PRACTITIONER PRESENTATION

AML/CTF Obligations for Law Firms & Lawyers

IN PAPUA NEW GUINEA

A practical, day-to-day guide to what you personally need to do under the Anti-Money Laundering and Counter Terrorist Financing Act 2015

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Why AML & CTF Matter for Lawyers

01

US$800bn – $2 trillion

Estimated to be laundered through the global economy every year (FATF)

02

“Very Highly Vulnerable”

PNG’s National Risk Assessment and Mutual Evaluation both rate the legal sector among the most exposed to money laundering

As a lawyer, you are treated internationally as a “gatekeeper” to the financial system. That means the law places specific duties directly on you — not only on your firm.

When Do These Obligations Apply to Your Work?

Your AML/CTF duties are triggered whenever you personally carry out one of these six activities for a client:

01 Buying or selling real estate

02 Managing client money, securities or other assets

03 Managing bank, savings or securities accounts

04 Organising contributions to create or run a company

05 Creating or managing companies or entities

06 Buying or selling businesses

Two Documents You Need to Know

You don’t need to write these — but you do need to follow them on every matter.

01

Risk Assessment

Sets the firm’s risk appetite and tells you which clients, matters and services need closer attention before you take them on.

02

AML/CTF Program

Your firm’s rulebook — the step-by-step procedures you must follow for Customer Due Diligence, reporting, record-keeping and training.

If your day-to-day practice doesn’t match the program, that’s a compliance gap — raise it with your Compliance Officer.

Know Your Compliance Officer

Every matter you handle sits under their oversight — know who they are and when to go to them.

01 Go to Them When...

- You're about to accept a higher-risk client or matter
- Something about a client or transaction concerns you
- A client refuses or can't provide the ID/documents you've asked for
- You're unsure whether a service falls within scope

02 What They Do For You

- Assess any suspicion you raise and decide on SMR filing
- Approve higher-risk clients or matters before you proceed
- Keep you updated on policies, training and FASU guidance
- Sole practitioner? You are your own Compliance Officer

What You Must Do Before Acting for a Client

Client Due Diligence (CDD) is required before you open a file, or before any one-off transaction of K20,000 or more.

01 IDENTIFY & VERIFY

Confirm that the client is using reliable, independent evidence — not just their word

02 BENEFICIAL OWNERS

Identify the real person(s) who ultimately own or control the client

03 UNDERSTAND PURPOSE

Understand why the client needs the service and the relationship's intended nature

04 MONITOR ONGOING

Keep watching the matter and update information as risk changes

Knowing a client personally is never a substitute for documented due diligence — even long standing clients need a file.

Red Flags: When to Apply Extra Scrutiny

Enhanced Due Diligence (EDD) is automatic for these client types:

- Politically Exposed Persons (PEPs) & close associates
- Clients based in high-risk countries
- Non face-to-face clients
- High-risk business activity

EDD means: extra evidence of source of funds/wealth, more background checks, sign-off from senior management, and closer ongoing monitoring

Red Flags: When to Apply Extra Scrutiny

Also watch for...

- Reluctance to provide requested information
- Funds inconsistent with the client's circumstances
- Requests to pay via unusual or third-party accounts
- Rushed, complex or unexplained transactions

An unexplained refusal to provide due diligence is itself a red flag — and may require a Suspicious Matter Report.

Your Personal Responsibilities: Records & Training

Records

- Keep CDD, correspondence and file notes so the matter could be reconstructed years later
- Store records in an easily retrievable format — paper, certified copy or electronic
- Retain for at least 7 years, even after the file closes
- Never keep SMR-related notes in the general client file

7 YEARS

Training

- Complete AML/CTF training as soon as you join the firm
- Attend refresher training at least once a year after that
- Covers red flags, internal procedures and how to report
- Keep your own note of dates and topics covered

ANNUAL

If You Suspect Something: How to Report

Your reporting duty is simple — escalate promptly and let your Compliance Officer take it from there.

You Notice — You Report

- You spot something unusual or suspicious about a client, matter or transaction
- Report it in writing to your Compliance Officer as soon as reasonably possible
- Once reported, your personal reporting duty is discharged

Your Compliance Officer Acts

- They assess the facts and decide whether it amounts to a suspicion
- If warranted, they file a formal SMR with FASU
- Deadline: within 5 working days of the suspicion first arising

Other reports — large cash transactions, sanctions matches — are filed by your Compliance Officer at firm level. Just flag anything unusual and let them handle the filing.

Report attempted transactions too — even if the client walked away or the deal never completed.

Tipping Off: What You Must Never Do

Once you've reported a suspicion — or if you have one — what you say next matters just as much.

Never...

- Tell the client they are under suspicion
- Reveal that a Suspicious Matter Report has been filed
- Discuss a report with anyone not authorised to know
- Assume seniority or friendship makes an exception — it applies to everyone

Penalties Under the Act

Individuals
K25,000 – K500,000 fine, or up to 3 years imprisonment

Corporate Firms
K500,000 – K1,000,000 fine

This applies to you personally, regardless of your role or seniority in the firm.

Your Day-to-Day Checklist

01 I’ve confirmed this matter falls within scope of the Act — or genuinely doesn’t

02 I’ve identified and verified my client, including any beneficial owners

03 I’ve assessed the risk and applied enhanced due diligence if any red flag is present

04 I know who my Compliance Officer is and how to reach them

05 I’m keeping proper file notes and CDD records for this matter

06 I’ve completed this year’s AML/CTF training

When in doubt, ask your Compliance Officer — it’s their job to help you get this right.

QUESTIONS + FOLLOW-UP

Thank you.

Financial Integrity and Compliance is everyone's responsilibilty.

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