

Australia's AML / CTF reform

Existing reporting
entities

March 2025

Overview and key changes

- The *Anti-Money Laundering and Counter-Terrorism Financing Amendment Bill 2024* was passed by Parliament on 29 November 2024.
- The bill introduces substantial change to the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Act)* to modernise, clarify and simplify the existing regime.
- While there has been a focus on new reporting entities (**REs**), existing REs will also need to make important changes to how they manage their risks and obligations and examine their businesses to identify whether there are business lines or new group entities that are captured for the first time.
- **Key changes relate to governance, risk assessments, and customer due diligence.**
- Reporting entities will need to ensure they have the resources, tools, stakeholder buy-in, and organisational focus, to uplift their AML / CTF Programs, systems and policies to meet the requirements.



Summary of key changes and implications for reporting entities

The new requirements will mean a considerable uplift for reporting entities prior to most of the changes coming into effect in March 2026



Overarching risk assessments – Risk assessments remain a critical focus for AUSTRAC

REs will need to review and uplift their AML/TF risk management framework and processes. They will be required to have an overarching written risk assessment which considers relevant money laundering and terrorism financing (ML/TF) risks and to prepare and maintain AML/CTF policies which respond to that specific risk assessment. They will also need to ensure they have a mechanism in place to review and update these policies on a regular basis and to review the risk assessment if any "adverse findings" are identified through a mandatory periodic independent evaluation.

Impact and potential challenges:

- ML/TF risk assessment methodologies vary significantly and are often 'set and forget' procedures which are not regularly reviewed and kept up to date in line with changes to the business risk profile. The effective design of enterprise-wide ML/TF risk assessment (EWRA) methodologies can be challenging, requiring technical risk, compliance and data expertise, particularly across more complex RE groups.
- EWRA can require substantial resource commitments, with quantitative and qualitative inputs required from a range of systems and stakeholders across each organisation. In practice, increased focus on the AML/CTF policies that each RE has developed to manage and mitigate ML/TF risks under the new regime will involve the identification and regular ongoing assessment of the effectiveness of these policies and, in many cases, the design and implementation of new measures to mitigate identified risks.

Complexity: High



Roles, responsibilities and governance – Ongoing oversight of the Program is a regulatory expectation

The AML/CTF program will need to be adjusted dynamically. To facilitate this, certain changes to the program will be able to be made by a senior manager (and notified to the governing body) rather than going through more formal approvals. REs should consider assigning responsibilities and creating processes that ensure appropriate ongoing oversight and identification of evolving ML/TF risks, which will need be reflected in the AML/CTF program.

Impact and potential challenges:

- Effective ongoing oversight over the program relies on meaningful information and data being reported to relevant forums. This may include the reporting of ML/TF risks and whether they are changing, key trends, issues and incidents.
- The availability of data to support effective reporting to boards and senior management is a common challenge, with many organisations faced with significant challenges due to system limitations or the reliance on manual reporting processes.

Complexity: Medium



Enhancing customer due diligence (CDD)

Prescriptive rules about how CDD is to be performed has been replaced with an outcomes-based framework. REs will be required to carry out an initial risk assessment for each customer and to perform KYC/CDD according to what is appropriate for that customer (with an ongoing obligation to revisit this in some circumstances).

Impact and potential challenges:

- Existing customer risk assessment (CRA) methodologies vary significantly ranging from complex scoring methodologies applied through customer onboarding systems that include weighted risk factors across customer, product, delivery method and jurisdiction, through to manual assessments applied by customer onboarding staff.
- A common challenge across all REs is the identification of ongoing changes in customer risk which may be identified, for example, through transaction monitoring systems, changes in customer profiles or as part of ongoing screening, with many REs failing to have effective systems and processes in place to identify changes in customer risk.
- The completion of ongoing periodic CDD reviews can result in significant backlogs without effective systems, processes, and technology in place, especially for REs with large customer volumes.

Complexity: Medium

What can you do now?

Given the limited capacity within existing AML functions, consideration needs to be given to the additional resources and investment required to update relevant policies, procedures and operational frameworks. A business case for the additional support required will need to be included as part of the change management plan.

Industry & regulator engagement



Guidance and consultation on the practical implications of compliance around the new amendments has been promised by AUSTRAC, including consultation on draft amendments to the AML/CTF Rules.

REs should stay close to relevant regulator correspondence, including AUSTRAC communications, as well as engaging with relevant industry bodies and forums to keep close to the practical implications on the reforms across each sector.

Expanded Designated services



The amendments do not just incorporate new 'tranche 2' services into the Act, but also substantially amend existing designated services (particularly in respect of remittance, payments and digital assets). Existing REs should therefore review the detail of the services they provide to confirm whether they involve designated services, and potentially obtain legal advice to assist that assessment.

Failing to correctly identify which designated services are being provided, and by which entity (often more complex in larger corporate groups) will result in non-compliance (with possible penalties) and can also have a significant impact on the effectiveness of the overall AML/CTF Program design.



Policies & procedures

The new regime will require changes to be made to existing AML/CTF Programs and a range of supporting policies and operational procedures, including ML/TF risk assessment methodologies, governance and oversight arrangements and customer due diligence procedures.

For some organisations, this will require updates to a large volume of policies and procedures which may impact several functional areas. Organisations can begin to plan for these changes as more clarity is provided on the practical implications of the changes over the coming months.



Technology

Changes to existing systems, processes and technology (or investments in new technology) may be required to meet the new requirements, including the systems and technology used as part of the CRA and EWRA, as well as potential enhancements to the systems used to enable ongoing AML/CTF management reporting.

Organisations can start to consider what existing systems, data and technology is in place that may support compliance with the new requirements, as well as any identified gaps.

How we can help

MinterEllison has Legal and Consulting teams focused on Financial Crime and a unique team made up of **market-leading risk consultants and legal practitioners**, specialising in understanding AML/CTF obligations, managing and leveraging risks and implementing systems that align with the constant developing regulations in a practical and strategic manner.

Our holistic legal and consulting approach focuses on providing a **tailored and effective plan** in response to the upcoming changes, prioritised to your organisation's needs.

Our integrated services include >



Advise on the **complex legal issues** which will need to be addressed including interpreting the AML/CTF reforms and applying them to your business.



Design a **comprehensive AML / CTF uplift plan** that is appropriate for the size, scale and complexity of your organisation.



Provide a **legal regulatory enforcement lens** to inform ongoing compliance, advise on regulatory engagement and provide legal advice, support, reviews and response following risk events or regulatory action.



Subject matter **expert advisory support** in response to a regulatory action including working with you on your regulatory response and engagement with AUSTRAC and any relevant remediation activities.

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