Australian Government
Department of Home Affairs

Consultation Paper – 2026 Reforms to the AML/CTF Act

Consultation Paper, December 2025

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Glossary

AML/CTF	Anti-money laundering and counter-terrorism financing
AML/CTF Act	*Anti-Money Laundering and Counter-Terrorism Financing Act 2006*
AML/CTF Amendment Act	*Anti-Money Laundering and Counter-Terrorism Financing Amendment Act 2024*
AUSTRAC	Australian Transaction Reports and Analysis Centre
Criminal Code	*Criminal Code Act 1995*
Department	Department of Home Affairs
Designated Service	A service listed in section 6 of the AML/CTF Act
FATF	Financial Action Task Force
Reporting Entity	A person that provides a Designated Service

Overview

This Consultation Paper outlines reforms that will:

1. to introduce a new power to enable the AUSTRAC CEO to restrict or prohibit certain high-risk products, services or delivery channels that enable the provision of services regulated under the AML/CTF Act, and
2. update the definition of 'financing of terrorism' at section 5 of the AML/CTF Act to include state-based terrorism financing and to ensure terrorism financing sanctions regimes are accurate and up to date.

Context

Each year billions of dollars of illicit funds are generated from illegal activities such as drug trafficking, tax evasion, people smuggling, cybercrime, arms trafficking and other illegal and corrupt practices. Money laundering is not a victimless crime. It is a critical facilitator of most serious crimes and undermines the rule of law globally, while impacting Australia's national security.

Organised crime groups use money laundering to conceal the origin, ownership and destination of illicit funds, spending illicit profits in the legitimate economy or using illicit funds for further criminal activities without raising suspicion from law enforcement or financial institutions. Research undertaken by the Australian Institute of Criminology found 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, highlighting the harmful impact that money laundering has on the community. Similarly, the Australian Institute of Criminology has observed that terrorism financing employs many of the same methodologies as money laundering, and while the extent of terrorism financing is much smaller than money laundering, terrorism financing continues to pose a threat to the credibility of Australia's financial institutions and financial system.

Australia's anti-money laundering and counter-terrorism financing (AML/CTF) regime establishes a regulatory framework for combatting money laundering, terrorism financing, proliferation financing and other serious crimes. At its core, the AML/CTF regime is a partnership between the Australian Government and industry. Through the regulatory framework established by the AML/CTF regime, businesses are asked to play a vital role in effectively detecting and preventing misuse of their sectors and products by criminals seeking to launder money and fund terrorism.

The Australian Transaction Reports and Analysis Centre (AUSTRAC) is Australia's AML/CTF regulator and financial intelligence unit, and is equipped with regulatory powers to supervise and enforce compliance with AML/CTF obligations and intelligence capabilities.

Amendments to Australia's *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (AML/CTF Act), which were enacted in 2024 through the *Anti-Money Laundering and Counter-Terrorism Financing Amendment Act 2024* (AML/CTF Amendment Act), represent a significant step forward in protecting the Australian community from financially enabled crime, including by extending the AML/CTF regime to additional services provided by entities, alongside simplifying and clarifying the regime to reduce regulatory impacts and support businesses to prevent and detect financial crime.

Emerging risks

Since the AML/CTF Amendment Act, the financial crime environment continues to evolve. Transnational, serious and organised crime continues to adapt and develop new ways to exploit our community and economic systems to generate illicit profits and launder the proceeds of crime. As Government hardens key parts of the legitimate economy from illicit financing, criminals are finding new ways to exploit emerging technology as well as changes in our financial sector infrastructure.

In response, on 16 October 2025, the Minister for Home Affairs, the Hon Tony Burke MP, announced that legislation to amend the AML/CTF Act would be introduced, to give the AUSTRAC CEO powers to restrict or, if the CEO decides, prohibit high-risk products, services or delivery channels in prescribed circumstances.

This announcement acknowledges the ongoing threat of money laundering and serious crimes to both Australia's financial sector, as well as its national security, and the need to ensure the AML/CTF regime remains responsive to crime reduction and emerging money laundering, terrorism financing and other financial crime threats both now, and in the future. This paper outlines the proposed new powers for the AUSTRAC CEO.

On 6 November 2025, the *Criminal Code Amendment (State Sponsors of Terrorism) Act 2025* was enacted to amend the *Criminal Code 1995* and allow the Commonwealth to list foreign state entities that have engaged in a state terrorist act, or otherwise supported or advocated terrorist acts targeted at Australia. The legislation also created new offences in relation to the provision of support and funding of state sponsors of terrorism and new offences applicable in connection with the financing of a state terrorist act targeted at Australia, including the financing of a person involved in such an act. This paper outlines the proposed technical amendments that will be made to the AML/CTF Act to ensure these new offences are also now in scope of the definition of 'financing of terrorism'.

Consultation with industry

The AML/CTF regime is a partnership between Government and industry to detect, deter and disrupt economic crime.

The Department of Home Affairs (the Department) seeks views on the reforms proposed in this paper, noting this is a critical step in the development of amendments to the AML/CTF Act.

Further engagement with stakeholders may be undertaken to address specific issues as required.

Making a submission

The Department invites submissions on the proposals discussed in this consultation paper. While questions are included in the paper to guide consultations these are not intended to limit responses.

Submissions and feedback can be submitted via the Department's website. The closing date for submissions is **21 January 2026**.

All submissions and the names of persons or organisations that make a submission will be treated as public and may be published on the Department's website unless you request that your submission be kept confidential or if we consider (for any reason) that it should not be made public. The Department retains discretion about publishing and sharing submissions. We may also redact parts of published submissions if appropriate.

Any submission provided on a confidential basis remains subject to the *Freedom of Information Act 1982*.

The Department is bound by the Australian Privacy Principles in the *Privacy Act 1988*. The Australian Privacy Principles regulate how the Department collects, uses, stores and discloses personal information and how you may seek access to, or correction of, the personal information that we hold about you. The Department's privacy policy provides for more information.

Your feedback will assist the Department to determine how the legislative reforms may be drafted, noting the final design of the proposed reforms will be subject to Government consideration and parliamentary scrutiny.

Part 1: A power to prohibit or restrict high-risk products, services or delivery channels

The proposed amendment to the AML/CTF Act will enable the AUSTRAC CEO to restrict or prohibit certain high-risk products, services or delivery channels under the AML/CTF regime. The new power would apply to services regulated under the AML/CTF Act.

Current provisions

Services regulated under the AML/CTF Act

Under the AML/CTF Act, a reporting entity is a person, who provides designated services. The AML/CTF Act further requires certain entities, who provide registrable designated services, to be registered under Part 6 and/or Part 6A of the AML/CTF Act.

Section 6 of the AML/CTF Act defines the provision of a designated service and the customer of the designated service to capture specific business activities under the AML/CTF Act. From 31 March 2026, the business activities prescribed as designated services under subsections 6(2) to 6(5B) of the AML/CTF Act will include a range of business activities in the financial services, bullion, gambling, remittance, and virtual asset service providers, before broadening again to include real estate, professional services and dealers in precious metals, stones and products sectors on 1 July 2026.

The list of services regulated under section 6 of the AML/CTF Act recognises the money laundering, terrorism financing, proliferation financing and other serious crime risks associated with the provision of certain services. The AML/CTF Act requires reporting entities to implement an AML/CTF program that identifies, mitigates and manages the risks that the reporting entity may face when providing a designated service.

Current powers of the AUSTRAC CEO with respect to registrable services

AUSTRAC's ability to protect the financial system from criminal abuse by directly exercising powers in circumstances presenting very high money launder, financing of terrorism or proliferation, or serious crime risk is currently limited. Part 6 and Part 6A of the AML/CTF Act require certain reporting entities to be a registered reporting entity before providing certain registrable services. Under Part 6 and Part 6A of the AML/CTF Act, the AUSTRAC CEO already has powers to cancel, suspend or impose conditions on the registration of reporting entities on the Remittance Sector Register or Virtual Asset Service Provider Register. It is an offence to provide designated services if a reporting entity is unregistered or in breach of a condition of its registration.

The current powers under the AML/CTF Act enable the AUSTRAC CEO to make decisions if the AUSTRAC CEO is satisfied that it is appropriate to do so after considering certain criteria. For example, the AUSTRAC CEO may cancel the registration of a reporting entity under Part 6 or Part 6A having regard to whether the continued registration of the person involves, or may involve, a significant money laundering, financing of terrorism or other serious crime risk. Separately, the AUSTRAC CEO may impose conditions on registration, including conditions that may relate to the volume of funds being remitted/virtual assets being exchanged, the destination of funds being remitted/virtual assets being exchanged, or conditions that impose notification requirements.

However, the current powers that the AUSTRAC CEO can exercise under AML/CTF Act with respect to cancellation, suspension or the imposition of conditions apply **only** to the registration of individual reporting entities/persons. They do not enable the AUSTRAC CEO to restrict or prohibit high-risk products, services or delivery channels across a sector. This means that decisions cannot be made to disrupt or prevent the use of certain high-risk products, services or delivery channels, in their entirety, which present an unacceptable money laundering, financing of terrorism and proliferation, and other serious crime risk and/or harm. This leads to a regulatory gap where the AUSTRAC Chief Executive Officer (CEO) is unable to act on intelligence to restrict or prohibit services, products or delivery channels that present an unacceptable risk.

Proposed framework

The Department proposes to develop a new framework to enable the AUSTRAC CEO to restrict or prohibit certain high-risk products, services or delivery channels that enable the provision of services within subsections 6(2) to 6(5B) of the AML/CTF Act. The proposed new framework would provide additional powers to the AUSTRAC CEO to combat and prevent money laundering, sanctions evasion, financial crime and other forms of transnational, serious and/or organised crime. This would be in line with Australia's commitment to combat financial crime and the Financial Action Task Force standards.

The proposed framework would cover a range of high-risk products, services or delivery channels, subject to the AUSTRAC CEO being satisfied that they are high-risk. The legislative framework will include criteria that the AUSTRAC CEO may consider when exercising each power, in order to clearly articulate the circumstances where the power can be exercised.

The Department proposes that the AUSTRAC CEO must undertake public consultation with affected persons prior to exercising powers under the new framework. In addition, the Department proposes that any decision by the AUSTRAC CEO be made by legislative instrument, requiring said decision to be tabled in each House of Parliament and subject to disallowance by either House. This two-staged approach will provide appropriate safeguard mechanisms whereby the public can comment on any proposed decision, and where parliament has oversight and the ability to scrutinise a decision.

The Department further proposes to introduce an offence provision applying to the continued provision of designated services through high-risk products, services or delivery channels that are prohibited or restricted, consistent with offences relating to the registration of reporting entities. The Department considers it appropriate to introduce an offence with a maximum penalty of 2 years or 500 penalty units, or both.

Restriction and prohibition

As set out above, the new framework will enable the AUSTRAC CEO to impose conditions that restrict the operation of high-risk products, services or delivery channels. The new framework will also enable the AUSTRAC CEO to prohibit high-risk products, services or delivery channels that enable the provision of designated services.

It is proposed that the AUSTRAC CEO may impose restrictions on, or prohibit the use of, a product, service or delivery channel if appears to the AUSTRAC CEO that:

- the use of a product, service or delivery channel has resulted in, or will or is likely to result in significant money laundering, financing of terrorism or other serious crime harm to the Australian financial system, and
- the continued use of the product, service or delivery channel is likely to cause harm to the community that outweighs the public interest in its continued use.

If the above criteria are met, the AUSTRAC CEO may impose restriction conditions that may relate to (without limitation):

- limits on the value of funds (including virtual assets) being exchanged (whether by reference to a particular time, a particular amount or otherwise),
- the way funds (including virtual assets) are being transferred,
- the destination (however described) of funds being remitted/virtual assets being exchanged, and
- requiring notification of particular changes in circumstances.

Alternatively, the AUSTRAC CEO may prohibit the use of the product, service or delivery channel in its entirety.

When the AUSTRAC CEO may be able to exercise the power

When exercising this new power, the AUSTRAC CEO would be required to rely on any material that demonstrates the high-risk nature of the product, service or delivery channel and the impact of any restriction or prohibition, including (but not limited to):

- whether the restricting or prohibiting of a product, service or delivery channel is in the public interest to prevent and disrupt serious financial crime,
- whether there are viable alternatives to the proposed product, service or delivery channel that enable the designated service to continue to be provided, or
- any other information considered relevant.

By considering the above factors, the AUSTRAC CEO will be able to appropriately determine how they may intervene or exercise their power to ensure the likelihood of further harm to the financial system and community is reduced. Further, the AUSTRAC CEO must consider AUSTRAC's regulatory objectives, and the obligations on entities providing designated services under the AML/CTF Act. The purpose of the power is to restrict or prohibit products, services or delivery channels where the harm outweighs their continued use, irrespective of AML/CTF controls that may be in place.

In addition, any decision by the AUSTRAC CEO is prospective. That means that any restriction or prohibition applies to a product, service or delivery channel from the date that the decision comes into effect and any entity providing such product, service or delivery channel would not have retrospective liability for an offence.

Consulting with affected persons

Before making a decision, we propose that the legislation require the AUSTRAC CEO to undertake a mandatory consultation with persons who are reasonably likely to be affected by the decision. The consultation should identify the product, service or delivery channel, the risk that it poses, and the proposed decision by the AUSTRAC CEO. Consultation will enable the AUSTRAC CEO to be informed of a range of factors relevant to affected persons before making a decision, including market, economic, consumer and competition issues.

It is proposed that the consultation document is published on AUSTRAC's website and available for the public to review and comment on, including the time period for responding to consultation. The Department proposes that all consultations are open for a minimum of 30 days, noting the AUSTRAC CEO will be able to set a consultation period longer than this. A legislated consultation period will provide certainty to businesses, particularly where the AUSTRAC CEO is considering making a decision relating to a product, service or delivery channel that the business provides. The Department notes that there may be some instances where consultation is unable to take place, such as if a decision needs to be made urgently, and proposes that in this case a failure to consult does not invalidate a decision by the AUSTRAC CEO.

In addition, where the relevant product, service or delivery channel is also regulated by another Commonwealth, state or territory agency, the legislation will include a requirement that that agency must also be consulted.

Decision to be made via legislative instrument

The Department proposes that a decision by the AUSTRAC CEO must be made via a legislative instrument. Noting the potential impact of any decision, it is proposed that a legislative instrument be made, affording parliamentary oversight of any decision. This will enable any decision of the AUSTRAC CEO to be subject to disallowance before it comes into effect.

It is proposed that the legislative instrument sets out the terms of the decision, including specifically the designated service(s) to which the restriction or prohibition applies; and the duration of a decision (i.e. for an initial period of no less than 3 years after it commences, with an ability for the AUSTRAC CEO to extend or make a decision permanent via a subsequent legislative instrument). This will enable decisions to be reviewed periodically, and considerations of ongoing harm to be assessed.

As required by the *Legislation Act 2003 (Cth)*, a legislative instrument restricting or prohibiting a high-risk product, service or delivery channel will be accompanied by a relevant explanatory statement that explains the purpose and operation of the instrument.

Consultation questions

1. Do you have any views on the scope of this power applying to the provision of all designated services, or should the power be limited to registrable services?
2. What products, services or delivery channels that enable designated services to be provided pose money laundering, financing of terrorism or proliferation, or serious crime risks that are difficult for reporting entities to manage and mitigate?
3. What criteria should the AUSTRAC CEO be required to apply when making a decision to restrict or prohibit a high-risk product, service or delivery channel?
4. Do you have any view on the proposed consultation and legislative instrument requirements when a decision is made and prior to it coming into effect?
5. Do you propose any particular safeguards or restrictions to the proposed new power for the AUSTRAC CEO to restrict or prohibit high-risk products, services and delivery channels and, if so, what should those safeguards be?
6. Are you satisfied that the proposed model adequately captures products, services or delivery channels that enable the provision of designated services that may be high-risk now, or in the future?
7. Do you think the proposed offence penalty is sufficient to deter continued use of banned or restricted products, services or delivery channels?

Part 2: Amending the definition of ‘financing of terrorism’

On 6 November 2025, the *Criminal Code Amendment (State Sponsors of Terrorism) Act 2025* amended the *Criminal Code 1995* to allow the Commonwealth to list foreign state entities that have engaged in a state terrorist act, or otherwise supported or advocated terrorist acts targeted at Australia.

Current provisions

Section 5 of the AML/CTF Act defines ‘financing of terrorism’:

> ***financing of terrorism*** means conduct that amounts to:
>
> (a) an offence against section 102.6 or Division 103 of the *Criminal Code*; or
>
> (b) an offence against section 20 or 21 of the *Charter of the United Nations Act 1945*; or
>
> (c) an offence against a law of a State or Territory that corresponds to an offence referred to in paragraph (a) or (b); or
>
> (d) an offence against a law of a foreign country or a part of a foreign country that corresponds to an offence referred to in paragraph (a) or (b).

Under the AML/CTF Act, reporting entities are required to assess and mitigate the risks associated with the financing of terrorism as part of their AML/CTF program, and to report suspicious matters related to the financing of terrorism to AUSTRAC.

Proposed amendment

The Department proposes to amend the definition at section 5 to give effect to new proposed offences related to the financing of a state sponsor of terrorism. The proposed amendments would ensure that all Criminal Code offences related to terrorism financing, including financing a state-sponsor of terrorism, are explicitly included under section 5 of the AML/CTF Act. Accordingly, reporting entities would be required to incorporate the amended definition of ‘financing of terrorism’ when satisfying their obligations under the AML/CTF Act.

The amendment is technical in nature, in that it clarifies obligations with respect to state-sponsored terrorism. It is the Department’s view that, even without the amendment, state-sponsored terrorism is largely covered by the AML/CTF Act in its current form. For example, under the current regime reporting entities are already required to report suspicions of state-sponsored terrorism financing to AUSTRAC by virtue of their obligations under section 41(f)(1)(iii). Further, reporting entities are currently required to report suspicious matters relating to sanctions breaches and undertake enhanced customer due diligence to a customer making a transition to a person located in a prescribed foreign country.

Paragraph (a) of the existing definition would be amended to reference section 112.5 and Division 113 of the Criminal Code. As noted, the amendments would expressly incorporate the new offences and otherwise provide clarity on existing obligations relating to state sponsored terrorism.

In addition, the amendment will also add offences against sanctions imposed under United Nations Security Council 1267 and successor resolutions back into the definition, noting they had been inadvertently removed from the definition by amendments to other legislation. Specifically, since 2008, offences under the United Nations Security Council 1267 and successor resolutions now fall under section 27 of the *Charter of the United Nations Act 1945* and not section 20 or 21 as is currently set out in the definition of ‘financing of terrorism’.

This amendment will revise the definition to allow relevant terrorism financing sanctions regimes made by regulation under the *Charter of the United Nations Act 1945* to be prescribed. As outlined above, entities have overarching risk assessment obligations with regard to risks the entity faces, including in relation to terrorism financing. Adding back offences against terrorism financing sanctions regimes will ensure that the definition of 'financing of terrorism' expressly includes those sanctions regimes recognised globally as relevant to terrorism financing.

Consultation questions

8. What concerns, if any, do you have with the proposed amendment to the definition of 'financing of terrorism'?
9. Are the amendments to the definition likely to impact your entity's AML/CTF program, noting your existing obligations and the consequential nature of the amendment?