



**Australian Government**

**AUSTRAC**

Legal and Constitutional Affairs  
References Committee  
Inquiry into the illegal tobacco crisis in  
Australia

**AUSTRAC submission**

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## Introduction

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The Australian Transaction Reports and Analysis Centre (AUSTRAC) welcomes the opportunity to make a submission to the Legal and Constitutional Affairs References Committee inquiry into illegal tobacco in Australia.

As Australia's financial intelligence unit (FIU) and anti-money laundering and counter-terrorism financing (AML/CTF) regulator, AUSTRAC seeks to create a hostile environment for criminals who abuse the financial system for money laundering, terrorism financing and other serious crime.

AUSTRAC's regulatory and financial intelligence functions are interconnected and complementary. This dual role:

- helps AUSTRAC build resilience in the financial system by enhancing AML/CTF capacity in the private sector through regulation
- enables the collection and use of financial intelligence to help law enforcement to disrupt the exploitation of Australia's financial system by criminals, and protect the community from harm.

Current reporting entities include: banks and credit unions; non-bank lenders and stockbrokers; gambling and bullion service providers; and remittance service and digital currency exchange providers. As a result of the *Anti-Money Laundering and Counter-Terrorism Financing Amendment Act 2024* (AML/CTF Amendment Act), there will be an expansion of AUSTRAC's regulated population from 19,000 to more than 100,000 reporting entities. These include lawyers, accountants and other professional service providers (noting some provisions of the AML/CTF Amendment Act will not commence until 31 March 2026 and 1 July 2026).

Reporting entities are required to report to AUSTRAC certain financial transactions and suspicious activity. This assists AUSTRAC to understand the financial crime landscape. We monitor the quality of these reports and educate industry on associated money laundering and terrorism financing risks, to ensure the consistent reporting of high-quality information.

AUSTRAC analyses the data we receive from these reports, to identify potential threats and develop actionable intelligence to support the work of law enforcement, intelligence, national security, human services and revenue agencies, and international counterparts.

We also assess money laundering and terrorism financing risk across regulated sectors, and share this information with government and industry partners, including through publishing national and sectoral risk assessments.

AUSTRAC leads a public-private partnership, Fintel Alliance, which sees government and some members of our regulated population collaborate on mutually-agreed priorities.

Government partners can access our data holdings and search information directly, to support their national security and law enforcement activities. In 2024-25, partners conducted more than 10 million searches of AUSTRAC's data holdings in support of their investigations.

# The scale and nature of the illegal tobacco market

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Criminals generate billions of dollars in profits from transnational, serious and organised crime. Money laundering is the process used to place, layer and integrate these funds into the legitimate financial system and obscure their origins. Australia remains a highly lucrative market for illicit goods, and is targeted by transnational criminal networks laundering proceeds of crime offshore through Australia's financial system. Law enforcement agencies agree that targeting the criminal business model has a significant disruptive impact, reduces harm to the community, and minimises the loss of government revenue.

Despite ongoing law enforcement efforts, many of Australia's illicit markets, including the illicit tobacco market, remain strong and resilient to large-scale disruption. [AUSTRAC's Money laundering in Australia national risk assessment \(NRA\) 2024](#) found that the illicit tobacco market poses a **medium and increasing** money laundering threat. A current review of the 2024 NRA indicates that the risk has increased and illicit tobacco may now be one of the key money laundering risks facing Commonwealth and jurisdictional authorities.

The NRA also found that cash-intensive businesses pose a **high and stable** money laundering vulnerability. Cash-intensive businesses provide a high volume of legitimate cash flows, in which the proceeds of crime are integrated or co-mingled prior to entering financial institutions.

Money laundering is a key enabler of the illicit tobacco market. Given the strong ties to international markets and transnational crime groups, organised crime groups seek to move the proceeds of crime out of Australia to fund additional offending. The Australian Institute of Criminology's consultancy report [Money laundering and the harm from organised crime: Results from a data linkage study](#) identified that organised crime groups involved in money laundering were responsible for 2.5 times as much crime-related harm as groups not involved in money laundering. Removing the profit from illicit tobacco reduces the ability of serious organised crime groups to invest in further offending, which reduces harm to the community.

Money laundering methodologies used by organised crime groups involved in illicit tobacco include the use of onshore and offshore business structures, remittance businesses, structured and high-value cash transactions, and third-party transfers. These groups also exploit cash-in-transit services, and products including non-bank ATMs, point-of-sale (POS) technology and cryptocurrency transactions, to launder their funds. The domestic illicit tobacco market has strong ties to the Middle East and Asian markets, which are principal sources and transit points for tobacco trafficked to Australia.

# Law enforcement, intelligence and regulatory responses

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AUSTRAC's intelligence indicates that non-bank (private) ATMs and POS payment technologies located in tobacco and convenience stores are being used to facilitate both the purchase of illicit products and the laundering of associated cash proceeds.

## Private ATMs

Private ATMs are not owned and operated by a bank, credit union, or building society. They are typically located in a business or retail premises and operate as a cash withdrawal facility.

Money launderers can replenish private ATMs with the proceeds of crime to layer or attempt to disguise the illicit source of the cash. Illicit cash is integrated into the financial system as settlement funds and transferred into operator and owner accounts. With limited oversight, they provide an easy way to move dirty money through the system unnoticed.

AUSTRAC does not regulate private ATMs under the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (AML/CTF Act), meaning AUSTRAC and law enforcement have less visibility. Private ATMs are often located in high-cash turnover sectors that can be exploited by organised crime, including tobacconists, pubs and clubs, and brothels. Reporting entities who receive funds through these channels are highly likely to be unwittingly facilitating the movement of proceeds of crime from these activities, and thus play a critical disruption role.

On 5 November 2025 AUSTRAC CEO, Brendan Thomas, and the Illicit Tobacco and E-cigarette Commissioner (ITEC), Amber Shuhyta, wrote to Australia's banks requesting they take immediate action to strengthen oversight of tobacco and convenience stores with private ATMs and electronic POS terminals, and advise AUSTRAC of the action taken. This is an example of how Australia's financial intelligence and our existing AML/CTF regime can be leveraged to harden the financial system against proceeds from illicit tobacco.

AUSTRAC also produced a financial indicators report to help banks identify illicit tobacco transactions in their data. This outreach has already driven clear and measurable outcomes across the sector, particularly among banks that service tobacconists or convenience stores.

AUSTRAC has seen an increase in suspicious matter reporting relating to illicit tobacco, with over 170 reports received as a direct result. The majority of these suspicious matter reports were submitted by major banks.

In response to AUSTRAC's correspondence and guidance, banks have advised that they are taking a range of actions to strengthen controls. These include:

- targeted reviews of their customer databases to understand their exposure to illicit tobacco-related customers

- escalating some customers for enhanced due diligence and further assessment, including site visits and licence checks, to determine whether customers are acceptable under their risk appetites
- off-boarding customers where they are not within risk appetites
  - payments and ATM acquiring providers have off-boarded merchants linked to tobacco and e-cigarette risks, disrupting access at the infrastructure level
  - more than 700 customers were terminated or recommended for termination, driven by large-scale reviews.

Some banks are escalating, for senior management, assessment and approval of potential new customers in tobacco-related industries prior to onboarding. Banks have also completed threat assessments and uplifted detection controls in their transaction monitoring programs, resulting in increased quantity and quality in suspicious matter reporting. Banks have also provided targeted training for AML operations teams and frontline staff, to improve identification of illicit tobacco indicators and escalation pathways.

## Taskforce efforts and collaboration

AUSTRAC is a funded member of the Illicit Tobacco Taskforce (ITTF), led by the Australian Border Force (ABF). The ITTF draws on the expertise and advanced capabilities of AUSTRAC, the ABF, Department of Home Affairs, Australian Criminal Intelligence Commission, Commonwealth Director of Public Prosecutions and Australian Taxation Office. We are actively working to target, disrupt and dismantle serious actors and organised crime syndicates dealing in illicit tobacco.

AUSTRAC provides intelligence to the ITTF that assists in targeting entities relevant to 'Priority Illicit Tobacco Networks' as endorsed by the ITTF's National Illicit Tobacco Senior Management Group. As a member of the ITTF, AUSTRAC receives \$479,000 annually to generate financial intelligence in support of taskforce efforts.

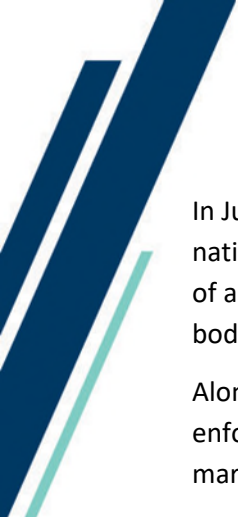
AUSTRAC is also a member of the ABF-led Illicit Tobacco National Disruption Group (ITNDG), which brings together traditional and non-traditional agencies that can help to disrupt the illicit tobacco business model.

Working in tandem with the ITTF, the ITNDG aims to deliver a synchronised disruptive effect against mid-level criminal networks and enablers, including small business, intermediaries and sole traders who import, distribute or sell illegal tobacco to the Australian community.

AUSTRAC provides financial intelligence and uses complementary agency tools to target and disrupt a broad range of illicit tobacco actors. This includes collection powers and network analysis to identify entities involved in the illicit tobacco market.

From 2025 AUSTRAC received \$800,000 over 2 years to support the recent Budget measure 'Illicit Tobacco Compliance and Enforcement Package – direct and targeted enforcement to counter profits from illicit tobacco'.

AUSTRAC has 2 financial intelligence analysts working in partnership with the Australian Federal Police's Criminal Assets Confiscation Taskforce, to help identify and trace criminal assets associated with the illicit tobacco trade.



In July 2024 the Australian Government established the ITEC role to support the development of national strategies addressing the growing threat of illicit tobacco and vapes. AUSTRAC is a member of a range of ITEC-led forums, working in partnership with key Commonwealth, state and territory bodies.

Alongside these efforts, AUSTRAC provides tailored financial intelligence to state and territory law enforcement agencies, to target and disrupt organised crime groups engaged in the illicit tobacco market.

AUSTRAC also exchanges information on illicit tobacco with counterpart FIUs in other countries, to build a global intelligence picture that can be shared with partners and support upstream disruption.

## Forecasts, modelling and plausible future scenarios

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In 2024 our money laundering NRA forecast that Australia's illicit tobacco market is likely to pose an increasing money laundering threat over the next 3 years. It also stated that domestic demand will almost certainly remain high, and organised crime groups continue to participate in trafficking and supply activities, given the high value of potential profits. Sustained and targeted efforts to counter the profitability of illicit tobacco will be required to arrest further growth.

With increasing harmonisation of regulation and tougher penalties, there remains the possibility of changes to the payments and transactions associated with illicit tobacco. While cash and POS transactions are expected to remain as the primary means of payment for tobacco at the retail level, the potential for payments to be made in digital currency is expected to increase as the technology gains wider adoption across the community. The use of cryptocurrency provides a degree of pseudonymity, provides for near-instant funds transfer, and lacks the same level of monitoring that transactions occurring through POS technology and the banking system can provide. This may result in a decrease in suspicious matter reporting, and less AUSTRAC visibility of these transactions.

## Legislative reform

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Shifts in the threat environment are challenging traditional law enforcement approaches. Blockchain technology and cryptocurrencies obscure the movement of funds. Easy access to encryption tools and the dark web also allow criminals to obscure their activities.

AUSTRAC intelligence shows cryptocurrency poses a heightened money laundering risk and is increasingly being exploited for money laundering, scams and money mule activities. Cryptocurrency and crypto ATMs are attractive avenues for criminals looking to launder money, as they are widely accessible and make near-instant and irreversible transfers.

Demonstrating the risk, AUSTRAC produced intelligence identifying individuals laundering cash through cryptocurrency and importing illicit tobacco. The insights from the intelligence report resulted in a law enforcement partner agency investigating a money laundering syndicate. As a result, several parties were charged with laundering in excess of \$13 million out of Australia, and large quantities of illicit tobacco were seized.

### Crypto ATMs

Crypto ATMs, often referred to as cryptocurrency kiosks, are machines that enable the conversion of physical cash into cryptocurrency. In February 2026 there were over 2,000 of these machines operating across Australia.

Crypto ATMs present high-risk cash conversion points. AUSTRAC intelligence shows they are attractive to criminal actors and vulnerable to misuse for money laundering, money muling and moving scam proceeds. Transactions can occur at any time of day with no face-to-face interaction. The machines charge fees that are significantly higher than those offered by most online digital currency exchange providers in Australia.

Existing powers of the AUSTRAC CEO have been used to impose uniform conditions on the handful of crypto ATM operators in the Australian market. Under proposed legislation, the AUSTRAC CEO would be empowered to impose restrictions or prohibitions with effect across sectors.

### Recent reforms

Australia's AML/CTF legislation is currently undergoing significant reform. Part of these reforms will modernise the treatment of virtual assets (including cryptocurrency) and expand the virtual asset-related services that will be captured under AML/CTF regulation. New designated services will be added for: virtual asset-to-virtual asset exchanges; transfer of virtual assets; safekeeping and administration of virtual assets; and provision of services related to virtual assets. This will give AUSTRAC and our partners greater visibility of transactions occurring in the cryptocurrency ecosystem, providing valuable insights and intelligence to counter the growing risk posed by virtual assets.

New AML/CTF Rules will also soon come into effect in relation to crypto ATMs. Reporting entities will be required to apply enhanced customer due diligence measures for crypto ATM exchanges and

other physical currency-based virtual asset exchange services. This includes (but is not limited to) collecting and verifying the customer's source of wealth, as well as the customer's source of funds, for every transaction involving crypto ATMs. This directly responds to the very high money laundering and terrorism financing risks posed by crypto ATMs. While this is not solely targeted at illicit tobacco proceeds, the opportunity to launder funds through crypto ATMs remains extant.

## Cash-in-transit

Criminals are constantly looking for ways to disguise and launder the proceeds of crime, placing the Australian economy at risk. The highly profitable nature of illicit tobacco, combined with largely cash-based transactions, means organised crime needs to integrate illicit cash into the formal financial system. Cash-intensive services, including private ATMs and crypto ATMs, present risks that legitimate funds can be mixed with criminal proceeds before entering the financial system, legitimising wealth derived from illicit tobacco.

Products such as private ATMs and crypto ATMs rely on cash-in-transit services to restock, collect or move physical currency. AUSTRAC's money laundering NRA identified cash-in-transit businesses as fundamentally cash intensive and enabling the secure movement of high volumes of funds. This exposes operators to money laundering vulnerability, although the extent of criminal misuse is difficult to estimate.

In Australia, the cash-in-transit sector is considered a subset of the wider security industry. Cash-in-transit operators are largely responsible for the transportation and processing of bank notes, coins and other items of value. This includes cash delivery, cash collection, banking and device servicing (for example, ATMs, safes and cash recycling machines). These services are not regulated under the AML/CTF Act, which means these businesses do not have obligations under the Act to put in place controls to manage their vulnerability to money laundering.

Organised crime groups involved in illicit tobacco syndicates are suspected to be exploiting vulnerabilities in cash-in-transit businesses to launder proceeds of crime, while obfuscating the origin of the funds. The cash-in-transit industry is diverse, from large service providers where illicit proceeds are co-mingled with legitimate profits, to small niche service providers using informal transportation services such as contracted private vehicles or scheduled transportation services. The movement of large volumes of cash allows physical funds to be placed into the financial system. They then proceed to the layering and integration phases of various money laundering typologies. This includes the seamless movement of funds offshore or into the online payment/cryptocurrency environment. It also includes making these funds available for other criminal endeavours or illicit commodities.