



Fact Sheet

Implementation of anti-money laundering and counter terrorism financing reforms

The framework to implement the anti-money laundering and counter-terrorism financing reforms involves principles based legislation which provide for operational rules.

The Anti-Money Laundering and Counter-Terrorism Financing Act (AML/CTF Act) provides the general principles and obligations, while detailed operating rules will be covered in the AML/CTF Rules. The AML/CTF Rules are being developed by the Australian Transaction Reports and Analysis Centre (AUSTRAC) in consultation with industry and will be legislative instruments tabled in Parliament.

The use of these rules is consistent with the risk based approach of the AML/CTF legislative package and provides flexibility according to the needs of specific industry sectors.

The AML/CTF Act is being implemented in stages, with the most complex and costly obligations to be implemented 24 months after Royal Assent. The timetable recognises that the legislation package imposes significant new obligations on the industry, and allows business time to develop necessary systems in the most cost efficient way. There is a period of at least 12 months after each stage of the Act comes into effect during which time AUSTRAC will concentrate its efforts on education and will only take enforcement action where a business has failed to take any reasonable steps towards compliance.

For further information on the effects of the reform package on industry and customers refer to *Fact Sheet – Changes for business under the new AML/CTF legislation* and *Fact Sheet - Changes for customers under the new AML/CTF legislation* at www.ag.gov.au/aml.)

Two tranches of reforms

The Financial Action Task Force (FATF), an inter-governmental body now comprising 33 member countries and organisations, sets international standards for preventing money laundering and terrorism financing.

In December 2005, the Government decided to progress the AML/CTF reforms in two tranches. This approach was favoured by the Government as a way to minimise the impact on small business. It also allowed the first tranche to focus on those entities already familiar with the obligations under the *Financial Transactions Reports Act 1988*.

The AML/CTF Act implements the first tranche of reforms and covers a range of services provided by the financial services sector, gambling service providers and bullion dealers.

A second tranche of reforms will be necessary to fully realise Australia's commitment to implementing the FATF recommendations in areas such as coverage of real estate agents, jewellers and professionals such as accountants and lawyers.

For further information about the FATF Recommendations refer to *Fact Sheet - Why are anti money laundering and counter-terrorism financing reforms required?* at www.ag.gov.au/aml.

AUSTRAC's changed role

Under existing legislation, AUSTRAC has been primarily a financial intelligence unit. While it will continue this role, AUSTRAC now receives, analyses and disseminates a much greater amount of intelligence from an expanded array of sources to a wider range of agencies.

Importantly, AUSTRAC also has a significantly expanded role as the national AML/CTF regulator with supervisory, monitoring and enforcement functions over a diverse range of industry sectors.

The AML/CTF Act gives AUSTRAC the capacity to work with industry to help it understand its obligations under the Act and to monitor progress towards full implementation of those obligations.

During the implementation period AUSTRAC will assess the progress of business in complying with the AML/CTF regime.

AUSTRAC's monitoring program recognises that businesses or reporting entities will be performing a new role in partnership with the Government in detecting and deterring money laundering and the financing of terrorism.

Further information on AUSTRAC can be found at: www.austrac.gov.au

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