



Queensland
Law Society®

AML/CTF Compliance

A Practitioner's Pre-Reading Checklist

Need to Know Terms

ML/TF Terms	<p>Money laundering (ML) refers to the process of turning the proceeds of crime into funds or assets that seem legitimate</p> <p>Terrorism financing (TF) encompasses the ways in which funds or financial support are provided to terrorist organisations that pose a threat to national security.</p> <p>Proliferation financing (PF) refers to the act of providing funds or financial services for the manufacture, acquisition, exporting or transporting of weapons for mass destruction.</p>
AML/CTF Program	<p>AML/CTF Program sets out how a reporting entity meets their AML/CTF compliance obligations (Part 1A).</p>
Governing Body	<p>Governing Body is responsible for overseeing the reporting entity's assessment of risk and adherence to its AML/CTF program, ensuring the practice is taking reasonable steps to comply with the broader regime.</p> <p>Senior Manager is responsible for making key AML/CTF decisions including approving AML/CTF Programs, updates and business relationships.</p> <p>AML/CTF Compliance Officer is responsible for overseeing the implementation of and day to day compliance with the AML/CTF Program, ensuring staff training and communicating with AUSTRAC on behalf of the practice.</p>
CDD	<p>Customer Due Diligence (CDD) is the process of establishing the identity of the client, verifying the nature of the transaction, assessing the client's ML/TF/PF risk and collecting KYC information (Part 2).</p> <p>Know Your Customer (KYC) Information refers to any information about a client that:</p> <ul style="list-style-type: none">• provides reasonable grounds to establish matters required for initial CDD or• enables you to identify/assess the ML/TF risk of the client. (s 5)
Reporting	<p>Suspicious Matter Report (SMR) is submitted if a practitioner forms a suspicion based on reasonable grounds to suspect that they have information that may be relevant to a crime, a person is not who they claim to be or a person is planning a ML/TF offence. (s 41(1)).</p> <p>Threshold Transaction Report (TTR) is submitted for transfers of \$10,000 or more in cash (s 43).</p>

For more definitions of relevant terms, visit the [Glossary](#) available on AUSTRAC's website.

AML in Australia: A Timeline

2006

AML/CTF Act passed

Tranche 1 obligations apply to financial services (eg: banks, financial planners), bullion dealers, gambling services (eg: betting agencies, casinos, clubs that have gaming machines).



2008

Tranche 1 obligations commence



2012

Planned Tranche 2 does not progress



2015

FATF evaluates and criticises omission of Tranche 2 entities



2016

Statutory review of AML/CTF Act

Proposes options for the regulation of lawyers and a cost-benefit analysis.



2017

Law Council of Australia responds to government consultation



2022

Senate Committee Inquiry into AML/CTF regulation

Recommends that Tranche 2 consultation is expedited.



2023

Consultation commenced on Tranche 2 regulation



2024

AML/CTF Amendment Act passed



July 2026

Tranche 2 obligations commence

Defining the AML/CTF regime

The Anti-Money Laundering / Counter Terrorism Financing (AML/CTF) regime refers to Australia's legislative framework designed to **detect, disrupt** and **deter** money laundering and terrorism financing, protecting our financial system from exploitation.

The purpose of the AML/CTF regime is to:



The recent AML reforms represent a significant shift for members of the legal profession, whose obligations are extended under the tranche 2 framework.

These changes bring Australia into alignment with international standards set by the Financial Action Task Force (FATF), closing regulatory gaps that have inadvertently allowed high-risk services to be exploited for illegitimate purposes.

Australia's economy faces the threat of exploitation by criminals using legitimate businesses as a means to launder money, often reinvesting in other criminal activities. In 2023-24, the upper estimate of serious and organised crime was estimated to cost Australia \$82.3 billion.¹

If Australia fails to meet international AML/CTF standards, it risks being placed on the FATF "grey list".

The Legislation

The AML/CTF regime is governed by the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth) and is regulated by AUSTRAC, the intelligence agency responsible for overseeing financial crime.

The Act establishes certain obligations for reporting entities to assess and report on such activities.

Providers of designated services are required by law to comply with AML/CTF obligations from 1 July 2026.

Expanded Regulation

To bring Australia into alignment with the international standards set by the FATF, the Tranche 2 reforms will expand regulation into industries recognised as high-risk for criminal exploitation. This extends to certain designated services provided by:

- real estate professionals
- dealers in precious stones, metals and products
- **lawyers**
- conveyancers
- accountants
- trust and company service providers.

From 1 July 2026, legal practitioners providing designated services will be required to comply with AUSTRAC's regulatory framework.

This includes obligations for **customer due diligence**, **suspicious matter reporting**, and **record-keeping**, supported by detailed AML/CTF policies and procedures.

Australia is one of the last countries in the world to include professional services in their AML/CTF regulatory regime. Though the reforms will substantially shift the norms of legal practice, the intent of the Tranche 2 reforms is to help gatekeeper professions like the legal profession identify suspicious matters which might launder illegitimate funds. In this way, practitioners play an important role in preventing the misuse of legal and financial transactions to fund criminal activity

¹ Alexandra Voce and Anthony Morgan, The costs of serious and organised crime in Australia (2023-24), Statistical Report no. 55. Canberra: Australian Institute of Criminology.

The Roadmap to 2026

With AML/CTF reforms coming into effect on 1 July 2026, it is important for those legal practitioners providing designated services on and from that date to understand the critical timeline for compliance and implementation. Post 1 July 2026, AUSTRAC will target entities that fail to take reasonable steps to comply with AML/CTF obligations.

