



Australian Government
AUSTRAC

AUSTRAC REGULATORY PRIORITIES 2024



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AUSTRAC REGULATORY PRIORITIES 2024

AUSTRAC's 2024 regulatory priorities focus on hardening the sectors we regulate against criminal misuse. We aim to build resilience in these sectors against money laundering, terrorism financing and other serious crime.

These regulatory priorities will help us focus on what will deliver the most significant impact to achieve the strategic objectives set out in [AUSTRAC's 2023-27 Corporate Plan](#).

2024 regulatory priorities



Enduring
priorities



Increased
regulatory focus



Serious and
systemic
deficiencies



Continuous
improvement



Partnerships

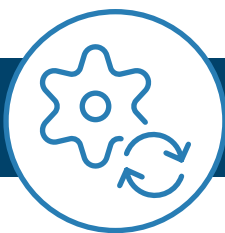
Our approach to regulation

AUSTRAC uses its regulatory tools and powers to ensure reporting entities understand and comply with their obligations under the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (AML/CTF Act) and the *Anti-Money Laundering and Counter-Terrorism Financing Rules Instrument 2007* (No. 1) (AML/CTF Rules).

We tailor our regulatory approaches depending on the level of risk posed and the circumstances of reporting entities. This approach ranges from collaboration, education and guidance, through to supervision and enforcement action.

We support businesses through collaboration, education and guidance to help them identify their risks, understand their obligations, and uplift their AML/CTF compliance.

Through our supervisory role, we assess compliance with the AML/CTF Act and AML/CTF Rules and require reporting entities to remediate deficiencies. We investigate alleged serious and systemic contraventions of the AML/CTF Act, and take enforcement action where appropriate to address non-compliance.



ENDURING PRIORITIES

In 2024 AUSTRAC's regulatory work will continue to focus on four enduring priorities.

Money laundering and terrorism-financing (ML/TF) risk

The need to understand, mitigate and manage ML/TF risk is the cornerstone of the AML/CTF framework. AUSTRAC's regulatory activities educate businesses on risks and assess the design and effectiveness of their ML/TF risk assessments.

AML/CTF programs

Reporting entities must have an effective AML/CTF program that sets out how they will comply with the AML/CTF Act and AML/CTF Rules. This program also details how businesses will identify, manage and mitigate the risks of their products and services being used for money laundering and terrorism financing.

Reporting

Accurate, timely and high quality reporting to AUSTRAC is critical. International funds transfer instructions (IFTI), threshold transaction reports (TTR) and suspicious matter reports (SMR) are fundamental sources of information for AUSTRAC's intelligence activities and the work of our partner agencies.

High-risk sectors

The banking, gambling and remittance sectors are ongoing focus areas for our regulatory work. AUSTRAC's published sector-based risk assessments, financial intelligence, law enforcement and regulatory activity continue to highlight that these sectors are exposed to significant and varied criminal threats and have widespread vulnerabilities due to their customer base, the products and services they provide, the significant use of cash and the scale of their operations.



INCREASED REGULATORY FOCUS

In addition to our enduring priorities, in 2024 AUSTRAC will increase its regulatory activities in the following sectors:

- Digital currency exchanges (DCEs)
- Payment platforms
- Bullion
- Non-bank lenders and financiers.

This is a result of:

- rapid and significant growth in these sectors
- concerns about AML/CTF compliance and significant variation in compliance levels between reporting entities in these sectors
- AUSTRAC intelligence and partner agency concerns.



SERIOUS AND SYSTEMIC DEFICIENCIES

In recent years AUSTRAC's supervision and enforcement activities have identified serious and systemic AML/CTF compliance failures in key areas. These have resulted in large civil penalties, significant and costly remediation work as well as enterprise wide multi-year capability uplift programs. These areas are outlined below and will continue to be a focus for our regulatory work in 2024.

Board and executive accountability for maintaining a culture of AML/CTF compliance and risk management

Establishing an effective compliance culture is critical. Without a strong AML/CTF compliance and risk management culture businesses are far more likely to fail in meeting their obligations.

Elements of a positive AML/CTF compliance culture include:

- Engaged board members and senior management who demonstrate a strong and highly visible commitment to robust and effective AML/CTF compliance frameworks.
- The implementation of effective governance arrangements, including demonstrable board and executive oversight.
- Clear staff responsibility and accountability.
- Effective risk escalation frameworks, assurance processes and adequate resourcing.

AUSTRAC has observed examples where an organisation's AML/CTF compliance culture discourages the development of strong AML/CTF compliance frameworks, systems and processes or that are ineffective in practice. Of particular concern are examples where the compliance culture has led to compliance failures not being adequately identified, remediated, and reported to senior management and the board.

A culture which encourages avoidance or "compliance window dressing" is a risk to the financial system, the reporting entity and its management. In appropriate cases, AUSTRAC may join individuals in proceedings against reporting entities where an individual is in any way concerned in, or party to, a contravention of a civil penalty provision of the AML/CTF Act. This will be a focus of AUSTRAC's enforcement work.

Transaction monitoring programs

Reporting entities must develop and maintain effective transaction monitoring programs (TMP) to identify unusual or suspicious customer transactions, which can lead to the submission of an SMR to AUSTRAC. A non-compliant and ineffective TMP may result in customers exploiting a reporting entities' services by moving the proceeds of a wide variety of criminal behaviour and remaining undetected. This not only exposes the reporting entity to regulatory risks and reputational damage, but critically it means that vital financial intelligence on that customer is not available to AUSTRAC and our partner agencies.

Transaction monitoring plays an important role in effective AML/CTF frameworks by:

- identifying and reporting suspicious matters to AUSTRAC
- informing ongoing and enhanced customer due diligence
- helping a reporting entity identify, mitigate and manage ML/TF risks.

A TMP must be based on a reporting entity's current ML/TF risk assessment. It must also detail the processes they follow to identify suspicious customer transactions.

Reporting entities must be able to demonstrate that the TMP can identify suspicious transactions relating to the full range of suspected crime types listed in section 41 of the AML/CTF Act.

A TMP should consider:

- complex and unusually large transactions
- unusual patterns of transactions
- transactions that have no apparent economic or visibly lawful purpose.

A TMP must have adequate coverage across all designated services and delivery channels and, as necessary, be tailored to the risks posed by specific services and delivery channels. It also requires appropriate processes and controls, as well as testing, implementation and retiring of rules, performance monitoring and overarching governance and assurance.

Outsourcing AML/CTF functions

Reporting entities are legally liable for meeting their AML/CTF obligations when they outsource functions to third parties. Outsourced functions include:

- AML/CTF program development
- conducting 'know your customer' checks
- transaction monitoring.

AUSTRAC has observed a significant number of generic and template AML/CTF programs, as well as global AML/CTF programs adopted by Australian businesses within multinational corporations, which are insufficiently tailored to meet the requirements of the reporting entity.

We have also identified many situations where reporting entities have outsourced certain AML/CTF functions without appropriate due diligence and ongoing oversight.

Prior to outsourcing any functions to third parties, reporting entities:

- should consider whether this is in line with the risk appetite approved by their boards and senior management
- should undertake due diligence on the provider to minimise the risk of serious and systemic non-compliance with AML/CTF obligations. This includes ensuring the third party providers have the appropriate technical expertise, training and knowledge to undertake the outsourced functions
- need to be satisfied that any third party they engage has tailored their services to meet their AML/CTF compliance obligations and specific needs.

Once a third party is engaged, the reporting entity must ensure there are appropriate ongoing governance arrangements, systems, and controls in place and independent reviews are conducted. These measures are important to make sure the third party is meeting its obligations and delivering on agreed outcomes. Ongoing engagement is also required to ensure the outsourced functions can be updated to align with changes to an entity's ML/TF risk exposure and risk appetite.



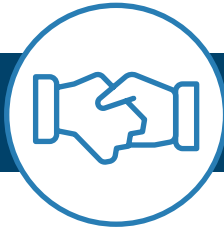
CONTINUOUS IMPROVEMENT

The Australian Government has reiterated its commitment to improving Australia's AML/CTF regime through the [proposed legislative reforms](#) announced in April 2023.

The proposed reforms will:

- ensure the regime is fit for purpose
- modernise and clarify the regime in line with international standards and best practice
- reduce complexity and regulatory burden on industry.

Throughout 2024, AUSTRAC will work in partnership with the Attorney-General's Department to ensure that the proposed reforms are underpinned by meaningful guidance and practical education for businesses.



PARTNERSHIPS

Our regulatory work is supported by our strong relationships with a wide range of partners, including:

- law enforcement agencies
- other government regulators and
- international counterpart agencies.

Our deep collaboration with our own financial intelligence experts (AUSTRAC as Australia's Financial Intelligence Unit – FIU) delivers ongoing intelligence discovery, a comprehensive risk understanding and generates insights into criminal threats and their exposure to the regulated community. The FIU capabilities and its intelligence priorities are also harnessed where possible to contribute to our regulatory approach and priorities.

That insight is further enhanced through AUSTRAC's Fintel Alliance, which harnesses the resources and knowledge of industry, government and international partners and informs our collective ability to detect crime and share intelligence.

We will continue leveraging our domestic and international partnerships to share information and better understand ML/TF risks relevant to the financial sector.



FURTHER INFORMATION

If you have questions about your compliance obligations, please email contact@austrac.gov.au.

For more information visit [AUSTRAC's approach to regulation](#) and [AUSTRAC Insights: Governance](#).



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