

# Why 31 March 2026 is a critical deadline – even if your organisation already has an AML program



*A major update to the AML/CTF program requirements shifts the focus from a compliance-based approach to a risk-based, outcomes-oriented approach. AUSTRAC 24 June 2025*

## AML reforms for entities already AUSTRAC reporting entities

With much of the current focus on how the upcoming anti-money laundering (AML) **Tranche 2 reforms** will affect lawyers, accountants, and real estate professionals from July 2026, it's easy to overlook the significant impact these reforms will also have on entities already subject to AML laws – known as '**Tranche 1 entities**'. Notably Tranche 1 entities face an earlier compliance deadline: they must be fully compliant by the **31 March 2026**, which is three months ahead of the Tranche 2 deadline.

Tranche 1 entities include a wide range of organisations such as banks, credit unions, non-bank lenders, managed investment schemes, guarantors, arrangers of securities and derivatives, crypto currency exchanges, remittance providers, gold bullion dealers, gambling and gambling venues, stored value card providers, life insurers with sinking funds, certain superannuation funds and trustee companies. This is not an exhaustive list, but it highlights the breadth of businesses already operating under AML obligations.

### AUSTRAC timeline



## Part 1: Risk and governance issues

The first part of the series explores risk and governance issues for Tranche 1 entities, with part two to follow on customer identification and verification.

### New focus on identification and assessment of AML and proliferation financing risks

The original AML laws encouraged AML programs focused on management of compliance risk. Because of this, many Tranche 1 entities assumed that the upcoming AML reforms would only require them to make small adjustments to their existing AML programs. However, this is not the case.

The new laws shift the focus from compliance to the management of risk and require a significant shift in the focus of existing AML programs. Gone are the days of a template Part A and Part B AML/CTF Program.

Under the Tranche 2 reforms, reporting entities (**RE**) must adopt a risk-based, outcomes focused approach. The Board and senior management must:

- conduct a comprehensive risk assessment of the specific money laundering and terrorism financing ML/TF risks the business faces
- apply risk-based systems and controls to manage risks, and
- identify emerging risks and modify relevant systems and controls to minimise and manage these risks.

An AML program that merely identifies and addresses general compliance risks, whilst failing to address the risks relevant to the entity, is no longer sufficient. Contravening these requirements could attract a civil penalty.

**Action Needed:** As each entity is unique, there is no room for 'vanilla' off-the-shelf programs. Each RE must be in a position to demonstrate that the risk assessment has been conducted to identify the AML specific risks and show how its AML implementation program addresses and manages the identified risks.

Conducting a meaningful AML risk assessment requires a sound knowledge of the AML legislation, including the relevant sanctions and privacy laws, as well as a good understanding of the risk management standard *AS/NZS ISO 31000:2018 Risk Management Principles*. Sparke Helmore is well positioned to support REs in meeting these obligations. We assist with conducting the AML risk assessment, surveying personnel to determine any new designated services, delivering targeted training for staff and management and assisting with drafting the new AML program to reflect the risk-related focus.

## New governance requirements require reporting to governing body

Each RE is required to implement a formal governance reporting structure where the RE identifies the governing body legally responsible for a number of significant decisions including:

- i. approval of the AML program
- ii. approval of the risk management assessment
- iii. approval of the policies required to be made for the implementation of the AML Policy
- iv. appointment of the Compliance Officer
- v. receiving sufficient information to discharge its oversight responsibilities
- vi. receiving independent evaluations that assess risk assessments, policy design, compliance, and effectiveness, and
- vii. receiving the reports from the Compliance Officer in relation to implementation of the AML program.

**Action Needed:** Identifying the governing body can be a complex exercise, especially for partnerships and complex business structures. REs may require legal assistance in navigating this process. Sparke Helmore can assist with reviewing your corporate structure and reporting lines, preparing Board briefing memos and resolutions, and identifying the necessary policies to ensure compliance.

## Role of the Compliance Officer – Eligibility and qualifications

The AML reforms elevate the Compliance Officer role from a token position for many REs to a senior one reporting to the Board. Eligibility now requires the Compliance Officer to be a resident of Australia, a fit and proper person under AML laws, and to have sufficient management authority, independence and resources to perform the function effectively.

**Action Needed:** Identify the appropriate senior person and conduct due diligence to determine eligibility. Sparke Helmore can assist with this and provide training for your Compliance Officer and bring them up to speed quickly with the new requirements if needed. We can also assist in drafting delegations and policies to support the Policy required for the role of the Compliance Officer.

## Role of the Compliance Officer – Responsibilities

The role of the Compliance Officer's has significantly broadened and now includes:

- a. **Oversight and co-ordination** of the day to day compliance with the AML laws
- b. **Assessment and management** of the AML risks of the business initially and on an on-going basis
- c. **Development and implementation** of appropriate systems and controls to mitigate identified risks
- d. **Fostering and managing** of the compliance culture
- e. **Preparation and submission** of AUSTRAC reporting documents including suspicious and threshold reports

**Action Needed:** Once AUSTRAC's new rules are published the formal governance required, REs need to formalise internal reporting structures and delegated authorities.

Sparke Helmore can assist with the identification of a suitable Compliance Officer and senior management required for support. We can also offer expertise with the drafting of a specific risk matrix, policies, and processes to support implementation programs. Our team combines legal and risk management expertise to guide your AML revision and implementation project.

## Do you need help?

Sparke Helmore's AML Team offers comprehensive expertise across all aspects of AML from Tier 1 to Tier 2. We assist with helping you understand the reforms, conducting an AML risk analysis, reviewing your existing AML program, or writing your new one, and establishing governance frameworks – including identifying Compliance Officers and drafting governance charters. Our services include program review, documentation, training, or a tailored combination to meet your needs.

## Contact us



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