

Why imminent money laundering laws mean it's time to scrub up

REGULATION

Get ready now for updated rules that will align Australia with global best practice.

By [Ches Rafferty](#) • 03 March 2023 • 4 minute read

A recent operation by the AFP has exposed how vulnerable Australia is to the underworld practice of money laundering. The AFP alleges an international crime syndicate based in Sydney was involved in laundering \$10 billion, which was then used to buy mansions, a luxury CBD building and a large area of land near Sydney's second airport.

While this criminal scheme involved a complicated web of offshore banks and shell companies, the money was filtered through legitimate Australian businesses and systems, thereby avoiding law enforcement. In many cases, criminals launder their cash through property deals and company structures created by lawyers and accountants.

The *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* focused on regulating the banking sector, gambling sector and bullion dealers, but a senate inquiry has recommended accountants and other professions like the legal and real estate industries be subject to changes to the current law known as the Tranche Two reforms.

Other countries, including New Zealand, have already introduced Tranche Two reforms and currently Australia is one of the few developed countries not to have expanded anti-money laundering laws in line with world best practice.

Some of the obligations in the Senate inquiry's recommendations are focused on training, record keeping, transaction threshold reporting, and suspicious matter reporting. Another key area in the proposed reforms will be Know Your Customer obligations.

It's likely the Tranche Two reforms will be tabled in parliament this year, so preparing for the changes now would make sense.

So how might a business prepare for the proposed changes?

First, familiarise yourself with our current anti-money laundering and counter terrorism laws and look at what's being proposed in the Tranche Two reforms. How might they affect your practice and client base? Australia's Anti-Money Laundering and Counter-Terrorism Financing watchdog AUSTRAC has plenty of information on its website about the laws and how they relate to your profession.

Start your customer due diligence and proof of identity practices now, so you have the systems and processes already in place when the changes are made. Many accountants already choose to verify their client's identity as a safeguard when onboarding and do so from an ethical standpoint. There are digital platforms and apps that remove any of the guesswork or human error in the verification process. Often these platforms will use AI technology, and complete verification of documents and ID via the government's Document Verification Service. This process can take seconds, as opposed to time consuming manual ID service providers.

Assess the risk to your business, or have a professional anti money laundering company do one for you. There are a number of factors that can increase the risk of money laundering in your business, including the types of clients you have, the size of the transactions, the source of client's funds, and the client's behaviour.

While any changes to the law will impose added costs for implementation and compliance, starting to prepare now means you will be ready for the changes which now seem inevitable. Additionally, your business will be better safeguarded against any potential damage from fraud or criminal behaviour, which in turn will lead to increased trust by current and new clients.

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