



## **CLUBS AUSTRALIA SUBMISSION**

### **SECOND CONSULTATION: REFORMING AUSTRALIA'S AML/CTF REGIME**

#### **A. INTRODUCTION**

Clubs Australia welcomes the opportunity to comment on the Attorney General Department's second round of consultation for reforming Australia's anti-money laundering and counter-terrorism financing (AML/CTF) regime.

Clubs Australia represents 6,000 licensed clubs that employ more than 140,000 people. Clubs are not-for-profit, member-owned organisations that provide sporting and recreation infrastructure to their members and the wider community.

Clubs in Australia have a long history of providing gambling as a legal and enjoyable recreational activity. Clubs are highly regulated and have embraced a strong culture of governance and compliance, particularly regarding gambling services.

Clubs strive to be leaders in AML/CTF practices by implementing and promoting evidence and risk-based measures, including through training staff.

Clubs are committed to meeting their AML/CTF obligations, including implementing measures to prevent money laundering, monitoring patrons' activity, and reporting suspicious activity to AUSTRAC.

Clubs exhibit distinctive attributes compared to other industries, positioning them favourably to recognise, mitigate and prevent money laundering.

Clubs Australia acknowledges the importance of reforming the AML/CTF regime to safeguard businesses from money laundering activity. A clear, certain, and robust legislative and regulatory framework is essential to ensure that clubs can meet their obligations.

Clubs Australia will continue to work with all forms of government to reduce financial criminal behaviour and assist clubs in fulfilling their AML/CTF obligations.

#### **B. SUMMARY OF RECOMMENDATIONS**

In summary, Clubs Australia:

1. Recommends consideration be given to the impacts on clubs and their diverse array of operating models.
2. Supports lowering the customer due diligence (CDD) exemption threshold for transactions below \$5,000.
3. Seeks to ensure that the CDD exemption threshold applies to the assignment of a risk rating.
4. Recommends that AUSTRAC work with Clubs Australia in developing additional detailed guidance to assist clubs in fulfilling their obligations.
5. Recommends a fair and proportionate implementation timeline that considers the impact on clubs, especially smaller venues.



### **C. CLUB RISK PROFILE**

Due to clubs' unique characteristics, they are well-placed to identify, mitigate, and prevent money laundering. These include:

- Not-for-profit structure and owned by members—clubs are established for a social purpose and owned by their members. Clubs cannot be purchased or controlled by private interests.
- Compulsory sign-in procedures—patrons must sign in before accessing club facilities, enabling clubs to conduct simplified CDD.
- CCTV surveillance—clubs employ CCTV systems to monitor their facilities, which deters criminal behaviour and supports investigations where necessary.
- Physical ID verification—clubs require patrons to provide photo identification (ID) when conducting large payouts, mitigating the risk of criminals using stolen identities to illicit funds.
- Not incentivised by revenue generation—clubs are not incentivised by revenue generation, unlike other hospitality industry (ie., employees are prohibited from receiving gambling-related bonuses).
- Trained staff presence—gaming staff complete AML/CTF training, which assists them in recognising, preventing, and deterring money laundering.

Clubs Australia acknowledges that gaming machine operation carries some inherent money laundering risk. However, EGMs also have several additional legislative features that mitigate that risk relative to other gambling products, including in-person service, low cash input limit, low bet limit, low cash-out limit, low return to player, and centralised monitoring.

### **D. CLUB INDUSTRY MODEL**

Clubs' organisational framework and operational procedures are distinct from those of any other reporting entity. This is important to consider concerning the AML/CTF regime.

Some clubs are volunteer-run in regional areas, while others are larger entities with sufficient resources. Therefore, each venue has its own operating model with varying capabilities and resources.

Clubs are owned by their members, who often reside in the local area. Members elect directors who serve as local community representatives. This framework ensures community input into critical decisions relating to the club.

As not-for-profit organisations, any surplus funds are allocated to benefit the community. This may involve upgrading community facilities, contributing to local initiatives, or acting as evacuation centres during natural disasters.

The Registered Clubs Act 1976 and its associated Regulation impose a range of accountability, transparency, and integrity standards on clubs. Per the Registered Clubs Accountability Code, clubs are obligated to make certain information available to members, such as the register of disclosures and quarterly financial statements. These heightened standards reflect the public and community interest in the integrity of local clubs' operations and governance.



Clubs cannot reprimand, suspend, or expel a member without following the disciplinary proceedings process outlined in its constitution. In relation to a disciplinary hearing, one of the fundamental requirements of procedural fairness is that the accused must be provided with details of the charge/s against them.

Following this procedure would require clubs to notify members suspected of money laundering about the reason behind such actions, potentially exposing them to inadvertently tipping off offences.

To address this issue, clubs would be required to amend their constitutions, and members would approve those changes at a general meeting through a special resolution. Revisions to clubs' constitutions can be a time-consuming and costly process.

#### **Clubs Australia:**

- 1. Recommends consideration be given to the impacts on clubs and their diverse array of operating models.**

### **E. CUSTOMER DUE DILIGENCE EXEMPTION THRESHOLD**

Clubs Australia recognises the importance of the CDD framework, which assists reporting entities in better understanding their customers and identifying suspicious behaviour or activities.

The changes will ensure the framework is fit-for-purpose and balanced, empowering reporting entities to address and respond to risks that reflect their unique circumstances.

Clubs in Australia must verify, collect and record a person's identity under state legislation when paying a person above a certain threshold. The payout threshold varies in each state, ranging from \$100 to \$5,000.

Clubs Australia recognises that the Financial Action Task Force (FATF) recommends a CDD reporting threshold of USD/EUR 3,000 (approximately AUD 4,500) or above.

Aligning the CDD reporting threshold with the highest cash payment limit (\$5,000) and FATF recommended threshold would achieve a balanced approach.

While Clubs Australia acknowledges that decreasing the threshold to \$5,000 would lead to a fivefold increase in reporting transactions,<sup>1</sup> It would further prevent and deter money laundering from occurring.

Clubs Australia seeks to ensure that the CDD exemption threshold for clubs providing gambling services applies to the assignment of a risk rating. Unlike financial services, requiring venues to assign a risk rating to all customers prior to the use of EGMs is impractical and unfeasible. On this basis, Clubs Australia considers that venues should only be required to assign a risk rating if a customer transacts \$5,000 or more.

#### **Clubs Australia:**

- 2. Supports lowering the customer due diligence (CDD) exemption threshold for transactions below \$5,000.**
- 3. Seeks to ensure that the CDD exemption threshold applies to the assignment of a risk rating.**

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<sup>1</sup> Data obtained by clubs.



## **F. FURTHER GUIDANCE TO ASSIST REPORTING ENTITIES**

Clubs Australia acknowledges that the Pubs and Clubs with Gaming Machines Regulatory Guide, published on AUSTRAC's website, provides venues with practical guidance to support them in fulfilling their AML/CTF obligations.

Clubs Australia believes that the guide should be updated accordingly to reflect the proposed changes once passed by the Australian Parliament.

Clubs Australia considers that clubs, especially smaller venues, should be provided with sufficient resources, such as templates, fact sheets, and checklists, to assist with transitioning to the new requirements.

In particular, Clubs Australia believes sufficient guidance is required regarding the practical aspects of conducting enhanced CDD without first completing initial CDD. The consultation paper specifies that transactions under \$5,000 are exempt from CDD requirements unless the reporting entity decides that enhanced CDD is necessary. To determine if enhanced CDD is required, reporting entities must first conduct initial CDD.

Additionally, Clubs Australia believes further guidance on what constitutes a "transaction" would help clubs understand if they are exempt from CDD requirements. Without carded play, it is difficult to assess the total amount a customer has transacted.

Clubs Australia would appreciate the opportunity to work with AUSTRAC to develop appropriate guidance for clubs.

### **Clubs Australia:**

- 4. Recommends that AUSTRAC work with Clubs Australia in developing additional detailed guidance to assist clubs in fulfilling their obligations.**

## **G. FAIR AND PROPORTIONATE IMPLEMENTATION TIMELINE**

Clubs in Australia are committed to fulfilling their AML/CTF obligations and are dedicated to establishing robust and practical measures.

Most clubs are small to medium-sized, and due to resourcing constraints, they may find it difficult to adjust their current processes to implement the proposed requirements without adequate transitional periods.

The suggested reforms require reporting entities to streamline and revise their AML/CTF program. Depending on the club's risk, the expenses for implementing and maintaining this program can surpass \$5,000.

Clubs must conduct an impartial assessment of Part A of their AML/CTF program regularly, which generally occurs every three years. Therefore, any out-of-cycle changes would incur a significant cost.

Clubs Australia recommends a sufficient implementation period considering the impact on clubs, notably smaller venues.

### **Clubs Australia:**

- 5. Recommends a fair and proportionate implementation timeline that considers the impact on clubs, especially smaller venues.**

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Clubs Australia

## H. CONTACT INFORMATION

Clubs Australia appreciates the opportunity to provide a submission. For further information, please contact Alison Tehan, Deputy Executive Director, Clubs Australia, at [atehan@clubsaustralia.com.au](mailto:atehan@clubsaustralia.com.au) or 0455 284 411.