entity is required to verify a piece of information relating to an individual from 2 separate electronic data sources, it does not have to use the DVS and another data source.

(ii) Applicability for the superannuation industry

Part 4.2 of Chapter 4 of the AML/CTF Rules specifies the minimum Know-Your-Customer (KYC) information which must be collected and verified in relation to an individual customer. That is, the KYC obligations require reporting entities to collect information (eg. the customer's name) and then verify that information.

As outlined in the draft guidance note, the DVS provides a service that matches the details on a government issued document (eg. a passport) against the government's records – in short, it provides an answer to the question 'is this passport legitimate'. The guidance note makes it clear that (as the name suggests) the DVS is a document verifying service, and not an identity verifying service.

In the superannuation context, a document such as a passport is used to verify that the name the customer provided to the trustee of the superannuation fund (being the reporting entity) is actually their name. The trustee generally does not verify an identity by looking at the name and picture on the passport and making a decision on the validity of that passport (since identity verification rarely, if ever, takes place face-to-face in superannuation). Rather, verification is usually undertaken by the superannuation trustee by accepting a certified copy of an identity document (eg. passport or driver's licence). This process provides the answer to the question – 'is this customer who they say they are'.

Based on the above two distinctions, ASFA considers that the DVS would be of limited use in the majority of the day-to-day low-risk KYC actions that trustees of superannuation funds undertake.

However, a service like the DVS would likely be useful, in the superannuation context, where there is uncertainty as to the validity of the verifying document (eg. the trustee thinks the passport supplied

is a fake), or the member is in a high-risk category and the trustee extends its KYC activities to include verifying (i.e. formally checking) the underlying identity document itself.

However, given the long-term nature of superannuation where monies are subject to 'preservation' and required to be retained in the system until a 'condition of release' of the benefit is met¹, it is likely that most superannuation funds have classified a substantial proportion of their members as low risk for AML/CTF purposes, and so are only undertaking basic KYC activities.

As a result, ASFA contends that the frequency in which a superannuation trustee would need to verify the validity of an underlying document under its AML/CTF program is relatively low, given the generally low risk nature of superannuation. Therefore, when weighed against the cost of establishing access to the DVS, ASFA believes that many superannuation trustees will question whether the DVS is a cost effective option for their fund.

That being said, ASFA considers that, where the customer relationship is established face-to-face and reporting entities have a need to electronically match customer information on government-issued identity documents directly with the issuing government entity on a regular basis, these reporting entities could find the DVS a very useful service by which to validate both the identity of the individual and the identity document(s) supplied at the commencement of the relationship.

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Thank you for providing us with the opportunity to make this submission and to participate in the consultation process.

If you have any queries or comments regarding the contents of our submission, please contact ASFA's Senior Policy Adviser, Jon Echevarria, on (02) 8079 0859 or by email jechevarria@superannuation.asn.au.

Yours sincerely



Glen McCrea
Chief Policy Officer

¹ As specified in Schedule 1 of the *Superannuation Industry (Supervision) Regulations 1994*.