



Financial Analysis and Supervision Unit

Sector Guidance for Real Estate Agents to Raise Awareness on Obligations under the *Anti-Money Laundering and Counter Terrorist Financing Act 2015* (No. 10 of 2025)

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Table of Acronyms

Act	Anti-Money Laundering / Countering Terrorist Financing Act 2015
ADPER	Asset of a Designated Person or Entity Report
AML/CTF	Anti-Money Laundering/Counter Terrorist Financing
CDD	Customer (or Client) Due Diligence
DNFBPs	Designated Non-Financial Businesses or Professions
ECDD	Enhanced Customer Due Diligence
FASU	Financial Analysis and Supervision Unit
FATF	Financial Action Task Force
ID	Identification
KYC	Know Your Customer (or Customer)
ML	Money Laundering
RBA	Risk-based Approach
SMR	Suspicious Matter Report
SSRB	Self-style Regulatory Body
TF/FT	Terrorist Financing/Financing of Terrorism
UNFSA	United Nations Financial Sanctions Act 2015

1. Key Concepts and Terms



A number of terms used in this Guidance are defined in Section 5 of the Act. Real estate agents must rely on the technical definitions of these terms as stipulated in the Act. Only for the purpose of assisting real estate agents in understanding their obligations, this Guidance provides a lay explanation of some of these key terms above.

- 1.1. **Beneficial Owner** in the context of **legal persons**, refers to the natural person(s) who ultimately owns¹ or controls², directly or indirectly, a customer and/or the natural person on whose behalf a transaction is being conducted. It also includes those natural persons who exercise ultimate effective control over a legal person. Only a natural person can be an ultimate beneficial owner, and more than one natural person can be the ultimate beneficial owner of a given legal person.

In the context of **legal arrangements**, beneficial owner includes: (i) the settlor(s); (ii) the trustee(s); (iii) the protector(s) (if any); (iv) each beneficiary, or where applicable, the class of beneficiaries and objects of a power; and (v) any other natural person(s) exercising ultimate effective control over the arrangement. In the case of a legal arrangement similar to an express trust, beneficial owner refers to the natural person(s) holding an equivalent position to those referred above. When the trustee and any other party to the legal arrangement is a legal person, the beneficial owner of that legal person should be identified.

- 1.2. **Customer (or client)** as defined in Section 5 of the Act means a customer, person³ or unincorporated entity for whom a real estate agent carries out a transaction; or with whom a real estate agent conducts a business relationship, and includes such people or entities who/that attempt to carry out a transaction or business relationship, as well as a new or existing client.
- 1.3. **Criminal property** adopts the same definition as the definition given in Section 508A of the *Criminal Code Act Chapter 262* as amended⁴, and means property that is, in whole or in part and whether directly or indirectly, derived from, obtained or used in connection with criminal conduct and includes any interest, dividends or other income on or value accruing from or generated by such property, regardless of who carried out the criminal conduct or who benefited from it.
- 1.4. **Customer Due Diligence (CDD)** is, at a minimum, the process of:
- a). identifying a customer and ensuring that they are who they claim to be, i.e. verifying the customer;

¹ "Owns" means ownership, either directly or indirectly, of 25% or more of a person or unincorporated entity.

² "Control" includes control as a result of, or by means of, trusts, agreements, arrangements, understandings and practices, whether or not having legal or equitable force and whether or not based on legal or equitable rights, and includes exercising control through the capacity to make decisions about financial and operating policies.

³ Person as defined under Section 5 of the Act means a natural person and a body corporate.

⁴ Amended by Section 2 of the *Criminal Code (Money Laundering and Terrorist Financing) (Amendment) Act 2015*.

- b). maintaining current and up to date information and records relating to the customer and (where relevant) their beneficial owners, and the nature and purpose of the business relationship, and the customer's commercial or personal activities; and
 - c). ensuring that transactions carried out on behalf of a customer are consistent with the financial institution's knowledge of the customer, the customer's commercial or personal activities and risk profile, and where necessary, the source of the funds.
- 1.5. **Financial Analysis and Supervision Unit (FASU)** is established under Section 61 of the Act whose functions are set out in Section 72(1)(2)(3) of the Act which are to:
- 1.5.1. carry out financial intelligence and analysis concerning suspected money laundering and associated predicate offences, terrorist financing and proceeds of crime;
 - 1.5.2. monitor and enforce compliance with the Act; and
 - 1.5.3. receive reports and information provided to it under PNG's proceeds of crime law and disseminate such reports and information in accordance with PNG's proceeds of crime law and the Act.
- 1.6. **Money Laundering (ML)** is the process of hiding the illegal origin of money and making it appear to come from legitimate sources. It usually happens in three stages: (1) Placement – putting the illegal money into the financial system, (2) Layering – moving it around through different transactions to hide its origin, and (3) Integration – bringing it back into the economy as “clean” money that appears to have come from a legitimate source.
- 1.7. **Politically Exposed Person (PEP)**, as defined in Section 5 of the Act, means a person who has been entrusted with prominent public functions in PNG or another country, and an immediate family member or close associate of that person.
- 1.8. **Proliferation Financing (PF)** is the act of providing funds or financial services which are used, whole or in part, for the manufacture, acquisition, possession, development, export, trans-shipment, brokering, transport, transfer, stockpiling or use of nuclear, chemical or biochemical weapons and their means of delivery and related materials (including both technologies and dual-use goods used for non-legitimate purposes), in contravention of national laws or, where applicable, international obligations.
- 1.9. **Record** means information recorded or retained in any form which can be accessed in or from PNG and which can be read or understood by a person, computer system or other device.
- 1.10. **Risk** occurs when a threat successfully takes advantage of a vulnerability to produce a consequence. Simply, risk in the context of money laundering (ML) and terrorist financing (TF) can be seen as a function of three factors: threat, vulnerability, and consequence.
- a). **threat** is a person or group, object or activity with the potential to cause harm to the state, society or the economy. In the context of ML/TF, 'threat' includes criminals, terrorist groups and their facilitators, their funds, as well as past, present and future ML or TF activities
 - b). **vulnerability** refers to those characteristics of a business that can be exploited by the threat or that may support or facilitate its activities. This includes features of a particular sector that can be exploited, such as customer types, products and services, delivery

channels and the foreign jurisdictions with which it deals. Vulnerability is also influenced by the AML/CTF systems and controls in place by the business

- c). **consequence** refers to the potential impact or harm that ML/TF activity may cause if it materialises and includes the effect of the underlying criminal activity or terrorist on a real estate agent and real estate agent's business or profession.
 - d). **likelihood** of a risk manifesting is based on the combined assessment of the **threat** to and **vulnerability** of real estate agents' business or profession to ML and TF activity.
- 1.11. **Risk Assessment** is the process of identifying, analysing and evaluating, and mitigating and managing risks.
- 1.12. **Terrorist Financing (TF)** is providing or collecting property to finance terrorist activities, individual terrorists or terrorist organisations.

2. Purpose and Scope of this Guidance



This Guidance intends to raise awareness and assist real estate agents understand their obligations under the Act and relevant international standards set by FATF. It is not legal advice, and as such, does not intend to replace the Act.

- 2.1. This Guidance is developed in accordance with Section 72(1)(b),(2)(b) of the *Anti-Money Laundering and Counter Terrorist Financing Act 2015* (hereinafter referred to as 'Act') to raise awareness of money laundering and terrorist financing and obligations on financial institutions (FIs) and designated non-financial businesses or professions (DNFBPs).
- 2.2. This Guidance applies specifically to real estate agents operating in PNG who engage in the provision of services to customers which involve transactions concerning the purchase or sale of real estate pursuant to Sections 5 and 52 of the Act.
- 2.3. This Guidance aims to enhance real estate agents' awareness, knowledge, and understanding of the following:
 - 2.3.1. their role in the fight against money laundering (ML) and terrorist financing (TF);
 - 2.3.2. their obligations under the Act;
 - 2.3.3. the ML and TF risks surrounding the real estate sector; and
 - 2.3.4. how real estate agents should identify and take practical measures to mitigate ML/TF risks.
- 2.4. This Guidance should be read in conjunction with the following FASU Guidance, which are available on the website of the Bank of PNG:
 - a). [*Guidance for Designated Non-Financial Businesses or Professions on their Obligations under the Anti-Money Laundering and Counter Terrorist Financing Act 2015 \(No. 2 of 2019\) \(issued on 20 May 2019\)*](#); and
 - b). [*Guidance on Supervision and Enforcement Powers of the Financial Analysis and Supervision Unit under the Anti-Money Laundering and Counter Terrorist Financing Act 2015 \(No. 3 of 2019\)*](#).
- 2.5. This Guidance is, therefore, meant to provide industry guidance, practical assistance, and a basis for real estate agents to effectively comply with their anti-money laundering and counter terrorist financing (AML/CTF) obligations. A one-size-fits-all approach will not work well for most reporting entities, including real estate agents. Instead, this guidance will help to increase real estate agents' awareness of ML/TF risks, and provides information on how to manage compliance.
- 2.6. Real estate agents should develop their own AML/CTF internal policies, procedures and controls tailored to their business/firm needs.

2.7. Some of the 'marks' used in the textboxes of this Guidance should be read as below:

<i>i</i>	Textbox in this format provides information to assist reporting entities understand their obligations and the provisions in the Act to which those obligations relate.
e.g.	Textbox in this format provides appropriate examples.
!	Textbox in this format stresses important information for reporting entities, including on penalties for non-compliance with obligations under the Act.

3. Money Laundering, Terrorist Financing and Real Estate Sector

3.1. Introduction

- 3.1.1. Governments and international bodies like the Financial Action Task Force (FATF) have seen criminals and terrorists taking advantage of businesses and organisations to further their criminal activities. It is estimated that anywhere between eight hundred billion (US\$800 billion) and two trillion dollars (US\$2 trillion) of illegal or criminal money gets into the world economy from criminal activities every year. As a result, international organisations have made several specific recommendations (the main ones generally referred to are [the FATF Recommendations](#)) that governments should adopt appropriate AML/CTF measures, which aim to prevent and tackle such criminal activity.
- 3.1.2. Many governments have implemented these recommendations into domestic law. In this regard the Government of PNG has approved the Act and issued other related Guidelines, including [Guidance for Designated Non-Financial Businesses or Professions on their Obligations under the Anti-Money Laundering and Counter Terrorist Financing Act 2015 \(No. 2 of 2019\) \(issued on 20 May 2019\)](#) (hereinafter, 'DNFBPs Guidance'). The Act and DNFBPs Guidance also specifically apply to real estate agents, as generally they are known to be targeted by money launderers and other criminals to further their illegal activity.
- 3.1.3. In addition to adopting the Act and the related Guidelines, the Government of PNG via the Act, has given FASU the mandate to monitor and enforce compliance by the registered entities, including real estate agents, with their obligations under the Act.

3.2. Who is a real estate agent?

- 3.2.1. For the purposes of this Guidance, a real estate agent refers to a natural or legal person who engages in the provision of services of to clients which involve transactions concerning the *purchase or sale of real estate* pursuant to Sections 5 and 52 of the [Anti-Money Laundering and Combating Terrorist Financing Act 2015](#) (hereinafter referred to as 'Act').
- 3.2.2. Real estate agents in PNG are required to comply with and implement certain requirements and obligations which are outlined in the Act, which are discussed in more detail in the later sections of this Guidance below.

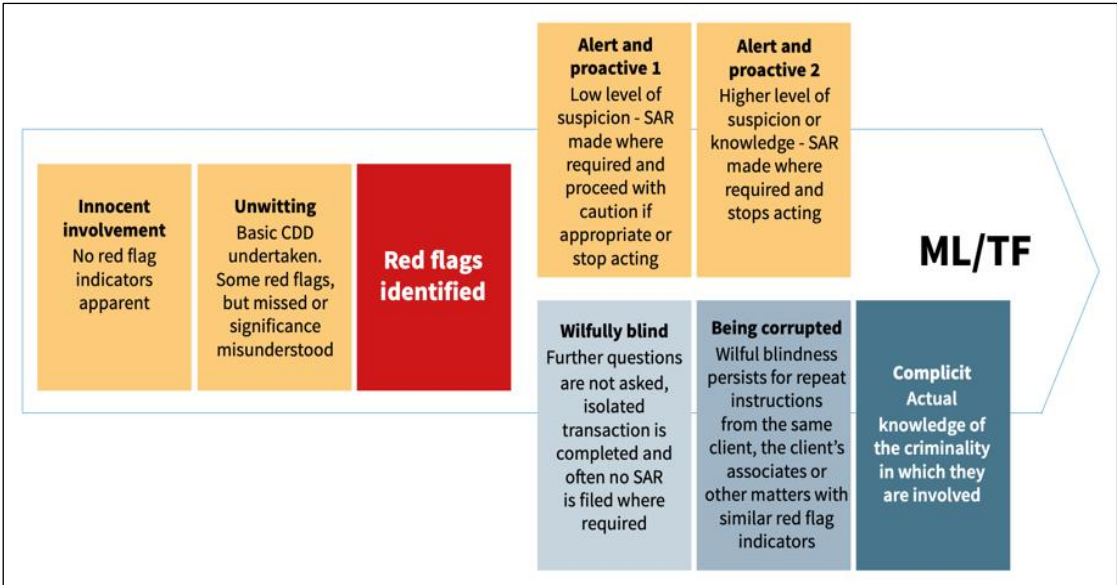
3.3. What does the AML/CTF regime has to do with the real estate agents?

- 3.3.1. The FATF in assessing risks and vulnerabilities determined that the real estate sector is susceptible to being used not only in the layering and integration stages of the ML process, but also as a means to disguise or conceal the origin of funds before placing said funds into the financial system.
- 3.3.2. The use of real estate for ML/TF purposes is well documented in several reports and case studies. Real estate is a high-value asset, and it is a reliable and profitable investment, especially for money launderers. Purchase of real estate is vulnerable to ML because:

- Using real estate agents for a property transaction can give the impression of respectability, legitimacy, or normality.
 - Purchase of real estate can be a way of moving large amounts of money without raising suspicion.
 - Beneficial ownership can be hidden using legal structures like trusts, nominees or companies.
 - Real estate is a speculative market where values can be difficult to assess, making it easy to under- or over-value to enable ML.
 - Real estate transactions provide access to various financial vehicles (such as loans) that can be used to launder funds.
 - Property can provide legitimate income to mix with illicit proceeds.
 - If the customer has criminal intentions, there would be a protective layer of other people between the customer and the transaction they are instructing.
 - Using real estate, money launderers can move large amounts of funds in a single transaction
 - The large number of real estate professionals also means that offenders can seek out a suitable person to target to facilitate laundering of their illegal proceeds either unwittingly or wittingly.
- 3.3.3. The FATF characterises real estate agents as “gatekeepers” because they “protect the gates of the financial system” through which potential users must pass in order for the users to obtain a level of legitimacy to their business. Gatekeepers have the ability to allow illicit funds into the financial system, whether knowingly or not. The term comprises of professional experts who provide various types of expertise to launderers, such as real estate agents, accountants, lawyers, gambling operators as well as trust and company service providers. The FATF has noted that gatekeepers are a common factor in complex ML schemes. FATF’s Recommendation 22 acknowledges the role that such gatekeepers can play by recommending that such professions have AML/CTF responsibilities when engaged in specific activities.
- 3.3.4. Real estate agents are often more customer-facing than other sectors and may have better oversight of their customers and transactions, which can help identify suspicious activity. For example, real estate agents will have some insight into whether a customer is suspiciously under- or over-valuing a property, which may indicate the movement of illicit funds. They can also see how short a period was where the customer held onto a property, which may indicate the property is being “flipped” to disguise the origin of the funds used to purchase it.
- 3.3.5. This Guidance also encourage real estate agents to develop an understanding of the ML/TF risks in the wider sectors and industries that they have business dealings with as well. The more people are attuned to the indicators (or red flags) of these crime types, the harder it will be for criminals to engage in and benefit financially from their activities.
- 3.3.6. Real estate agents must see AML/CTF policies and procedures as part of their operational business. This is important because the consequences of participating in ML or the financing of terrorism or failing to prevent one’s business from being used in furtherance of such activity,

are rather severe. When real estate agents lack ML/TF awareness, they are more at risk of inadvertently helping criminals.

Figure 1: Involvement of Real Estate Agents in ML



Source: International Bar Association, 2014⁵

⁵ International Bar Association (2014), *A Lawyer’s Guide to Detecting and Preventing Money Laundering* (October 2014), p. 25

4. AML/CTF Obligations and Requirements for Real Estate Agents

- 4A. The international recommendations, the Government of PNG, as well as the AML/CTF legislation all outline ways that are proven to help deter and detect instances of ML and TF. These all form the basis of real estate agent's AML/CTF obligations and the requirements which must be followed and implemented by real estate agents.
- 4B. To provide additional clarity, the key AML/CTF obligations for real estate agents are first summarised in this section. The Guidance will then cover each of these obligations in greater detail in the Sections 4 to 10.

4.1. Summary of Key Obligations for Real Estate Agents

- 4.1.1. As noted previously, if you are a real estate agent and performing the activities specified at paragraph 1.1 above, then based on the Act, you are a reporting entity and have to comply with the Act to prevent you or your firm from being abused by money launderers and financiers of terrorism to further their illegal activities. Real estate agents will not be excused from compliance with the Act on the basis that to comply would breach any contract or agreement.
- 4.1.2. These requirements are there because they have been proven to make it more difficult for and potentially stop money launderers and terrorists. Even in instances where money launderers and terrorists are not stopped, these steps often allow the authorities to become aware of illegal activity, investigate the criminals and eventually identify them. Following these steps will also help to protect you as a real estate agent, as it will show that you have taken the required steps to ensure that you are not involved in ML or TF.
- 4.1.3. As a real estate agent operating in PNG, the following are critical to meet your AML/CTF obligations:

4.1.3.1. Risk-based Compliance:

- The AML/CTF regime of PNG is developed on a 'risk-based approach'. This means that real estate agent's business must assess the risk it is exposed to for ML and TF. A real estate agent must then develop and implement adequate procedures, policies and controls to effectively manage the risks identified for your business/firm. These policies, procedures and control should protect the business and prevent it from being used as a tool for ML and TF. Compliance resources can then be targeted primarily at high-risk areas, which should reduce the overall compliance cost for real estate agent's business.
- A real estate agent is the best judge of the ML/TF risks its business is exposed to and how it can most effectively manage and mitigate those risks in line with the requirements of the Act.

4.1.3.2. Conducting Risk Assessment:

- To understand the ML/TF risk profile of your business, all reporting entities, including real estate agents, are required to conduct a risk assessment of their business and it must be in writing.
- The specific requirements on conducting your real estate agent's risk assessment (BWRA) are set out in Section 6 of the Act. Section 6 of this Guidance is dedicated to providing more guidance on conducting risk assessment by real estate agents.

4.1.3.3. Establishing AML/CTF Program:

- All reporting entities must put in place and maintain a written and effective AML/CTF program, which includes adequate policies, procedures and controls for detecting and preventing ML and TF. The specific requirements on internal policies, procedures and controls are set out in Section 7 of the Act.
- Real estate agents must appoint an AML/CTF Compliance Officer to administer and maintain real estate agent's AML/CTF compliance program. Section 5 of this Guidance is dedicated to providing more details on the appointment of a Compliance Officer.
- Real estate agents must regularly review their risk assessment and AML/CTF program to ensure that it remains up-to-date and effective to identify and mitigate any emerging risks.
- Real estate agents must also conduct an external audit of their risk assessment and AML/CTF program to ensure its compliance with the Act and related regulations. Recommendations for improvement suggested by the external auditor must be implemented.

4.1.3.4. Conducting Customer due diligence (CDD):

- Real estate agents must carry out adequate due diligence on new customers, their beneficial owners, as well as ongoing monitoring of existing customers and business relationships.
- The specific requirements on conducting customer due diligence are set out in Part 2 of the Act.
- Section 7 of this Guidance is dedicated to explaining real estate agents' customer due diligence (CDD) obligations.

4.1.3.5. Record Keeping:

- Real estate agents must maintain adequate records, including records of due diligence, transactions, financial transactions and suspicious transactions, for at least seven (7) years to comply with the Act.
- The specific requirements on record keeping are set out in Sections 47-49 of the Act. Section 8 of this Guidance is dedicated to explaining real estate agents' record keeping obligations.

4.1.3.6. Training and awareness:

- Real estate agents must provide adequate training and awareness on ML and TF obligations as well as their policies, procedures and controls in relation to these and maintain an on-going training program for themselves and all persons working in real estate agent's business/firm.
- The specific requirements on training are set out in Section 7(3)(f) of the Act. Section 9 of this Guidance is dedicated to explaining real estate agents' training obligations.

4.1.3.7. Suspicious Matter Reports (SMRs):

- SMRs are vital source of information available to the FASU. A SMR can indicate that suspicious criminal activity is occurring thorough a transaction, a service, or a series of transactions and/or services.
- Real estate agents must report a suspicious activity when they become aware of information that would objectively justify a suspicion (or by reasonable diligence would have become aware of them). It is not a defence that a real estate agent did not actually consider an activity suspicious in circumstances where it objectively should have.
- When a real estate agent has a suspicion of ML or TF, do not "tip-off". In other words, do not say anything about that suspicion to the person who is the subject of the suspicion or to anyone who might reveal to them that they are the subject of an investigation or that a SMR has been filed on them.
- The specific requirements on SMR are set out in Section 41 of the Act. Section 10 of this Guidance is dedicated to explaining real estate agents' obligations related to SARs.

4.2. Why do real estate agents have to fulfil these obligations and follow these requirements?

- 4.2.1. It is imperative that real estate agents fulfil these obligations because if a real estate agent fail to do so it can be subject to penalties for breach of the Act. Such failure can also cause reputational damage, not only to the real estate agent but to PNG as a whole.
- 4.2.2. Additionally, if a real estate agent can meet its obligations and can demonstrate that it follows all the requirements as provided by law, then in the event, you as a real estate agent, for some reason, becomes involved in a situation involving ML or TF, you may have a defence against prosecution.

What a real estate agent needs to do to comply

Step 1: Establish AML/CTF Compliance Program

Appoint a Compliance Officer – Section 8 Real estate agents must appoint a compliance officer who will have responsibility for administering and maintaining the AML/CTF Program. In the case of a sole practitioner, a real estate agent himself/herself would be the compliance officer.

Conduct Risk Assessment – Section 6 Real estate agents are required to undertake an assessment of the risks posed to their business by ML and TF. The risk assessment should be in writing.

Develop a risk-based AML/CTF Program – Section 7 Real estate agents' AML/CTF program must be based on their risk assessment and be in writing. It should include policies, procedures and controls for ensuring all compliance obligations are adequately and effectively met.

Step 2: Implement and Maintain an AML/CTF Compliance Program

Conduct Customer Due Diligence (CDD) – Sections 20 to 29 Real estate agents must perform CDD when conducting an occasional transaction or when establishing a business relationship with a customer. Real estate agents must also conduct CDD on an existing customer. There are three levels of CDD depending on context and according to the level of risk involved; simplified, standard and enhanced.

Keep records – Section 47 to 49 Real estate agents must keep records of transactions, suspicious activities, the documents verifying the identities of customers and other parties or beneficiaries, and any other related records are required by the supervisor. Records must be kept for at least seven (7) years.

Ongoing CDD or Ongoing monitoring – Section 17 Real estate agents are required to undertake ongoing CDD and monitoring of the business relationship. This is to ensure that real estate agents have continued confidence that the business relationship and the transactions within the relationship are consistent with the customer's business and risk profile. It also assists in spotting suspicious activity.

Step 3: Regular Review and Audit

Review risk assessment and AML/CTF program – Section 9 Real estate agents must conduct a regular review of their risk assessment and AML/CTF program and it must be documented. This is to ensure that any business changes or new risks in the operating environment are covered and real estate agent's AML/CTF Program remains fit for purpose.

External audit of risk assessment and AML/CTF program – Sections 9 - 12 Real estate agents must conduct a regular external audit of their risk assessment and AML/CTF program to ensure that it is in compliance with the Act and related guidance.

Step 4: Report to the FASU

Report to the FASU – Section 39 to 41 When a real estate agent identifies a suspicious activity, it must report it to FASU. Suspicion is objective not subjective. Real estate agents must also submit prescribed cash transaction reports to FASU, as prescribed under Section 39 of the Act. Additionally, real estate agents are also required to assets of designated person or entity to FASU under Section 40 of the Act.

5. Appointing an AML/CTF Compliance Officer

5.1. Who is a compliance officer and what are his/her duties and obligations?

- 5.1.1. Real estate agents must appoint an AML/CTF compliance officer who must have direct access to the senior management. The compliance officer is responsible for ensuring AML/CTF compliance by employees and is the one who implements the AML/CTF requirements, including those mentioned above.
- 5.1.2. However, if a real estate agent is a sole practitioner (i.e., a self-employed real estate agent) with no employees, real estate agent must himself/herself be the compliance officer.
- 5.1.3. The compliance officer should be responsible for:
 - 5.1.3.1. establishing and maintaining adequate internal policies, procedures, processes and control of the business/firm in accordance with the AML/CTF legislation and regulations;
 - 5.1.3.2. implementing fit and proper procedures when hiring new employees that perform AML/CFT duties and employees as well as employees at senior positions, as well as procedures for the verification of existing employees, which set standards for ensuring ethical and moral integrity and their professional abilities to ensure their integrity;
 - 5.1.3.3. ensuring AML/CTF compliance by employees and implements adequate compliance management policies, procedures, and controls to deter and detect ML and TF;
 - 5.1.3.4. making annual reports to senior management concerning level of compliance adherence to policies, procedures, processes and controls;
 - 5.1.3.5. carrying out risk assessment of the business;
 - 5.1.3.6. ensuring that employees are properly trained on and aware of issues, legislation and internal policies, procedures and processes relating to AML/CTF;
 - 5.1.3.7. being the first point of contact regarding AML/CTF matters and communicating and liaising with the FASU and other competent authorities on behalf of the business;
 - 5.1.3.8. reporting threshold cash transactions and suspicious matters to FASU;
 - 5.1.3.9. maintaining a register of SMRs and inquiries from the FASU.
- 5.1.4. Additionally, the compliance officer is the person to whom any suspicions of ML or TF activity must be reported within the business. The compliance officer is also responsible for investigating and asking appropriate questions to determine whether internally reported unusual or suspicious activity rises to a suspicion of ML or TF that should be reported to the FASU.
- 5.1.5. It is not obligatory that the compliance officer pass on to the FASU all internal suspicious alerts or reports that the compliance officer receives. Prior to filing a SMR with the FASU, the compliance officer should analyse every suspicious report they receive internally and apply judgment based on the facts, the statutory obligations, current policies and internal controls

regarding the AML/CTF obligations of real estate agents, to determine if an internally reported suspicion should result in a SMR filing to the FASU. There may be instances, where after investigation, the compliance officer finds that there were reasonable explanations for what at first appeared to be suspicious activity, and therefore decides that a SMR to the FASU is not required. In these instances, the compliance officer should document the analysis and investigation they did and make a note as to why they believe they are justified in not making a report to the FASU.

- 5.1.6. However, it is important to know that if the compliance officer in analysing the internal suspicion is uncertain that the report amounts to suspicious activity, a SMR filing should be made to the FASU.
- 5.1.7. Moreover, the compliance officer liaises with and corresponds with the FASU and responds to any requests for information, data and documents that the FASU may make regarding the activities of the business/firm.

5.2. What are the considerations when appointing a compliance officer?

- 5.2.1. When appointing a compliance officer, a real estate agent must ensure that the compliance officer understands its activities and customers. The person must have a sufficient knowledge of the requirements of the Act and related regulations.
- 5.2.2. Due to the serious nature of ML and terrorist financing and the consequences of not following the legislation or accidentally becoming involved in ML or TF, the person appointed as compliance officer, must have the following:
 - 5.2.2.1. sufficient seniority to take decisions affecting the business/firm's risk exposure, meaning that the person appointed must be at a senior management level and is fit and proper⁶ for the position and capable of fulfilling the role;
 - 5.2.2.2. appropriate qualifications and experience in accordance with DNFBPs Guidance requirements;
 - 5.2.2.3. sufficient knowledge and understanding of AML/CTF-related matters and the AML/CTF legal and regulatory framework of PNG;
 - 5.2.2.4. fulfils fit and proper criteria issued by FASU; and
 - 5.2.2.5. independence in the performance of his or her duties and not subject to any undue internal or external influence or pressure.
- 5.2.3. The compliance officer should also be able to directly communicate with the Board of Directors or the business's management, as well as FASU and must have sufficient time and resources to fulfil his or her obligations. The compliance officer is not required in all cases to be a member of the Board of Directors.
- 5.2.4. The compliance officer must be given access to relevant information concerning the business/firm's customers, representatives of customers, business relationships, transactions

⁶ In terms of accessing the appointed compliance officer, 'Fit or fitness' refers to competence, experience and/or capacity whilst proper or propriety refers to integrity, honesty and overall suitability of the individual. The fit and proper assessment is necessary to ensure robust corporate governance and to prevent financial instability.

and details of such transactions which a business/firm enters into, or considers entering into, with or for a customer.

5.3. What happens if real estate agent lose real estate agent's compliance officer?

- 5.3.1. If a real estate agent's compliance officer permanently leaves the business or for some reason stops holding the position of a compliance officer, a real estate agent shall appoint a suitable interim officer to assume the responsibilities of the compliance officer until a new compliance officer is being recruited.

6. Conducting Risk Assessment



The Act sets out the obligations on risk assessment and establishing AML/CTF program for financial institutions under Part II (Division I) Section 6-7, which also applied to DNFBPs, including real estate agents.

- 6A. A key element of being able to forestall and prevent ML and TF is assessing your risk exposure to the same.
- 6B. This means looking at your business, its activities, objectives, services provided, customers and transactions and considering what level of risk they may pose to ML or TF. This will often be determined as High, Medium or Low risk.
- 6C. The risk level will in turn help you to determine the level of internal controls you need to put in place to manage and mitigate the risks posed. Real estate agent's AML/CTF program must be established, implemented and maintained, based on its risk assessment.
- 6D. Where there are higher risks, enhanced measures should be taken to manage and mitigate those risks. The range, degree, frequency or intensity of preventive measures and controls conducted should be stronger in higher risk scenarios. However, where the ML or TF risk is assessed as lower, the degree, frequency and/or the intensity of the controls conducted will be relatively lighter. Where risk is assessed at a normal level, the standard AML/CTF controls should apply as usual.
- 6E. Assessing risks requires a real estate agent to have a sound understanding of the ML or TF risks in general and those applicable to your sector. A real estate agent should also be able to exercise a good professional judgment. Above all, real estate agents should recognise the importance of a culture of compliance across their business/firm and ensure sufficient resources are devoted to its implementation, appropriate to the size, scale and activities of their business/firm. This requires the allocation of necessary resources to gather and interpret information on ML or TF risks, both at the country and institutional levels, and to develop procedures and systems.
- 6F. In addition to assessing the overall risks your business/firm may be exposed to when it comes to ML and TF, a real estate agent must also undertake a risk assessment of every customer. Further details on this are provided in Section 6 on CDD. This section focuses solely on the overall risks a real estate agent may face.
- 6G. The risk assessment must be developed in writing and stored electronically. The documented risk assessment should be made accessible to Board, senior management and all employees of the real estate agent.
- 6H. When conducting the business-wide risk assessment (BWRA),⁷ the following risk factors should be taken into consideration:

⁷ A sample of a risk assessment is attached as **Appendix A** to FASU's *Guidance for Designated Non-Financial Businesses or Professions (DNFBPs) on their Obligations under the Anti-Money Laundering and Counter Terrorist Financing Act 2015 (No. 2 of 2019)*.

- a. Customer risks
- b. Activities/services and Transaction risks
- c. Geographical risk
- d. Delivery channel risk

6.1. Customer Risks

- 6.1.1. There are a number of issues that may point to a high-risk customer, such as:
 - 6.1.1.1. Reluctance to provide relevant information or you are having reasonable grounds to suspect that the information provided is incorrect or insufficient;
 - 6.1.1.2. Where a considerable part of their business or affiliations are in countries that may pose higher geographic risk;
 - 6.1.1.3. The structure or nature of the company or relationship makes it difficult to identify the true beneficial owner or controlling interests, or customers attempting to obscure understanding of their business, ownership or the nature of their transactions;
 - 6.1.1.4. Politically exposed persons (PEPs) and/or their family members and close associates;
 - 6.1.1.5. Customers who have funds that are clearly and inexplicably disproportionate to their circumstances (e.g., their income, wealth or occupation); and
 - 6.1.1.6. Titling a residential property or business venture in the name of a third party (e.g., a friend, relative, business associate or another agent).
- 6.1.2. Some questions that a real estate agent should consider for determining customer risks are as follows:
 - 6.1.2.1. Who are your customers? Are they high risk?
 - 6.1.2.2. Are your customer, individuals or companies? If they are companies, do you know who owns or controls the companies?
 - 6.1.2.3. If your customers are companies, are they regulated and required to follow the same or similar Act and regulations?
 - 6.1.2.4. Do your customers live locally or overseas?
 - 6.1.2.5. How well do you know them? Do you know them personally or are they complete strangers?
 - 6.1.2.6. Do you transact your business with them face-to-face or non-face to face (by correspondence, over the phone or by internet)?
 - 6.1.2.7. Can you easily verify the information they have given you either because of personal knowledge or reliable documentation or information?
 - 6.1.2.8. Are any of your customers or have any of your customers been previously suspected of illegal/criminal activity?

6.2. Activities/Services and Transactions Risks

- 6.2.1. The context of the services being offered and delivered is fundamental to assessing risk exposure as some services/business activities will carry a higher risk of ML/TF. When determining the risks associated with the provision of services related to specific activities, consideration and appropriate weight should be given to the following:

- 6.2.1.1. Payments received from un-associated or unknown third parties and payments in cash where this would not be a typical method of payment;
 - 6.2.1.2. Nature of transaction; for instance, whether it is an overseas purchase or involves commercial or residential real estate;
 - 6.2.1.3. Transfer of real estate or other high valued goods or assets between parties in a time period that is unusually short for similar transactions with no apparent legal, tax, business, economic or other legitimate reason;
 - 6.2.1.4. Administrative arrangements concerning estates where the deceased was known to the real estate agent as being a person who had been convicted of proceeds generating crimes; and
 - 6.2.1.5. Any other activities which demonstrate suspicious behaviour and do not make professional or commercial sense based on the industry norms and the normal course of business.
- 6.2.2. Some questions that a real estate agent should consider for determining business activities and services risks are as follows:
- 6.2.2.1. What business activities and services does your business/firm offer?
 - 6.2.2.2. Do these business activities and services carry a higher risk of abuse for the purposes of ML or TF?
 - 6.2.2.3. Do you often deal with customers who deal in large amounts of cash?
 - 6.2.2.4. Are there any complex or unusual transactions occurring?
 - 6.2.2.5. Does payment for your services come from regulated financial institutions such as banks who themselves are legally required to conduct money laundering and terrorist financing checks?
 - 6.2.2.6. Do the services you offer allow you to know your customer or are there layers of anonymity where you may not be sure with whom you are doing business or from where the money you are receiving is coming?

6.3. Geographical risks

- 6.3.1. Geographical risks of ML and TF financing may arise in a variety of circumstances, including from the domicile of the customer, the location of the transaction, or the source of funds or wealth.
- 6.3.2. Countries with AML/CTF regimes that fall below acceptable standards may be regarded as high risk. Countries which support terrorist activities or are known for significant political corruption are also high risk.
- 6.3.3. As a real estate agent, you should be careful when doing business with persons from countries where, for instance, it is believed that there is a high level of drug trafficking or corruption, and greater care may be needed in establishing and maintaining the relationship or accepting business from such countries. A real estate agent may also need to put in place additional controls to manage the extra risk the relationship or transaction carries. As a real estate agent, you should observe the Public Statements issued by the FATF as it relates to business relationships and transactions with natural and legal persons, from listed countries and to observe the list of countries published, which lists countries that are non-compliant or do not sufficiently comply with FATF recommendations. For more details on how to identify high-

risk jurisdictions, refer to FASU's [Guidance for Reporting Entities to Raise Awareness on High-Risk Jurisdictions under the Anti-Money Laundering and Counter Terrorist Financing Act 2015 \(No. 4 of 2025\)](#).

- 6.3.4. Real estate agents should therefore have regard to where a transaction or request for their services originated.
- 6.3.5. Some questions that a real estate agent should consider to determining country or jurisdiction risks are as follows:
 - 6.3.5.1. Do you do business with customers who reside in or whose money comes from high risk or sanctioned countries?
 - 6.3.5.2. Do the countries where you do business follow and implement international rules and standards adopted to fight money laundering and terrorist financing?
 - 6.3.5.3. Are there high levels of corruption and criminal activity in those countries?

6.4. Delivery Channel Risks

- 6.4.1. As a part of delivery channel risk, a real estate agent should assess how its business/firm delivers its services. Some questions that a real estate agent should consider include:
 - 6.4.1.1. The proportion and characteristics of customers you do not meet face-to-face;
 - 6.4.1.2. How many of your matters rely on indirect contact with your customer (e.g., via a representative or agent) rather than holding a direct relationship with the customer;
 - 6.4.1.3. How much of your activity is delivered online or via any other channel that may facilitate anonymity; and
 - 6.4.1.4. The methods used to undertake identification and verification and general due diligence requirements.

6.5. Mitigating risk

- 6.5.1. Real estate agents should implement appropriate measures and controls to mitigate the potential money laundering or terrorist financing risks for those customers that, as a result of the risk assessment, are determined to be higher risk. These measures should be tailored to the specific risks faced, to ensure the risk is adequately addressed. Paramount to these measures is the requirement for real estate agents and appropriate employees to be adequately trained to identify and detect relevant changes in customer activity by reference to risk-based criteria.
- 6.5.2. The presence of a single risk factor, or even multiple factors, does not necessarily mean that the customer is engaging in money laundering or terrorist financing activities. Real estate agents should be familiar with these risk factors, and exercise sound judgment based on their knowledge of the relevant industry, and when a combination of these factors truly raises a red flag, you should know the proper action to take.
- 6.5.3. In light of this, it is important that real estate agents develop a sound risk management and mitigation policy that you will follow in all relevant transactions. This policy should document

what customer information is required to facilitate a transaction. It should also set out in what circumstances business should be refused.

6.6. External audit of risk assessment and AML/CTF Program

- 6.6.1. To assess the effectiveness of your risk assessment and AML/CTF program on a periodic basis, you must engage an external auditor, as required under the Act.
- 6.6.2. The frequency of conducting an external audit of your risk assessment and AML/CTF program varies from firm-to-firm, depending on the risks faced by your firm/practice.
- 6.6.3. FASU, by written notice, may also require a real estate agent to engage an external auditor to conduct an audit of its risk assessment and AML/CTF program. The written notice will specify the matters to be covered by the audit, the form of audit report, and the timeframe to provide the audit report to FASU.

7. CDD Measures: Identifying, Verifying and Monitoring Customers



The Act sets out the obligations on risk assessment and establishing AML/CTF program for financial institutions under Part II (Division 1) Section 6-7, which also applied to DNFBPs, including real estate agents.

- 7A. The Act requires that DNFBPs, which include real estate agents, to apply a minimum standard of Customer Due Diligence (CDD) to all business relationships when undertaking the relevant business. For real estate agents, this means when undertaking the services described in paragraph 1.1 above of this Guidance.
- 7B. A risk-based approach (RBA) should be applied to determine the extent of additional CDD measures commensurate with the level of risk posed by the customer type, business relationship, transaction or product.
- 7C. CDD measures should allow real estate agents, to establish with reasonable certainty the true identity of each of real estate agent's customers.
- 7D. CDD is a crucial element in the role a real estate agent can play in helping to identify and combat money laundering and terrorist financing. Knowing your customer does not mean knowing your customer's name and address. This can only be satisfied by understanding the customer's business and his or her desired relationship with real estate agent's professional service.
- 7E. Real estate agents must apply each of the following CDD measures:
 - Identification and verification of the customer's identity;
 - Identification of the beneficial owner(s) of your customer and taking reasonable measures to verify the identity of beneficial owner(s);
 - Understanding the purpose and intended nature of the business relationship; and
 - Conducting on-going due diligence and monitoring of the business relationship.
- 7F. CDD measures should also be applied to verify the identity of any person purporting to act on behalf of the customer, including if that person is authorised to do so.

7.1. What is customer due diligence?

- 7.1.1. CDD simply means **identifying** the persons with whom a real estate agent undertakes business/transactions with and **verifying** their identity.
- 7.1.2. **Identifying** real estate agent's customers entail having some information about them, including their beneficial owners, that lets you know and understand who they are.
- 7.1.3. **Verifying** their identity, including identity of beneficial owners, means gathering information and evidence that proves that the information they have provided is true and correct.

- 7.1.4. Remember, the purpose of the Act is to ensure that neither a real estate agent nor a real estate agent's firm/business inadvertently engage in or assist with ML or TF. Identifying who real estate agents are dealing with, verifying their identity by getting documents or evidence to confirm who they are, where they live and where their funds come from, are measures that protect real estate agents and reduces their risk of being involved in money laundering and terrorist financing. This is an incredibly important step in the fight against money laundering and terrorist financing as persons may try to hide their true identity – therefore, as a real estate agent, you must take the necessary steps to establish who your customer actually is.
- 7.1.5. While real estate agents may be able to obtain the CDD directly by asking the customers to supply the required information, the law also assists real estate agents, and allows them to use reliable evidence as well as independent sources of documents, data or information to identify and verify this information. Therefore, a real estate agent have several options and means to be able to collect the due diligence it needs and to meet the legal obligations.

7.2. Undertaking customer risk assessments

- 7.2.1. Before a real estate agent can undertake any type of due diligence on a customer it must first undertake a customer risk assessment.
- 7.2.2. The purpose of the customer risk assessment is to determine the existence of any risks – with the customer or even with that business relationship. This will help a real estate agent to identify what type of due diligence it needs to undertake and the extent of the information needed to seek and determine how best to manage any specific risks that may arise.
- 7.2.3. The key requirement being to ensure that there is, at all times, compliance with the AML/CTF requirements.
- 7.2.4. Risks come from a variety of factors and from different variables. In considering a customer, real estate agents should consider the potential ML or TF risk that customer poses. A real estate agent need to consider, for instance:
- 7.2.4.1. what the customer does and its business profile;
 - 7.2.4.2. whether the structure, complexity or nature of the customer entity or relationship makes it difficult to identify the true beneficial owner or any controlling interests;
 - 7.2.4.3. whether the customer appears to be attempting to obscure understanding of their business, ownership or the nature of their activities;
 - 7.2.4.4. whether the instruction from the customer is channelled through a third party and there is a lack of direct interaction with the customer;
 - 7.2.4.5. whether the customer is based in a jurisdiction which carries a high risk of money laundering or terrorist financing;
 - 7.2.4.6. whether the customer is considered a PEP; etc.
- 7.2.5. There is no exhaustive list of factors to be considered for assessing customer risk, real estate agents should therefore look at their business/firm's risk profile and what kinds of risks they are likely to face – a real estate agent should then use these to form the basis of its customer risk assessment, which will guide a real estate agent in what due diligence to undertake.

7.3. On whom should I carry out CDD?

7.3.1. Real estate agents must conduct CDD on:

7.3.1.1. their customer

7.3.1.2. Any beneficial owner of their customer

7.3.1.3. Any person acting on behalf of their customer.

7.3.2. Real estate agent's customer

7.3.2.1. For real estate agents, the customer is the person entering into an agency agreement with the real estate agent. Usually, the customer will be the seller of a property, although sometimes a real estate agent might be engaged by a buyer to source a property (in which case, the buyer would be the customer). If a real estate agent is acting as an intermediary in the letting of immovable property, its customer may also be the lessee or lessor of the immovable property, depending on which side a real estate agent is acting as an intermediary.

7.3.2.2. Real estate agents do not need to conduct CDD on a party to a real estate transaction that is not their customer, unless they conduct an occasional transaction with a real estate agent. See the 'Occasional customers' section for more information on occasional transactions.

Example

When selling a house for a customer (who signs an agency agreement with a real estate agent), a real estate agent must comply with the requirements of the Act in relation to that customer. In addition, if the purchaser of the house pays a real estate agent funds (whether as a deposit or a settlement payment) of K1,000,000 or more in physical cash or by cheque, a real estate agent must also comply with the Act in relation to the purchaser (who is conducting an occasional transaction with a real estate agent).

7.3.3. Existing Customers

7.3.3.1. The term "existing customer" means a person who is already in business relationship with a real estate agent.

7.3.3.2. Real estate agents must conduct CDD on existing customers based on evidence, facts and risk of their ML/TF risk exposure, including when there has been a material change in the nature or purpose of the business relationship with that customer, and a real estate agent have insufficient information about that customer.

7.3.3.3. A material change is an event, activity or situation that a real estate agent identifies that could change the level of ML/ TF risk it may encounter. This change in risk may require gathering more information. When considering what information would be sufficient, a real estate agent will need to assess the level of risk involved, and whether it holds the necessary identity information, verified to the appropriate level.

A real estate agent should not conduct any covered activity until these requirements are met (also see “[Monitoring and Ongoing CDD](#)” further on in this section).

- 7.3.3.4. A few examples of material change include, for instance, changes in the ownership structure of a company which is real estate agent’s customer, or real estate agent’s individual customer has now become a PEP, or real estate agent’s existing customer has received funds to purchase property from overseas which does not align with customer profile etc.

7.3.4. Occasional Customers

- 7.3.4.1. When a person conducts an occasional transaction through your business/firm, a real estate agent has to comply with the requirements of the Act (including submitting SMRs) in relation to that person.
- 7.3.4.2. Occasional transaction threshold, as provided in the Act, is K20,000 when a reporting entity has to carry out CDD. Note that one situation in which an occasional transaction occurs is if a real estate agent receives funds from a party to a real estate transaction that is not a real estate agent’s customer of K20,000 or more in a single transaction or multiple transactions linked together.

Other persons real estate agent must conduct CDD on

Real estate agent must also complete CDD on:	For example:
1. Any beneficial owner of a customer	An individual who owns or controls 25% or more of shares/equity shares or ownership interests in a company that is a real estate agent’s customer. An individual who has ultimate effective control of a company that is a real estate agent’s customer.
2. Any person acting on behalf of a customer	A person exercising a power of attorney for a real estate agent’s customer. A legal guardian acting on behalf of a minor who is a real estate agent’s customer. An employee who has the authority to act on behalf of a company that is a real estate agent’s customer.

7.4. When should I carry out CDD?

- 7.4.1. Real estate agents should undertake CDD **at the time of** establishing a business relationship **or before** effecting an occasional transaction which involves funds equal to or above K20,000.000 either as a single transaction or multiple transactions linked together.
- 7.4.2. Additionally, real estate agents must also undertake CDD:
- 7.4.2.1. when there is a suspicion of money laundering or terrorist financing, regardless of whether or not the threshold is met or whether or not the risk rating is low;

- 7.4.2.2. when there are doubts about the integrity or adequacy of previously obtained due diligence data; and
 - 7.4.2.3. when the risk rating of any business relationship changes and presents a higher risk than it did before, for example, from low to medium or medium to high (in the latter case of high risk, ECDD should be applied).
- 7.4.3. Since a review of the information provided during the due diligence process is what often triggers a suspicion of money laundering or terrorist financing, should a suspicion of money laundering or terrorist financing arise during that process, a real estate agent should refuse to engage in services with the potential customer, so that it does not handle potentially illegal or criminal funds and so that it don't accidentally become involved in money laundering or terrorist financing. At this stage, a real estate agent should also consider whether a SMR should be filed with the FASU (further details of this are provided below).

7.5. What information must I collect and keep?

- 7.5.1. Real estate agents must collect (and keep) due diligence on all their customers that requires them to engage in the activities or transactions related to sale or purchase of real estate.

7.5.2. Individuals

- 7.5.2.1. Real estate agents should obtain relevant information on the identity of their individual customers and seek to verify the relevant information on a risk sensitive basis, through the use of reliable, independent source documents, data or information to prove to their satisfaction that the individual is who that individual claims to be; and that they are their actual customer. The relevant information should include:
 - 7.5.2.1.1. Full legal name;
 - 7.5.2.1.2. Date of birth;
 - 7.5.2.1.3. Place of birth;
 - 7.5.2.1.4. Nationality;
 - 7.5.2.1.5. Residential address;
 - 7.5.2.1.6. Contact details (telephone number, email address);
 - 7.5.2.1.7. Occupation;
 - 7.5.2.1.8. Place of business or employment; and
 - 7.5.2.1.9. Purpose of business.

7.5.3. Corporate Customers (Companies)

- 7.5.3.1. Where the customer is a **corporate customer/company**, the relevant information should include:
 - 7.5.3.1.1. Full name of the company;
 - 7.5.3.1.2. Company address (principal place of business);
 - 7.5.3.1.3. Type of business the company engages in;
 - 7.5.3.1.4. Company registration/identification number;
 - 7.5.3.1.5. Date and place of incorporation, registration or formation;
 - 7.5.3.1.6. The address of the registered office in the country of incorporation;

- 7.5.3.1.7. If applicable, the address of the registered agent of the company to whom any correspondence may be sent;
 - 7.5.3.1.8. Details of the identity of each director of the company, and any persons who are beneficial owners of the company; and
 - 7.5.3.1.9. Recent financial information or audited statements, depending on the nature of the transaction.
- 7.5.3.2. Additionally, a real estate agent may obtain any other information deemed appropriate. For instance, a real estate agent may also request the financial statements of parent or affiliate companies or seek evidence that the company is not in the process of being dissolved or wound-up. A real estate agent should request this information, particularly for non-resident companies, where the corporate customer has no known track record, or it relies on established affiliates for funding.

7.5.4. Trusts/Foundation/Non-Profit Organisation

- 7.5.4.1. Trust business is typically regarded as inherently risky because of the confidentiality associated with these structures. Where the customer is **a trust or a foundation or non-profit organisation**, the following relevant information should be obtained:
- 7.5.4.1.1. Name of the trust/foundation/NPO;
 - 7.5.4.1.2. The date and country of establishment;
 - 7.5.4.1.3. The nature and purpose of the trust/foundation/NPO;
 - 7.5.4.1.4. Information on any persons appointed as trustees, settlors or protectors or similar person holding power to appoint or remove the trustee and where possible the names or classes of beneficiaries;
 - 7.5.4.1.5. Information of person(s) with powers to add beneficiaries, where applicable;
 - 7.5.4.1.6. Information on the person providing the funds, if not the ultimate settlor; and
 - 7.5.4.1.7. If there is an acting agent, their name and address.
- 7.5.4.2. Ongoing due diligence should be applied in the context of changes in any of the parties to the trust, revision of the trust, addition of funds, investment of trust funds or distribution of trust assets/provision of benefits out of trust assets.
- 7.5.4.3. Please note that the above lists are not exhaustive, and a real estate agent should request any other information considered appropriate and reasonable as further proof of identity based on the circumstances. The requirements placed within the Act and DNFBPs Instructions set a minimum standard for acting in these cases. If a real estate agent is of the view, based on the circumstances of its customer, transaction or matter, that additional information must be sought in order to manage any risks, a real estate agent should seek and record that information.

7.6. Verifying Identity

- 7.6.1. Verifying identity effectively means confirming that the persons are who they claim to be and that the information they have provided to a real estate agent is correct. It means having in

place documentary evidence which supports and corroborates the due diligence information that the persons have given a real estate agent.

- 7.6.2. The documentary evidence of identity can take a number of forms and can come from a number of sources. For example, to verify a person's identity, a real estate agent may ask for a copy of their passport, which will include their details. Similarly, to verify a company's details, a real estate agent may ask to see company documentation, which would show this.
- 7.6.3. The type of documentary evidence that is acceptable will be dependent on the persons a real estate agent is dealing with as well as the level of risk it determines they pose. The type of documentary evidence to be collected will differ depending on whether the person is an individual, a company, or a trust, foundation or an NPO (see [Box 1](#)). Real estate agents may also use the CDD checklist in annexure 2 to do impromptu CDD and risk analysis of the customer.

Box 1: Example of Verification Documents for Different Types of Customers

Type of Customers	Examples of Verifications Documents
1. Individuals or legal representatives	<p>For residents: ID (Identification Card), Passport within the expiration date;</p> <p>For non-resident individuals: Passport, within the expiration date;</p> <p>Other documents include: Certificates issued by Civil Status Offices; Driving license; Entry or residence permit for foreigners; Workbook or employment contract; Apartment purchase/rent contract; Contracts with service operators, such as landline, mobile phone, water, electricity, etc.; Proof of residence issued by local authorities;</p>
2. Natural or legal persons who develop profitable activities	<p>For resident companies: Statute; Act of establishment; Extracts issued by Investment Promotion Authority; Taxable Person Registration Certificate;</p> <p>For non-resident companies: Documentation proving the registration of the foreign company in the country of residence (Court decision or extract from the commercial register); the statute of the company; Identification document of authorized persons;</p> <p>Other documents include: Certificate of Registration of the taxable person; Permits/licenses to exercise the activity; Purchase/lease contract of headquarters and place of activity</p>
3. For legal arrangements and legal entities that do not develop profitable activities	<p>For both residents and non-residents: Act of establishment; Trust deed; Statute; registration certificate with IPA; Taxable Person Registration Certificate;</p> <p>Other documents include: Permits/licenses to exercise the activity; Purchase/lease contract of headquarters and place of activity</p>

- 7.6.4. The key thing to always remember is that it is not sufficient for a real estate agent to rely on a customer's claim that they are who they say they are. Verification of that information **must** take place through valid original documents or notarised photocopies.

7.7. Do I have to conduct the same level of due diligence on all my customers?

- 7.7.1. There are three levels of CDD. Real estate agents will need to be make sure they use the right level, which will depend on the unique factors of each business relationship, the characteristics of the customer(s), the nature of activities and transactions they are facilitating, and the potential for ML/TF risk. The three levels are:
- 7.7.1.1. **Standard CDD** – for most situations
 - 7.7.1.2. **Simplified CDD** – for use with specific customers or customer types that are considered to be low risk for ML/TF.
 - 7.7.1.3. **Enhanced CDD** – for use when there are factors creating a higher level of ML/TF risk or are otherwise specified in the Act.
- 7.7.2. Regardless of the level of CDD a real estate agent is conducting on its customer, it must seek information about the nature and purpose of the proposed business relationship or occasional transaction or activity. This means a real estate agent needs to have a good understanding of its customer's circumstances and intentions and who else has an interest in their activities; that is, who else benefits.

7.8. What is Standard CDD?

- 7.8.1. Real estate agents must conduct **standard CDD** if:
- 7.8.1.1. They establish a business relationship with a new customer
 - 7.8.1.2. A customer seeks to conduct an occasional transaction or activity through the real estate agency in the amount equal to or more than K20,000 in a single transaction or series of linked transactions, or
 - 7.8.1.3. In relation to an existing customer, and according to the level of risk involved, there has been a material change in the business relationship and there is insufficient information held about the customer. (*For example, they are a customer that a real estate agent has dealt with earlier who is now seeking assistance with selling a property and a real estate agent is informed there are new investors (beneficial owners) that a real estate agent does not have any CDD information about.*)
- 7.8.2. If a real estate agent is conducting standard CDD it also must obtain sufficient information to allow it to determine whether it should conduct enhanced CDD (ECDD), which is dealt with in more detail in Section 6.8.
- 7.8.3. When conducting standard CDD, the identity information that must be collected from the customer and verified is explained in Sections [7.5](#) and [7.6](#) of this Guidance.
- 7.8.4. Standard CDD will apply to all residential and commercial property transactions in PNG or abroad.
- 7.8.5. There are two scenarios ([Scenario 1](#) and [Scenario 2](#)) illustrated below when standard CDD will be applicable. Please note that the following scenarios are only to illustrate where standard

CDD might apply to a real estate transaction. A Real estate agent's own professional assessment of risk must be applied to determine the appropriate levels of CDD. In all the scenarios an element of duration has been assumed, and a business relationship has been established. Risk will be contextual and any changes in the risk factors can lead to different types and degree of CDD. A real estate agent should assume for the purposes of these scenarios that all other relevant legal obligations have been met.

- 7.8.6. In the following scenarios a number of combinations of identity documents can be used as well as those used in the example.

Scenario 1: Simple residential sale – individual as customer

Customer	Residential property – seller as customer
Covered activity	Selling family home
Level of CDD required	Standard CDD
Steps to complete	How this applied to the example
1. Identify which criteria your customer meets to decide the level of CDD you must do.	According to your AML/CTF program, this customer meets the criteria for standard CDD.
2. Obtain information about the nature and purpose of the proposed business relationship.	Your customer is a natural person and a resident of PNG selling their family home. Your customer explains that they are selling their property to finance the purchase of a new larger house.
3. Identify all relevant persons who need to be identified.	The customer is the owner of the house. There is no reason to believe the customer is acting on behalf of any other person. Therefore, you treat the customer as also being the sole beneficial owner.
4. Make a determination of the level of ML/TF risk involved.	You determine the customer presents low ML/TF risk. This is based on the following: they are not a politically exposed person (PEP), no cash is involved, they are PNG resident, they have a low-risk occupation, and their behaviour is entirely normal for the activity being undertaken.
5. Gather identity information and, according to the level of risk, verify the identity of relevant persons, including natural persons. Also verify the customer's source of wealth or source of funds, if required.	You obtain and verify the identity of your customer by asking either original or notarized copy of their current PNG passport or ID card. You obtain the customer's address from the customer and verify it, for example, from a recent bank statement or utility bill, as provided by the customer. You take clear copies of all relevant documents and date and sign them.
6. If the identity information and verification requirements are satisfied, then you can proceed with the customer's instructions.	Having met the criteria of the Act, you proceed with the sale of the residential property.

Real estate agents may also use the CDD checklist in annexure 2 to do proper CDD and risk analysis of the customer.

Scenario 2: Commercial property sale – company as customer

Customer	Local company – not listed on stock exchange
Covered activity	Selling their business and premises
Level of CDD required	Standard CDD
Steps to complete	How this applied to the example
1. Identify which criteria your customer meets to decide the level of CDD you must do.	The customer is a local company with numerous owners. All are resident in PNG and no high-risk factors appear to be present. You deal directly with the CEO, who is in PNG. You decide to conduct standard CDD.
2. Obtain information about the nature and purpose of the proposed business relationship.	The local company wants to sell its existing commercial property and buy a bigger property to extend its ability to carry out its business. The company is relatively new and is expanding its product range.
3. Identify all relevant persons who need to be identified.	For this customer, it is apparent that ownership is spread over a number of individuals, none of whom own 25% or more shares in the company. In this case, because no individual owns 25% or more shares, there is no beneficial owner on the basis of shareholding. However, you will still need to consider whether there are beneficial owners based on having effective control via other means. There is no other individual exercising such control. Finally, understanding the management and governance structure of your customer helps you to establish that the senior managing officials of the company are to be identified as beneficial owners. The CEO is also the person acting on behalf of the company and must be identified as beneficial owner.
4. Make a determination of the level of ML/TF risk involved.	Neither the company nor the CEO is associated with any high- risk factors identified in your risk assessment. You determine that the company presents a low risk and requires standard CDD.
5. Gather identity information and, according to the level of risk, verify the identity of relevant persons, including natural persons. Also verify the customer's source of wealth or source of funds, if required.	With standard CDD for companies, the information you require from your customer is stated in Section 7.5. for companies and individuals. You need to collect the relevant information both on the company and the CEO. Company structure and arrangements should be verified using documents, data or information issued by reliable and independent sources – for instance, company certificates, annual reports, internet searches on reputable directories, or a list of directors. For the CEO, you obtain and verify their name and date of birth by sighting their personal identity card (a primary form of photo identification). They also provide a utility bill to verify their address. You take clear copies of all relevant documents and date and sign them. There is no need to determine source of wealth or source of funds.
6. If the identity information and verification requirements are satisfied, then you can proceed with the customer's instructions.	You proceed with the sale of the commercial property.

7.9. What is Simplified Due Diligence?

- 7.9.1. Real estate agents may complete simplified CDD if there is a low risk of money laundering and/or terrorist financing.
- 7.9.2. Simplified due diligence means that real estate agents may:
- reduce the frequency of updating data on the identification process and the rate of continuous monitoring;
 - not collect specific information or take specific measures to understand the purpose and nature of the business relationship in each case, but may determine this on the basis of the established business relationship.
- 7.9.3. Even when conducting simplified CDD, real estate agents should collect at least certain minimum information about the customer in question and a brief explanation of how it falls within Section 21 of the Act. The following information should be collected about the identity of individual customer and a person acting on behalf of one of customer (for instance, an employee of one of those organisations):
- Full name;
 - Date of birth; and
 - The person's relationship to the customer; and
 - You also need to obtain information about the nature and purpose of the proposed business relationship between you and the customer.
- 7.9.4. Real estate agents must take reasonable steps to verify, to their satisfaction and according to the level of risk involved, the identity of a person acting on behalf of a customer and their authority to act. Real estate agents must do this before they establish the business relationship (or conduct the occasional transaction or activity), or before the person acts on behalf of the customer.
- 7.9.5. If, while conducting ongoing monitoring of the business relationship with the customer, there is an assessment or reason to believe that the risk of money laundering or terrorist financing, is no longer low, the entities are obliged to undertake the standard CDD or ECDD, as considered appropriate bases on the risk assessment.
- 7.9.6. Some scenarios where Simplified CDD might apply, include, for example:
- Client discloses evidence that funds relating to the transaction will be sourced from AML/CTF compliant banks and FATF compliant jurisdiction;
 - Client had no allegation of corruption, misappropriation or adverse media reporting against his name;
 - No use of cash, virtual assets or third party intermediaries to purchase property.
 - Domestic transactions with reputable counterparties where there are no foreign beneficial owner or offshore structures; or
 - Buyer and Seller will source funds relating to purchase of property from AML/CTF regulated financial institutions or superfunds.

7.10. What is Enhanced Customer Due Diligence (“ECDD”)?

- 7.10.1. ECDD is the extra due diligence steps a real estate agent takes when dealing with a customer that has a higher risk of money laundering or terrorist financing, irrespective of the nature or form of the transaction. ECDD is applied to all higher risk categories of customers, business relationships, or transactions.
- 7.10.2. ECDD measures are designed to assist real estate agents in identifying, considering and ensuring that they can effectively manage the increased risk associated with a higher risk transaction. They allow real estate agents to take extra steps and precautions to reduce the likelihood that they may inadvertently aid in money laundering, or terrorist financing.
- 7.10.3. ECDD measures include:
 - 7.10.3.1. Requesting and receiving additional information and data on the nature of customer’s business, administration, as well as the source of funds and source of assets or wealth;
 - 7.10.3.2. Having an increased level of awareness and knowledge about the persons with whom you are transacting. Often, this means doing additional public searches and having available more relevant news and publicly available information, (positive, negative or neutral), which helps the real estate agent decide whether or not they want to do business or take money from the customer.
 - 7.10.3.3. Escalating internal approval to ensure that senior managers are aware of the higher risk a business relationship or a transaction pose and approve in writing doing business or taking funds from them.
 - 7.10.3.4. Increasing your controls and ongoing monitoring of the higher risk customers, business relationships and transactions.
- 7.10.4. In order to implement ECDD measures, real estate agents may also require the physical presence of the customer and its representatives prior to establishing a business relationship.

7.11. When should ECDD measures be applied?

- 7.11.1. ECDD should be applied in instances where a customer is considered high risk or is deemed to carry a higher risk of money laundering or terrorist financing. Each real estate agent will have its own criteria for determining risk ratings and what criteria would carry a higher risk.
- 7.11.2. However, by Act and DNFBPs Guidance, the following are considered high risk and automatically require ECDD measures to be performed:
 - 7.11.2.1. Politically Exposed Persons (PEPs);
 - 7.11.2.2. a resident in a high-risk country or jurisdiction; or
 - 7.11.2.3. involved in a high-risk business activity; or
 - 7.11.2.4. a politically exposed person (PEP); or
 - 7.11.2.5. presents a situation where the money laundering or terrorist financing is high; or
 - 7.11.2.6. not physically present for the purposes of identification.
- 7.11.3. For real estate agents, some of the scenarios where ECDD might apply include:

- 7.11.3.1. You are selling or buying property for an overseas seller or buyer who is resident in a high-risk country with insufficient AML/CTF regime;
 - 7.11.3.2. The seller is a PEP;
 - 7.11.3.3. Your customer is a company with complex ownership structure.
 - 7.11.3.4. All complex purchase/sale contracts;
 - 7.11.3.5. Transactions with high and unusual values; or
 - 7.11.3.6. Transactions which have no obvious economic or legal purpose.
- 7.11.4. If a real estate agent determine that its customer or a beneficial owner of its customer is a PEP a family member of a PEP or a close associate of a PEP, as a part of ECDD measures, you must require senior management approval to establish or continue the business relationship, and must obtain information about the source of wealth⁸ or source of funds⁹ and verify the information. Real estate agents are also required to design and implement effective systems of risk management to determine whether an existing or potential customer or the beneficial owner is a PEP.
- 7.11.5. For more details on the application of ECDD measures by reporting entities, refer to FASU's [**Guidance for Reporting Entities to Raise Awareness on Enhanced Customer Due Diligence under the Anti-Money Laundering and Counter Terrorist Financing Act 2015 \(No. 3 of 2025\)**](#).
- 7.11.6. Note that the following [**Scenario 3**](#) is only to illustrate where ECDD might apply to real estate transactions. A real estate agent's own professional assessment of risk must be applied to determine the appropriate levels of CDD.

⁸ 'Source of wealth' refers to where the customer's entire body of wealth and assets came from – not just what is involved in a transaction or business relationship. It describes the economic, business, or commercial activities that generated, or significantly contributed to, the customer's overall net worth.

⁹ 'Source of funds' refers to how and where the customer obtained the funds for a specific transaction or designated service real estate agent provide to the customer.

Scenario 3: Commercial purchase – PEP as customer

Customer	Non-resident company
Covered activity	Purchasing commercial property
Level of CDD required	Enhanced CDD
Steps to complete	How this applied to the example
1. Identify which criteria your customer meets to decide the level of CDD you must do.	Your customer is a non-resident company from a higher-risk jurisdiction that is not listed on a stock exchange. They wish to purchase a commercial property based in PNG. According to your AML/CTF program, this customer meets the criteria for ECDD. Companies that are geographically or financially linked to higher-risk countries, or include PEPs, have increased ML/TF risks.
2. Obtain information about the nature and purpose of the proposed business relationship.	Your customer is purchasing the commercial property in PNG from another company based in PNG. Your customer is owned by a number of other companies based in the same high-risk jurisdiction. Note: The information that you have gathered on the nature and purpose of the business relationship from your customer may also help determine the ML/TF risk that they may pose.
3. Identify all relevant persons who need to be identified.	<p>Understanding the management and governance structure of your customer will help you to establish the beneficial owners of your customer. The company structure and arrangements should be verified using documents, data or information issued by reliable and independent sources – for instance, company certificates, annual reports, internet searches on reputable directories, or a list of directors. You determine that your customer has the following beneficial ownership structure:</p> <p>You must identify and verify the identity of all beneficial owners. The company has five legal owners, each owning an equal amount of the customer. The beneficial owner threshold under the Act is an individual who owns 25% or more of the customer. Two of the five legal owners (Companies B and C) are wholly owned by Mrs. B. As such, Mrs. B is a beneficial owner of the customer. As part of CDD you undertake a check on Mrs. B to see if she is a PEP. This comes back positive as you identify that Mrs. B was until recently a high-ranking politician in the overseas jurisdiction. You deal directly with the managing director of the company, Mr. F. As well as acting on behalf of the company, you determine that Mr. F also has effective control of the company. This means that you also need to conduct CDD on Mr. F. You do not have to conduct CDD on the company from PNG selling the property, as they are not your customer.</p>
4. Make a determination of the level of ML/TF risk involved.	You determine the company presents a high level of ML/TF risk. This is based on the following: the beneficial owner is a PEP, the customer has a complicated organisational structure, and the customer is based in a high-risk jurisdiction. You are therefore required to conduct enhanced CDD.
5. Gather identity information and, according to the level of risk, verify the identity of relevant	<p>The information required for identification of the customer i.e., non-resident company is:</p> <ul style="list-style-type: none"> • Full legal name

<p>persons, including natural persons. Also verify the customer's source of wealth or source of funds, if required.</p>	<ul style="list-style-type: none"> • Trading name (if different) • Principal business address or registered office address • Date and jurisdiction of incorporation • Company identifier or registration number • If applicable, the address of the registered agent of the company. <p>You must also examine the source of wealth or source of funds of the customer. Their website and open-source information indicate a long-running and reputable company. You request that the company provides evidence of where the funds came from to make the purchase. You are provided with bank statements and accounts audited by an accountant that satisfy you that the investment property will be purchased from legitimate sources. You also note that the contributions are proportional to their respective shareholdings.</p> <p>The information required for identification of the beneficial owner and person with authority to act are:</p> <ul style="list-style-type: none"> • Full legal name • Date and place of birth • Nationality • Residential address (including contact detail, such as telephone number and email address) • Occupation • Relationship with customer <p>The information you gather on Mrs. B is in line with your enhanced CDD measures as detailed in your AML/CTF program, including source of wealth or source of funds. A significant percentage of the customer's funds appear to come from Mrs. B. In this case the available information indicates that Mrs. B was only in politics for a period of three years. Prior to that, she was a business person and also a person with family wealth who had accumulated business earnings and used it to buy and sell property. You are provided with certified copies of documents in confirming Mrs. B's identity, as well as her address. In relation to Mrs. B's source of wealth, you are provided with certified copies of her tax returns for the last five years. These records match your understanding of Mrs. B's wealth and reflect a legitimate source of income.</p> <p>For Mr. F you need to obtain and verify his identity and also his authority to act for the customer. You obtain and verify his full name and date of birth by sighting his driver license and credit card. You also sight his business card and carry out an internet search, which shows directories that list him as a contact for the company. You also obtain a formal letter of authorisation on headed paper provided by the customer. You take clear copies of all relevant documents and date and sign them.</p>
<p>6. If the identity information and verification requirements are</p>	<p>You are satisfied with the findings of your ECDD. However, in line with the requirements of the Act, you have to escalate the decision to</p>

satisfied, then can proceed with the customer's instructions.	establish a business relationship with a PEP to your senior management. Your senior management team decide to establish the business relationship with the customer but with instructions for regular ongoing ECDD and activity monitoring in the event of more purchases or sales.
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7.12. What if I already know my customer because they are well known in the community and/or personally known to me? Do I still have to collect CDD on them?

7.12.1. As noted above, it remains a fundamental part of an effective AML/CTF regime, that a customer is identified, and due diligence undertaken on them. This remains the case even if a real estate agent knows them personally. In essence, the DNFBPs Instructions requires that a real estate agent collect appropriate and relevant due diligence information relating to a person's identity and business relationship. However, as discussed earlier, Section 22 of the Act does allow **simplified due diligence** in certain circumstances when:

7.12.1.1. a real estate agent does not suspect money laundering or terrorist financing; and

7.12.1.2. the customer is not a resident in a high-risk country;

7.12.1.3. a real estate agent takes the view that the customer is low-risk.

7.12.2. It is also important to keep in mind that, at any given time the FASU or any competent authority may ask to see the documentation you hold on file for a customer. It would not be sufficient to say you did not gather the due diligence because you know the customer personally. You will be required to produce this documentation, and if you are unable to do so, there may be legal implications for you and your business/firm.

7.13. Face to Face Versus Non-Face to Face Customers

7.13.1. The Act explicitly provides that non-face to face customers are riskier than face-to-face customers. Where a customer with whom a real estate agent is transacting is face to face, it allows a real estate agent to ensure that their physical identity matches the identification documentation presented. This generally makes verification easier and more reliable than if they were to send documents without ever being physically seen or known.

7.13.2. If, however, a customer is not face to face or generally unknown to a real estate agent, there may be difficulties in verifying their identity and there may be issues surrounding the reliability of the information presented by them. In these types of circumstances, the real estate agent will still be required to follow the due diligence protocols and take **any additional measures** as may be necessary to complete identification and verification. In doing so, a real estate agent must also keep in mind the overall risk profile of the customer.

7.13.3. One such additional measure is requiring certified documentation to be presented. In the case of individuals, a real estate agent should require a minimum of two pieces of primary identification and one formal document to verify the physical address of a non-face-to-face customer (a primary ID holder can attest/make a declaration to confirm the physical address of the individual in question and attached his primary ID with the declaration. In the case of a legal person, a real estate agent shall require a certified copy of acceptable identification and address documents to verify the address.

- 7.13.4. In the case of non-face-to-face business relationships, the first payment, at a minimum, shall be carried out through an account in the customer's name with a financial institution which is subject to internationally recognised due diligence standards.

7.14. Certificate of documents for CDD

- 7.14.1. As noted above, if a real estate agent is involved in a transaction which is being undertaken on a non-face to face basis, it will be relying on copies of documents in order to complete the required identification and verification.

- 7.14.2. To clarify, where a real estate agent has not physically seen the actual original documentation, then it is considered a copy of the document. Where this occurs, a real estate agent must ask for the documents to be certified.

- 7.14.3. There is certain language that should be present on documents and certain requirements that should be met for them to be considered properly certified. They are as follows:

- 7.14.3.1. Documents should be certified by professionals who are subject to professional rules of conduct, oaths, or statutory obligations, which if breached, would make them subject to fines or penalties. Professions generally accepted as meeting those criteria include:

- 7.14.3.1.1. judicial officer/senior public officers like a police officer or immigration officer or a registrar;
- 7.14.3.1.2. an accountant, a lawyer, or any profession with established rules of professional conduct; or
- 7.14.3.1.3. a notary public or commissioner for oaths

- 7.14.3.2. The person certifying must be independent from the person whose documents they are certifying (e.g., the certifier should not be related to the person whose documents they are certifying);

- 7.14.3.3. The person certifying the documents should include the date they certify the document and any other required information, sign their name to the documents, and provide adequate information including position and contact details or official registration/license number so that they can be located or contacted in the event of a query regarding the certification.

7.15. What if I cannot get due diligence on the customer?

- 7.15.1. If a customer emphatically and categorically refuses to provide a real estate agent with the due diligence you have requested, this can be a red flag for suspicious activity or a suspicious transaction of money laundering or terrorist financing.

- 7.15.2. Refusal to provide due diligence where there is no reasonable explanation for such refusal, is often linked to an attempt to disguise true ownership or avoid detection where there is some criminal or money laundering activity.

- 7.15.3. In such instances, the Act require that the real estate agent should refrain from performing transactions or commence a business relationship, terminate the business relationship if it has commenced, and shall file a SMR with the FASU. This would generally be undertaken by the real estate agent's compliance officer.
- 7.15.4. A real estate agent should, however, look at every situation and every customer independently to determine if there are reasonable factors why a customer cannot, or is unable to, provide you with the due diligence information or if you can find another way to verify the information the customer is providing. For instance, there may be circumstances where some customers are unable to supply the identity documents. Such customers can include a minor, the elderly, the disabled and individuals that are dependent on the care of others. A real estate agent will have to determine what alternate identity documentation to accept and what verification procedures to employ.
- 7.15.5. If a real estate agent is able to verify the due diligence by other independent, reliable means, and it is satisfied that there is no activity relating to money laundering or terrorist financing, it can continue with the transaction.
- 7.15.6. However, as a general rule, if a customer refuses to give a real estate agent the required due diligence and there is no sensible reason for this refusal, a real estate agent should not proceed with the transaction or the establishment of the business relationship and should file a SMR with the FASU.

7.16. Monitoring and Ongoing CDD

- 7.16.1. In instances where a real estate agent has an ongoing business relationship with customers, it will need to monitor and update the due diligence information from time to time.
- 7.16.2. If the continuing relationship is considered to present a higher risk, a real estate agent should review and update the information on them on a more regular basis (e.g., once per year or earlier). Since a high-risk relationship is more at risk of potentially being involved in money laundering or terrorist financing, a real estate agent will want to monitor them more closely to ensure that there is no information that comes out in the public domain that would make a real estate agent want to change its mind about accepting the customer's money. In certain circumstances, a real estate agent may even consider whether putting in place ongoing monitoring systems would be appropriate.
- 7.16.3. If the continuing relationship is considered to present a normal or low risk, a real estate agent must conduct a review and update their information as appropriate (e.g., every two or three years).
- 7.16.4. However, in the event a real estate agent suspects that a customer, whether high, medium, or low risk, may be involved in money laundering or terrorist financing, or engages in activity that causes a suspicion of the same, a real estate agent **must** take action immediately. A real estate agent must review the customer and the transactions, address its suspicions, and take the necessary action, even if a real estate agent is not yet at the annual review or updating period.
- 7.16.5. Always remember that the duty to report suspicious activity or a suspicious transaction to the FASU is an ongoing one.

7.17. Monitoring transactions

- 7.17.1. Where a real estate agent has ongoing relationships with customers, in addition to checking due diligence, a real estate agent is also required to have procedures for monitoring their transactions so that it can determine if a transaction is out of the norm.
- 7.17.2. Transactions that are out of the norm or deviate from what is a normal pattern of activity should be grounds for further assessment to determine whether it rises to a level of suspicious activity/suspicious transaction to make a report. For example, if a customer changes how or where the payments are coming from or has someone else make payments for them, that could be considered unusual, and a real estate agent should ask additional questions. Always verify this or take additional measures to make sure the instructions are genuine. A situation such as this does not automatically mean that money laundering or terrorist financing is occurring as there could very well be a reasonable explanation for the change, however, in order to prevent any risk of the same, a real estate agent should ensure that it verifies transactions such as these.
- 7.17.3. The ongoing monitoring requirements are in addition to the updating due diligence requirements above. For instance, where a relationship is risk-rated as normal, and due diligence is updated at regular intervals, an instance may occur that is outside of the normal course of business. Therefore, waiting for the normal updating period to update their information would no longer be appropriate and a real estate agent would be required to take immediate steps to ensure that it is not at risk of being abused for money laundering or terrorist financing purposes.

7.18. CDD on existing clients or business relationships

- 7.18.1. A real estate agent shall carry out CDD on the existing clients or business relationships in the following circumstances:
 - 7.18.1.1. When receiving or disbursing funds on behalf of a client in a transaction that singularly, or in several transactions that appear to be linked, equal or exceed K20,000.00; or
 - 7.18.1.2. when there is a material change in the nature of the relationship with the client; or
 - 7.18.1.3. when a real estate agent becomes aware that it lacks sufficient information about an existing client, or concerned about the accuracy of information recorded in file; or
 - 7.18.1.4. where a SMR has been reported, or a subpoena or production order has been received, or where relevant negative information is known.

8. Record Keeping

8.1. What records must a real estate agent keep?

8.1.1. All real estate agents must comply with the record keeping requirements outlined within the Act. The documents a real estate agent is required to keep range from AML/CTF documents to other more general transactional and financial records. Ultimately, a real estate agent must ensure it keeps and maintains all necessary records and transactions relative to its dealings.

8.1.2. The types of records real estate agents are required to keep are:

- 8.1.2.1. Records of all transactions with customers;
- 8.1.2.2. CDD measures carried out on customers;
- 8.1.2.3. Copies of all “internal” SMRs made to the compliance officer; any investigations undertaken;
- 8.1.2.4. Copies of all “external” SMRs made to the FASU;
- 8.1.2.5. Internal risk assessment, AML/CFT program, and audits undertaken of AML/CTF controls; and
- 8.1.2.6. Details of any AML/CTF training completed, including dates of training sessions, description of training provided, and name of employees who attended the training.

8.1.3. More specifically, real estate agents must keep:

8.1.3.1. Real estate agent’s organisational records

All real estate agents must ensure that their business or firm keep records that show the business/firm’s objectives and activities; the identity of people who control or direct its activities including board members, directors and managers.

8.1.3.2. Due diligence and identity records

Where a real estate agent has undertaken due diligence on a customer, it must keep a record of this due diligence. CDD and ECDD are integral to an effective functioning AML/CTF regime. Therefore, it is important that all records are kept in a manner that allows a real estate agent to maintain active oversight in the case of ongoing business relationships.

8.1.3.3. Transaction records

Records of transactions undertaken by the real estate agent must include the customer’s name and address; the beneficiary of the transaction (as well as their name and address); date of transaction; nature of transaction; the types of currency and the amount; any account details including account number, name and identifier; and any relevant files and correspondence in relation to the transaction. Any records a real estate agent keeps on a transaction must be sufficiently detailed enough so that the transaction could be understood, if reviewed, and permits the reconstruction of individual transactions.

8.1.4. Additionally, the records must be able to show and explain the real estate agent’s transactions, within and outside of the territory.

8.2. How should the records be kept?

- 8.2.1. A real estate agent must ensure that it keeps records in an easily retrievable format, which by extension means that the records must be kept in an orderly, sensible manner so that the records and the information in the records can be easily searched, and produced without delay, if required.
- 8.2.2. Records may be kept:
 - 8.2.2.1. as original copies or certified copies of the original copies;
 - 8.2.2.2. as a scanned copy of the original document, which can be certified; or
 - 8.2.2.3. in a computerized or other electronic format.
- 8.2.3. It will be up to the real estate agent to decide how it chooses to store and keep these records. However, a real estate agent must ensure that the criteria provided within Act and covered above are included.

8.3. How long must records be kept?

- 8.3.1. Records must be kept for a **minimum of seven (7) years** from the date of termination of business relationship with the customers. For transactions, the time period is seven (5) years from the date of completion of the last transaction or series of transactions, including occasional transaction.
- 8.3.2. FASU may ask a real estate agent to keep records for another seven (7) years in some circumstances.

9. Training

- 9A. All real estate agents are subject to the employee training requirements outlined within the Act and DNFBPs Instructions
- 9B. With this in mind, real estate agents are required to ensure that their employees receive adequate training so that they understand how their business/firm can be mis-used to facilitate money laundering and terrorist financing, including money laundering and terrorist financing risks, techniques, methods and trends. They should also understand their obligations in relation to the same as well as the business/firm's policies, processes and procedures for detecting and preventing potential money launderers or terrorist financiers from abusing real estate agent's business/firm.
- 9C. Training should include information to help employees understand what money laundering and terrorist financing mean and have a knowledge of what Acts apply to real estate agents in PNG.
- 9D. The training requirements applicable are not limited to any particular class or rank of employees, although key training requirements will be applicable to some (e.g., the compliance officer).

9.1. Why is training important?

- 9.1.1. Training is not only a legal requirement, but it is also what allows employees and senior management to understand concepts that might be new to them, like what is money laundering and terrorist financing. It also helps employees and senior management understand what their obligations are under the law; what the firm's policies, processes and procedures are; how they can identify instances or suspicions of money laundering and terrorist financing, and what they should do if they ever come across instances of money laundering and terrorist financing.
- 9.1.2. A real estate agent's employees are the frontline defence and are critical in deterring, detecting, and preventing money laundering and terrorist financing. Employees are the ones who generally have customer contact or may ultimately accept or process customers' funds. As such, they are in the best position to notice patterns of behaviour or notice when information about funds gives rise to a suspicion of some illegal activity. One of the most effective ways that we can equip employees is by providing them with regular and effective training. This leaves them with the tools, information and understanding so that they can identify activities that may be money laundering or terrorist financing.
- 9.1.3. In addition, ensuring all employees receive the proper training not only aids in the fight against money laundering and terrorist financing, but it also protects a real estate agent from becoming complicit in illicit activity.
- 9.1.4. It is also important to note that failure to train employees and employees is a breach of Act that can result in fines and penalties from FASU.

9.2. Who within my business/firm must be trained?

- 9.2.1. It is important to understand the purpose behind these requirements, that is to detect and prevent money laundering and counter terrorist financing. All employees within the firm of the real estate agent are responsible for this. Therefore, all employees should receive some sort of relevant training.
- 9.2.2. This should include directors, senior management, key employees and any temporary or contract employees, as they are at risk of inadvertently being involved in money laundering or terrorist financing.
- 9.2.3. Any new employees joining the business/firm should be provided training on AML/CTF upon the commencement of their employment.

9.3. What should the training be on?

- 9.3.1. As noted, it is critical to the prevention and detection of ML/TF that employees understand money laundering and terrorist financing and the issues that arise from those activities. Therefore, training on money laundering and terrorist financing must enable them to not only recognise suspicious situations, but also to understand how to deal with those situations.
- 9.3.2. The level of training will depend on the responsibilities of each employee. For instance, the compliance officer, senior management, or directors will require more in-depth AML/CTF training than more junior level employees will. Therefore, training should be appropriate for each employee's level and responsibilities.
- 9.3.3. Training should cover at a minimum:
 - 9.3.3.1. Concepts of money laundering and terrorist financing so that the employees understand what these are, how they may affect PNG and the real estate agent sector, as well as their role in preventing money laundering and terrorist financing.
 - 9.3.3.2. Relevant legislation on AML/CTF in PNG, including the provisions of the Act and related guidance.
 - 9.3.3.3. The policies, processes, procedures, and internal controls in place within a real estate agent's firm/business to deal with and fight money laundering and terrorist financing.
 - 9.3.3.4. Each person's and the real estate agent's obligations in fighting, detecting, and reporting suspicions of money laundering and/or terrorist financing.
 - 9.3.3.5. Understanding suspicious activity/suspicious transaction and what to do when there is a suspicion of money laundering or terrorist financing.
 - 9.3.3.6. Relevant legal developments, international standards, and legislative changes in PNG, and current and emerging techniques and trends in money laundering and terrorist financing.

9.4. How often should the training take place?

- 9.4.1. Training should be provided on regular basis, and it must occur at least annually. In considering and planning training sessions, a real estate agent must consider what is most appropriate for

its business/firm, its operations, size, etc. A real estate agent should aim for regular training to ensure that all employees are aware of their obligations, as it relates to AML/CTF.

- 9.4.2. Senior managers and compliance officers must be given AML/CTF training immediately on assumption of their duties.
- 9.4.3. Any new employees joining the firm should provided training on their AML/CFT obligations under the Act and again an understanding of ML/TF risks association with the real estate sector and their firm/business.
- 9.4.4. There is nothing to stop a real estate agent from having more training, especially for more senior employees who may require additional, more in-depth knowledge or understanding or in the event a real estate agent needs to ensure that its employees have a full understanding of AML/CTF matters.

9.5. What records of the training must be kept?

- 9.5.1. Real estate agents should keep a record of the annual number of planned and conducted trainings. Real estate agents should also keep record of training(s) each employee receives. In particular, real estate agents should keep information on:
 - 9.5.1.1. the date any training was held;
 - 9.5.1.2. the number and names of the attendees, including their functions;
 - 9.5.1.3. the duration of the training; and
 - 9.5.1.4. the topics covered in the training.
- 9.5.2. Many real estate agents find that the most efficient way to keep these training records are in the form of a training log or register, which also includes any training materials, certificates, tests for any given training, the signature of attendees etc.
- 9.5.3. Training records, similar to all other records that real estate agents are required to keep, must be kept for a period of at least seven (7) years.

9.6. Where can I get training?

- 9.6.1. If a real estate agent has someone knowledgeable within the business/firm, it may be able to have its own internal workshops or seminars on specific AML/CTF concerns relevant to real estate sector. This, however, does not rule out the requirement to provide external AML/CTF training to real estate agent's employees.
- 9.6.2. There may also be private firms in PNG that can provide specific training for real estate agent's businesses/firm and employees as well as general online training on AML/CTF topics.
- 9.6.3. When a real estate agent chooses a training provider, try to ensure that there is some component that allows you to test or evidence the knowledge you receive from the training. Having a way to demonstrate that you tested your knowledge is an important part to ensure the effectiveness of training.

10. Identifying and Reporting Suspicious Matters

10.1. What is a suspicious matter?

- 10.1.1. The term *suspicious matters* generally includes both *suspicious activity* and *suspicious transaction*, which are further explained in the sections below.

10.2. What is suspicious activity?

- 10.2.1. Suspicious activity is hard to define as there is no set definition of this. What is suspicious will be largely dependent on what is normal for your institution/business in undertaking its general operations and activities. Additionally, you will need to factor in the types of customers a reporting entity deals with.
- 10.2.2. Suspicious activity could refer to any incident, event, individual or activity that seems out of place or at odds with your institution/business usual activity. An *example of suspicious activity* is the reluctance on the part of a potential customer to provide documentation required to conduct CDD/ECDD. Generally, suspicious activity will identify potential instances of money laundering, terrorist financing, or other illegal activity.

10.3. What is suspicious transaction?

- 10.3.1. Suspicious transactions are transactions in which there are reasonable grounds to suspect that the funds or goods involved are linked to criminal conduct. This could mean the funds have been derived from an illegal activity (and are being laundered) or are intended to be used for an illegal activity (such as terrorism).

10.4. Unusual vs. Suspicious

- 10.4.1. There may be instances where customers engage in behaviour that is unusual. Unusual activity or an unusual transaction can be any activity or transaction that deviates from the normal behaviour of the person/business with whom a reporting entity is dealing.
- 10.4.2. As would be expected, unusual activity or an unusual transaction would raise initial concerns. Employees that are familiar with the customers, their behaviours, and transactions, are likely to be the first to notice unusual activity or an unusual transaction.
- 10.4.3. Unusual activity or an unusual transaction should not automatically result in the filing of a SMR with the FASU. However, it should be a trigger to collect further information and facts to understand the overall picture. The gathering and assessment of additional information should be used to determine whether there is a reasonable suspicion that the customer's behaviour or transaction is somehow linked to money laundering, terrorist financing, and/or other illegal activity or whether there is a reasonable explanation for it. *For example*, there may be a sudden change in the customer's business or transaction activities. This can be considered as unusual, as there is a deviation from the customer's usual transactions. However, it may not be suspicious because there may be a reasonable explanation for the deviation.
- 10.4.4. Suspicious activity or a suspicious transaction, on the other hand, are effectively an unusual activity or unusual transaction, which despite receipt of additional facts, information and

assessment cannot be explained in any logical way, by looking at the facts and circumstances. Based on this, there may be instances where unusual activity or an unusual transaction can amount to suspicious activity or a suspicious transaction.

10.4.5. See also section on [What is tipping off?](#) below.

10.5. Reporting suspicious matters

- 10.5.1. There are times when a customer, or a potential customer attempts to conduct business or engage in a transaction that raises your suspicion. Where it seems that the activity or transaction, or attempted activity or transaction gives rise to a suspicion or raises initial concerns that money laundering, terrorist financing or other criminal offence is being attempted or is occurring, this suspicion **must** be reported.
- 10.5.2. Suspicious matters may also include, but are not limited to, inquiries or actions made by a customer, potential customer or other person; initiation of account-opening business engagement; preparation for the conduct of transactions; or events that may arise out of compliance with Section 19 of the Act - where CDD cannot be completed.
- 10.5.3. If you are an employee of the reporting entity, your suspicion must be reported to the reporting entity's compliance officer and should be in writing, in accordance with the institution/business' procedures. Most often, firms have an internal suspicious activity or transaction form ready to be used by their employees to report suspicions.
- 10.5.4. Your compliance officer will take down the details, obtain further information and make an assessment to determine whether or not they subjectively believe the facts give rise to a suspicion of money laundering or terrorist financing. This further assessment may involve asking additional questions, obtaining additional customer due diligence, and trying to understand the full circumstances, including the background and the events leading up to and surrounding the potential suspicious activity or suspicious transaction. The aim of the further assessment is to look at the totality of the circumstances to determine whether the customer or their transaction is merely unusual, or whether there are subjective grounds for a suspicion of money laundering or terrorist financing that would require the filing of a SMR with the FASU.
- 10.5.5. You should note that determining whether or not a transaction results in a suspicion of money laundering or terrorist financing, is a very objective matter¹⁰. If you are in any doubt, you should file a report with your reporting entity's compliance officer.
- 10.5.6. As an employee, once you have submitted your SMR to your compliance officer, your duty to report a suspicion will be discharged, provided you follow the reporting entity's protocols in doing so.

¹⁰ "Objective matter" is based on verifiable data, observable events, and factual evidence.

10.6. Reporting suspicious matter to the FASU if you are a compliance officer

- 10.6.1. If you are the compliance officer within the a financial institution or a DNFBP, once you make the determination that there are grounds for a suspicion of money laundering, terrorist financing, or other criminal activity, you are required to submit a SMR in writing to the FASU, [in the form available from the website of the Bank of PNG](#).
- 10.6.2. If after a review and analysis of the facts and circumstances, the compliance officer is still uncertain as to whether or not the details of an activity or transaction reported to them gives rise to a reasonable suspicion of money laundering, terrorist financing, or some other form of criminal activity, the compliance officer should still, and must under the law, file a SMR with FASU.
- 10.6.3. The compliance officer's job is not to investigate and then definitively state that money laundering or terrorist financing is occurring. On the contrary, the role of the compliance officer is to investigate the details of the internal report, collect further information, understand the facts, analyse all of that information and then make an assessment as to whether or not there is enough information to support a reasonable suspicion that that information is relevant for the purposes of Section 41(1) (a)-(c) of the Act.
- 10.6.4. Filing a SMR with FASU and providing the relevant information and reasons for your suspicion or potential suspicion, gives FASU the ability to conduct financial analysis and produce intelligence on possible ML/TF, or other criminal offences for dissemination to law enforcement agencies and stakeholders for further investigation and enforcement action.

10.7. When must I submit a SMR?

- 10.7.1. A SMR must be made as soon as reasonably practicable and in any event **within five (5) working days** from the date the suspicion¹¹ first arose.
- 10.7.2. You must always remember that SMRs are used by FASU and law enforcement for the purposes of AML/CTF. For this to happen, it is imperative that FASU receives information in a timely manner to execute its mandated functions.

10.8. Must I report attempted business dealings or transactions that are suspicious?

- 10.8.1. Yes, under the Act, a reporting entity is required to report any attempted activity or transaction that was regarded as suspicious and was turned away or which never went through. Remember, the reporting of suspicious activity or a suspicious transaction contributes to the authorities' ability to conduct financial analysis, produce intelligence and disseminate it to trigger or support law enforcement actions to combat ML/TF or other criminal activity or attempted criminal activity. Also remember, that just because you, as a reporting entity, has turned away a customer, or not gone through with an activity, does not

¹¹ "Suspicion" in this context refers to a suspicion based on reasonable grounds that the information it knows is relevant for the purposes set out in section 41(1)(a)-(c) of the Act.

mean that they will not attempt to approach another reporting entity to see if they can succeed with their criminal intentions. Therefore, your reporting of transactions or business dealings that have been turned away can result in stopping criminal activity.

10.9. What information should be submitted when I make a SMR?

- 10.9.1. When submitting a SMR to FASU, you must remember that you are doing so in large part to assist the authorities to track down and stop any suspected money laundering or terrorist financing from occurring or continuing. Therefore, your SMRs should be clear, provide as many relevant details as possible and most of all must identify the facts or reasons why you suspect that information is relevant for the purposes set out in Section 41 (1) (a)-(c) of the Act.
- 10.9.2. Please refer to **Appendix E** of [*FASU's Guidance for Designated Non-Financial Businesses or Professions on their Obligations under the Anti-Money Laundering and Counter Terrorist Financing Act 2015 \(No.1 of 2019\)*](#) or the [SMR form](#) from the website of the Bank of PNG that you are required to submit to the FASU. It provides details of the information you are required to submit in the SMR if you become aware of suspicious activity or a suspicious transaction.

10.10. Keeping a register of SMRs

- 10.10.1. As part of the record keeping requirements, you, as a reporting entity, should keep a record of all SMRs submitted to your compliance officer as well as all SMRs submitted to the FASU.
- 10.10.2. For best practice, it is recommended that you keep a register of this information so that you can see at a glance the list of SMRs filed.
- 10.10.3. You should record the following information (which can be in the form of a register):
- 10.10.3.1. Details of the internal SMRs made to your compliance officer;
 - 10.10.3.2. Details of the external SMRs made to FASU;
 - 10.10.3.3. Details of the decisions made by the compliance officer in relation to SMRs as well as steps taken with regards to investigating an internal report and the basis for the decisions;
 - 10.10.3.4. Date of FASU's acknowledgement/confirmation letter;
 - 10.10.3.5. FASU reference number.
- 10.10.4. The register or your records of SMRs should be kept separate from other records. This protects against accidentally tipping off or disclosing confidential information that might occur if copies of SMRs or the records of their filings were to be kept with regular records.
- 10.10.5. The date of receipt of the FASU's acknowledgement/confirmation and the FASU reference number is important to have as this is your evidence that you filed a SMR, and that the FASU has received it. The FASU's reference number is also good to have in the register in the event any additional or supplemental SMRs need to be filed in the future relating to the same matter.

10.11. What is tipping off?

- 10.11.1. When you report a suspicion of money laundering or terrorist financing, or when you have a suspicion of money laundering or terrorist financing, **tipping off** is giving information about the suspicion or about the report of the suspicion to the suspected customer or to anyone who might prejudice an investigation into the suspicion of money laundering or terrorist financing.
- 10.11.2. Tipping off is a criminal offence under Sections 43 and 44 of the Act, which attracts penalty fines, ranging from K25, 000 – K500, 000 or up to 3 years imprisonment term, or K500,000 – K1,000,000 fine for a body corporate.
- 10.11.3. When you make a SMR, you must keep the information confidential and not discuss it further unless the relevant persons within the reporting entity or the authorities require you to speak about it, and this must only be in accordance with the direction provided by FASU and in accordance with the Act.

10.12. Is threshold transaction reporting different from SMRs?

- 10.12.1. The requirement to report SMR is in line with Section 41 of the Act. It is different from the requirement to report a Threshold Transaction Report (TTRs) and an Asset of Designated Persons or Entities Report (ADPER) that are pursuant to Sections 39 and 40 respectively. The Act requires you to file four different types of reports to FASU, which includes:
 - 10.12.1.1. Section 39 – Threshold Transaction Reports (TTRs);
 - a) Domestic TTR¹²
 - b) International TTR¹³ known as an International Electronic Funds Transfer Report (IEFTR)
 - 10.12.1.2. Section 41 – Suspicious Matter Reports (SMRs); and
 - 10.12.1.3. Section 40 – Asset of Designated Persons or Entities (ADPER).
- 10.12.2. TTRs are different from SMRs. TTRs have requirement for both domestic and international transactions. A entity **must** report any domestic and international transaction involving a large sum of cash or cash equivalent in the form of a bearer negotiable instrument that is K20,000 or more, even if it is not suspicious. Such a transaction may be carried out as a single transaction, or two or more transactions that appear to be linked. The link between the two transactions can be identified in various ways. *For example*, an individual may carry out a number of transactions from the one account on the same day, or a number of customers may carry out transactions from the same account on the same day. Note that “linked transactions” is not defined under Section 5 of the Act. However, Section 46(2) gives some guidance on information that will be relevant to identify “linked transactions”. Linked transactions are an important consideration when submitting TTRs, IEFTRs, SMRs and ADPERs. As for ADPER, the report relates to assets that are in the custody of a reporting entity that belongs to a person that has been designated under Section 12(e)(i) of the *United Nations Financial Sanctions Act 2015*. For more details on linked transactions,

¹² Section 39 (1) of the Act

¹³ Section 39 (2) of the Act

refer to FASU's [**Guidance for Reporting Entities to Raise Awareness on Identification of Linked Transactions under the Anti-Money Laundering and Counter Terrorist Financing Act 2015 \(No. 5 of 2025\)**](#).

- 10.12.3. You must submit a TTR, IEFTR and ADPER to FASU as soon as reasonably practicable, and no later than 10 working days from the date of the transaction(s). Refer to **Appendix C** of [*FASU's Guidance for Designated Non-Financial Businesses or Professions on their Obligations under the Anti-Money Laundering and Counter Terrorist Financing Act 2015 \(No.2 of 2019\)*](#) for a copy of the TTR, IEFTR and ADPER or download [TTR form, IEFTR form and ADPER form](#) from the website of the Bank of PNG.

11. AML/CTF Program

11.1. Creating, implementing, and following written internal policies, processes and procedures

- 11.1.1. As noted previously within this guidance, the Act requires real estate agents to have in place an effective system of written controls, in the form of policies, processes and procedures, for the purposes of AML/CTF. More specifically, the sections of the Act relating to establishing internal controls, effecting due diligence, maintaining records and training apply to real estate agents, and real estate agents are required to put in place policies, processes and procedures relating to these. Generally, these policies, processes and procedures are contained within AML/CTF Program.
- 11.1.2. Creating an AML/CTF Program can often seem like an overwhelming task, but it is nothing more than an internal reference document that explains to everyone what your business/firm does, the risks that it may face and what specific procedures it has put in place to make sure that those risks are managed and mitigated.
- 11.1.3. The AML/CTF Program will differ from firm-to-firm or business-to-business because the type of activities, customers and money received or dispersed, will differ.
- 11.1.4. Real estate agent's AML/CTF program must be approved by its senior management and the Board. A real estate agent must keep a record of senior management's approval of the AM/CTF program in writing, which includes it being stored electronically, and able to produce it upon request by FASU.

11.2. What information should be in the AML/CTF Program?

- 11.2.1. The real estate agent's compliance program will be the main reference document that gives employees the guidance they need to understand their obligations and the internal procedures they must follow in order to meet the required AML/CTF obligations.
- 11.2.2. As such, it is of vital importance that the real estate agent's compliance program reflects its specific activities and operations.
- 11.2.3. As part of its ongoing supervision of real estate agents, should FASU visit your business or firm, or undertake a review of its activities to ensure that it is meeting the legislative requirements, FASU looks at the AML/CTF Program as the standard by which it will evaluate the real estate agent's activities and compliance with the law. If, therefore, the actual procedures in business do not match what is in the AML/CTF Program, a real estate agent may be deemed non-compliant and face further action.

11.2.4. Key elements and sections to focus on in the compliance manual/program include, but are not limited to, the following:¹⁴

- 11.2.4.1. **A policy statement:** The policy statement should, among other things, discuss business/firm's commitment to fight money laundering and terrorist financing. It should also specifically outline business/firm's activities and how and where in those activities the business/firm may be at risk for money laundering or terrorist financing.
- 11.2.4.2. **Definitions and explanations of money laundering and terrorist financing:** This section should include the definitions of money laundering and terrorist financing and should specify PNG's Act that governs AML/CTF obligations, as a real estate agent. A real estate agent should also make clear in this section what the consequences are for non-compliance and provide examples of the fines and penalties that can be levied in the event there is non-compliance.
- 11.2.4.3. **Policies, Processes and Procedures – the controls:** The policies, processes and procedures within the compliance manual/program will essentially explain the requirements, what business/firm's approach is to meet the requirements (the policy), the steps needed to ensure the policy is adhered to (the process), and the step-by-step detail as to what must be done in order to ensure the legal and regulatory requirements are met (the procedure).
- 11.2.4.4. This is the main and most important part of firm's AML/CTF compliance program and will cover all of the topics covered within this guidance, namely:
 - 11.2.4.4.1. Undertaking risk assessments;
 - 11.2.4.4.2. Establishing internal controls (including customer acceptance policy);
 - 11.2.4.4.3. Compliance Officer;
 - 11.2.4.4.4. Customer Due diligence;
 - 11.2.4.4.5. Suspicious matter reporting;
 - 11.2.4.4.6. Record keeping; and
 - 11.2.4.4.7. Employee/employees training.

The AML/CTF compliance program shall also include details on targeted financial sanctions, sanctions screening and implementation (see section 11 below).

- 11.2.4.5. **Reviews of Procedures:** Additionally, real estate agent's AML/CTF compliance program should include details of how often the business/firm, or its management will review the manual and monitor its internal procedures to ensure they continue to meet the AML/CTF requirements.
- 11.2.4.6. **Employee screening:** To ensure that employees are fit and proper, the AML/CTF compliance program shall also include details on conducting screening of potential employees.

¹⁴ Please refer to the sample of an AML/CTF Program attached as **Appendix B** to FASU's *Guidance for Designated Non-Financial Businesses or Professions (DNFBPs) on their Obligations under the Anti-Money Laundering and Counter Terrorist Financing Act 2015 (No. 2 of 2019)*.

- 11.2.4.7. **Templates:** To assist your employees, you should also consider whether it is appropriate to include your business/firm's relevant templates in the Program (e.g., internal STR reporting form).
- 11.2.5. Please note that each business/firm's AML/CTF compliance program will need to be specific and tailored to each business/firm and should detail procedures that are in line with the level of risk your business/firm has to money laundering and terrorist financing.

12. Targeted Financial Sanctions

- 12A. Real estate agents shall implement a comprehensive Targeted Financial Sanctions Compliance Program.
- 12B. Real estate agents shall conduct the screening of their customers to determine if their customer or their beneficial owner(s) or senior management is designated under the sanctions list, as approved under Part II of the United Nations Financial Sanctions Act (UNFSA) 2015.
- 12C. Upon screening, if any matches are identified with the sanctions' lists, a real estate agent shall undertake the following actions, depending on the nature of the match observed (confirmed or partial match where the real estate agent is unable to determine if it is a confirmed match or a false hit):
- a) Immediately and directly apply adequate TFS measures, as prescribed in the Act and *UNFSA 2015*. These measures include immediately suspending or terminating the business relationship, transaction, transfer, financial or other related services, as well as immediate freezing of the funds and other assets that are owned, directly or indirectly, by such designated individuals and entities;
 - b) Filing an Asset of a Designated Person or Entity Report (ADPER) Form as soon as is reasonably practicable and in any event within 10 working days from the date it receives notification of a designation under Section 12(e)(i) of the *UNFSA 2015*, without prior notice to the suspected person(s), with FASU. The form is attached as **Appendix E** in [FASU's Guidance for Designated Non-Financial Businesses or Professions on their Obligations under the Anti-Money Laundering and Counter Terrorist Financing Act 2015 \(No.1 of 2019\)](#) or download [ADPER form](#) from the website of the Bank of PNG.

The report filed to the FASU under b) above should include the data for the identification of assets and other properties, data regarding ownership and other interests thereto, as well as explanations for the motives on which the pertinent TF data were grounded.

- 12D. Real estate agents are also required to conduct ongoing monitoring of their customers and transactions to ensure compliance with sanctions. This includes screening customers and transactions against updated lists of designated persons and entities.
- 12E. Real estate agents must establish and maintain effective internal controls, policies and procedures to comply with TFS. Staff training on sanctions compliance and the identification of designated persons or entities is also required.
- 12F. Real estate agents shall also maintain records of actions taken to comply with sanctions, including identification and freezing of assets, for a specified period as required by applicable laws.

Annex 1 – Red Flag Indicators for Real Estate Agents

The list provided below is not exhaustive:

IA. Customer Behaviour

- Whether the buyer or seller is from a high-risk country identified by credible sources as, for example, being complicit in corruption, organized crime or serious fraud or providing funding or support for terrorist activities that have designated terrorist organizations operating within them.
- Whether the client is listed on any list of targeted financial sanctions, or subject to sanctions, embargoes or similar measures issued by international organizations such as the United Nations.
- Whether the buyer is participating in a citizenship by investment program related to real estate purchases.
- Whether the client has connections to the industry or industries associated with ML/TF risks.
- Unexplained or otherwise unusual source of funds that cannot be verified.
- How the business relationship begins and is subsequently conducted, to include inconsistencies in client behavior, avoidance of face-to-face contact in unusual situations.
- The use of intermediaries or legal persons used to protect a person's identity or hide involvement.
- The use of foreign companies for purchase of real estate.
- Undue pressure or abnormal haste from the client for the transaction to be concluded expeditiously.
- The profile of the client does not fit with the transaction with regard to the property value.
- A group of buyers with similar profiles buying new builds or off plan property (organized mortgage fraud).
- Whether the client refused, or appeared reluctant, to provide required client due diligence information or documentation or provided false or inaccurate information (i.e. incomplete addresses, use of business addresses, etc.).
- A sudden change to the pattern of behavior of the client or the introduction of unknown third parties during the transactional process or involvement from other parties such as lawyers, notaries or financial institutions, when such involvement is not routine.
- The use of complex legal structures that may obscure beneficial ownership, to include clients that are companies, partnerships, or trusts, or a combination of each; particularly when the legal and corporate structure of the client entity and its ownership and control of the structure appears unusual for the purposes of the transaction.
- The reputation and profile of the client and whether there has been any adverse media reports or other adverse information from a reliable source about the owner or beneficial owner.
- If the owner, beneficial owner or any persons publicly known to be closely associated have been convicted or suspected of being complicit in any ML/TF activities.
- The business has previously been suspicious of the client or beneficial owner and filed a suspicious transaction report or has gathered information in the course of the business relationship questioning the integrity and motives of the client or beneficial owner.
- The client or beneficial owner has political connections and is considered a PEP or the client or beneficial owner has other links to a PEP or persons who hold a prominent political or public position.

- Additionally, lawyers may consider evaluating clients using their services for real estate transactions where the involvement of a lawyer is not customary and may be seeking actual or perceived anonymity to purchase and sell real estate for nefarious purposes.
- Given their visibility into real estate transactions and familiarity with financial details related to these transactions, notaries may also be in a position to consider whether the use of an attorney presents a ML/TF risk.
- The customer is excessively obstructive, secretive, or unwilling to meet the real estate agent.
- The customer provides false or counterfeited documentation.
- The customer tries to manipulate the office staff and tries to lure them with gifts.
- The customer is a business entity which cannot be found on the internet and/or uses an email address with an unusual domain or one more appropriate for an individual such as Hotmail, Gmail, Yahoo etc., especially if the customer is otherwise secretive or avoids direct contact.
- The customer is known to have convictions for acquisitive crime /other serious crimes such as human trafficking, illegal arms dealing or narcotics, known to be currently under investigation for acquisitive crime or have known connections with criminals.
- The customer is related to or is a known associate of a person listed as being involved or suspected of involvement with terrorist or terrorist financing related activities.
- The customer shows an unusual familiarity with respect to the ordinary standards provided for by the law in the matter of satisfactory customer identification, data entries and suspicious transaction reports e.g., a customer with special recognition of the obligation to report suspicious transactions, who expresses the opinion that his money is clean.
- The customer who appears to be acting on somebody else's instructions without disclosing the identity of such person.
- There is unexplained delegation of authority by the customer by using powers of attorney.
- The customer appears to be acting as a proxy for the purchase of the properties and makes attempts to conceal the identity of the beneficial owner e.g., a customer who appears in the office is accompanied and receives instructions from the person who accompanies him.
- The customer buys property in the name of a nominee such as an associate or a relative (other than a spouse or child), or on behalf of minors or other persons who lack the economic capacity to carry out such purchases or on behalf of a PEP.
- The customer provides an address that is unknown, believed to be false, or simply a correspondence address, e.g., a post office box number which might not provide details of the actual address.
- There is a significant and unexplained geographic distance between the agent and the customer (buyer/seller) during the sale.
- The customer appears unconcerned about the economic or investment value of the property he/she is purchasing /selling or associated commissions and fees.
- The customer buys property without making any attempt to inspect or review the brochure or marketing material of the property.
- The customer appears hesitant or declines to put his name on any documents that would connect him with the property.
- The customer often changes the notary, financial expert or lawyer within a short time, behaviour for which there is no convincing explanation.

- The customer gives confusing answers regarding the parties to transactions or business relationships and presents resistance when asked to provide additional information.

IB. Services and/or Transaction Red Flag Indicators

- The use of third parties, overseas accounts, or persons or entities in countries identified as high-risk jurisdictions to send or receive funds on behalf of the buyer or seller.
- A proposal from buyer, seller or any party to settle by way of virtual assets, if it is thought to make some part of the transaction less transparent.
- Use of complex loans or other unusual means of financing (i.e. diversified and unexplained payment sources and types).
- Use of promissory notes, bills of exchange, titles of credit, exchange titles, securities or any other negotiable instrument outside the financial system that can be paid by the debtor in cash.
- Unexplained or abrupt changes in financing arrangements.
- Use of cash in a quick sale, cash exchanges directly between seller and buyer, to include a cash deposit or a large one-off cash transaction.
- Part or full settlement in cash or foreign currency, lacking valid reason (e.g. personal or professional links to the currency) or a buyer will not disclose source of funds for an unusually big cash or foreign currency transaction.
- Transaction costs or invoices of the seller or buyer are paid by a third party that has no connection to the transaction or through unusual channels (e.g. unrelated financial institution)
- Multiple properties being sold/purchased, re-sold or exchanged at the same time or successive transactions of the same property in a short period of time with unexplained changes in value.
- A previously sold property is re-marketed following renovation without an obvious source of funding.
- Transactions which make no obvious economic sense, particularly where there is an obvious loss.
- Transactions which evidence complex ownership structures or where the beneficial owner is obfuscated.
- Investments or property management companies involved in a transaction not engaged in identifiable business activity.
- A sudden or unexplained change in ownership, in particular, when within a short period prior to closing the transaction.
- Requests to expedite transactions, possibly over or under value.
- The client requests the proceeds of a sale or rental be sent to a high-risk jurisdiction or a third party apparently unconnected to the transaction.
- Clients ask a real estate business to hold a large sum in their client account, and request a refund to a different banking account than that associated with the original transaction.
- Transactions concerning the transfer of properties between persons or entities in which no money no exchange of transactions occurs, and the creation of equitable interest in properties.
- The customer wants to form or buy a company whose object of activity is unclear, and which does not seem to have any connection with his current activity, and the explanations given for such cases are vague and unconvincing.
- The customer is involved in transactions which seem to be unrelated to or outside the scope of his normal activity e.g., purchaser is a non-profit organisation, but the property is purchased for investment which requires a large loan.
- The customer's activity does not match the business profile.
- The customer is involved in the supply, sale and purchase of dual-use goods.

- The customer lives beyond his economic means, given the income he provides.
- Goods or real estate have been repeatedly sold at abnormal profits/losses and no rational explanation can be given for this.
- The customer uses a third person when there is no or does not seem to be necessary from a legal, fiscal, or commercial point of view to do so.
- Selling or buying real estate for a price far from or far below the true value.
- The income from the customer's professional activity is disproportionate to the business activity.
- The number of employees of the company does not match the typical activity of companies of this category.
- The company pays for consultancy that does not match its activity or is not justified from an economic point of view.
- The company buys luxury objects that are not related to the main business activity.
- The customer makes cash payments in significant amounts for the sale and purchase of real estate.
- The customer uses or will use foreign companies when there is no or does not appear to be the need for legal, fiscal or commercial reasons to do so.
- The customer has established or wishes to establish various companies within a short period of time for his or another person's benefit, when there is no or no apparent need for legal, fiscal, legal or commercial reasons to do one thing such.
- The under-or-over valued sale or purchase of property.
- Use of large amounts of cash in the transaction.
- Investments in real estate from foreigners with no connection to PNG or that have nothing to do with the social economic status of the customer.
- Complex transactions which do not have an obvious purpose from an economic point of view.
- Inconsistencies in business relationship or transaction information (e.g., names, companies and their addresses, final destination).

I C. Geographical Red Flag Indicators

- The customer does not live in the region where the broker has his office or is not part of the usual clientele, uses an unknown broker or requests the provision of a service that could have been performed by an expert in the area where he lives.
- The customer is a military or research institution that is connected to countries at risk of financing weapons of mass destruction.
- Transactions involving persons or entities from high-risk countries with AML/CTF deficiencies or countries at risk for weapons of mass destruction.
- Involvement of a person related to dangerous places.
- The parties in the transaction (owner, beneficiary, etc.) are from countries known for supporting terrorist activities and organizations.
- The address of the customer or persons connected in business relations with him is the same as that of the persons or entities included in the list of international sanctions.

References and Contacts

PNG's AML/CTF Framework

Information on the Act and PNG's regime can be found at www.bankpng.gov.pg

- PNG's *Anti-Money Laundering and Counter Terrorist Financing Act 2015*:
<https://www.bankpng.gov.pg/sites/default/files/2024-09/1-No-20-of-2015-Anti-Money-LaunderingCounter-Terrorist-Financing-Act-2015.pdf>
- PNG's *Criminal Code Act 1974*: http://www.paclii.org/pg/legis/consol_act/cca1974115/
- PNG's *Criminal Code (Money Laundering and Terrorist Financing) (Amendment) Act 2015*:
https://www.bankpng.gov.pg/sites/default/files/2024-09/No-21-of-2015-Criminal-Code-Money-Laundering-Terrorism-FinancingAmendment_Act-2015.pdf
- PNG's *Mutual Assistance in Criminal Matters (Amendment) Act 2015*:
<https://www.bankpng.gov.pg/sites/default/files/2024-09/No-22-of-2015-Mutual-Assistance-in-Criminal-Matters-Amendment-Act-2015.pdf>
- PNG's *Proceeds of Crime Act 2005*: http://www.paclii.org/pg/legis/consol_act/poca2005160/
- PNG's *Proceeds of Crime Act (Amendment) 2015*:
<https://www.bankpng.gov.pg/sites/default/files/2024-09/No-23-of-2015-Proceeds-of-Crime-Amendment-Act-20153.pdf>
- PNG's *United Nations Financial Sanctions Act 2015*:
<https://www.bankpng.gov.pg/sites/default/files/2024-09/No-24-of-2015-United-Nations-Financial-Sanctions-Act-20151.pdf>

Asia Pacific Group on Money Laundering (APG): <http://www.apgml.org>

Financial Action Task Force (FATF): <http://www.fatf-gafi.org>

For queries about this Guidance, please contact:

Bank of PNG, Financial Analysis and Supervision Unit

PO Box 121, Port Moresby, National Capital District

W: www.bankpng.gov.pg

E: fasu@bankpng.gov.pg

T: +675 322 7147