



# Tranche 2 Explained

## Breaking Down the New AML/CFT Compliance Framework

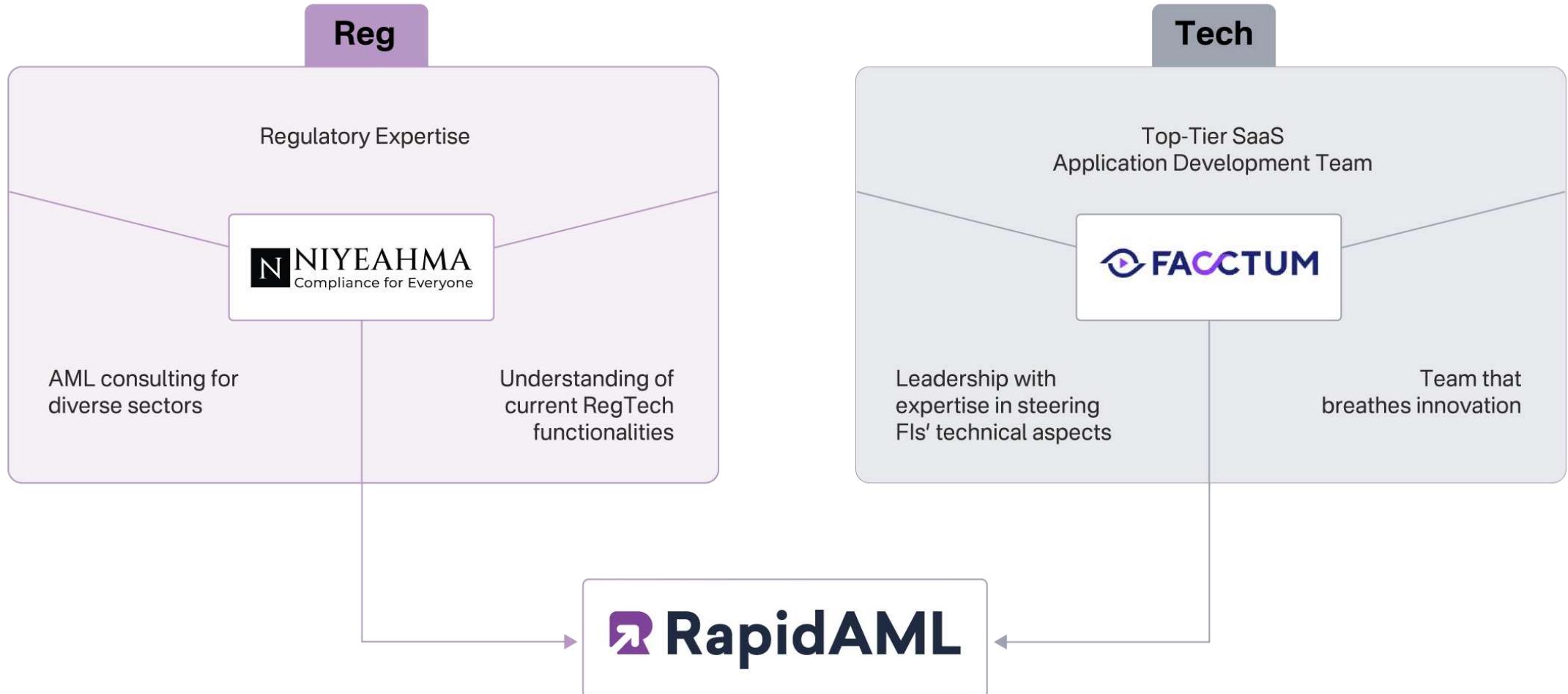
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# About



# Arun Gupta

- ↗ A driving force behind RapidAML's market engagement.
- ↗ Brings global experience with DNFBPs, banks, FinTech's, PSPs, and VASPs
- ↗ Offers a clear, grounded and future-focused lens on regulatory challenges and operational hurdles, and tech disruptions.
- ↗ Aims to empower compliance teams to modernize, driving a shift towards innovation and agility.



# Dipali Vora

- ↗ An esteemed member of ICSI and a proud bearer of the Certified Anti-Money Laundering Specialist (CAMS) badge
- Focuses on Enterprise-wide risk assessments, Customer Due Diligence (CDD), and risk management strategies
- Specializes in the design, implementation, and maintenance of AML/CFT and sanctions programs
- ↗ Lends her brilliance to guiding companies through global AML regulations



# The New Tranche 2 Regulations: Key Lessons Ahead



# Introduction

## 1.0 Introduction to the Tranche 2 AML/CTF Reforms

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1.01 The New Tranche 2 AML/CTF Reforms: A Brief Overview

1.02 Major Changes under the New AML/CTF Regulations

1.03 The Tranche 2 Timeline for New AML/CTF Reforms

1.04 Tranche 2: Key Objectives

## 1.01 Introduction to the Tranche 2 AML/CTF Reforms

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### Key Takeaways for Entities

- Implement Customer Due Diligence (CDD) and Enhanced Customer Due Diligence (Enhanced CDD)
- Timely Report suspicious matters and transactions
- Develop internal policies, procedures, and controls to ensure compliance

### Why it Matters

- Prevents misuse of professional services for financial crimes
- Enhances transparency in previously under-regulated sectors
- Protects business reputation and avoids penalties

## 1.02 Major Changes under the New AML/CTF Regulations

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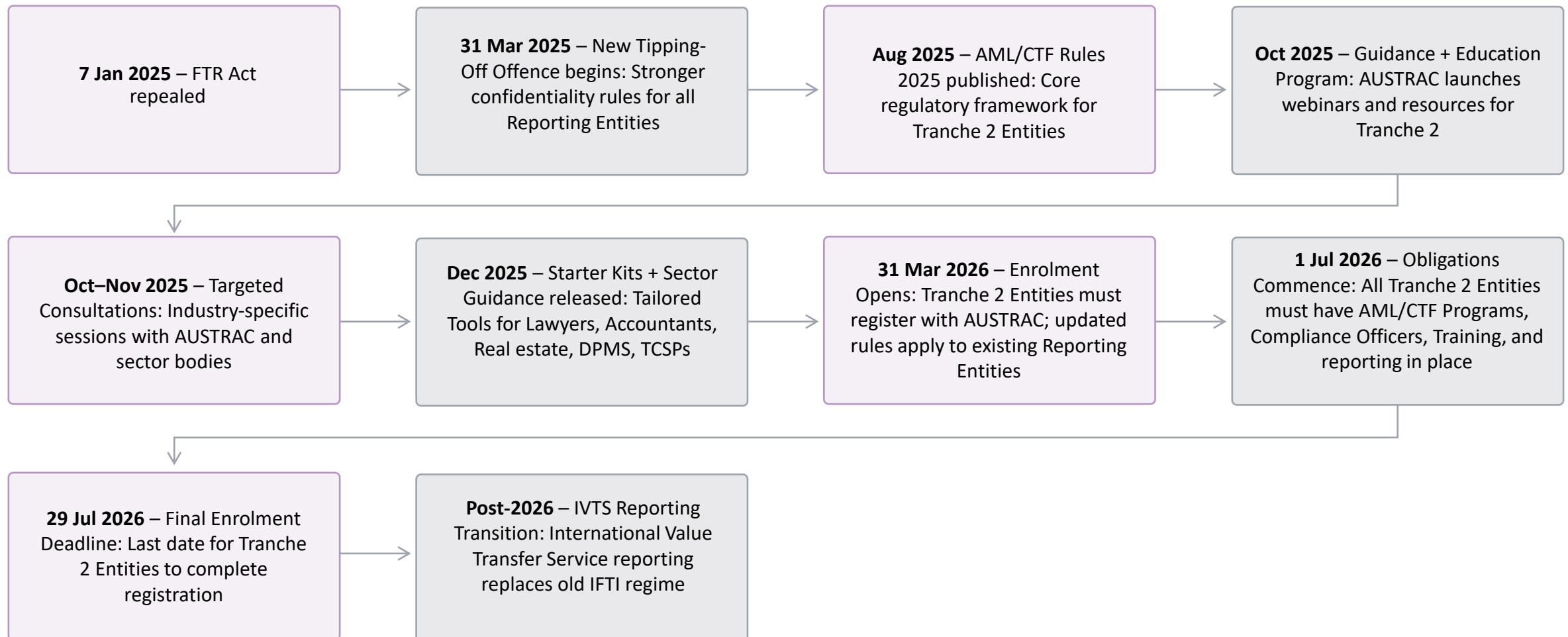
High-risk industries are now covered under AML/CTF framework

Stronger AML/CTF Compliance expectations for existing entities

Repeal of FTR Act 1988 – Streamlined AML/CTF System

Alignment with FATF Standards for global consistency

## 1.03 The Tranche 2 Timeline for New AML/CTF Reforms



## 1.04 Tranche 2: Key Objectives

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### **Expand the AML/CTF regime to Tranche 2 entities**

- ✓ Ensure gatekeeper professions enrol with AUSTRAC
- ✓ Mandate implementation of AML/CTF controls, including ongoing monitoring and reporting
- ✓ Address higher-risk activities linked to handling funds, structuring entities, and enabling transactions

### **Modernise the regulation of virtual assets**

- ✓ Broaden the definition from “digital currency” to “virtual assets”
- ✓ Capture stablecoins, NFTs, governance tokens, and certain utility tokens
- ✓ Strengthen oversight of exchanges, custodians, and wallet providers
- ✓ Equip businesses advising these sectors with clarity on compliance obligations

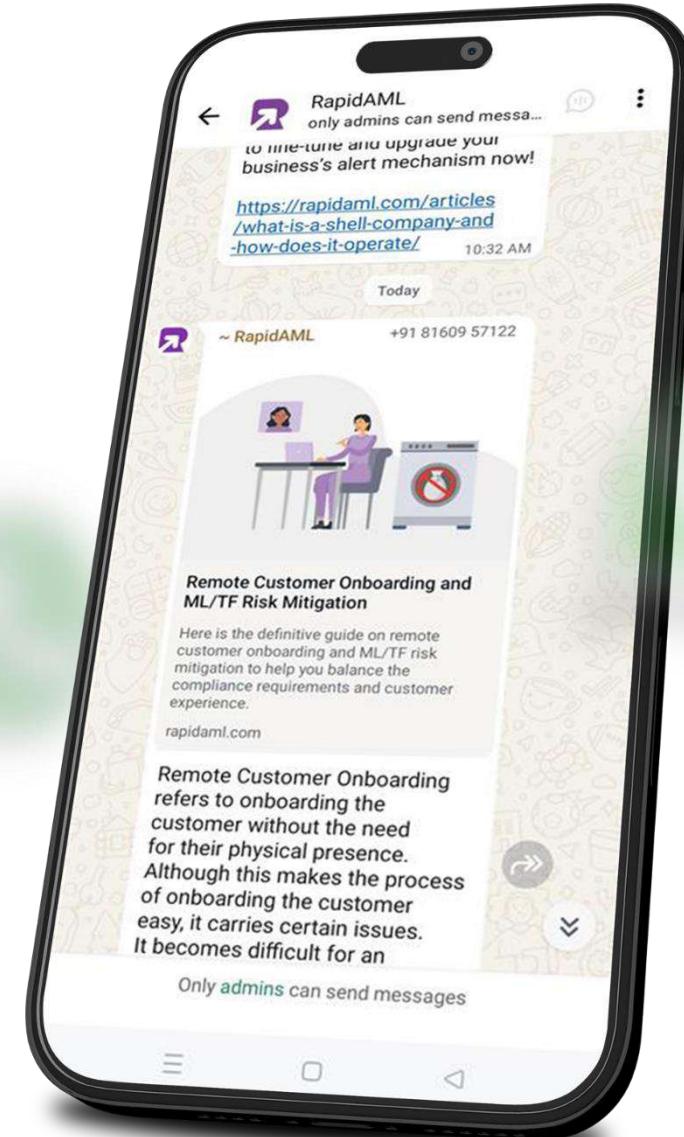
## 1.04 Tranche 2: Key Objectives

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### **Modernise and streamline the AML/CTF regime**

- ✓ Clarify roles and responsibilities across the regime
- ✓ Provide flexibility to adapt to evolving risks and global practices
- ✓ Align Australia's framework more closely with international standards
- ✓ Bolster defences against financial crime and enhance Australia's global reputation

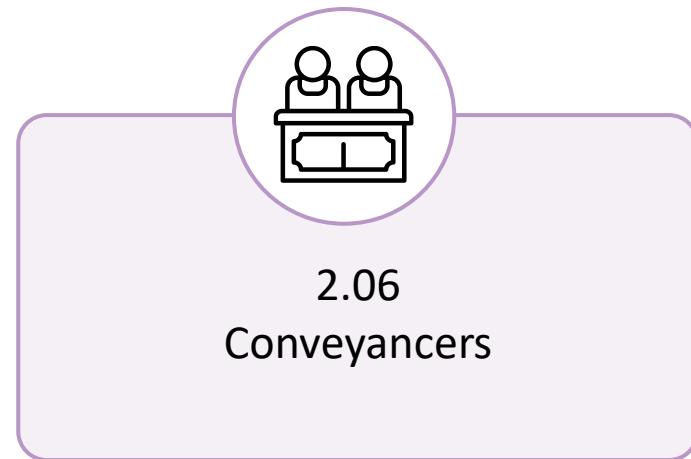
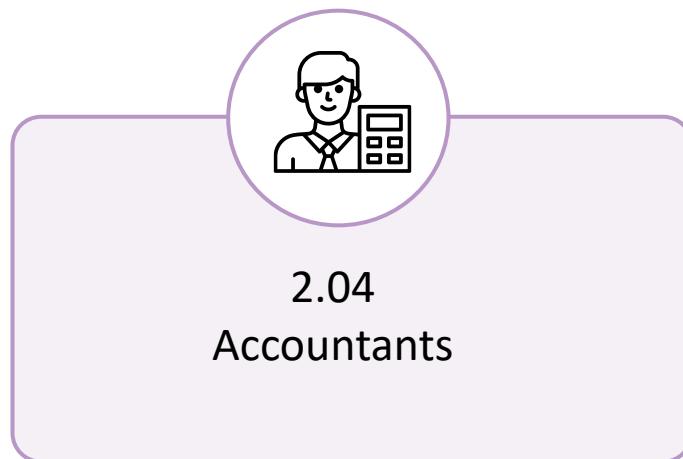
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# Entities Covered Under the New Tranche 2 Reforms

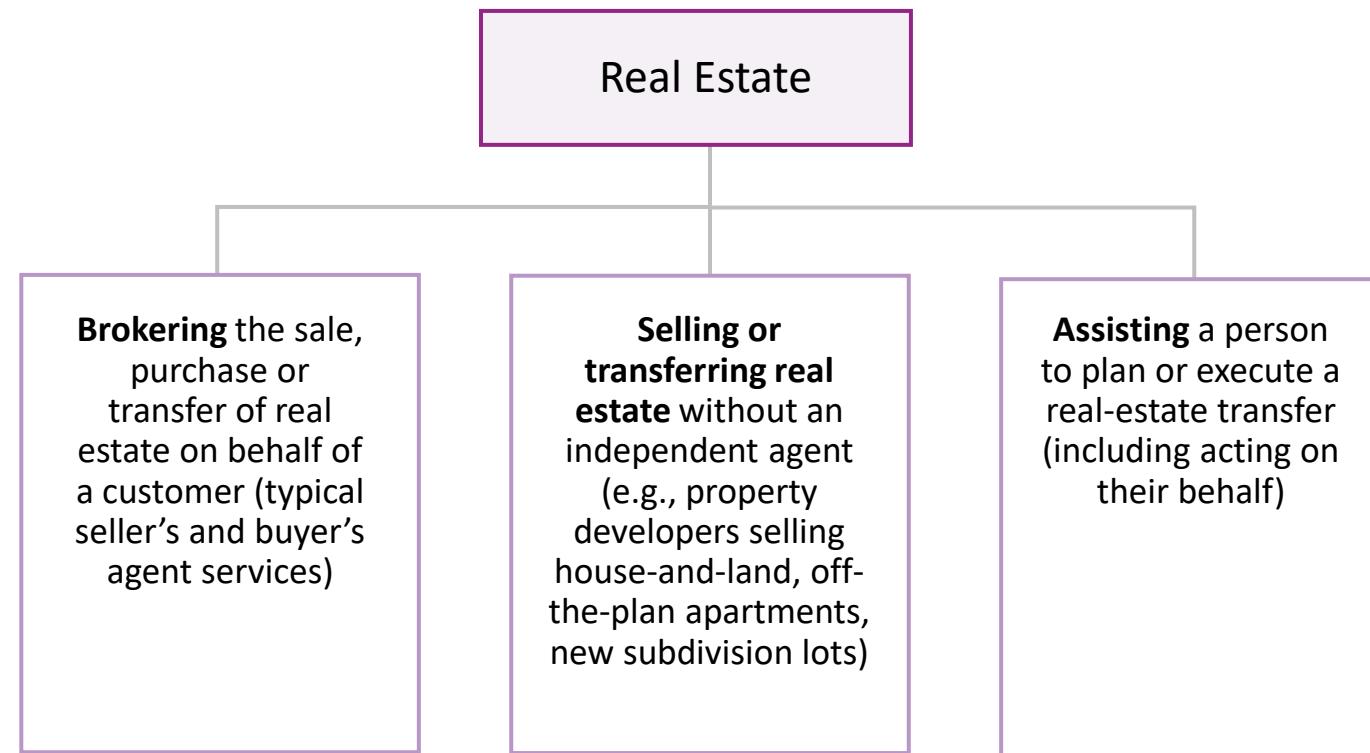
## 2.0 Entities Covered Under the New Tranche 2 Reforms

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## 2.01 Real Estate Professionals

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## 2.02 Dealers in Precious Metals, Stones and Products

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### Dealers in Precious Metals, Stones and Products

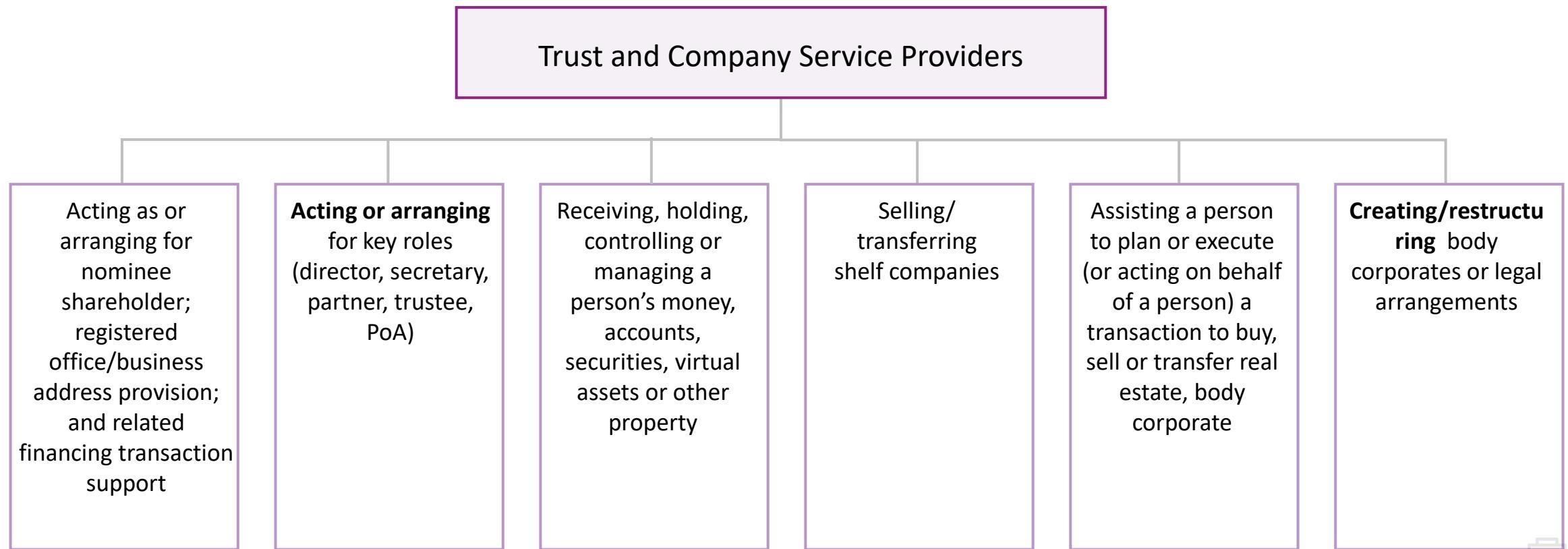
Buying/selling precious metals/stones/ products where a payment or receipt of A\$10,000 or more, is made in **physical currency or virtual assets** (single or linked transactions)

Bullion: AUSTRAC notes that the **sale/purchase of bullion** remains regulated **at any value and by any payment method** as a separate Designated Service

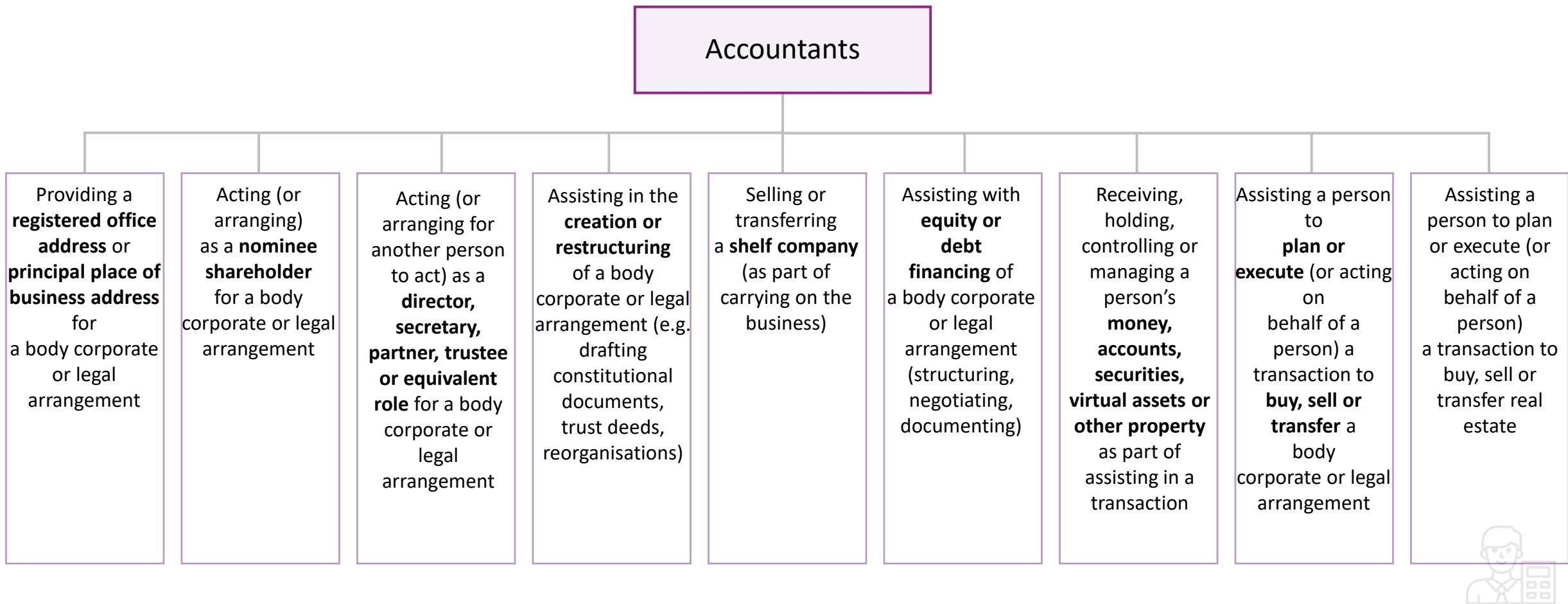


## 2.03 Trust and Company Service Providers

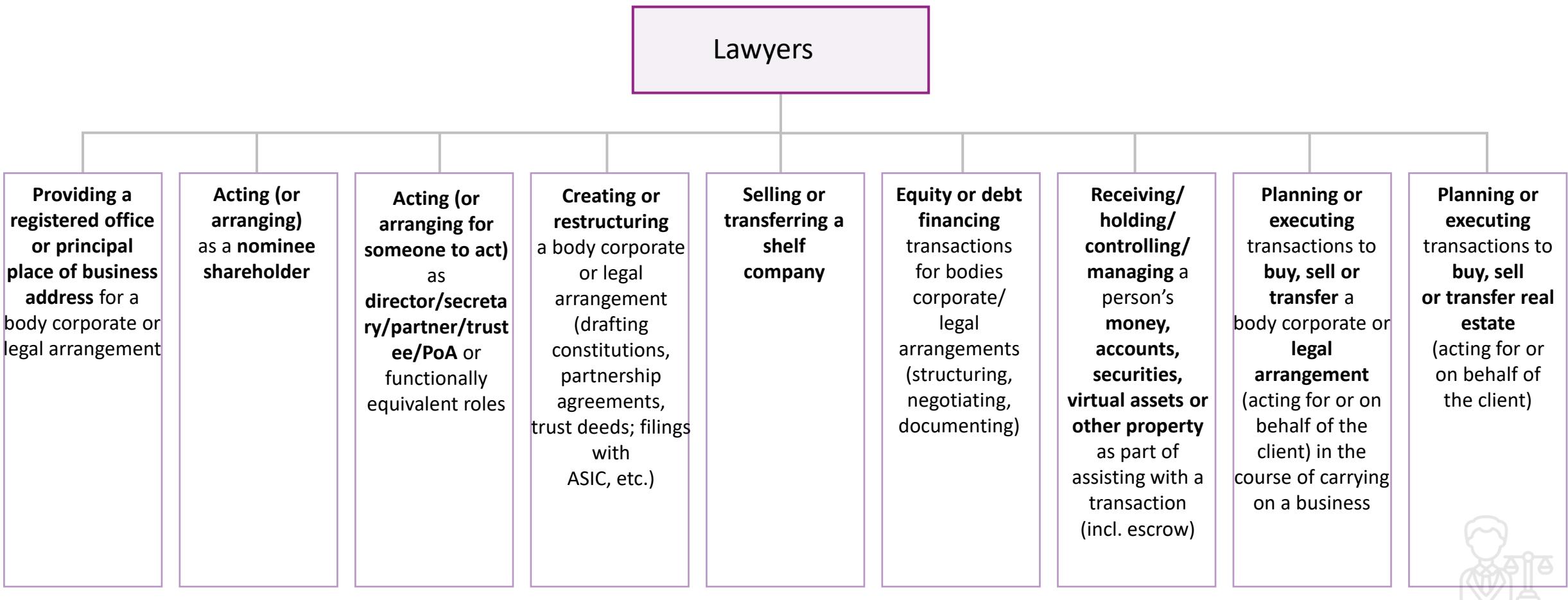
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## 2.04 Accountants

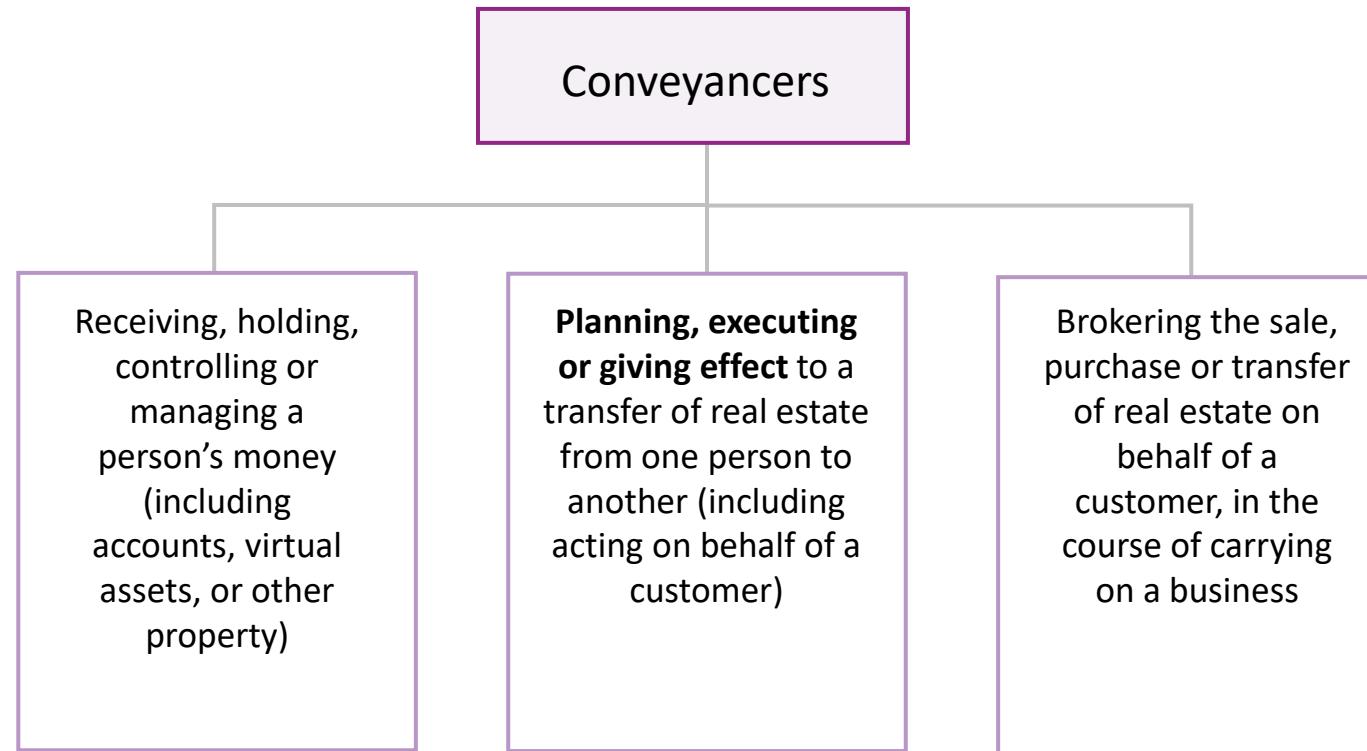


## 2.05 Lawyers



## 2.06 Conveyancers

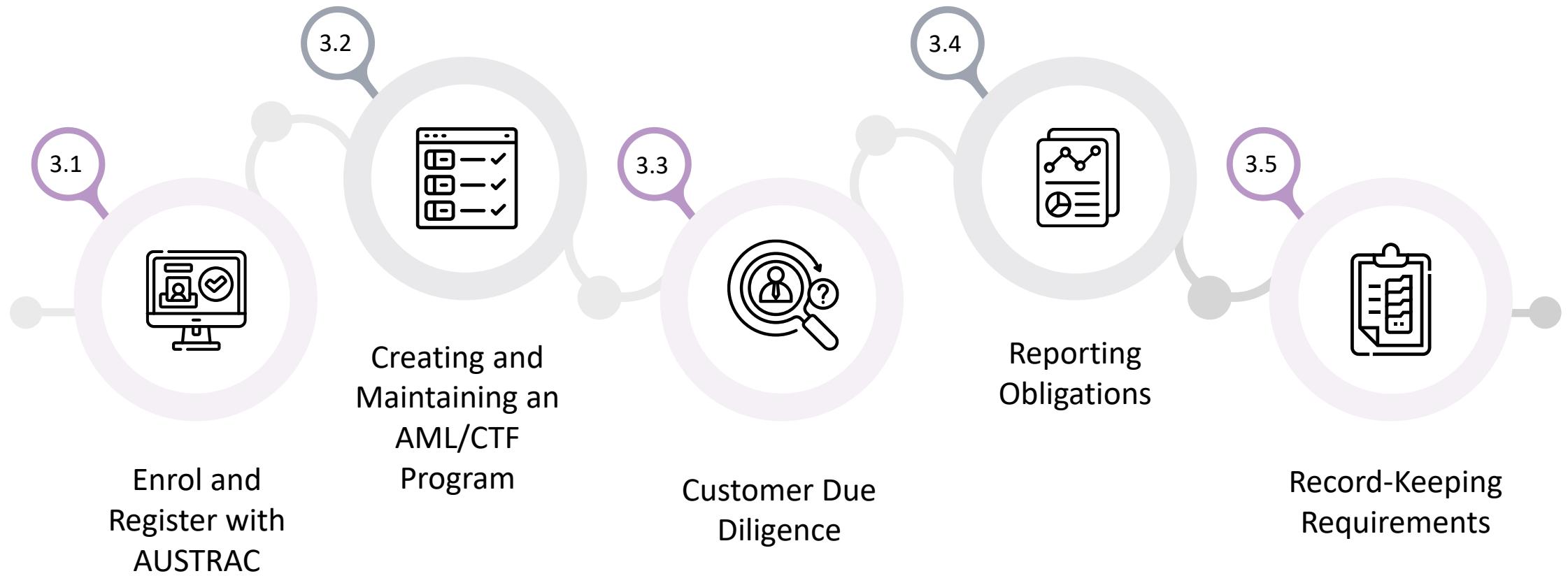
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# Essential AML/CTF Compliance Requirements for Tranche 2 Entities

## 3.0 Essential AML/CTF Compliance Requirements for Tranche 2 Entities

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## 3.01 Enrol and Register with AUSTRAC

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### Enrolment

All Reporting Entities must enrol with AUSTRAC by providing their business details

Deadlines:

1. VASPs - 28 April 2026
2. Other Designated Services – 29 July 2026

### Registration

VASPs must register with AUSTRAC and may not offer any services until registration is confirmed

Deadline: 31 March 2026

## 3.02 Creating and Maintaining an AML/CTF Program

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Conduct and document **ML/TF Risk Assessments** before offering services

Develop **AML/CTF Policies and Procedures** covering risk management, CDD, and Sanctions Compliance

**Ensure Governance** with Senior Manager oversight and Staff Training

Appoint a **AML/CTF Compliance Officer** and notify AUSTRAC

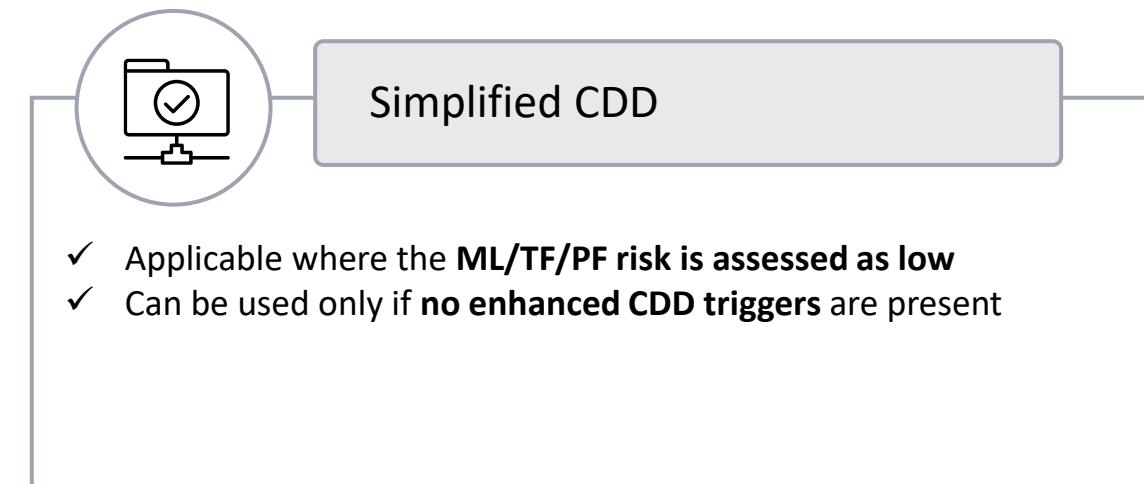
Perform **Independent Evaluations** of the AML/CTF Program every three years

**Follow your own AML/CTF Policies** and, if part of a reporting group, comply with Lead Entity's policy

### 3.03 Customer Due Diligence



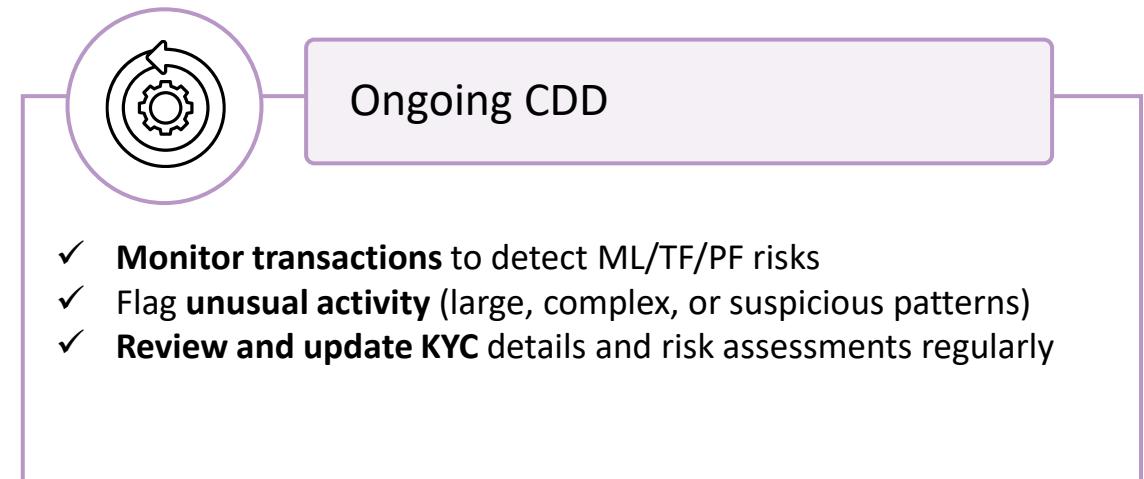
- ✓ Complete **customer verification** before offering services
- ✓ **Identify the customer**, Beneficial Owners, Authorised Persons, and check for PEPs and Sanctions
- ✓ Confirm the **purpose** of the relationship/transaction
- ✓ Collect and verify **KYC information**



- ✓ Applicable where the **ML/TF/PF risk is assessed as low**
- ✓ Can be used only if **no enhanced CDD triggers** are present



- ✓ Apply stricter checks for **high-risk customers**
- ✓ Mandatory for **suspicious matters, foreign PEPs, high-risk jurisdictions, or nested services**
- ✓ Collect details on **source of funds and wealth** when required



- ✓ **Monitor transactions** to detect ML/TF/PF risks
- ✓ **Flag unusual activity** (large, complex, or suspicious patterns)
- ✓ **Review and update KYC details** and risk assessments regularly

### 3.03.01 Rules for Existing Customers

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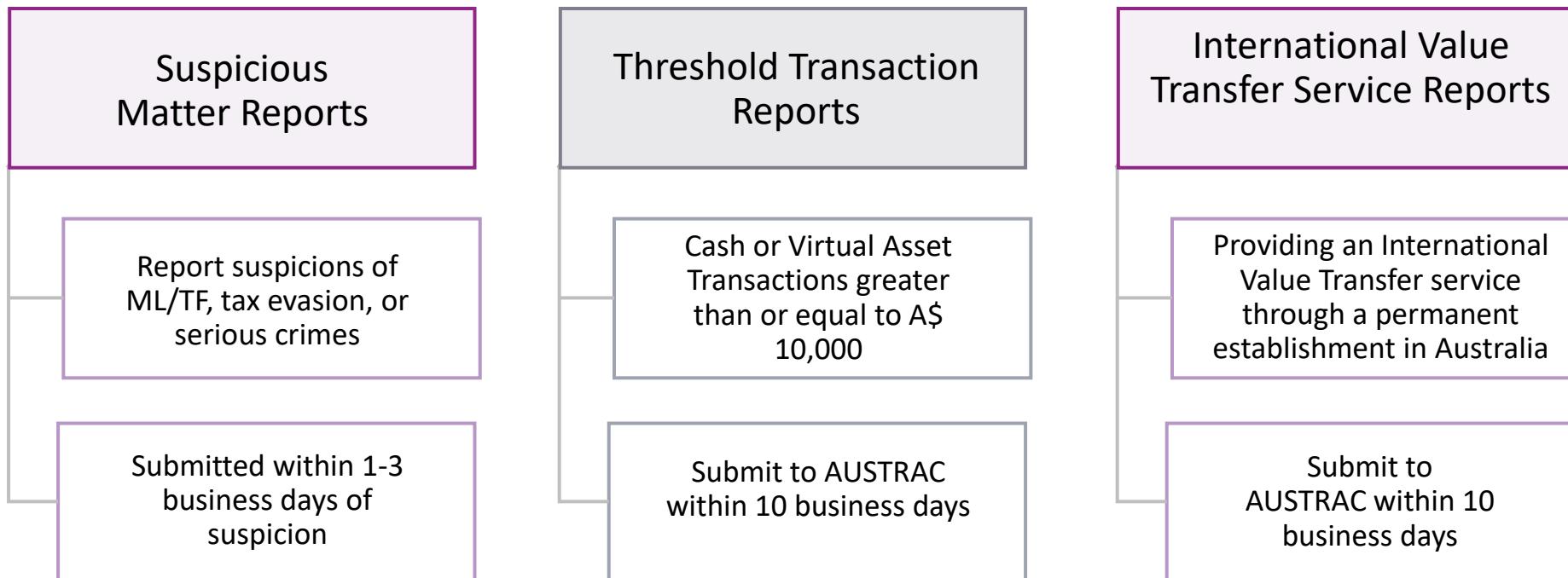
You are **not required** to immediately perform initial or ongoing CDD on **pre-commencement customers unless:**

- ✓ You are required to **file a suspicious matter report** in relation to that customer
- ✓ There is a **significant change** in the nature/purpose of the business relationship that raises the customer's assessed risk to **medium or high**

This approach is intended to ease the burden of applying the regime to all existing customers immediately

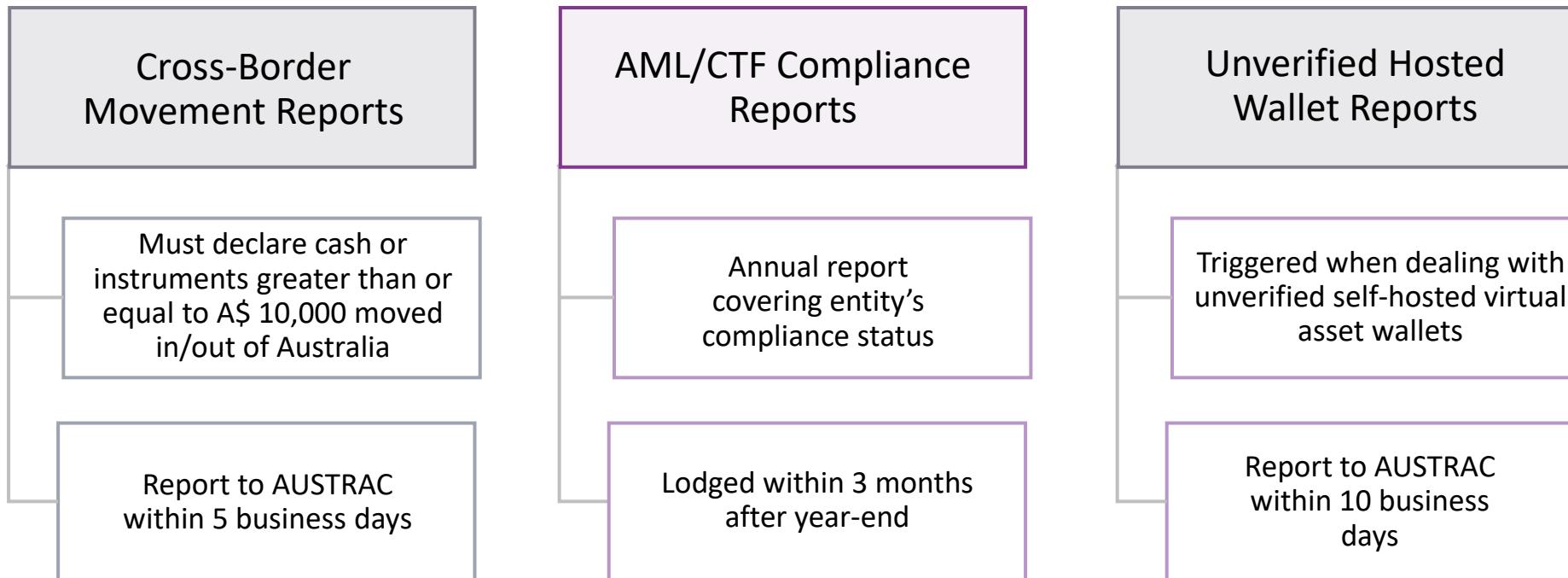
## 3.04 Reporting Obligations

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## 3.04 Reporting Obligations

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# Do You Know?

The Commonwealth Bank was fined  
**AUD \$700 million, one of the largest civil penalties in Australia** in 2018 for failing to lodge over 53,000 Threshold Transaction Reports



## 3.05 Record Keeping Requirements

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### AML/CTF Program Records

- ✓ Keep documented program, ML/TF Risk Assessment, policies and updates
- ✓ Retain for 7 years after the record is no longer relevant

### CDD Records

- ✓ Keep CDD records as to data collection, risk analysis and decision making
- ✓ Retain for 7 years after the relationship ends

### Transaction Records

- ✓ Maintain sufficient records to reconstruct transactions
- ✓ Retain for 7 years from record creation

## 3.05 Record Keeping Requirements

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### Reporting Group Records

- ✓ Lead Entities must keep membership records updated
- ✓ Ensure discharged obligations by one member are documented for all

### FTR Act Records

- ✓ Continue retaining pre-existing FTR Act records
- ✓ Keep for 7 years after last service to customer

# Strengthening AML/CTF Tranche 2 Compliance: Challenges, Innovations and the Road Ahead

## 4.0 Strengthening AML/CTF Tranche 2 Compliance: Challenges, Innovations and the Road Ahead

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4.01 Challenges in Implementing the Key Obligations under the New AML/CTF Regulations

4.02 Best Practices for AML/CTF Compliance (Current and Newly Regulated)

4.03 Integration of AML Software: Tools and Tech

4.04 Tranche 2 – Raising Australia's AML/CTF Standards: Key Takeaways

## 4.01 Challenges in Implementing the Key Obligations under the New AML/CTF Regulations

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### Complex KYC Requirements

Collecting detailed customer and ownership data is difficult, especially in layered structure

### Continuous Risk Monitoring

Entities must update Risk Assessments often, which can strain smaller firms

### Governance Demands

Programs require strong Policies, Staff Training, and Senior Manager approvals for high-risk cases

### Cross-Border Risks

Third-party reliance and foreign partnerships need strict FATF-Standard checks

## 4.01 Challenges in Implementing the Key Obligations under the New AML/CTF Regulations

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### Virtual Asset Hurdles

Identifying wallet types and verifying controllers remains challenging in decentralised systems

### Heavy Reporting Load

Frequent SMR, TTR, and Cross-Border reports

## 4.02 Best Practices for AML/CTF Compliance (Current and Newly Regulated)

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### Start Early, Stay Ready

- ✓ Assess risks, review processes, and align systems before 2026



### Build a Strong AML/CTF Program

- ✓ Document Risk Assessments, Policies and Controls; update regularly



### Appoint a Compliance Officer

- ✓ Nominate and empower an AML/CTF Compliance Officer

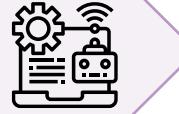


### Strengthen Customer Due Diligence

- ✓ Verify identities, Beneficial Ownership, and apply Enhanced CDD for PEPs/ high-risk client

## 4.02 Best Practices for AML/CTF Compliance (Current and Newly Regulated)

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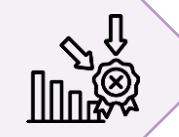
### Embrace Technology and Automation

- ✓ Use RegTech for eKYC, monitoring, and accurate reporting



### Report and Retain with Care

- ✓ Submit timely SMRs, TTRs, IVTS, Wallet Reports; keep records for 7 years



### Show Progress, Not Perfection

- ✓ Demonstrate proactive implementation and continuous improvement to AUSTRAC

## 4.03 Integration of AML Software: Tools and Tech

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### Automated eKYC & Onboarding

Instant ID Verification with Biometric & Document Checks

### Smart Transaction Monitoring

Detect Unusual Patterns, Suspicious Transfers, and Red Flags in real time

### PEP & Sanctions Screening

Continuous Screening against updated Global Watchlist

### Regulatory Reporting

Auto-generate and submit SMRs, TTRs, IVTS reports to AUSTRAC

## 4.03 Integration of AML Software: Tools and Tech

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### Data Analytics & AI Insights

Identify hidden ML/TF Risks with Predictive Models

### Audit-Ready Record Keeping

Store Customer, CDD, and Transaction Data securely for 7 Years

# Do You Know?

AUSTRAC's enforcement actions include  
an **AUD 67 million penalty** against SkyCity  
for serious systemic AML/CTF breaches



## 4.04 Tranche 2 – Raising Australia's AML/CTF Standards: Key Takeaways

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Tranche 2 closes long-standing gaps in Australia's AML/CTF regime

Extends compliance duties to professionals beyond the financial sector

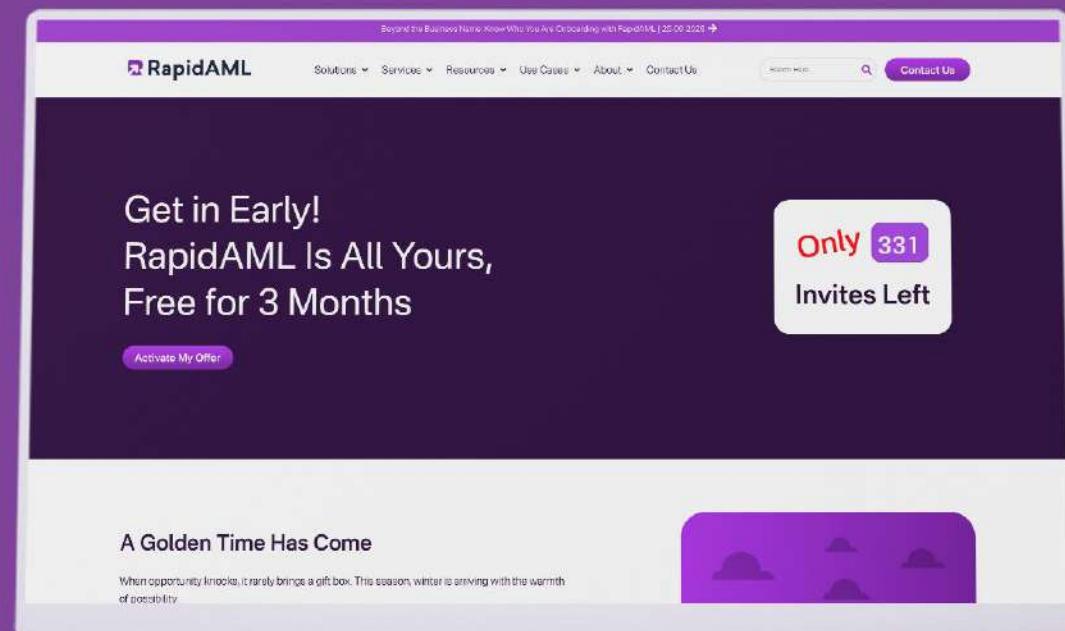
Entities must prepare now for the July 2026 deadline

A major step towards global alignment, transparency, and a safer financial system



# RapidAML is All Yours, Free for 3 Months

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Offer**

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# Resources

The screenshot displays the RapidAML platform's content sections:

- Articles:** A purple header with the title "Articles". Below it is a "Filters" section with a "Topics" dropdown and a "Global" button. Three cards are shown:
  - Top 10 Advantages of AML Compliance:** A card with a purple icon, "Global" button, and a brief description: "Many entities may consider anti-money laundering (AML) compliance to be unnecessary."
  - AML Non-Compliance: An Unaffordable Cost:** A card with a purple icon, "Global" button, and a brief description: "Regulated entities under UAE's Anti-Money Laundering (AML) regulatory regime are required to...".
  - Remote Customer Onboarding and ML/TF Risk Mitigation:** A card with a purple icon, "Global" button, and a brief description: "It's important for businesses to provide a smooth onboarding process...".
- Infographics:** A purple header with the title "Infographics". Below it is a "Filters" section with a "Topics" dropdown and a "Global" button. Two cards are shown:
  - KYC Vs. KYB:** A card with a purple icon, "UAE" button, and a brief description: "Know Your Customer (KYC) vs. Know Your Business (KYB)...".
  - Best Practices in STR Submission:** A card with a purple icon, "Global" button, and a brief description: "Best Practices in STR Submission...".
- Product Updates:** A purple header with the title "Product Updates". Below it is a "Filters" section with a "Topics" dropdown and a "Global" button. Two cards are shown:
  - KANBAN: You Believe It?** A card with a purple icon, "Australia", "Singapore", "UAE", "UK", "Nigeria", "India", and "Global" buttons, and a date "19/05/2025". It includes a screenshot of a KANBAN board and a brief description: "Introducing: Document Management".
  - Document Upload:** A card with a purple icon, "Australia", "Singapore", "UAE", "UK", "Nigeria", "India", and "Global" buttons, and a date "16/05/2025". It includes a screenshot of a document upload interface and a brief description: "Document Upload...".
- Videos:** A purple header with the title "Videos". Below it is a "Filters" section with a "Topics" dropdown and a "Global" button. Two cards are shown:
  - KYC vs KYB: Everything You Need to Know in under 5 Minutes!** A card with a purple icon, "Global" button, and a brief description: "Everything You Need to Know in under 5 Minutes!".
  - Becoming a Screening Analyst Part 2: Roles & Responsibilities** A card with a purple icon, "Global" button, and a brief description: "Becoming a Screening Analyst Part 2: Roles & Responsibilities...".
- eBooks:** A purple header with the title "eBooks". Below it is a "Filters" section with a "Topics" dropdown and a "Global" button. Two cards are shown:
  - ML/FT Risk Management: The Watchful Eyes of Second Line of Defence** A card with a purple icon, "Global" button, and a brief description: "ML/FT Risk Management: The Watchful Eyes of Second Line of Defence...".
  - A Closer Look into the Screening Analyst's Role and Responsibilities in AML Compliance** A card with a purple icon, "Global" button, and a brief description: "A Closer Look into the Screening Analyst's Role and Responsibilities in AML Compliance...".
- Events:** A purple header with the title "Events". Below it is a "Filters" section with a "Topics" dropdown and a "Global" button. Two cards are shown:
  - From Noise to Clarity: Rethinking Name Screening with RapidAML** A card with a purple icon, "Global" button, and a date "26/06/25". It includes a QR code and a brief description: "From Noise to Clarity: Rethinking Name Screening with RapidAML...".
  - Recap: Navigating AML Regulations in the UAE: A Webinar for DNFBPs** A card with a purple icon, "Global" button, and a date "08/05/25". It includes a QR code and a brief description: "Recap: Navigating AML Regulations in the UAE: A Webinar for DNFBPs...".

# Thank You



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