



Australian Government

AUSTRAC

Parliamentary Joint
Committee on Intelligence
and Security
Review of the Anti-Money
Laundering and Counter-
Terrorism Financing
Amendment Bill 2026

AUSTRAC submission

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Introduction

The Australian Transaction Reports and Analysis Centre (AUSTRAC) welcomes the opportunity to make a submission to the Parliamentary Joint Committee on Intelligence and Security's review of the Anti-Money Laundering and Counter-Terrorism Financing Amendment Bill 2026 (AML/CTF Amendment Bill).

AUSTRAC's dual role

AUSTRAC's regulatory and financial intelligence functions are interconnected and complementary. This dual role helps us build resilience in the financial system by enhancing AML/CTF capacity in the private sector through regulation, and enables the collection and use of financial intelligence to detect and disrupt money laundering (ML), terrorism financing (TF) and other serious crimes.

As Australia's AML/CTF regulator, AUSTRAC supervises approximately 19,000 'reporting entities' required to have processes and controls in place to protect their systems from criminal misuse. Reporting entities include: banks and credit unions; non-bank lenders and stockbrokers; gambling and bullion service providers; and remittance service and virtual asset service providers (VASPs). AUSTRAC is likely to supervise more than 100,000 reporting entities when new sectors (including lawyers, accountants, conveyancers, real estate professionals, and dealers in precious metals and stones) come under Australia's AML/CTF regime from 1 July 2026.

Reporting entities must report to AUSTRAC certain financial transactions and suspicious activity. This assists us to understand the financial crime landscape. We monitor the quality of these reports and educate industry on associated ML/TF risks, to ensure consistent reporting of high-quality information.

AUSTRAC analyses the information in these reports to develop actionable financial intelligence that supports the work of law enforcement, intelligence, national security, human services and revenue agencies, and international partners. AUSTRAC shares this intelligence to help detect and disrupt criminal activity. Our partners have access to our data holdings and can search information directly, to support their national security and law enforcement efforts. AUSTRAC also assesses ML/TF risk across regulated sectors and shares this information with government and industry partners, including by publishing national and sectoral risk assessments.

Schedule 1 – Regulating use of high-risk mechanisms

AUSTRAC supports the proposed introduction of a power in Schedule 1 of the AML/CTF Amendment Bill that would allow the AUSTRAC CEO to restrict or prohibit reporting entities from using a product, service, delivery channel or thing (a ‘high-risk mechanism’) to provide a designated service. It is essential that AUSTRAC’s regulatory powers, operational capabilities, and partnerships with other authorities enable us to effectively respond to emerging ML, TF and other serious crime threats, now and in the future, to protect Australia’s financial system and the Australian community.

The amendments proposed by Schedule 1 to the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (AML/CTF Act) would give AUSTRAC and law enforcement an important tool to address these emerging threats.

Emerging threats

The emergence of new payment systems, online technologies and virtual assets (and their interconnectedness with the traditional financial system) presents opportunities for the economy and community. However, they can also be exploited by transnational, serious and organised crime networks to generate illicit profits and launder the proceeds of crime.

As the government hardens key parts of the legitimate economy from illicit financing, these criminal networks have been quick to exploit emerging technology, new routes into the financial system and changes in financial sector infrastructure. These changes to the threat environment are challenging law enforcement and AML/CTF regulators. This highlights a need to enhance the regulatory powers and operational capabilities available to implement a risk-based approach to preventing and mitigating these threats.

Money laundering national risk assessment

ML is a key enabler of serious and organised crime. Each year billions of dollars of illicit funds are generated from illegal activities such as drug trafficking, tax evasion, people smuggling, cybercrime, scam activity, arms trafficking and other corrupt practices. Organised crime groups use ML to conceal the origin, ownership and destination of illicit funds. They spend illicit profits in the legitimate economy or use illicit funds for further criminal activities without raising suspicion from law enforcement or financial institutions.

AUSTRAC’s 2024 [Money laundering in Australia national risk assessment](https://www.austrac.gov.au/industry-and-business/education-and-resources/publications-and-resources/money-laundering-australia-national-risk-assessment-2024) (NRA) (<https://www.austrac.gov.au/industry-and-business/education-and-resources/publications-and-resources/money-laundering-australia-national-risk-assessment-2024>) assessed that recent technological advancements have complicated the ability of authorities and reporting entities to detect and track these illicit transactions.

The ML NRA found that organised crime groups are agile and have readily adapted to adopt and exploit these new technologies to their advantage. For example, end-to-end encryption and virtual currencies can allow money launderers to hide their identities and illicit activities from law

enforcement agencies, making it difficult to attribute criminal activity to particular individuals, organisations, premises or devices. As the use of virtual assets like cryptocurrency becomes more common, with the ease of access to encryption tools and the dark web, criminals will use these to obscure their activities and move value effectively.

Terrorism financing national risk assessment

AUSTRAC's 2024 [Terrorism financing in Australia national risk assessment](https://www.austrac.gov.au/industry-and-business/education-and-resources/publications-and-resources/terrorism-financing-australia-national-risk-assessment-2024) (<https://www.austrac.gov.au/industry-and-business/education-and-resources/publications-and-resources/terrorism-financing-australia-national-risk-assessment-2024>) identified that the adoption and adaptation of emerging technologies poses a current and future challenge to countering violent extremism.

The TF NRA assessed that the risk of the banking system and virtual currencies being used to move and store funds for TF is high. It also assessed that the risk of remittance services and non-bank online payment service providers being used to move funds for TF is high. It further assessed that the increased speed of financial products has made it harder for reporting entities to identify and freeze suspicious transfers before funds leave an account. Innovation and adaptation from AUSTRAC and law enforcement agencies is required to sufficiently address these emerging threats.

Preventing and mitigating emerging threats

The power proposed by Schedule 1 of the AML/CTF Amendment Bill would respond to the evolving financial crime environment, and help prevent and mitigate these emerging threats, by allowing the AUSTRAC CEO to:

- restrict or prohibit reporting entities from using a high-risk mechanism to provide a designated service
- impose restrictions on a broader range of reporting entities than is currently permitted under the AML/CTF Act.

Strengthening AUSTRAC's regulatory powers

AUSTRAC adopts a risk-based and adaptive regulatory approach to address emerging risks and threats in the evolving AML/CTF regulatory landscape. This ensures regulatory effort is directed to the most significant risks and harms to the Australian financial system. AUSTRAC seeks to improve ML/TF/proliferation financing (PF) risk management by influencing reporting entities to implement effective controls, and intervening when controls are inadequate or when entities are unwilling to address and manage ML/TF/PF risks.

To support this approach, we use a broad suite of regulatory tools. These include: guidance and education to assist new and existing reporting entities to understand and meet their obligations; and supervisory activities to monitor, assess, and provide feedback on ML/TF/PF risk management practices in industry sectors and at the individual entity level.

The AML/CTF Act provides AUSTRAC with monitoring and information-gathering powers, and the ability to appoint external auditors to assess how reporting entities identify, mitigate and manage ML/TF risks.

Where serious or systemic non-compliance is identified, we may take enforcement action. Available measures include appointing external auditors, issuing infringement notices, accepting enforceable undertakings, and commencing civil penalty proceedings. AUSTRAC may also exercise powers to condition, suspend, or cancel the registration of VASPs and remittance service providers.

However, these entity-specific powers constrain AUSTRAC's ability to respond quickly and effectively to rapidly-emerging ML/TF and serious crime threats, particularly those arising from new technologies or developing across multiple sectors.

The proposed power is intended to address these gaps. It would enable AUSTRAC to target specific threats across multiple reporting entity sectors, and disrupt or prevent the use of a high-risk mechanism at an aggregate level, rather than being constrained to entity-by-entity action in a specific sector. This would enable more timely and effective intervention where new and emerging technologies create rapidly-developing threats across the reporting entity cohort.

The power would also permit the AUSTRAC CEO to impose a range of restrictions on reporting entities' use of a high-risk mechanism, including restrictions relating to the:

- volume or value of funds remitted, virtual assets exchanged, or physical currency or property transferred
- method used to remit, exchange or transfer
- destination of any remittance, exchange or transfer.

The power would provide AUSTRAC with a timely, proportionate and flexible regulatory tool to disrupt or prevent ML/TF and serious crime threats at scale. It would also ensure regulatory settings can keep pace with evolving criminal methodologies and emerging technologies (subject to statutory safeguards, including consultation requirements). It is intended that the power would be reserved for the most significant threats and further strengthen AUSTRAC's capacity to protect the Australian community and Australian financial system from criminal abuse.

Safeguards supporting a risk-based approach

The proposed power would be supported by safeguards to ensure its risk-based application. The new framework would provide clear limits on the proposed power by requiring the AUSTRAC CEO to be satisfied that the:

- use of the high-risk mechanism has caused, will cause, or is likely to cause significant harm to either or both the financial system and Australian community
- restriction or prohibition is necessary in the public interest.

In determining if a restriction or prohibition is necessary in the public interest, the AUSTRAC CEO must take into account certain matters outlined in the Bill, and have regard to matters set out in the AML/CTF Act, including:

- the integrity of the financial system
- crime reduction
- the desirability of ensuring that regulatory considerations are addressed without imposing unnecessary financial and administrative burdens on reporting entities
- the desirability of adopting a risk-based approach
- competitive neutrality

- competition
- economic efficiency
- privacy
- other matters (if any) the AUSTRAC CEO considers relevant.

This ensures the proposed power aligns with the AUSTRAC CEO's functions under the AML/CTF Act, considering a broad range of relevant factors alongside the proposed safeguards. The intention is not for the powers to be applied indiscriminately to all mechanisms simply due to perceived high risk for money laundering, or because the underlying technology makes compliance more complex or operationally challenging. It is not intended that essential mechanisms with a known stable profile that are embedded into our economy, such as physical currency (cash), would be restricted or prohibited by the proposed power.

The AML/CTF Amendment Bill provides procedural safeguards, including limits on the duration of a restriction or prohibition. A minimum 30-day consultation period would apply before a legislative instrument may be made that restricts or prohibits a reporting entity from using a high-risk mechanism to provide a designated service (unless the AUSTRAC CEO is satisfied that exceptional or urgent circumstances exist to justify making the instrument without consultation). The consultation would help AUSTRAC and affected businesses to:

- identify any practical impacts of a restriction or prohibition
- improve the targeting of a restriction or prohibition
- ensure any associated information-gathering requirements, or implementation of certain practices to mitigate risk, can be implemented consistently.

Offences

Schedule 1 includes effective and consistent offence provisions for:

- conduct breaching a restriction or prohibition
- where a person subject to a restriction or prohibition offers to use a high-risk mechanism to provide a designated service, and that use would breach the restriction or prohibition.

The latter provision would help prevent and mitigate ML, TF and serious crime threats associated with situations including a reporting entity advertising or promoting the use of a high-risk mechanism to provide a designated service.

These offence provisions are consistent with similar offences in the AML/CTF Act, ensuring reporting entities' obligations are punishable by the same penalties if they commit an offence proposed to be legislated.

Schedule 2 – Meaning of financing of terrorism

AUSTRAC supports the proposed extension and clarification of the meaning of ‘financing of terrorism’ in Schedule 2 of the AML/CTF Amendment Bill.

The AML/CTF Act establishes a risk-based regulatory framework to detect, deter and disrupt ML/TF/PF and other serious crimes. The amended definition will ensure that TF risk mitigation obligations extend to reporting entities mitigating the risk that their services will be misused for financing state sponsors of terrorism.

AUSTRAC welcomes the amendments to permit the prescription, by regulation, of offences against sanctions imposed under United Nations Security Council 1267, and successor resolutions, back into the definition. The AML/CTF Act expressly cites United Nations Security Council 1267 as among the relevant international obligations and matters of international concern in the objects of the Act. Any act contravening such offences is likely to be TF in any event, but ensuring specific coverage of terrorism-related sanctions offences will provide greater clarity for AUSTRAC and reporting entities.

Schedule 3 – Technical amendments

AUSTRAC supports the technical amendments proposed in Schedule 3 of the AML/CTF Amendment Bill. These respond to issues raised by industry during the development of the *Anti-Money Laundering and Counter-Terrorism Financing Amendment Act 2024* and AUSTRAC's development of AML/CTF Rules and associated amending instruments. These reforms would:

- provide greater regulatory certainty for regulated entities
- ensure continued alignment with Financial Action Task Force standards
- streamline aspects of the current framework that exceed what is necessary to achieve effective AML/CTF outcomes.

Measures in the AML/CTF Amendment Bill aim to streamline compliance with the AML/CTF regime for reporting entities by:

- supporting better AML/CTF outcomes, through simplifying customer due diligence requirements and clarifying the trigger for reverifying 'know your customer' information by moving from a subjective to an objective test, consistent with international standards
- reducing uncertainty for reporting entities by anchoring the 'politically exposed person' definitions to the jurisdiction in which the reporting entity provides the designated service
- addressing industry-raised uncertainty, by providing clearer parameters for VASPs on determining when a virtual asset is in Australia and when reporting obligations are triggered.

The reforms also support more effective administration and oversight of the AML/CTF regime by:

- enabling agencies issuing information-gathering notices to directly receive legal professional privilege forms, which will improve the consistent and efficient handling of privilege claims where reporting entities consider information may be subject to legal professional privilege
- strengthening AUSTRAC's oversight and supervision capabilities by enabling the AUSTRAC CEO to require reporting entities to update enrolment details, which will support the accuracy and integrity of the enrolment register
- improving AUSTRAC's ability to assess registration applications effectively, by enabling the prescription of documents required for registration on the Remittance Sector Register and Virtual Asset Service Provider Register.

With the remaining amendments proposed by the AML/CTF Amendment Bill, these reforms ensure clarity of the existing AML/CTF regime, provide certainty to Australian businesses, and allow the Australian Government to more effectively respond to the evolving financial crime environment. The amendments are necessary to ensure Australia's AML/CTF regime remains responsive to emerging ML, TF and serious crime threats now and in the future.