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Australian Transaction Reports and Analysis Centre
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To the Australian Transaction Reports and Analysis Centre

SECOND PUBLIC CONSULTATION ON NEW AML/CTF RULES

The Australian Finance Industry Association (AFIA) is the only peak body representing the entire finance industry in Australia.¹ We appreciate the opportunity to respond to the second Australian Transaction Reports and Analysis Centre (AUSTRAC) public consultation on new AML/CTF Rules (Rules).²

We represent over 150 members, including bank and non-bank lenders, finance companies, fintechs, providers of vehicle and equipment finance, car rental and fleet providers, and service providers in the finance industry. We are the voice for advancing a world-class finance industry and our members are at the forefront of innovation in consumer and business finance in Australia. Our members finance Australia's future.

We collaborate with our members, governments, regulators and customer representatives to promote competition and innovation, deliver better customer outcomes and create a resilient, inclusive and sustainable future. We provide new policy, data and insights to support our advocacy in building a more prosperous Australia.

¹ [Australian Finance Industry Association \(afia.asn.au\)](https://afia.asn.au).

² AUSTRAC, 'Second Public Consultation on New AML/CTF Rules | AUSTRAC', ([19 May 2025](#))
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INTRODUCTORY COMMENTS

AFIA acknowledges the critical importance of Australia's work on AML/CTF including the development of framework which endeavours to counter the threats posed by ML/TF activities. As we have stated in our previous submission to the first stage of AML/CTF reforms³:

"AFIA condemns in the strongest possible terms any activity which in any way contributes to money laundering or the financing of terrorism."

In striking right balance between safeguarding Australia's interests against these threats and facilitating a regulatory environment that allows business and industry to thrive in our economy, the Rules should provide a clear framework which contains sufficient flexibility for businesses recognising their various business models and activities.

A framework which acknowledges the practical considerations of Australian financial firms will undoubtably provide the best pathway forward to achieving the AML/CTF regime's intended outcomes.

SUMMARY OF RECOMMENDATIONS

AFIA submits the following recommendations i:

1. That AUSTRAC acknowledge automated technologies are acceptable for the purposes of AML/CTF processes, and that guidance is provided on corresponding documentation, oversight, and audit expectation.
2. That AUSTRAC provide guidance on the development of compliant sanctions policies, including the individual elements the policies should address, and transitional relief to entities in making the requisite program adjustments.
3. The definition of beneficiary institution in the Rules should be clarified, to ensure that entities can accurately identify when they will be captured under the definition and related requirements.
4. That there is confirmation that only reporting entities or non-reporting entities actively involved in discharging AML/CTF obligations are captured within reporting groups.
5. Clarification on which customer (business) name must be established during initial customer due diligence, and the ability for firms to maintain databases which hold one main address per customer.
6. Clarification that the requirement for reporting entities to collect information relating to the nature of a customer's business will be satisfied by use of the Australian and New Zealand Standard Industrial Classification (ANZSIC).
7. Requirements regarding specification of business structures collection of legal/official documentation be revised to ensure that reporting entities are not faced with a significant

³ AFIA, 'Submission on the First AML/CTF Reforms Consultation', ([16 June 2023](#))

compliance burden which fails to balance the cost to reporting entities against the value of the information.

8. The requirement to identify a settlor appointer, guardian or protector of a trust be qualified by a monetary threshold, and clarity provided as to whether these individuals are subject to identification and verification procedures.
9. Guidance on practical considerations where 'safe harbor' and simplified customer due diligence procedures co-exist, and any related impacts to the use of electronic data in verification procedures. This relates to our first recommendation in relation to the use of automated technologies.
10. That trusted government or private digital identity solutions and integrated business registries be authorised for use during verification and acknowledged as being able to satisfy verification-related customer due diligence obligations.
11. Information or guidance necessary to ensure reporting entities have the best possible prospects of identifying potential criminal activities.
12. The requirement to review, update and verify Know Your Customer Information on customers becoming politically exposed persons only take effect where reporting entities receive notification or otherwise become aware of this status change.
13. Clarification on the date by which new enrolment details must be made by existing reporting entities. – including when they should be inputted on current customer profiles –
14. Database structures and test environments regarding new reportable details be released a minimum of 6 months in advance of the new online forms becoming active.
15. The IPF exemption in relation to customer identification procedures is maintained under the new Class Exemptions Rules.

The following sections contains AFIA's detailed responses and recommendations.

RESPONSES AND RECOMMENDATIONS

1. GENERAL

1.1 Technology-enabled compliance

There are a range of automated technologies (e.g. machine learning, real-time analytics, and behavioural monitoring), which can be integrated into a wide variety of AML/CTF processes.

AFIA recommends that AUSTRAC affirm that such technologies are acceptable for the purposes of undertaking requisite AML/CTF processes, and that guidance be provided on the documentation, oversight, and audit expectations for automated tools.

1.2 Financial sanctions

Part 4, Division 2, Section 4-12⁴ details a new requirement for reporting entities to develop and maintain AML/CTF policies in ensuring any money, property or virtual assets are not made available to a customer designated for targeted financial sanctions.

AFIA recommends that sanctions policies remain separate from the AML/CTF regime, as existing reporting entities have established sanctions compliance programs based on reporting requirements to the Australian Sanctions Office (ASO), which also encompasses international legal obligations which would be complicated by the overlap of sanctions and AML/CTF programs.

However, should the proposal to integrate sanctions into the AML/CTF regime be retained, AFIA recommends that reporting entities which, at present, manage targeted financial sanctions outside of their AML/CTF program be provided transitional relief in order to make the requisite program adjustments.

To ensure entities are appropriately informed on this new requirement, AFIA also recommends guidance be provided on the development of compliant sanctions policies..

1.3 Determination of beneficiary institution

In relation to the proposed determination of who is a beneficiary institution under Part 7, Division 1, Section 7-2⁵, AFIA notes there is a lack of clarity in relation to subparagraph (2)(a) which states, “*the person does so in the course of carrying on a business.*”

AFIA requests clarity in relation to the above in ensuring reporting entities are able to accurately identify when they will be captured under the definition of beneficiary institution.

⁴ AUSTRAC, ‘Second Exposure Draft AMLCTF Rules’, (19 May 2025)

⁵ Ibid.

2. REPORTING GROUPS

2.1 Non-reporting entities not providing designated services

AFIA notes that the wording of Part 1, Sections 1-9 and 1-10⁶ poses the risk of capturing non-reporting entities which do not provide designated services nor provide any functions relating to AML/CTF compliance in the new reporting group concept.

AFIA recommends clarity be provided, so that only reporting entities or non-reporting entities actively involved in discharging AML/CTF obligations are captured within reporting groups.

3. CUSTOMER DUE DILIGENCE

3.1 Initial customer due diligence

Part 5, Division 1, Section 5-1(2)⁷ stipulates that reporting entities must establish on reasonable grounds the customer's full name, and any business names of the customer. It is currently unclear whether this requirement is intended to capture either:

- a) The legal name of a business (that appears on all official documents or legal papers)
- b) The business name of a business (as registered with the Australian Securities and Investments Commission) or
- c) The trading name of a business (unregistered name that businesses could use before the introduction of the national Business Names Register on 28 May 2012, which are currently subject to a transition period until November 2025)⁸.

AFIA requests that AUSTRAC provide clarification on this point under the Rules.

This same provision of the Rules states that collection by reporting entities of the address of any principal place of business or operations by the customer. This requirement implies the collection of multiple addresses, while AFIA notes that some financial firms use systems which register one main customer address.

As such, we submit that the Rules should permit firms to maintain systems and corresponding databases which hold one main address per customer, and that the registered office or the principal place of business should be considered as alternatives.

3.2 Additional matters for initial customer due diligence

⁶ Ibid.

⁷ Ibid.

⁸ Australian Government, 'Business Names, Trading Names and Legal Names | Business.gov.au', ([24 June 2020](#))

Part 5, Division 1, Section 5-2 (2)⁹ stipulates the requirement for reporting entities to collect information relating to the nature of a customer's business.

AFIA seeks clarification as to whether this requirement will be satisfied by use of the Australian and New Zealand Standard Industrial Classification (ANZSIC).

The ANZSIC provides a clear description of each industry class along with a comprehensive list of all primary activities which could be undertaken by businesses in each class¹⁰.

As stated by the ABS,

*"The ANZSIC is widely used by government agencies, industry organisations and researchers for various administrative, regulatory, taxation and research purposes throughout Australia and New Zealand."*¹¹

Part 5, Division 1, Section 5-2(3)¹² states that reporting entities should specify the ownership, control and management structure of the customer, and the names of those charged with primary responsibility for the governance and executive decisions of the customer.

We note that these requirements represent a significant burden on reporting entities considering each organisation (customer) has its own unique management and executive structures.

In addition, Section 5-2(4) and 5-2(5)¹³, requires the collection of legal or official documentation and the full name and director identification number of each eligible officer respectively, which is also an onerous requirement.

The documentation of such structures and information necessitates reporting entities deploying significant resources, while also requiring an increase in both size and expertise of the team responsible for conducting initial customer due diligence.

AFIA submits that these requirements be revised in to ensure reporting entities are not faced with a disproportionate compliance burden which fails to adequately balance the cost to reporting entities against the value of the documentation.

⁹ AUSTRAC, 'Second Exposure Draft AMLCTF Rules', ([19 May 2025](#))

¹⁰ ABS, 'Australian and New Zealand Standard Industrial Classification (ANZSIC)', ([26 June 2013](#))

¹¹ Ibid.

¹² AUSTRAC, 'Second Exposure Draft AMLCTF Rules', ([19 May 2025](#))

¹³ Ibid.

Part 5, Division 1, Section 5-2(6)¹⁴ requires the collection of the full name of any trust settlor and the identity of any appointer, guardian or protector.

Given trust settlors are often accountants settling only a small sum in establishing a trust, AFIA submits that, this requirement should be qualified by a monetary threshold, and that clarity be provided as to whether it is the view of AUSTRAC that these individuals also be subject to identification and verification procedures.

AFIA also notes a lack of relevance on appointer, guardian or protector identities which appear unrelated to ongoing business ownership or control and request further information on this obligation.

3.3 Simplified customer due diligence requirements

In relation to Part 5, Division 2, Section 5-4¹⁵, AFIA highlights a lack of clarity on the interplay between the current 'Safe Harbour' customer verification procedure for medium or lower risk individuals (where the use of electronic data is permitted)¹⁶ and the simplified customer due diligence requirements.

AFIA requests that AUSTRAC provide guidance on where these two processes co-exist, and any related impacts to the use of electronic data in verification procedures.

3.4 Verification procedures

Part 5, Division 4, Section 5-17¹⁷ outlines the conditions through which a reporting entity is taken to have complied with initial customer due diligence obligations where a customer is unable to provide the required identification information or evidence.

While this Rule provides reasonable flexibility to entities in affording a complaint verification pathway when engaging with customers without the normally required documentation, AFIA recommends trusted government or private digital identity solutions and integrated business registries be authorised for use during verification and acknowledged as being able to satisfy verification-related CDD obligations.

3.5 Ongoing customer due diligence – monitoring of transactions and behaviours

Part 5, Division 4, Section 5-20¹⁸ details the necessity for reporting entities to, in the provision of designated services, monitor customers for unusual transactions and behaviours which may indicate an offence being committed (subparagraph (b)) against a law of the Commonwealth or of a State or Territory.

¹⁴ Ibid.

¹⁵ Ibid.

¹⁶ AUSTRAC, 'Customer Identification: Know Your Customer (KYC) | AUSTRAC', ([15 January 2024](#))

¹⁷ AUSTRAC, 'Second Exposure Draft AMLCTF Rules', ([19 May 2025](#))

¹⁸ Ibid.

An extensive variety of unusual transactions and behaviours could be demonstrated by customers in relation to the list of offences provided in the Rules,

In this regard, and notwithstanding the list of criminal activity indicators currently provided by AUSTRAC¹⁹, it would be appropriate to ensure reporting entities are provided guidance to assist entities develop further monitoring processes. Examples would be useful in this context.

AFIA recommends the provision of information or guidance necessary to ensure reporting entities have the best possible prospects of identifying potential criminal activities stipulated under the Rules.

3.6 Ongoing customer due diligence—politically exposed person

Part 5, Division 4, Section 5-23²⁰ outlines requirements relating to the review, update, and reverification of Know Your Customer (KYC) information where a customer, a beneficial owner of a customer, or a person on whose behalf a customer is receiving a designated service becomes a Politically Exposed Person (PEP).

Without direct notification, this requirement would see reporting entities needing to regularly undertake manual review processes of all existing customers in being able to identify this change of status.

In considering the significant burden and difficulty reporting entities would encounter in trying to meet this requirement, AFIA recommends this section be revised so as that the requirement only comes into effect where reporting entities receive notification which would necessitate a review of KYC information.

4. ENROLMENT DETAILS

4.1 Changes in enrolment details

AFIA notes that Part 2, Division 2 (Sections 2-5 to 2-7)²¹ of the Draft Rules does not specify a date for when changes to enrolment details must be finalised within Reporting Entities Roll and advised to the AUSTRAC CEO.

While Division 3 (Section 96) of the Explanatory Statement states changes to enrolment details must be advised to the AUSTRAC CEO in the approved form within 14 days of the change arising, this appears to reference the point in time at which a reporting entity makes a change, and not the point in time when such changes must be made by all reporting entities.

As such, AFIA requests clarification as to the date by which changes regarding new enrolment details must be made – including being inputted on current customer profiles – by existing reporting entities.

¹⁹ AUSTRAC, 'Suspicious Transactions Identified by Your Transaction Monitoring Systems | AUSTRAC', (2022)

²⁰ AUSTRAC, 'Second Exposure Draft AMLCTF Rules', (19 May 2025)

²¹ Ibid.

AFIA also notes that new points of required enrolment information, such as number of employees, may change regularly, and ask that AUSTRAC provide guidance as to how reporting entities are to manage regular data fluctuations in this regard, including the expected frequency of updates.

5. THRESHOLD TRANSACTION REPORTS AND SUSPICIOUS MATTER REPORTS

5.1 New reportable details

With the implementation of new reportable details through new Suspicious Matter Report (SMR) and Threshold Transaction Report TTR online forms (Part 8, Division 1 & 2²²), AFIA notes that that reporting entities will be required to undertake platform changes and reconfigurations of backend systems.

As such, AFIA recommends database structures and test environments be released a minimum of 6 months in advance of the new online forms going live. These changes should also be accompanied by a phased compliance schedule for complex or novel data points, with confirmation that 'known to the entity' will remain the applicable standard for data provision.

6. CLASS EXEMPTIONS

6.1 Insurance Premium Funding exemption

AFIA notes that Insurance Premium Funding (IPF) has previously been excluded from obligations relating to customer identification procedures under the AML/CTF regime. It appears this exclusion has not been continued under the *Exposure Draft AMLCTF Rules (Class exemptions and other matters)*.²³

As stated in Chapter 39 of the Explanatory Statement to the *Anti-Money Laundering and Counter-Terrorism Financing Rules Amendment Instrument 2009*²⁴,

"Insurance premium funding involves a loan to a customer to pay for the premium of the insurance policy, where the lender and the insurer are not the same entity.

The provision of general insurance is not covered by the AML/CTF Act as a designated service, and the money laundering or terrorism financing risk (ML/TF risk) of a loan to pay such an insurance premium was considered lower than the risk of the general insurance service. The burden on industry was therefore considered excessive when balanced against the ML/TF risk."

²² Ibid.

²³ AUSTRAC, 'Exposure Draft AMLCTF Rules (Class exemptions and other matters) 2007', ([19 May 2025](#))

²⁴ Australian Government – Federal Register of Legislation, 'Anti-Money Laundering and Counter-Terrorism Financing Rules Amendment Instrument 2009 (No. 4)', ([24 August 2009](#))

We consider the ML/TF risk for IPF is extremely low for the following reasons:

- In the 18 years of operation of Australia's AML/CTF laws, there has been no observed use of IPF as a usable ML/TF vehicle.
- IPF is not suitable for laundering money or financing terrorism as premiums are often quite small and do not allow scale for illegal money transfers.
- IPF applications require a detailed insurance proposal form, with policy issuing procedures involving risk analysis of the assets and activities of applicants, carrying high risk of detection.
- IPF loans involve many reputable parties – APRA regulated insurers, insurance brokers with AFSL obligations, and established lenders with AML/CTF Programs – which significantly increases risk of ML/TF detection.

Additionally, many types of insurance are also inefficient to launder money or carry out an ML/TF money transfer by way of the cancellation and refund process, because:

- Some types of policies are non-cancellable (e.g. workers compensation)
- Not all policies allow for refunds
- Many policies have conditions under which premiums are non-refundable (e.g. if a claim has been made or upon a breach of a condition) and
- Some policies have extensive reporting conditions to be met before getting a refund (e.g. contractors all-risk).

The complexity of insurance, the number of parties involved in the issue of IPF loans, the uncertain availability and level of refunds, and the types of products available, together make IPF highly unsuitable for those seeking to launder money or achieve illegal money transfers. As such, AFIA submits that AUSTRAC should maintain the IPF exemption in relation to customer identification procedures.

CLOSING COMMENTS

I would appreciate the opportunity to discuss our recommendations and provide AUSTRAC with further information about our feedback and recommendations.

Should you wish to discuss our submission or require additional information, please contact me, Roza Lozusic on 0431 261 201 or at roza.lozusic@afia.asn.au.

Yours sincerely



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