LYD

Instant Compliance

NEW AUSTRAC REGULATIONS

Tranche 2 AML

AML/CTF Obligations for Professional Services

- Real Estate Agents
- Lawyers
- Accountants
- Precious Metal Dealers
- Financial Advisers

COPING WITH TRANCHE 2

The Five Stages of Tranche 2

Denial

"This can't possibly apply to us."

Anger

"We're lawyers, not a bank!"

Bargaining

"It was one settlement..."

Depression

Page 1 of 138 of the Rules.

Sorted

Programme live. Kettle on.

Instant Compliance helps you skip straight to stage five — it takes about 30 minutes.

TABLE 6 — PROFESSIONAL SERVICES

Designated Services Affecting Lawyers & Accountants

If your firm provides any of these services with a geographical link to Australia, you have AML/CTF obligations under the Act.

01 Assisting in planning or executing a transaction to buy, sell or transfer **real estate**

02 Assisting in planning or executing a transaction to buy, sell or transfer **entities or legal arrangements**

03 Receiving, holding, controlling or managing **client property** when assisting in planning or executing a transaction

04 Assisting in organising, planning or executing **equity or debt financing** for entities or legal arrangements

05 Selling or transferring a **shelf company**

06 Assisting in planning or executing the **creation or restructuring** of entities or legal arrangements

07 Acting as, or arranging for someone to act as, a **director, secretary, trustee, partner** or similar

08 Acting as, or arranging for someone to act as, a **nominee shareholder**

09 Providing a **registered office address** or principal place of business address for an entity

KEY CONCEPTS

Navigating the Grey Areas

Advising vs. Assisting

Providing general, high-level strategic advice or explaining the legal or tax consequences of a proposed structure **does not** trigger the Act. The trigger is pulled when you take **concrete steps to directly advance** the transaction — drafting transfer documents, forming the entity, moving funds, or facilitating settlement. Note: advice comprehensive enough to enable a client to execute independently may still be captured.

General advice = generally safe. Execution = captured.

The "Incidental" Trap

There is **no minimum threshold** or "primary business" exemption. If your firm primarily handles family law or tax returns but occasionally manages a property settlement or sets up a company, that **single transaction** triggers the AML/CTF regime. Even pro bono or one-off work counts if done in the course of business.

One transaction = your firm is captured.

Internal vs. External Rule

The designated service must be provided to a **"customer"** who is a separate legal entity. An in-house lawyer or accountant advising their own employer is generally **not captured** personally — although the corporation they work for might be if it provides designated services externally.

External clients = captured. Internal advice = generally not.

YOUR OBLIGATIONS

If You Are Captured: The 6 Steps to Compliance

If your firm provides even one designated service, you must enrol with AUSTRAC and implement all six.

1. **Risk Assessment**
   Formally identify, assess and document the ML/TF risks your practice faces.

2. **AML/CTF Policy**
   Create and maintain a written program with policies, procedures and controls.

3. **Team Training**
   Provide ongoing ML/TF risk awareness training to all relevant employees.

4. **Customer Checks**
   Perform KYC and KYB due diligence before providing any designated service.

5. **Ongoing Monitoring**
   Monitor transactions and reassess client risk on a periodic basis.

6. **Mandatory Reporting**
   Submit Suspicious Matter Reports and maintain a 7-year audit log.

Conduct a Risk Assessment

You must formally identify, assess, and document the money laundering and terrorism financing risks your specific practice faces.

Client Types

Domestic vs. international, individuals vs. entities, PEP exposure

Services Offered

Which Table 6 designated services does your firm provide?

Delivery Channels

Face-to-face, remote, intermediaries, digital platforms

Geographic Exposure

Jurisdictions involved, high-risk country connections

Frequency: Should be reviewed every year, AND when your business circumstances change materially (e.g. new services, new jurisdictions, AUSTRAC communications).

Adopt an AML/CTF Policy

Based on your risk assessment, you must create and maintain a written AML/CTF Program. This document outlines your firm's internal policies, procedures, and controls for mitigating the ML/TF risks you identified.

Must be written

A formal, documented program your team can reference

Must reflect your risk assessment

Tailored to your specific practice areas and client base

Must include procedures

CDD processes, reporting workflows, record-keeping protocols

Must be maintained

Updated whenever your risk profile changes

Implement Team Training

Your compliance programme is only as strong as your staff. You must provide **ongoing ML/TF risk awareness training** to all relevant employees, ensuring they understand your policies and know how to spot red flags.

All relevant staff

Everyone completes training — not just partners or compliance officers

Role-specific

A conveyancing clerk or bookkeeper faces different risks than an M&A adviser

Covers AML / CTF

Plus reporting obligations and how it fits into your business

Ongoing

Not a one-off exercise — training records must be maintained

STEP 4 OF 6

Perform Customer Checks (KYC/KYB)

Before providing any designated service: first screen the client's risk, then run Customer Due Diligence (CDD).

First: Customer Risk Screening

A set of questions your firm customises to score each client's risk — low, medium or high — before any checks begin.

1. **Who is the client?**
   Individual, company or trust — and who ultimately owns it
2. **Where are they based?**
   Domestic, or connected to a high-risk jurisdiction
3. **What do they need?**
   Which designated service — and is it unusual for them?
4. **How is it delivered?**
   Face-to-face, remote, or through intermediaries

Rated high risk? Enhanced Due Diligence (ECDD)

Additional CDD applies — such as source of wealth and source of funds checks.

Then: Customer Due Diligence

ID Verification
Verify the identity of individuals using government-issued documents

Address Verification
Confirm residential or business address details

Sanctions Check
Screen against DFAT and international sanctions lists

Adverse Media Check
Screen for negative news coverage related to financial crime

PEP Check
Identify Politically Exposed Persons and their associates

STEP 5 OF 6

Conduct Ongoing Monitoring

You must **continuously monitor** your customers to identify, assess, manage and mitigate ML/TF risks. You must also periodically **reassess client risk** at a frequency appropriate to their risk level for all ongoing business relationships.

Transaction Monitoring

Watch for unusual patterns, structuring, or activity inconsistent with the client's profile.

Client Reassessment

Periodically re-evaluate each client's risk level and update their CDD records.

Trigger-Based Reviews

Reassess immediately when circumstances change — new services, unusual requests, or red flags.

Example Reassessment Schedule

HIGH RISK	PEPs, complex structures, high-risk jurisdictions	**Every year**
MEDIUM RISK	Standard commercial clients, moderate complexity	**Every 2 years**
LOW RISK	Known domestic individuals, simple transactions	**Every 3 years**

IMMEDIATE REASSESSMENT TRIGGERS

- Change in ownership
- Suspicious activity
- New service request
- Adverse media hit
- Sanctions list update

Submit Mandatory Reports

Suspicious Matter Reports

If your monitoring uncovers suspicious activity, you must submit a **Suspicious Matter Report (SMR)** to AUSTRAC within tight timeframes. You must report as soon as practicable — within **24 hours** for terrorism financing, or **3 business days** for other suspicious matters.

Annual Compliance Report

You must submit an **annual compliance report** to AUSTRAC confirming your programme is operational, your risk assessment is current, and your staff have completed required training. This demonstrates ongoing compliance to the regulator.

7-Year Audit Log

All records must be retained for a minimum of **7 years** — including CDD records, transaction records, SMRs filed, training records, and risk assessment documentation. Records must be accessible and retrievable for AUSTRAC review.

⚠️ You must NOT 'tip off' the client

WORKING WITH OTHER FIRMS

Reliance: Verify the Client Once

Under s 37A, one AUSTRAC-registered firm may rely on customer due diligence already performed by another firm in the same transaction — so a shared client proves who they are once, not four times.

Any two registered firms

Agents, conveyancers, lawyers and accountants — both firms must be enrolled with AUSTRAC.

Standing agreement

A written reliance arrangement covers all future transactions between the two firms.

Share CDD

Now you can share CDD between the two firms. This reduces the administrative burden on the customer and reduces costs for all parties involved.

Liability stays with you

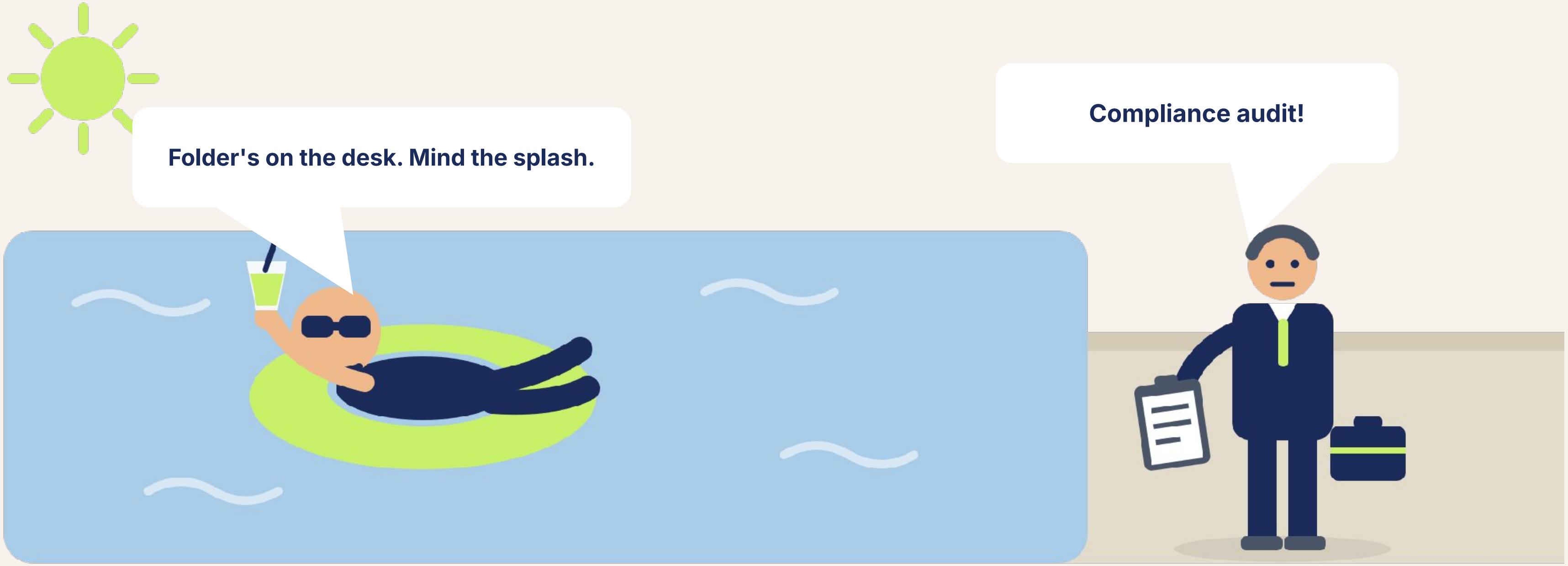
Risk assessment, ongoing monitoring and 7-year record-keeping remain your own obligations.

The payoff: your shared client verifies once — you hold a reliance acknowledgement, not another copy of their passport.

MEANWHILE, ON AUDIT DAY

Be the firm on the pool float

Set up early, and a spot check is just a splash — risk assessment filed, training logged, CDD on record.



TEAM TRAINING, APPLIED

Red Flag Bingo

Play along during customer due diligence. Three in a row? That's a Suspicious Matter Report.

Pays in cash. Only cash.	“It’s for my cousin”	14-layer trust structure
Company older than the client	**GET COMPLIANT**	PO box in a tax haven
Needs it settled yesterday	News results include “alleged”	“Do we really need ID?”

EXCLUSIVE LYD MEMBER OFFER

Get Set Up for Compliance in Under 30 Minutes

Risk assessment, AML/CTF policy, team training, and customer checks — all set up and ready to meet your obligations before the 1 July 2026 deadline.

Discounted Pricing

Exclusive rate for LYD members

Free Onboarding

Guided setup session with our team

Under 30 Minutes

From sign-up to programme in place

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