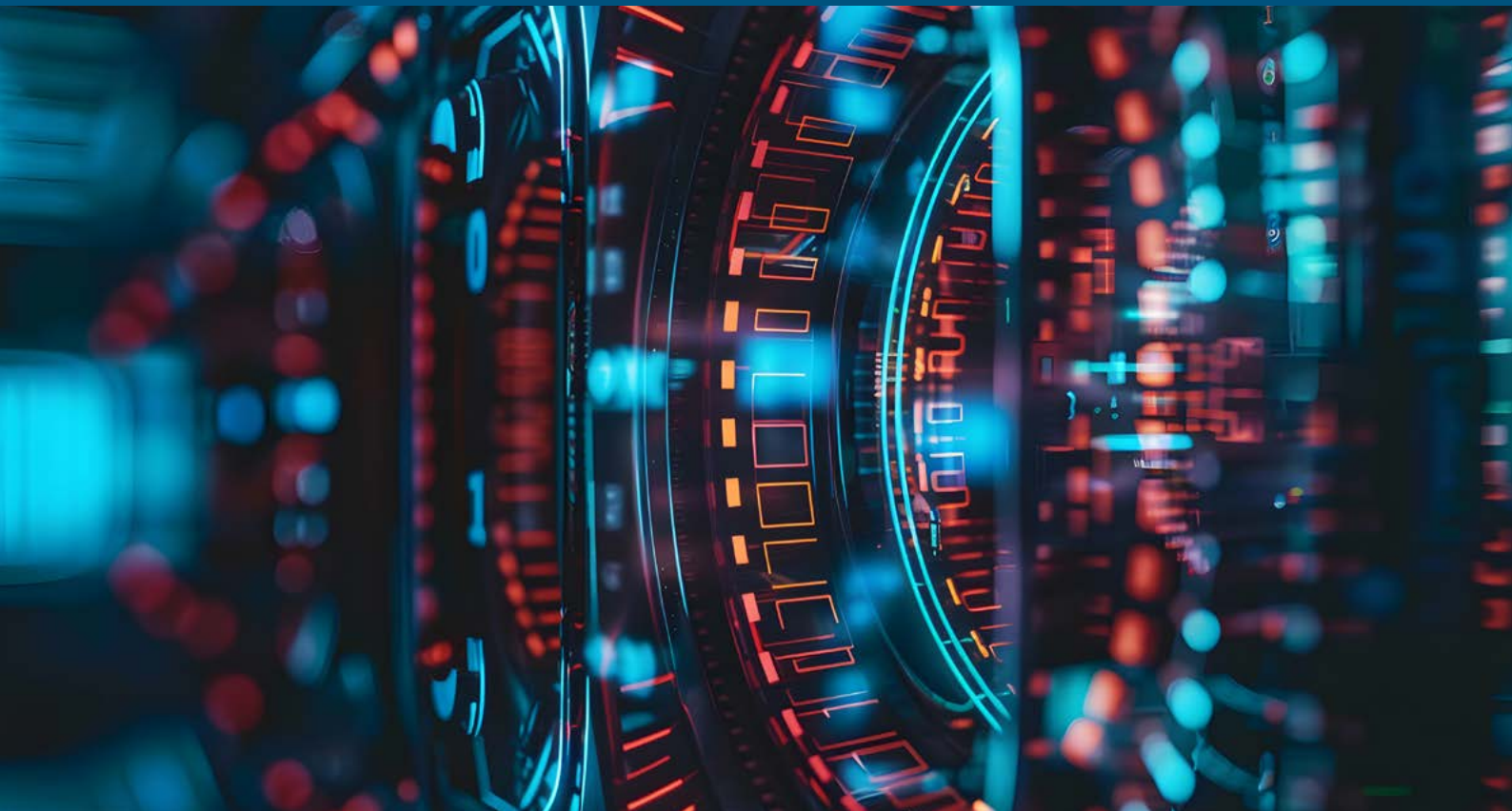




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AML/CTF RULES ARE FINALISED

KEY TAKEAWAYS



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AML/CTF Rules are finalised: key takeaways

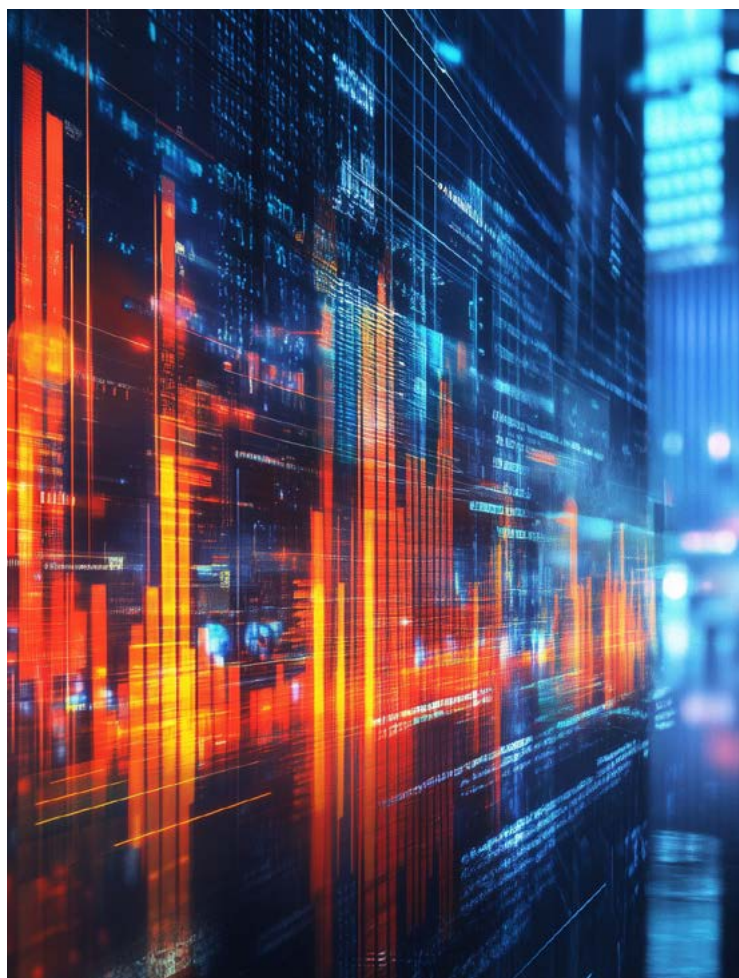
After two rounds of consultation, the *Anti-Money Laundering and Counter-Terrorism Financing Rules 2025 (New AML Rules)* were made on 29 August 2025 alongside the *Anti-Money Laundering and Counter-Terrorism Financing (Class Exemptions and Other Matters) Rules 2007*.

While we await the publication of supporting guidance from AUSTRAC, the New AML Rules are the final piece of the legislative puzzle to implement wide ranging changes to Australia's AML/CTF regime. The New AML Rules support the implementation of the amended *Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth) (Amended AML/CTF Act)* which, for existing reporting entities, will largely take effect from 31 March 2026.

Reporting entities should be focused on the following to ensure that they are ready for the 31 March 2026 start date:

- undertaking a review of updated designated services;
- considering their ML/TF risk assessment;
- updating their AML/CTF policies; and
- ensuring internal stakeholders buy into the reforms, including ensuring that key personnel with new roles understand their responsibilities.

In this article we have highlighted some key aspects of the New AML Rules that mark a shift to the Rules subject to previous consultations. Our previous insights on the second round of consultation on the Rules can be found [here](#), with links to other articles.



New customer due diligence framework

Overview

The aims of the AML/CTF reforms were in part to shift regulation from being procedure-focused to being outcome-focused and to re-enforce a risk-based approach to regulation.

As part of the reforms, the existing approach to customer due diligence (**CDD**) has been substantively rewritten. We have described these changes in previous advisories available [here](#) and [here](#). Some of these changes include:

- removing the concept of applicable customer identification procedures and introducing initial customer due diligence (**ICDD**);

- generally removing prescribed minimum information that must be collected and verified by customer type. However, the New AML Rules do include minimum KYC information that must be collected for certain customer types; and
- removing safe harbour procedures for meeting the minimum requirements.

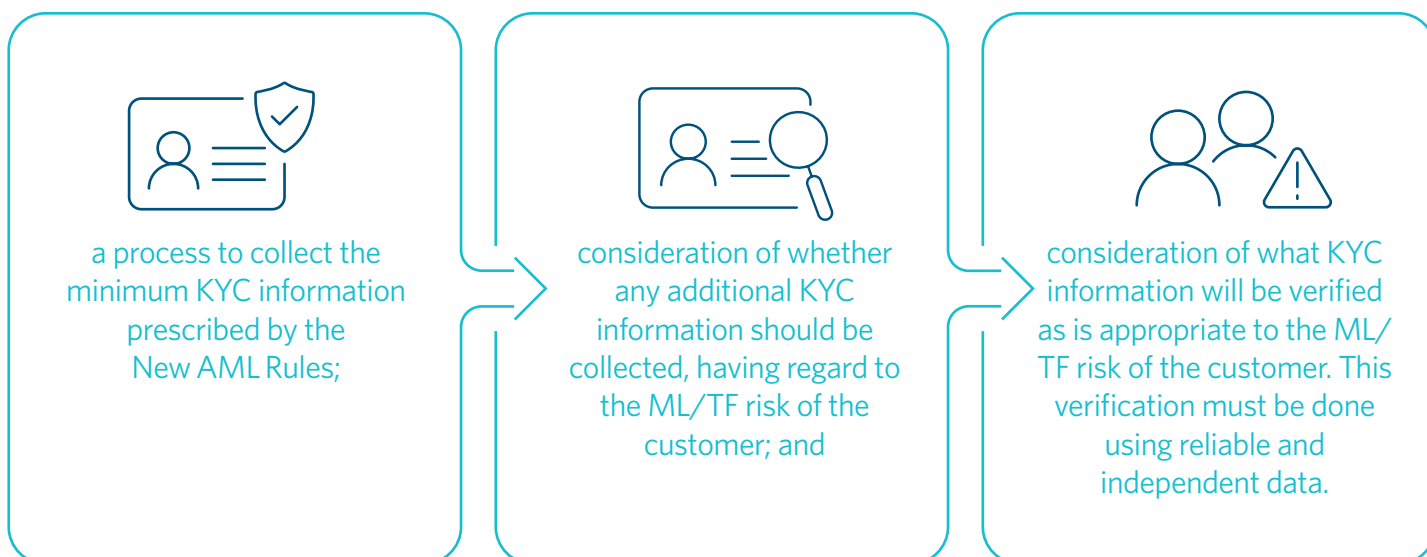
We have considered some issues of particular interest in the New AML Rules within this article.

Prescribing minimum information to collect

The New AML Rules have substantively re-written the approach to the minimum information that must be collected and verified for different customer types. However, it is not entirely left to reporting entities to determine what information they will collect and verify to satisfy the ICDD requirements under the Amended AML/CTF Act.

The New AML Rules prescribe minimum KYC information that must be collected for different customer types as part of ICDD. However, the New AML Rules do not include a list of KYC information that must be verified for each customer type. The New AML Rules also do not include any “safe harbours” for sources that are reliable and independent.

Reporting entities must ensure that their ICDD process, which must be reflected in the reporting entity's AML/CTF policies, includes:



Equivalent considerations must be documented in the AML/CTF policies of the reporting entity in connection with ongoing customer due diligence.

ICDD in connection with trusts

There have been key changes to the ICDD provisions relating to customers that are trusts in the New AML Rules as compared to the Second Draft Rules. The changes to these provisions are likely to raise some complications when they are applied in practice. In particular:

- the New AML Rules frame the customer as the trust. This is defined in the Amended AML/CTF Act as a person in the capacity of trustee or, as the case requires, a trust estate. The intention of the New AML Rules appears to be that a reporting entity must collect prescribed KYC information about the trust under Rule 6-3(2). Information about the trustee must be collected under Rule 6-3(4). However, in the context of

“trust” being defined as a person in the capacity of trustee, the New AML Rules appear to have been drafted in a circular manner in describing the trustee as the person acting on behalf of the customer; and

- where the customer is a trust, a reporting entity will need to establish, on reasonable grounds, the identity of the beneficiaries of the trust. If the nature of the trust means that it is not possible to identify each beneficiary, a description of the class of beneficiary would need to be established on reasonable grounds. Reporting entities will need to give consideration to when the nature of the trust would be such that it would not be possible to identify each beneficiary.



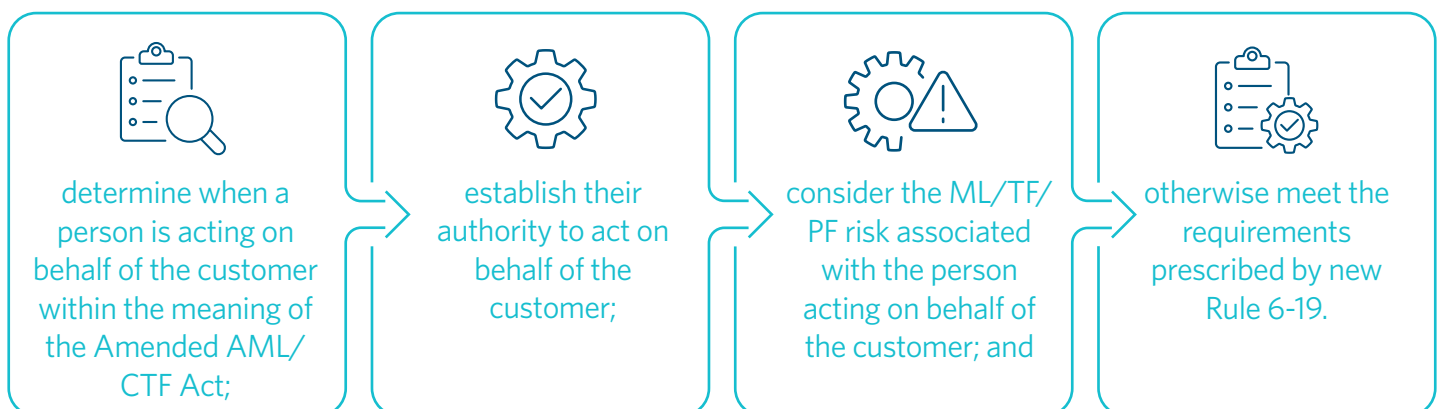
Reporting entities will need to ensure that ICDD procedures in connection with trust customers take these nuances into account when they are developing their updated AML/CTF policies.

Persons acting on behalf of the customer

The Second Draft Rules contained Draft Rule 5-3 which would have mandated that a reporting entity collect and verify the same information about beneficiaries, persons acting on behalf of the customer and beneficial owners as if that person were the customer.

The New AML Rules move away from this prescriptive approach and include more nuanced drafting. In connection with a person acting on behalf of a customer who is not an individual, Rule 6-19 allows a reporting entity to determine that minimal additional information is required, subject to making decisions appropriate to risk and the circumstances.

While this is likely to be a welcome change for reporting entities, reporting entities will need to consider what processes they have in place to:



New customer due diligence framework

Beneficial owners of prescribed customer types

The New AML Rules move away from simplified verification procedures and safe harbours. However, the New AML Rules do make allowances for circumstances where it would not be appropriate to require beneficial ownership information to be sought.

Customer type	Modification conditions
<ul style="list-style-type: none">• Government body• Entity subject to oversight by a prudential, insurance, or investor protection regulator through registration or licensing requirements• A corporation or association of homeowners in a strata title or community title scheme	<p>Taken to have established on reasonable grounds:</p> <ul style="list-style-type: none">• the identity of any beneficial owners of the customer; and• whether any beneficial owner of the customer is a PEP or subject to targeted financial sanctions, <p>if:</p> <ul style="list-style-type: none">• ML/TF risk of the customer is low; and• ECDD obligations do not apply
Listed public company subject to public disclosure requirements (however imposed) that ensure transparency regarding the identity of any beneficial owners.	<p>Taken to have established on reasonable grounds:</p> <ul style="list-style-type: none">• the identity of any beneficial owners of the customer; and• whether any beneficial owner of the customer is a PEP or subject to targeted financial sanctions.



Notably, a ML/TF risk assessment does not need to be low for a listed public company for the modification above to apply, but it does for other entity types. Reporting entities will need to ensure that their AML/CTF policies reflect this change in approach to simplified customer due diligence for these customer types.

Revisions to definition of lead entity

Overview of lead entity obligations

As described in previous advisories available [here](#) and [here](#), the Amended AML/CTF Act introduces a new concept of “lead entity”. The definition of “lead entity” has been left to the Rules.



Being a lead entity results in additional compliance obligations and potential exposure to regulatory penalties if there are breaches of the Amended AML/CTF Act within a reporting group. Reporting entities should carefully consider what entity is appropriate to be the lead entity in a reporting group and how that entity will manage its regulatory obligations.

How this is impacted by the New AML Rules

Modifications have been made to the definition of lead entity under the New AML Rules. In particular:

- the New AML Rules do not include a deeming provision if members of a reporting group do not agree on a lead entity. Rather, each member of a group must have agreed on which member is the lead entity in writing;
- for reporting groups formed by election, an entity may only be a member of a reporting group if all members of its business group are also members of the reporting group. This means that members of a business group cannot elect to join a reporting group unless all other members of that business group also agree to join; and
- the New AML Rules provide that if an entity is a member of a reporting group by election, and that entity is also a member of a deemed reporting group, the entity will only be taken to be a member of the reporting group formed by election.



The New AML Rules allow reporting entities to have some flexibility in choosing a reporting group by election and replacing the automatically formed reporting group if there is no agreement. However, this is subject to controls, including that every member of the business group must be part of the reporting group formed by election. As a result, the impact of the changes is that a reporting group to be formed by election may only be formed by adding in additional entities to the reporting group. It does not allow entities that are in scope of a business group to be excluded from the scope of the reporting group.



Transfers of value – new terminology and compliance obligations

Overview of reforms

Changes to designated services connected with transfers of value, and flow on obligations, are one of the more significant changes in the Amended AML/CTF Act. The drafting of supporting Rules in connection with these designated services has also been one of the changes commanding the attention of reporting entities. This is because these reforms are likely to have a material impact on the systems of reporting entities.

Updates reflected in the New AML Rules

Since the Second Draft Rules were consulted on, a number of changes were made in connection with transfers of value in the New AML Rules. These include:

- **Changed definition of 'card-based pull payment'**: The key change is that the definition of 'card-based pull payment' has been replaced with a definition of a 'merchant payment' which is defined in broadly the same way but with some key differences. This change further clarifies AUSTRAC's intention that it is only payments to merchants (ie for goods and services) that they were intending to capture by the definition (see AUSTRAC's commentary in the Explanatory Statement to the New AML Rules (paragraph 27)).
- **Changes to information that needs to be collected, verified, monitored for and passed on**: Otherwise, the other changes relate to the type of information that needs to be collected, verified and passed on or monitored for. For example, the New AML Rules have clarified that "payee information" is the payee's "full name". This change has also consequently removed the concept of 'payee information'.

Rule 8-3 of the New AML Rules also set out what information will be required to comply with the amendments to FATF Recommendation 16. These will be transitioned to over time. The Explanatory Statement notes that this is in case entities wish to build for compliance earlier (see paragraph 558 onwards).

In addition, the New AML Rules provides various exemptions from the travel rule requirements in certain circumstances – including, operating through offshore operations and in connection with pre-commencement customers.

The Explanatory Statement sets out that this was to reduce conflicts of laws where the same reporting entity is also subject to transfers of value within the borders of a single foreign country and which may be subject to domestic travel rule obligations (paragraphs 564 – 567).

- **Inclusion of travel rule for ATM transfers**: Finally, the other key change is that transfers of value that are given by the use of an ATM are now included together with the travel rule information that must be collected, verified and passed on.
- **AML policies requirements relating to travel rule information**: The New AML Rules set out additional items that need to be included in the AML Policies of Ordering Institutions (Rule 5-17), Intermediary Institutions (Rule 5-19) and Beneficiary Institutions (Rule 5-18) relating to travel rule compliance. For instance, the New AML Rules clarify that when an Ordering Institution needs to pass on travel rule information as required by Section 64(5) of the Amended AML/CTF Act, that this means within 3 business days of receiving sufficient information from the other institution

Notably the New AML Rules do not substantively change the definition of "ordering institution" or "beneficiary institution".



Reporting entities will need to ensure that proper consideration is given to the implementation of obligations associated with transfers of value.

For entities with operations outside of Australia (including foreign subsidiaries of Australian companies), some relief may be available where transfers of value occur within one jurisdiction. However, whether this relief is available will depend on the facts and whether the controls put in place ensure the conditions of the modification can be satisfied.

Other considerations

There are a range of other changes made in the New AML Rules, including updates to the definition of “security” (to cover interests in managed investment schemes), information that needs to be reported to AUSTRAC as part of SMRs and transitional rules.

All reporting entities should be acting now to ensure that their AML/CTF policies reflect the requirements of the Amended AML/CTF Act and the New AML Rules and to ensure that there is appropriate governance around these changes.

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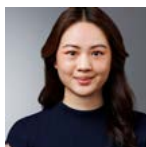
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