



Anti-Money Laundering and Counter
Terrorism Financing
Independent Review

Conducted: - January/February 2020



Limitations

The matters raised in this report came to our attention during the course of our review and as a result of our testing which was performed. Testing was conducted on a sample basis over a specific period of time and the final report therefore provides assurance regarding the operating effectiveness of the actual controls tested. The possibility therefore exists that the final report may not include all weaknesses that exist or improvements that may be made where these relate to controls not tested as part of this review.

Our work does not constitute an audit in accordance with Auditing Standards and the review is not a substitute for management's responsibility to maintain adequate controls over all levels of operations and their responsibility to prevent and detect irregularities. Management should therefore not rely solely on our report to identify all weaknesses that may exist.

Our work is not binding on the courts or any relevant regulators and this is not a representation, warranty or guarantee that the relevant regulators will agree with our work.

Our comments should be read in the context of the scope of our work as detailed in the statement of work. Where possible, management representations are independently verified, though some findings within this report may have been prepared on the basis of management representations which have not been independently tested.

Recommendations for improvement should be assessed by the AML/CTF Compliance Officer and the Board of Betfair Pty Limited (Betfair) for their full commercial impact before they are implemented.

Background

Betfair betting exchange is the world's largest regulated betting exchange and is owned by Paddy Power Betfair PLC. Betfair is the only licensed betting exchange operating in Australia and has the exclusive right to offer the Betfair betting exchange to customers in Australia and New Zealand.

Betfair is owned by the ASX-listed Crown Resorts Ltd, who also own Crown Casino in Melbourne and Crown Casino Burswood in Perth.

Scope

This review took place in February 2020 and was limited to reviewing existing AML/CTF Program documentation provided by Betfair and the testing of Betfair's activities to:

- Assess the effectiveness of the Part A Program having regard to its money laundering/terrorism financing (ML/TF) risk;
- Assess whether the Part A Program complies with the AML/CTF Rules;
- Assess whether the Part A Program has been effectively implemented; and
- Assess whether the reporting entity has complied with its Part A Program

Initialism conducted the review in accordance with a risk-based approach, applying the following procedures to each review:

1. Review of documented AML/CTF Program and supporting documented policies and procedures including testing assumptions underlying Betfair's ML/TF risk assessment;
2. Complete interviews with key personnel and review any additional records and files identified in those interviews;
3. Complete on-site testing and sampling of actual examples of Betfair's day to day operations to assess the effectiveness of compliance of the following procedures, including:
 - Customer Due Diligence
 - Applicable Customer Identification Procedures
 - Customer Screening
 - Enhanced Customer Due Diligence
 - Ongoing Customer Due Diligence
 - AML/CTF Risk Awareness Training
 - Employee Due Diligence
 - Monitoring of transactions to identify unusual behaviour - against relevant typologies and patterns of potentially suspicious activity to assess the effectiveness of transaction monitoring; and
 - Suspicious Matter Reporting;
 - Other reporting (where relevant).

Executive Summary

Overarching comments

As a result of the work undertaken, we can confirm that it is our professional opinion that Betfair's AML/CTF Program meets the tests required by 8.6 of the AML/CTF Rules, namely:

- It is effective having regard to its ML/TF risk;
- It complies with the AML/CTF Rules;
- It has been effectively implemented; and
- It has been and is being complied with.

This opinion is supported by the results of testing undertaken by Initialism to assess:

- Customer Due Diligence including screening for PEP's and Sanctions
- Transaction monitoring;
- Employee due diligence;
- Staff training;
- Reporting; and
- Record keeping.




The ML/TF risks faced by the business are well understood and documented via both an Enterprise ML/TF risk assessment and a customer ML/TF risk assessment.

Betfair's systems and controls applied to identify, manage and mitigate the ML/TF risks reasonably faced appear robust.















The AML/CTF Compliance Officer displayed a good understanding and application of Betfair's systems and controls to comply with its AML/CTF obligations.

The review only identified a handful of minor observations as Betfair was able to demonstrate effective compliance with the requirements set out in its AML/CTF Program and the AML/CTF Rules.

The following is an overview of the findings from the review:

Area	RAG	Priority Rating ¹	Comments
AML/CTF Program Obligations		N/A	None identified
ML/TF Risk Assessment		N/A	None identified
AML/CTF Risk Awareness Training		N/A	None identified

¹ Appendix B – Priority Rating Methodology

Employee Due Diligence Program		N/A	None identified
Oversight by Board and Senior Management		N/A	None identified
AML/CTF Compliance Officer		Minor	Amend Org Chart to reflect current roles
Applicable Customer Identification Procedures		-Business Process Improvement	Report IP address changes as soon as possible to ensure all customers are screened as soon as practicable
Enhanced CDD		N/A	None identified
Further Customer KYC and Beneficial Owner Information		N/A	None identified
Transaction Monitoring		N/A	None identified
Suspicious Matter Reporting		N/A	None identified
Threshold Transaction Reporting		N/A	Betfair does not deal in physical cash
International Funds Transfer Instruction Reporting		N/A	Betfair does not send or receive international electronic funds transfers
AML/CTF Compliance Reporting		N/A	None identified
Enrolment		N/A	None identified
AUSTRAC Feedback and Guidance		N/A	None identified
Independent Review		N/A	None identified

AML/CTF Program Parts A & B

Obligations

The AML/CTF Act and AML/CTF Rules require that Betfair:

- a) Develop and maintain an adopted Part A of an AML/CTF Program which includes the following obligations:
 - i. Applying a risk-based approach to conducting an ML/TF risk assessment.
 - ii. AML/CTF risk awareness training.
 - iii. Employee due diligence.
 - iv. Oversight by Boards and Senior Management.
 - v. Designating an AML/CTF Compliance Officer.
 - vi. Independent Review.
 - vii. Incorporation of feedback and guidance on ML/TF risks from AUSTRAC.
 - viii. Permanent establishments in a foreign country.
 - ix. Reporting obligations.
 - x. Ongoing customer due diligence.
- b) Develop and maintain Part B of an AML/CTF Program which is designed to set out the applicable customer identification procedures for the purposes of the application of the AML/CTF Act to the customers of the reporting entity.

Review

Initialism reviewed the Betfair AML/CTF Program as well as supporting documents and materials.

Findings

The AML/CTF Program, Version 1.4 – May 2019, reviewed was approved by the Betfair Board of Directors. Betfair's AML/CTF Program Part A includes all but one of Betfair's obligations under the AML/CTF Act and AML/CTF Rules through the following sections:

- 'AML/CTF Risk Assessment' addresses the obligation to assess the ML/TF risks reasonably faced through the key risk factors mandated in the AML/CTF Rules;
- 'Oversight and approval' addresses the requirements to obtain Board approval of Part A of the AML/CTF Program and maintain Board and Senior Management oversight of the adequacy and effectiveness of the AML/CTF Program;
- 'Designated AML/CTF Compliance Officer' addresses the designation and appointment of an AML/CTF Compliance Officer at management level;
- 'Independent Review' addresses the requirement to have Part A of the AML/CTF Program subjected to regular Independent Reviews by an independent external party or the reporting entity's internal audit function;
- 'Employee due diligence program' addresses the obligation to conduct effective employee due diligence based on the ML/TF risks faced;
- 'AML/CTF risk awareness training program' addresses the obligation to design, maintain and carry out AML/CTF risk awareness training for employees;
- 'Part B Program' addresses the Customer Identification Procedures by entity type;

- 'Transaction monitoring' and 'Enhanced Customer Due Diligence Program' addresses the ongoing customer due diligence obligations in the AML/CTF Act and AML/CTF Rule's;
- 'Reporting obligations' addresses the various reporting obligations in the AML/CTF Act and AML/CTF Rules;
- 'AUSTRAC Feedback' addresses the obligation to assess and manage AUSTRAC feedback and guidance.

Recommendations

As Betfair's AML/CTF Program appears to address all of Betfair's obligations, there are no recommendations.

ML/TF Risk Assessment

Review

Initialism reviewed Betfair's AML/CTF Program, ML/TF risk assessment as well as supporting material and records.

Obligations

In summary, the AML/CTF Act and Rules require that a reporting entity must consider the ML/TF risks posed by the following risk factors:

- The customer types, including any politically exposed persons,
- The types of designated services it provides (Products and Services),
- The methods by which it delivers designated services (Channels); and
- The foreign jurisdictions with which it deals.

The ML/TF risk assessment measures the inherent risk (likelihood vs impact) faced in respect of each risk factor and overlays the results with the assessment of AML/CTF control design and operating effectiveness. The output is the residual risk that a reporting entity faces as a result of the effectiveness of its AML/CTF controls applied.

Findings

Initialism reviewed the AML/CTF Risk Assessment document dated May 2019. The risk assessment is based on the risk categories Customer, Designated Service, Delivery and Jurisdiction.

Betfair have then assessed the likelihood and consequence against various possible risk exposures Betfair may be susceptible to, where an Inherent Risk rating for each possible risk is obtained. Against these inherent risks, various Mitigation / Control measures are put in place to arrive at a residual risk rating for each exposure. The overall residual ML & TF risk for Betfair is assessed as Low/Moderate.

Recommendations

As Betfair's AML/CTF Program and ML/TF risk assessment appear to address all of Betfair's obligations under the AML/CTF Act and Rules, there are no recommendations.

Oversight and Governance

Obligations

Review

Initialism reviewed various documents, including evidence of the Board's approval of the latest version of the AML/CTF Program (Version 1.4), as well as copies of the Monthly updates provided to the AML/CTF Program Committee.

Findings

Betfair have established a strong governance framework to ensure that senior management and the Board have clear oversight and responsibility for any AML/CTF issues. As part of their governance structure, Betfair have an AML/CTF Program Committee, members of which are the CEO, Legal Counsel, and the AML Compliance Officer.

The Board has delegated the following responsibilities to the AML/CTF Program Committee:

- approve the assessment of ML/TF risks associated with new products, services and channels;
- ensure that an independent review has been completed within a five-year cycle; and
- approval of any subsequent non - material changes to the AML/CTF Program (at least 2 members).

The Board of Directors has overall responsibility for;

- Approve AML/CTF Program and any subsequent material changes
- Ongoing oversight of AML/CTF Program by way of updates provided to Board meetings as deemed necessary

Recommendations

There are no recommendations regarding Betfair's governance of their AML/CTF compliance.

One minor point is that the Betfair Organisational Chart provided during the review shows the AML Compliance Officer (Brett Hereward) reporting through to the Legal Director (David Skene).

Initialism reviewed 2 position description (PD) documents, one titled AML Compliance Manager – dated April 2018, and the second titled, AML and Risk Compliance Manager, dated October 2018. It is understood this 2nd PD is Brett Hereward's current title and should be reflected in the Organisational Chart.

Applicable Customer Identification Procedures

Obligations

Chapter 4 of the AML/CTF Rules specifies the applicable customer identification procedures (ACIP) a reporting entity must apply with respect to the various customer types to whom a reporting entity provides a designated service.

Review

Currently Betfair only has two types of customers – individuals and corporate customers.

Initialism reviewed the onboarding process undertaken for 25 randomly selected individual customers for the week commencing 13 May 2019. In addition to this, Initialism reviewed the records of 5 corporate customers onboarded during 2019.

Findings

For individual customers Betfair request new customers to provide the following information when completing an online application.

- Full name;
- Date of birth; and
- Residential address.

These details are then electronically verified. If verification cannot be confirmed electronically, the customer is requested to provide the original or certified copy of a primary photographic identification document, i.e. driver's licence, passport, etc.

Corporate customers must provide;

- the full name of the company as registered by ASIC;
- the full address of the company's registered office;
- the full address of the company's principal place of business, if any;
- the ACN or ABN issued to the company;
- whether the company is registered by ASIC as a proprietary or public company;
- if the company is registered as a proprietary company, the name of each director of the company; and
- identify the beneficial owners in accordance with section 11 of Part A of this AML/CTF Program.

Verification of the above is undertaken with checking;

- the full name of the company as registered by ASIC;
- whether the company is registered by ASIC as a proprietary or public company; and
- the ACN issued to the company.

PEP and Sanction screening

All new customers are screened using the Accuity Compliance Link, against PEP and relevant Sanctions lists. The entire active² database were re-screened 12 months ago. Given that the Betfair customer base are Australia or New Zealand based the PEP risk is low.

At the time of the on-site review the link between Equifax and the new Betfair IP address was not working. As a result, 2 weeks of screening of new customer sign ups was outstanding Betfair and Equifax were working to rectify this issue.

Subsequent to the onsite component of the review evidence has been provided showing the link has been restored and the screening performed.

Recommendations

Because of the problem between the new Betfair IP address and the Equifax screening, Betfair should undertake a business improvement process to ensure that all IP address changes are reported to Equifax as soon as possible.

AML/CTF Awareness Training

Obligations

Part 8.2 of the AML/CTF Rules stipulates the obligations to be addressed in the AML/CTF risk awareness training program, including that:

- employees receive appropriate training at appropriate intervals, having regard to the ML/TF risk Betfair may reasonably face; and
- the AML/CTF training program must be designed to enable employees to understand:
 - Betfair's AML/CTF obligations;
 - The consequences of non-compliance with the AML/CTF Act and Rules;
 - The type of ML/TF risks faced and the consequences of such risks; and
 - The AML/CTF processes and procedures relevant to their role/work.

Review

Betfair use the AML/CTF Training provided through their parent company Crown Resorts.

The risk awareness training program is provided online and designed to enable employees to understand the following:

- the obligations of Betfair under the AML/CTF Act and AML/CTF Rules;
- the consequences of non-compliance by Betfair with the AML/CTF Act and

² active - all those account that had either deposited, withdrawn or placed a bet.

AML/CTF Rules;

- the type of ML/TF risk that Betfair might face and the potential consequences of such risk; and
- the processes and procedures provided for by Betfair’s AML/CTF Program that are relevant to the work carried out by the employee.

Betfair maintains a training record that includes:

- Details of the persons trained; and
- The dates of training.

All new employees must complete their online AML/CTF training prior to commencing their role with Betfair. Refresher online AML/CTF training is provided for all staff on an annual basis.

The online training includes an explanation of what money laundering is and the ML/TF risks that could impact on Betfair, as well as the obligations Betfair has to be compliant with.

Training also includes the customer identification requirements and a section on suspicious matter reports, including a mention of the risk tipping off.

The AMLCO has also produced some specific training for staff. This training was on “Suspicious Behaviour” and AML Alerts for KYC.

Findings

Initialism randomly selected the following staff names to ensure their training had been undertaken and completed in accordance with the AML/CTF Program.

Training for one staff member, Kyle Brown, was outstanding as of the date of the review. The staff members manager had been advised that the training was outstanding.

The following randomly selected staff have all successfully completed their AML/CTF training in the last 12 months.

Glenn Wood	Lachlan Boyle	John Armstrong
James Munro	Daniel Schill	Brett Hereward
Madeline Finchett	Jeremy Ng	Marcus Gangell
Like White		

The review has shown that all staff are scheduled to undertake AML/CTF awareness training on an annual basis.

Recommendations

There are no recommendation regarding Betfair’s AML/CTF Staff awareness training.

Employee due diligence

Obligations

Part 8.3 of the AML/CTF Rules outlines the employee due diligence program requirements to be included in Part A of the AML/CTF Program. These obligations require that Betfair must:

- screen prospective employees whose roles are vulnerable to facilitating ML/TF offences in connection with the provision of a designated service; and
- put in place risk-based systems and controls to re-screen an employee where that employee is transferred or promoted and may be in a position to facilitate the commission of a money laundering or financing of terrorism offence in connection with the provision of a designated service; and
- have in place a process for managing employees that fail, without reasonable excuse, to comply with any system, control or procedure established in accordance with the AML/CTF Program.

Review

Initialism undertook a review of the records of employee due diligence undertaken by Betfair for new staff joining the company and then existing staff.

Findings

Betfair has approximately 100 employees situated in Melbourne and Darwin. Employee due diligence (using "fit2work" from Equifax) is undertaken for all new staff, prior to commencing their employment and again every 3 years whilst employed with Betfair. There were 41 new employees during 2019, following the closure of the Hobart office and the roles being re-located to Melbourne.

A review of employee records showed that all new employees had been through the EDD process. There was one employee who had a "hit" on their police check – an assault charge, some years ago. Management did not feel this effected their ability to perform the role at Betfair and the applicant was employed.

Records show that the process is being undertaken every 3 years following an employee joining Betfair.

Recommendations

No recommendations regarding Betfair's initial or on-going employee due diligence.

Ongoing Customer Due Diligence

Obligations

Chapter 15 of the AML/CTF Rules specifies the applicable ongoing customer due diligence requirements, namely:

- Enhanced Customer Due Diligence
- Refresh of KYC Information and Beneficial Owner Information
- Transaction Monitoring

Enhanced Customer Due Diligence

Obligations

Chapter 15.9 of the AML/CTF Rules requires that Betfair must undertake enhanced customer due diligence when:

- The customer is assessed as being a high ML/TF risk under Betfair's ML/TF risk assessment;
- The customer or a beneficial owner is identified as a foreign PEP;
- A suspicion has arisen for the purposes of section 41 of the AML/CTF Act (suspicious matter reporting obligation);
- A prospective customer or beneficial owner is physically present in, or is a corporation incorporated in, a prescribed foreign country (currently North Korea and Iran).

Chapter 15.10 of the AML/CTF Rules specifies that an enhanced customer due diligence program must include appropriate risk-based systems and controls when one of the circumstances in Chapter 15.9, including a range of the following measures:

- Clarify or update KYC information already collected from the customer;
- Clarify or update KYC information already collected from the customer about the beneficial owner(s);
- Obtain any further customer or beneficial owner KYC information and take reasonable measures to identify the source of funds and source of wealth of the customer and their beneficial owners;
- Clarify the nature and purpose of the customer's relationship;
- Verify or re-verify KYC information obtained as part of the ACIP for customers and/or beneficial owners;
- Undertake more detailed analysis and monitoring of the customer's transactions – both past and future, including, but not limited to:
 - the purpose, reasons for, or nature of specific transactions; or
 - the expected nature and level of transaction behaviour, including future transactions;
- Seek senior management approval for continuing a business relationship with a customer or whether a designated service should continue to be provided to the customer;
- Consider whether a transaction or particular transactions should be processed.

Review

ECDD is undertaken when;

- 1) it determines under its risk-based systems and controls that the ML/TF risk is high;
- 2) a designated service is being provided to a customer who is or who has a beneficial owner who is, a foreign politically exposed person;
- 3) a suspicion has arisen for the purposes of section 41 of the AML/CTF Act;
- 4) the reporting entity is entering into or proposing to enter into a transaction and a party to the transaction is physically present in, or is a corporation incorporated in, a prescribed foreign country

Some of the specific circumstances for ECDD may include but are not be limited to:

- 1) invalid or suspicious details provided upon customer registration;
- 2) concerns over the customer's deposit and withdrawal pattern;
- 3) concerns over the customer's betting pattern;
- 4) customer appears across multiple TMP reports;
- 5) information received from external parties;
- 6) customer's behaviour does not follow typical or expected patterns of behaviour;
- 7) customer's transaction behaviour does not match their profile.

Findings

Initialism reviewed various instances where ECDD had been undertaken on customers. In addition to clarifying or updating the customers KYC information, a review of the transaction history is undertaken, and endeavours made to ascertain the customers source of wealth/funds.

Betfair's processes and procedures regarding ECDD appear to be compliant with the requirements of the AML/CTF Act and Rules.

Recommendations

Betfair's staff have a good understanding of the requirements for ECDD and the transaction monitoring tools to assist in obtaining additional information about their customers.

No recommendations regarding Betfair's enhanced customer due diligence.

Further Customer KYC and Beneficial Owner Information

Obligations

The AML/CTF Rules state:

- 15.2 A reporting entity must include in Part A of its AML/CTF program appropriate risk-based systems and controls to enable a reporting entity to determine in what circumstances further KYC information or beneficial owner information should be collected or verified in respect of customers or beneficial owners of customers to enable the review and update of KYC information and beneficial owner information for ongoing customer due diligence purposes.
- 15.3 A reporting entity must undertake reasonable measures to keep, update and review the documents, data or information collected under the applicable customer identification procedure (particularly in relation to high risk

customers) and the beneficial owner identification requirements specified in Chapter 4 of these Rules.

Review

Betfair's AML/CTF Program articulates the risk-based systems and controls Betfair currently applies to meet the requirements under Parts 15.2 and 15.3 of the AML/CTF Rules.

Findings

Betfair's AML/CTF Program is adequately designed to meet the obligations under Chapters 15.2 and 15.3 of the AML/CTF Rules.

Recommendations

No recommendations regarding Betfair's KYC and beneficial owner information processes and procedures.

Transaction Monitoring

Obligations

The AML/CTF Rules state:

- 15.4 A reporting entity must include a transaction monitoring program in Part A of its AML/CTF program.
- 15.5 The transaction monitoring program must include appropriate risk-based systems and controls to monitor the transactions of customers.
- 15.6 The transaction monitoring program must have the purpose of identifying, having regard to ML/TF risk, any transaction that appears to be suspicious within the terms of section 41 of the AML/CTF Act.
- 15.7 The transaction monitoring program should have regard to complex, unusual large transactions and unusual patterns of transactions, which have no apparent economic or visible lawful purpose.

Review

Initialism reviewed the results of various transaction monitoring reports which are provided to the AMLCO for regular review. There are 15 reports generated daily/weekly which are analysed by the AMLCO or an analyst. Outcomes of this analysis are noted as being no further action, adding the customer to a watchlist for continuous reviewing or the filing of an SMR. Any continuous reviewing will be determined at the time based on the level of risk determined and the customer behaviour. Further inquiries made on accounts should be undertaken in accordance with the ECDD procedures.

TM reports analysed are;

- Quick Check
- Daily Cash Deposits
- 10K Plus New Accounts
- Deposit Size Spikes

- Shared Bank Accounts
- Cash Deposits
- BT Withdrawals
- Large Bet Low Odds
- 6+ Cash Deposits
- Discount v Deposits
- Split Deposits
- 9k-9.9K Deposits
- Deposits over 20K
- 8K-9.9K Withdrawals
- Weekly Security Status

These reports are well explained within the AML/CTF Program document (12.1).

Findings

The reports the AMLCO reviews and analyses provide suitable information for Betfair to monitor the transactions of its customers.

In reviewing some of the reports mentioned above, it is obvious that Betfair's processes and procedures regarding transaction monitoring appear to be compliant with the requirements of the AML/CTF Act and Rules.

Recommendations

No recommendations regarding Betfair's transaction monitoring processes and procedures.

Reporting

Obligations

The AML/CTF Act and Chapter 8.9 of the AML/CTF Rules specify the reporting obligations Betfair are required to meet, namely:

- Suspicious Matter Reporting obligations require that Betfair report suspicious matters to AUSTRAC within 3 business days after the day on which the suspicion is formed for all matters defined under Section 41 (1)[d, e, f, i, j] and 24 hours for suspicion of the financing of terrorism;
- Threshold Transaction Reporting requires that Betfair report all cash transaction of \$10,000 or more (or foreign currency equivalent) to AUSTRAC within 10 days;
- International Funds Transfer Instruction Reporting requires that Betfair report all international funds transfer instructions to AUSTRAC within 10 days;
- Compliance Reporting requires that Betfair lodge a compliance report to AUSTRAC every year within a stipulated lodgment period.

Suspicious Matter Reporting

Review

Initialism reviewed Betfair's Suspicious Matter Reporting process to ensure that appropriate matters were being reported to the regulator AUSTRAC.

Findings

During 2019, Betfair reported 493 SMR's to AUSTRAC. In 2018 there were 521 SMR's reported.

The AMLCO has a very good understanding of what constitutes an unusual or suspicious matter. Staff are trained to recognise unusual activity which is further investigated by the AMLCO. The transaction monitoring and the reports generated together with enhanced customer due diligence, provide early identification of unusual and/or suspicious activity.

Recommendations

No recommendations regarding Betfair's suspicious matter recognition and reporting.

Threshold Transaction Reports (TTR)

Findings

In accordance with section 43 of the AML/CTF Act, Betfair does not accept cash directly and therefore does not have an obligation to report threshold transactions to AUSTRAC.

Initialism agrees that as Betfair does not physically accept cash, it does not have an obligation to report threshold transactions to AUSTRAC.

Recommendations

No recommendations regarding Betfair's threshold transaction reporting.

International Funds Transfer Instructions (IFTI)

Findings

Betfair makes international payments through financial institutions and as such has no IFTI reporting obligations.

Initialism agrees that as Betfair only makes international payments through financial institutions Betfair has no IFTI reporting obligations.

Recommendations

No recommendations regarding Betfair's IFTI reporting.

Annual Compliance Reporting

Betfair's AML/CTF Program states that the AML/CTF Compliance Officer will lodge the required Compliance Report in a timely and accurate manner by making all necessary inquiries within Betfair.

Initialism confirmed a report for the 2018 reporting period was lodged before 31st March 2019 and it appears that Betfair (at the time of the review) was in the process of compiling its Section 47 Annual Compliance Report for the reporting year 2019.

Changes to Enrolment Reporting

Betfair's AML/CTF Program describes the systems and controls it has designed to ensure compliance with the reporting obligations related to updating AUSTRAC of changes to its enrolment details pursuant to Section 51F of the AML/CTF Act and Chapter 64 of the AML/CTF Rules.

AUSTRAC Feedback and Guidance

Obligations

The AML/CTF Rules state:

- 8.7.1 Part A must include appropriate procedures for the reporting entity to have regard to any feedback provided by AUSTRAC in respect of the reporting entity's performance on the management of ML/TF risk.

Review

Initialism reviewed Betfair's AML/CTF Program, supporting materials and records as well as held discussions and meetings with relevant Betfair staff.

Findings

Betfair does has a procedure in place that describes how Betfair will consider and implement on AUSTRAC feedback and guidance.

Recommendations

No recommendations regarding Betfair's process and procedure for handling AUSTRAC feedback and guidance.

Independent Review

Review

Initialism reviewed Betfair's AML/CTF Program, supporting materials and records as well as held discussions and meetings with relevant Betfair staff.

Obligations

The AML/CTF Rules state:

- 8.6.5 The purpose of the review should be to:
 - (1) assess the effectiveness of the Part A program having regard to the ML/TF risk of the reporting entity;
 - (2) assess whether the Part A program complies with these Rules;

- (3) assess whether the Part A program has been effectively implemented; and
- (4) assess whether the reporting entity has complied with its Part A program.

Findings

Betfair's AML/CTF Program fully aligns to the obligations in the AML/CTF Rules.

Recommendations

No recommendations identified.

Appendix A – Customer Due Diligence Sample

As part of the independent review, Initialism sampled the following customer records for customers:

Customer No.	Betfair's on-boarding Result	Comments
	Pass	
	Manual	Driver's Licence
	Manual	Driver's Licence
	Closed	Duplicate Account
	Pass	
	*EV Fail	No documentation received
	EV Fail	No documentation received
	Pass	
	Pass	
	EV Fail	No documentation received
	Pass	
	Pass	
	EV Fail	No Documentation received
	EV Fail	No Documentation received
	EV Fail	No Documentation received
	Pass	
	Pass	
	Pass	
	Pass	
	EV Fail	No Documentation received
Pass		
Manual	NZ Account – Driver's Licence	
EV Fail	No Documentation received	
EV Fail	No Documentation received	
Corporate Customer No.	Result	Comments
	Pass	
	Pass	
	Pass	
	Pass	
	Pass	

* EV Fail – in all of these cases, the potential customer fails the electronic verification and they did not progress by providing copies of the documentation required.

Appendix B – Priority Rating Methodology

Rating	Description of Rating
Major	<p>This is a significant weakness within the AML/CTF Program and control framework which needs to be resolved as soon as practicable.</p> <p>The Board and Senior Management are to maintain oversight and governance of the actions to address the recommendation and ensure it has been implemented effectively.</p>
Moderate	<p>This is a medium weakness within the AML/CTF Program and control framework which needs to be resolved within 3 months.</p> <p>The responsible person within Senior Management is to take accountability and ensure the recommendation has been implemented effectively.</p>
Minor	<p>This is a low weakness within the AML/CTF Program and control framework which needs to be resolved within 6 months.</p> <p>The responsible person within Senior Management is to take accountability and ensure the recommendation has been implemented effectively.</p>
Business Process Improvement	<p>This is an opportunity for Betfair to improve its business practices and processes to further improve the control environment.</p>