

AUSTRAC rates traveller's cheques as low ML/TF risk

AUSTRAC has released a money laundering and terrorism financing (ML/TF) risk assessment for traveller's cheques, finding they are low risk.

AUSTRAC and its partner agencies have not received any recent criminal intelligence relating to traveller's cheques, with only 27 suspicious matter reports submitted over a two-year period. Those suspicious matter reports related to suspicions of low-level money laundering and traveller's cheque fraud.

Purchasing traveller's cheques can be vulnerable to ML 'placement risk', as customers are able to purchase the cheques with cash. However, the reduced popularity of traveller's cheques over recent years has reduced this risk, with only two financial institutions selling traveller's cheques in Australia.

The decline in demand is likely due to the uptake of travel money cards and stored value cards (SVCs), with AUSTRAC finding SVCs are particularly vulnerable to criminal misuse.

Entities involved in the risk assessment outlined a number of measures taken to reduce risk, including:

- only selling to known customers
- limit the total value a person can buy in one day, and
- adding physical features to cheques to reduce counterfeit risk.

While AUSTRAC encourages entities to be alert about unusual patterns with traveller's cheques, conducting enhanced customer due diligence may help the entity to decide whether lodgement of a suspicious matter report is required.

Vulnerabilities

AUSTRAC considers there to be a low level of ML/TF vulnerability associated with traveller's cheques. In determining this risk level, AUSTRAC had regard to a number of characteristics and uses of traveller's cheques that make them attractive for ML/TF purposes, including:

- types of customers
- the source of funds used to purchase the traveller's cheques
- the product features of the cheques
- the delivery channel used to provide traveller's cheque services
- foreign jurisdiction risk
- the use of cash in buying and cashing traveller's cheques
- the AML/CTF systems and controls implemented by the providers of traveller's cheques services, and
- operational vulnerabilities.

Consequences

AUSTRAC found the impact or harm that traveler cheque ML/TF activity may cause is low. This assessment was made on the basis of limited known criminal misuse of traveller's cheques and their declining popularity.

AUSTRAC found that whilst some individuals or businesses may suffer loss due to cheque fraud, the criminal misuse of cheques would not be likely to impact the Australian economy or national security.

Read the full risk assessment here: <http://www.austrac.gov.au/sites/default/files/travellers-cheques-risk-assessment.pdf>