

AML/CTF Reforms

Communication Tips & Tricks

If your business is preparing to comply with the expanded AML/CTF obligations under the Tranche 2 reforms in 2026, it's important to consider the impact on both your new and existing clients.

Engaging your clients early, providing them with a clear explanation about the changes and setting their expectations will be important to ensure a smooth client engagement process.

Tips for communicating

Explain the 'Why' Before the 'What'

Clients respond better when professionals frame KYC as a legal and ethical obligation, not just a bureaucratic hurdle.

Emphasise that AML/CFT laws protect Australia's reputation as a safe place to do business, help prevent financial and social crimes, as well as terrorism financing.

Use a Risk-Based Approach

Communicate that KYC requirements vary depending on risk level - Simplified CDD for low-risk clients and transactions; Enhanced CDD for high-risk clients (e.g., offshore entities, complex ownership structures).

This shows clients that checks are proportionate and tailored, not arbitrary.

Be Transparent About What's Required

Clearly outline what documents may be needed and relate the process to familiar checks, such as when opening a bank account (e.g., passport, proof of address, source of funds for high-risk cases).

Explain these checks are mandatory under the AML/CFT Act and not firm-specific policies.

Train your staff

Make sure all client-facing staff clearly understand your AML/CTF obligations and the reasons for these changes so they can address client questions.

Leverage Technology for Convenience

Digital ID verification can expedite onboarding and minimise friction.

Informing clients about the use of secure solutions provides clarity regarding privacy and efficiency.

Keep Communication Simple and Consistent

Avoid using terms such as 'CDD' or 'PEP' without providing clear explanations.

Develop comprehensive plain-language guides and FAQs to enhance clarity and facilitate efficient compliance.

Consider Privacy obligations

If you must comply with AML/CTF regime, you must also comply with the obligations of the *Privacy Act 1988*.

Make sure you understand your obligations and ensure that you are only collecting information you need to comply with your new obligations.

Change brings opportunity

The reforms present an opportunity to review your current client onboarding processes, to improve your client experience, efficiency and process.

Are you collecting the right client information?

Is there information you are not collecting?

Template letter – for existing clients

Dear [Client Name],

From 1 July 2026 we are required to comply with new regulatory obligations as part of reforms to Australia's *Anti-Money Laundering and Counter-Terrorism Financing Act* (AML/CTF Act).

The national reforms are aimed to ensure that Australia continues to identify and prevent financial crime by:

- **Supporting global regulatory compliance** - the reforms ensure Australia continues to contribute to global efforts to fight financial crime
- **Mitigating risk** - help identify possible money-laundering and terrorism threats linked to clients or transactions
- **Enhancing security** - detecting and preventing money laundering protects you and / or your business from financial loss, reputational harm, and legal risks, while equipping us with vital insights to provide you with the advice and services you need
- **Strengthening regulatory reporting** - as trusted advisers, we are required to promptly report any suspicious activity to the national AML/CTF regulator, AUSTRAC.

[Our firm] is committed to maintaining the highest standards of integrity and compliance, but also your experience as a valued client, which is why we are letting you know about the changes now.

What does this mean for you?

The reforms mean we may be required to verify your identity, even as an existing client, and collect other information relevant to the advice and services we provide you. If this is required, we will let you know what information we are required to collect as early as possible.

Should you have any questions regarding these reforms, please do not hesitate to contact us.

Kind regards,

[Firm Name]

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