





Tranche 2 Explained

Breaking Down the New AML/CFT Compliance Framework

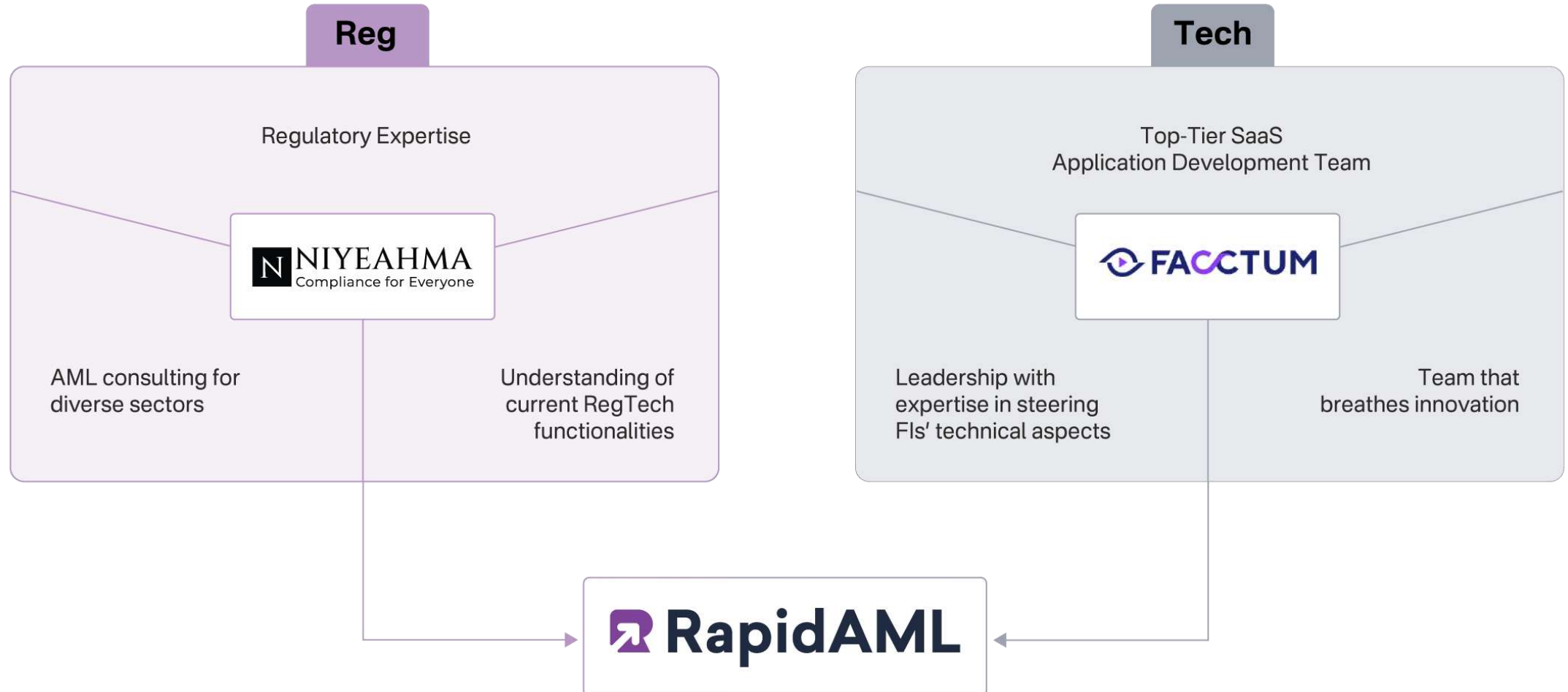
 www.rapidaml.com

 info@rapidaml.com





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.



The Brand Wave

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 Voice

The New Tranche 2 Regulations: Key Lessons Ahead



1.0
Introduction to
Tranche 2
AML/CTF
Reforms



2.0
Entities Covered
Under the New
Tranche 2 Reforms



3.0
Essential
AML/CTF
Compliance
Requirements



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

Introduction

1.0 Introduction to the Tranche 2 AML/CTF Reforms

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

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

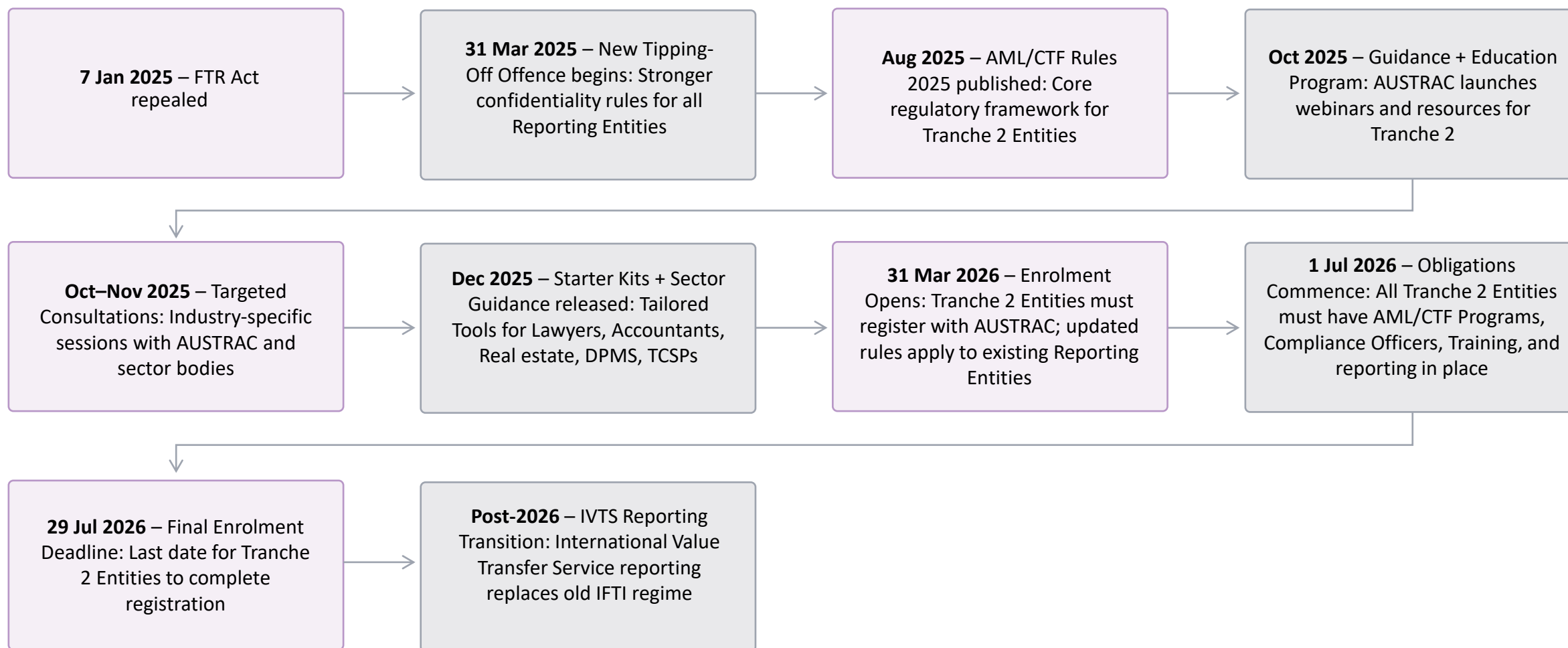
High-risk industries are now covered under AML/CTF framework

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

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

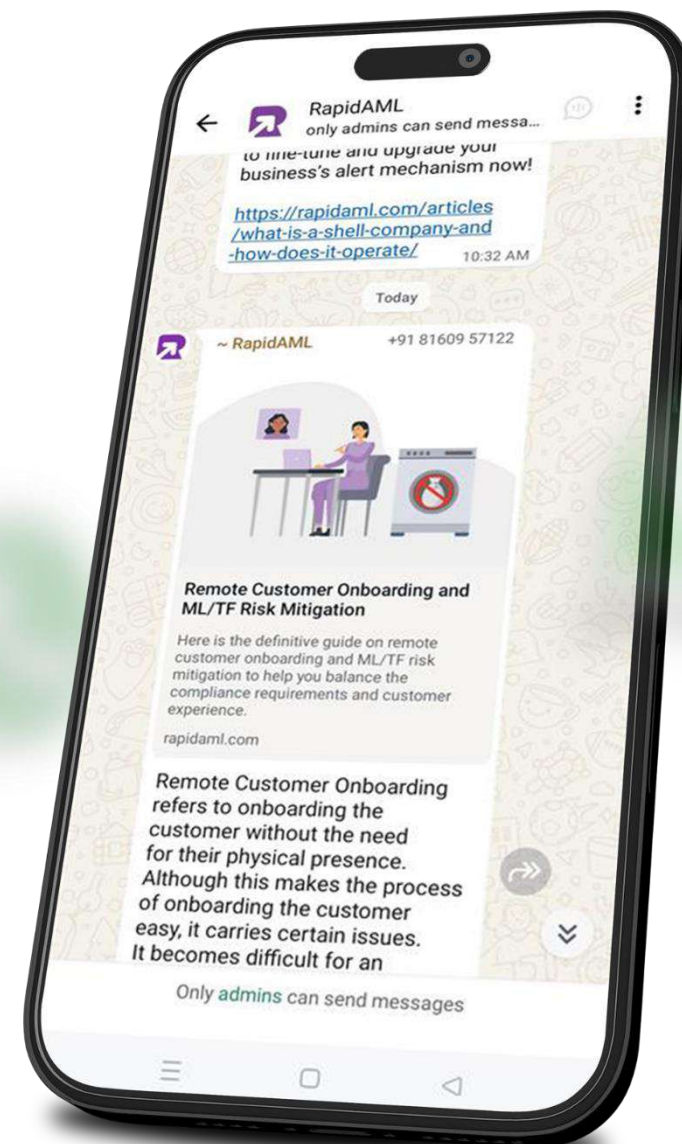
1.04 Tranche 2: Key Objectives

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

Stay in the Loop.

Join our WhatsApp Group!



Entities Covered Under the New Tranche 2 Reforms

2.0 Entities Covered Under the New Tranche 2 Reforms



2.01
Real Estate
Professionals



2.02
Dealers in Precious Metals,
Stones and Products



2.03
Trust and Company
Service Providers



2.04
Accountants

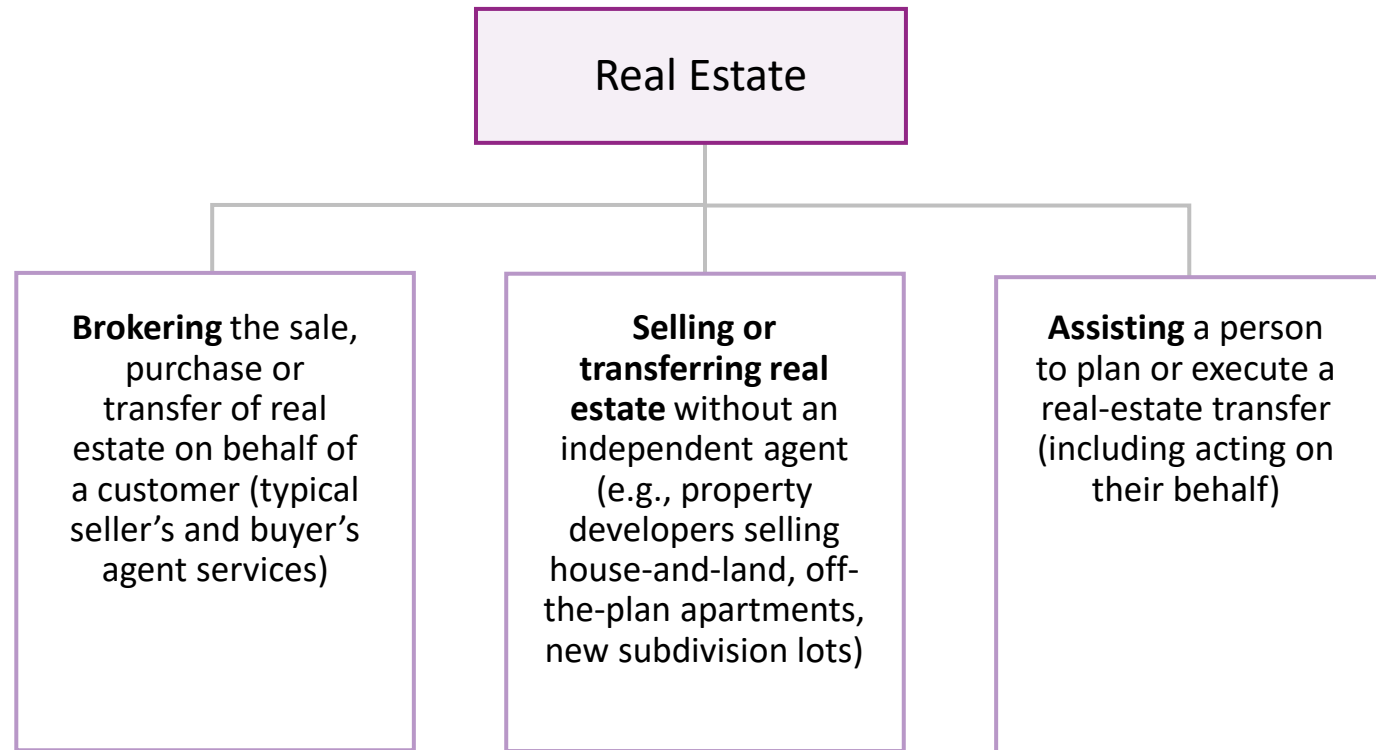


2.05
Lawyers

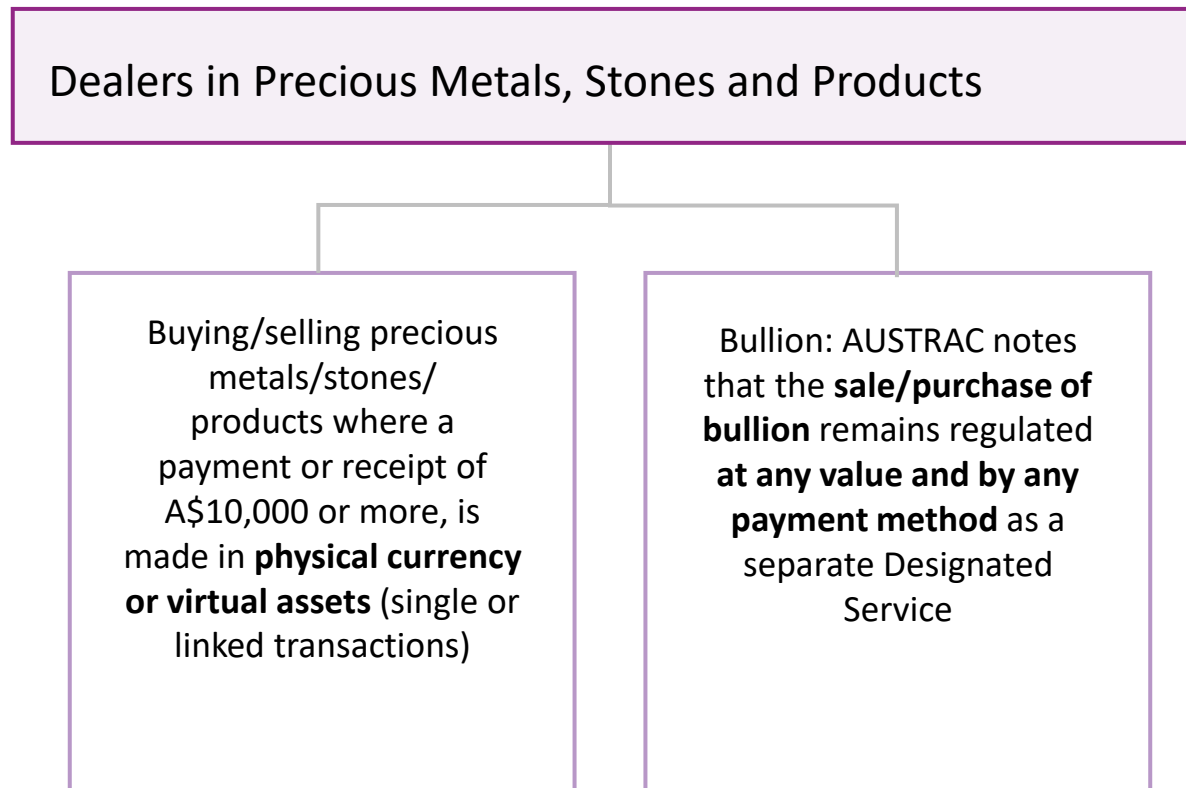


2.06
Conveyancers

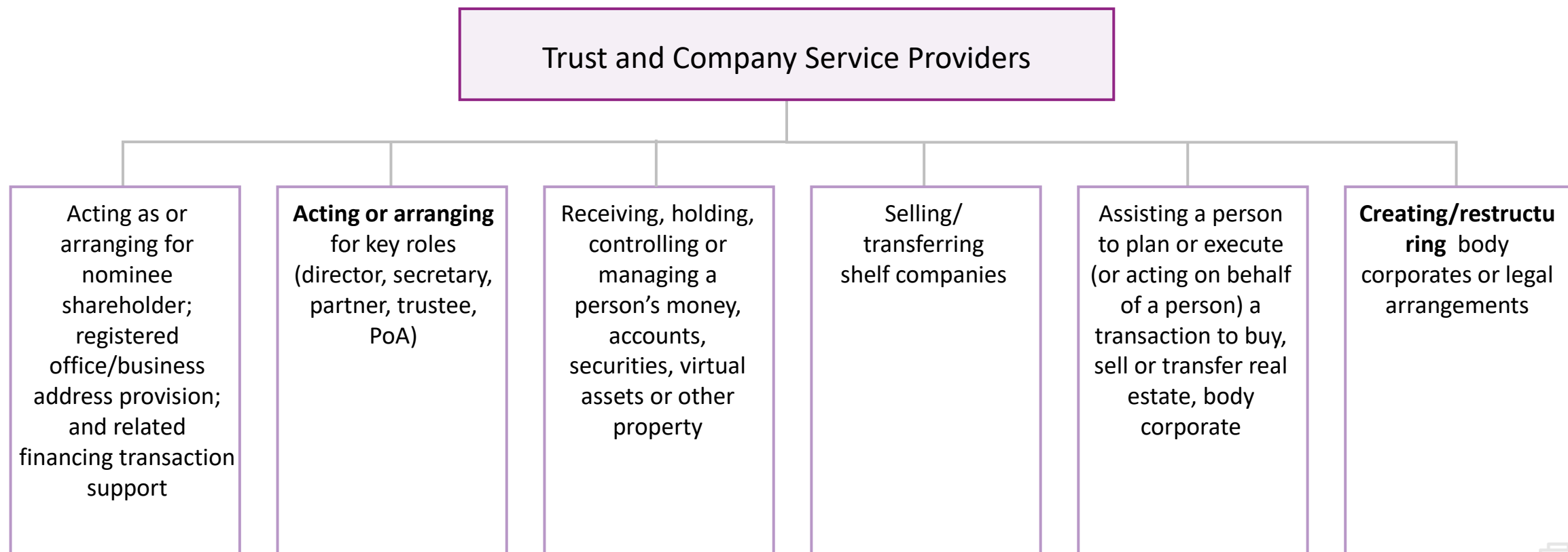
2.01 Real Estate Professionals



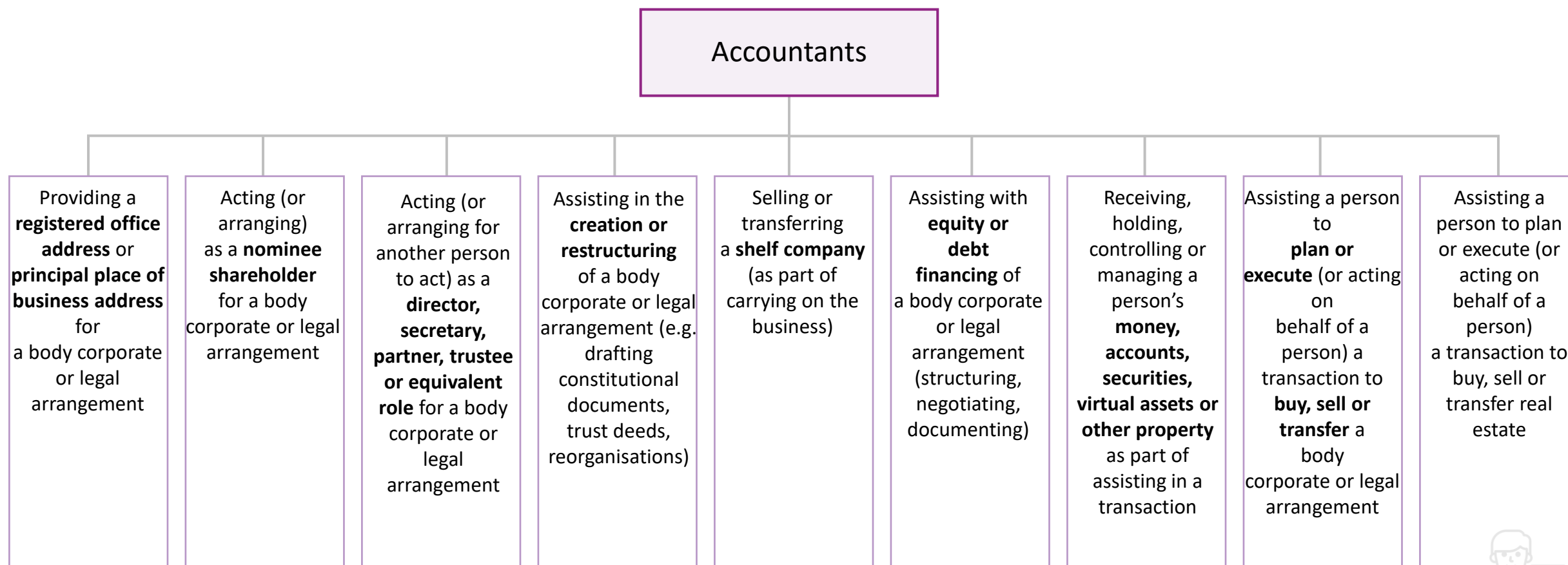
2.02 Dealers in Precious Metals, Stones and Products



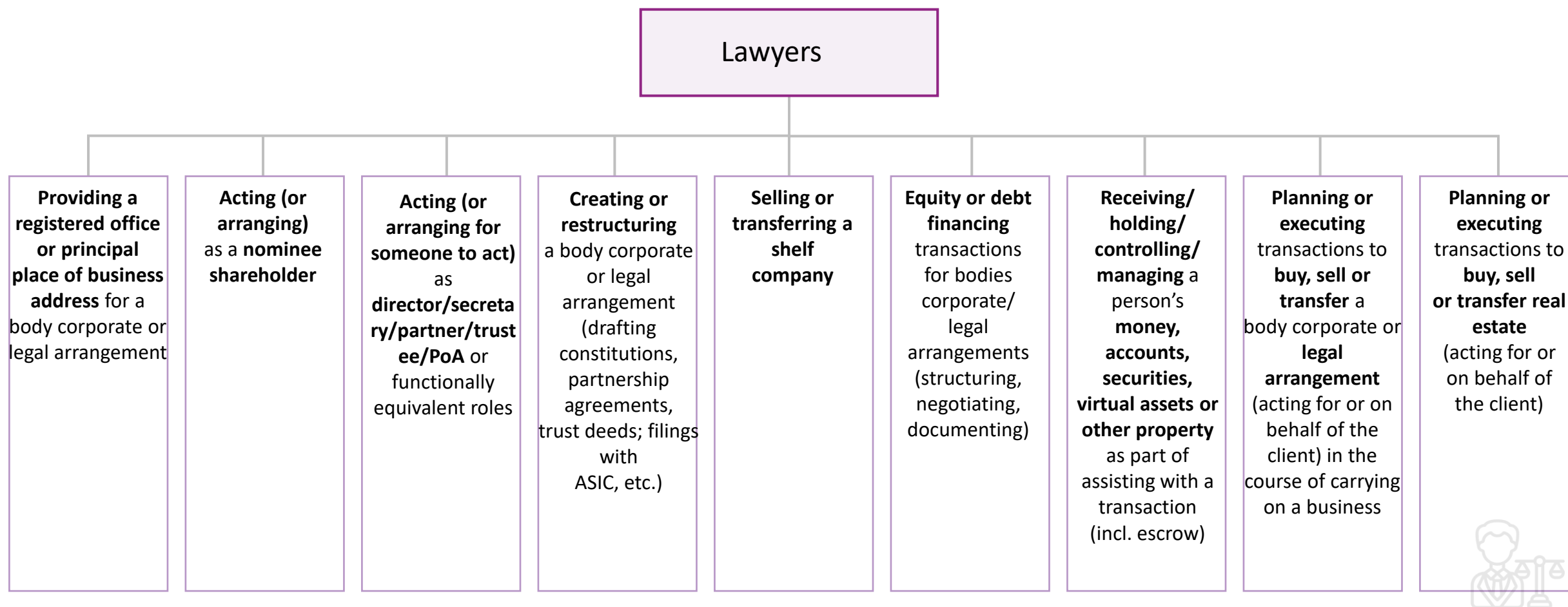
2.03 Trust and Company Service Providers



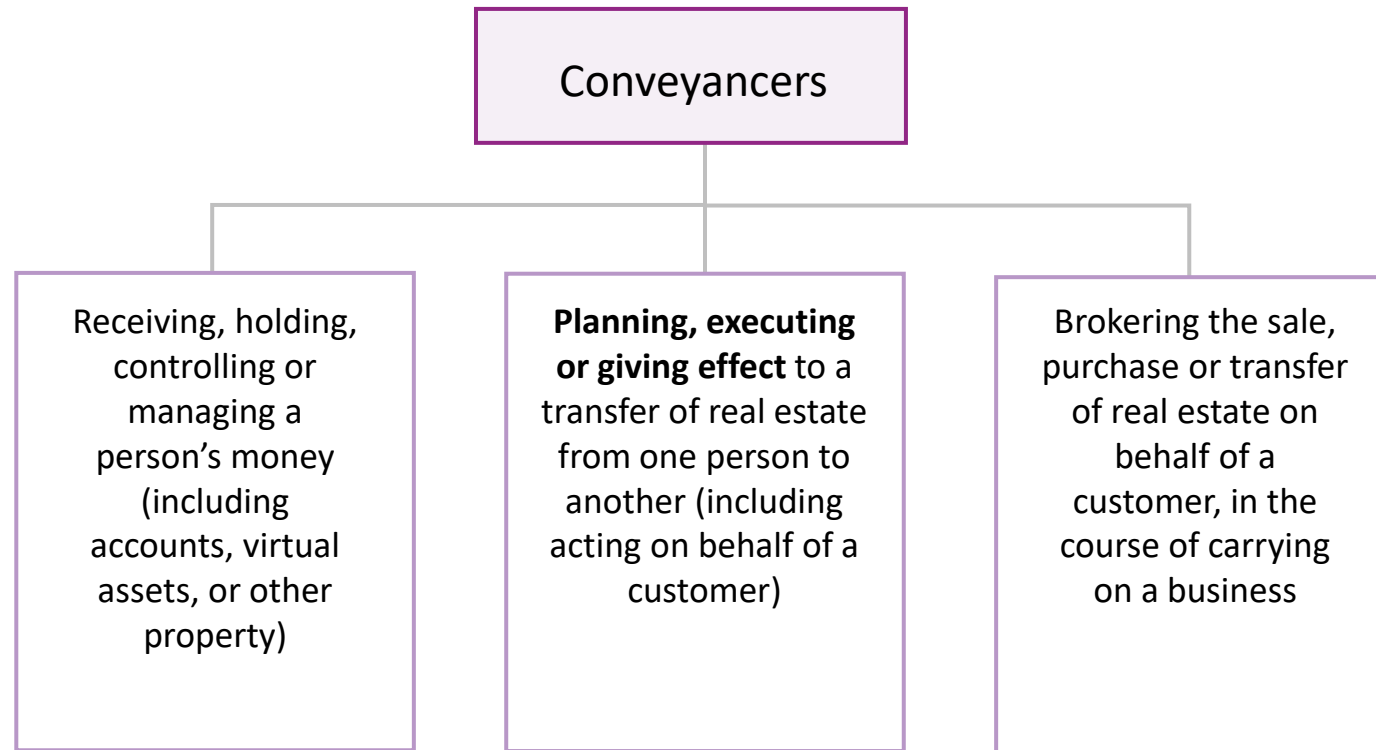
2.04 Accountants



2.05 Lawyers

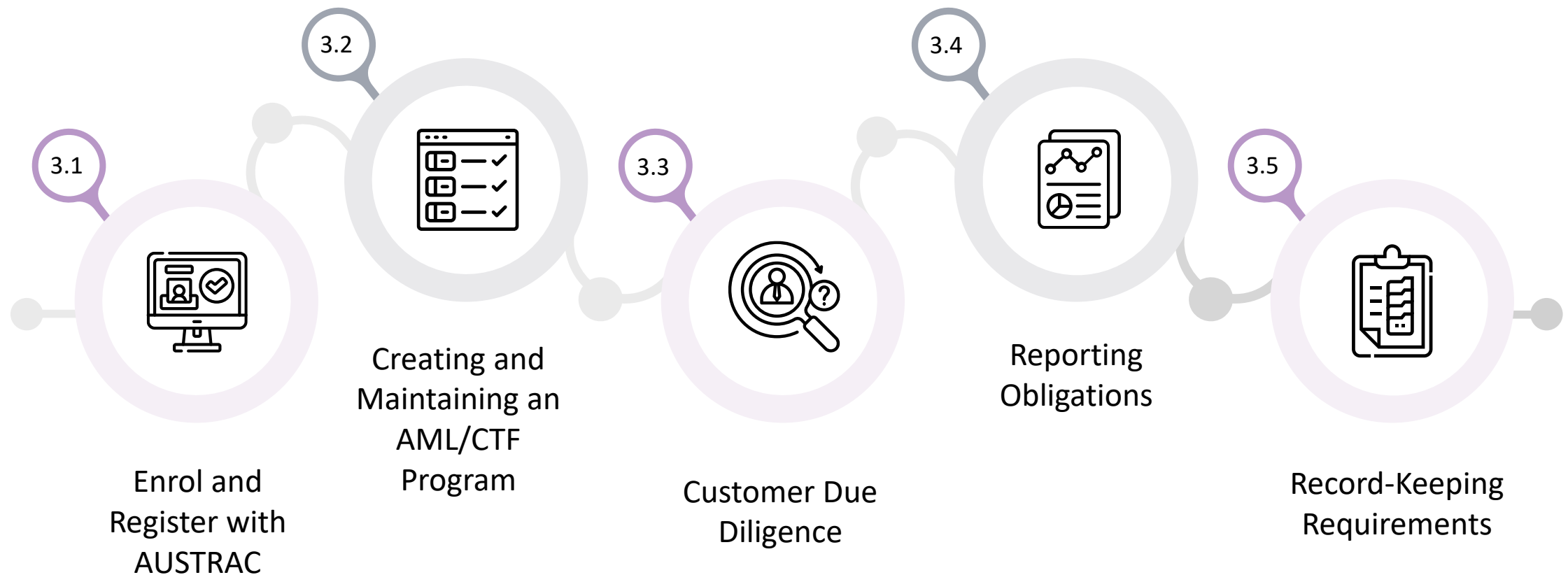


2.06 Conveyancers



Essential AML/CTF Compliance Requirements for Tranche 2 Entities

3.0 Essential AML/CTF Compliance Requirements for Tranche 2 Entities



3.01 Enrol and Register with AUSTRAC

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

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



Initial CDD

- ✓ 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**



Simplified CDD

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



Enhanced CDD

- ✓ 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



Ongoing CDD

- ✓ **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

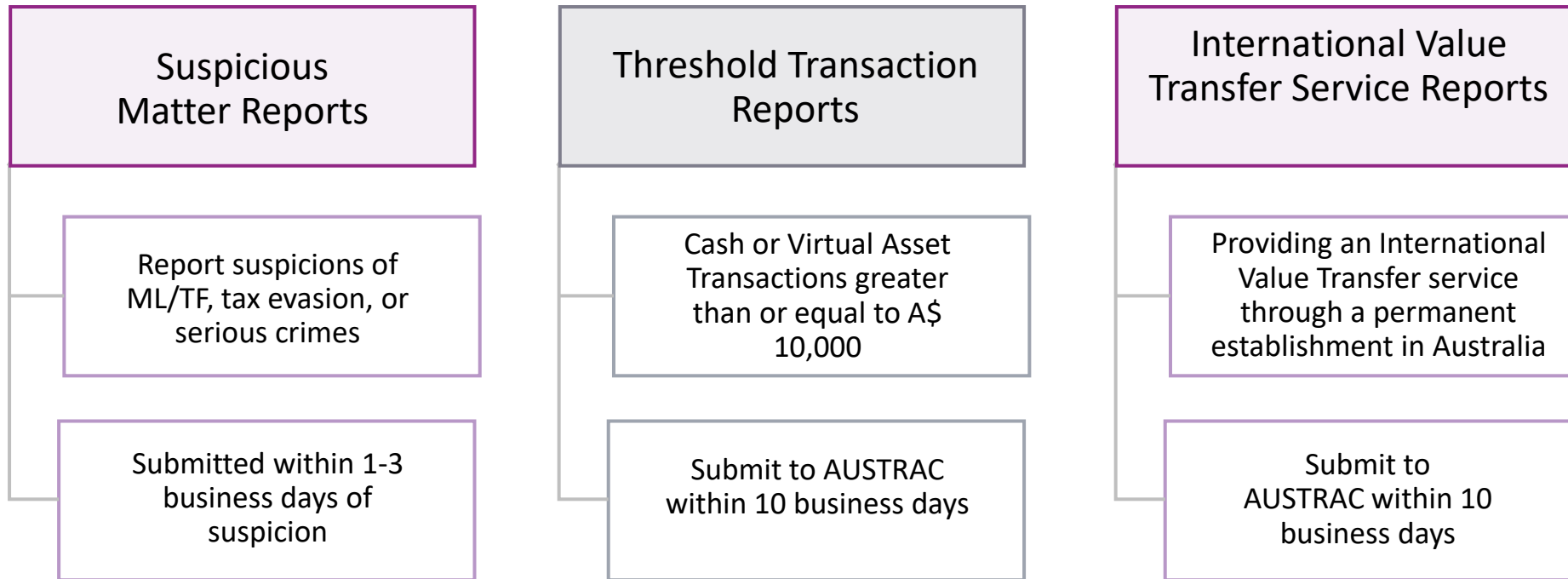
3.03.01 Rules for Existing Customers

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

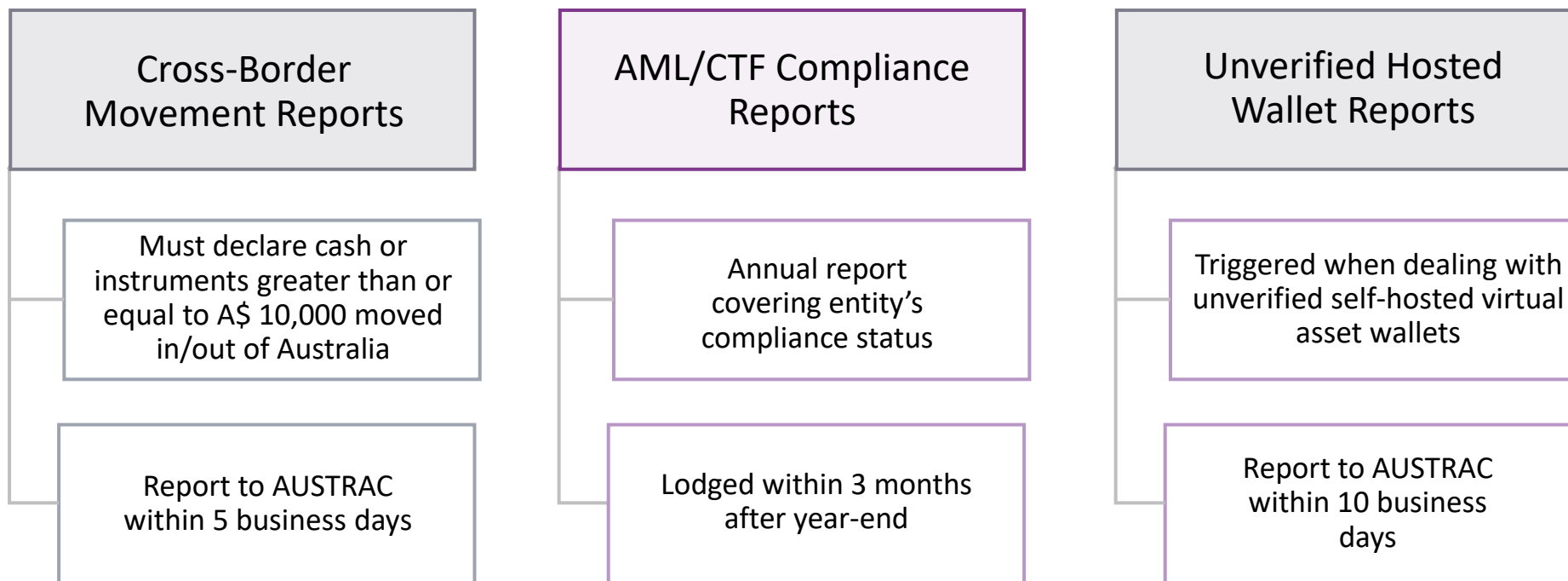
- ✓ You are required to **file a suspicious matter report** in relation to that customer
- ✓ There is a **significant change** in the nature/purpose of the business relationship that raises the customer's assessed risk to **medium or high**

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

3.04 Reporting Obligations



3.04 Reporting Obligations



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

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

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

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

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

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)



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)



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

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

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

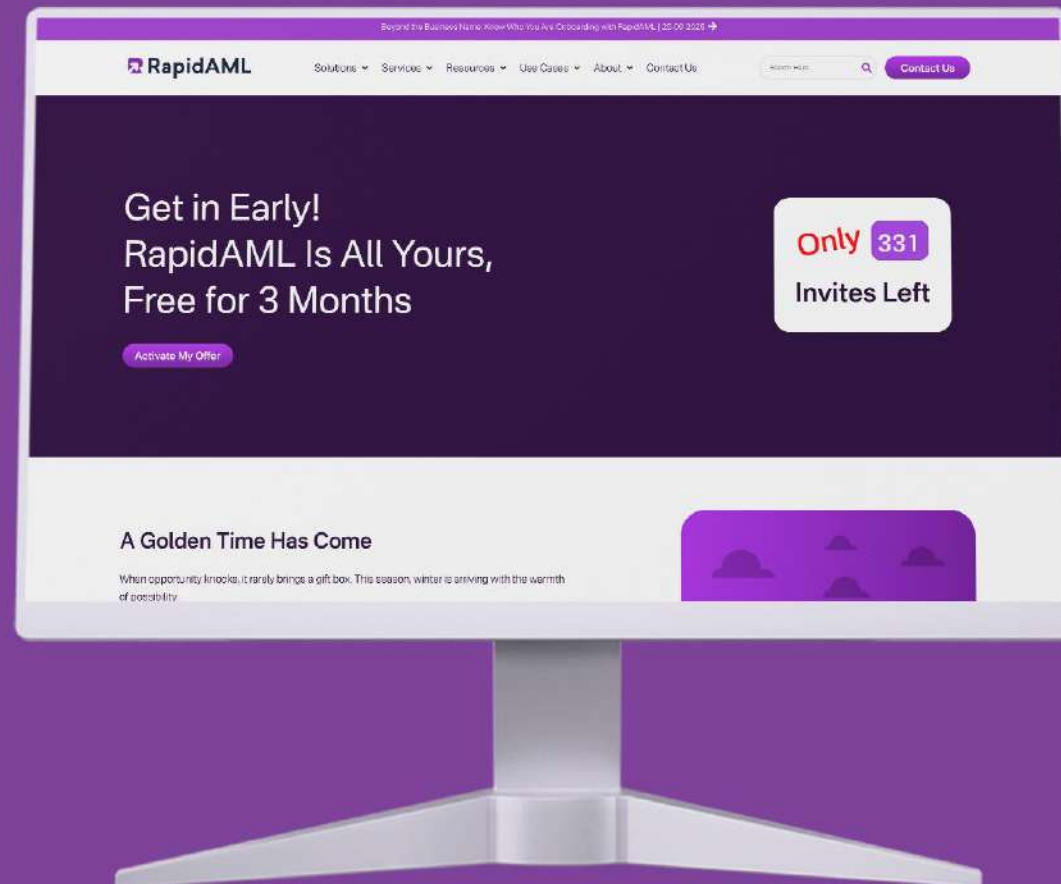
Tranche 2 closes long-standing gaps in Australia's AML/CTF regime

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

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- AML Compliance
- AML Software
- CDD
- DNFBPs
- DPMS
- goAML Reporting
- KYC
- Lawyers
- Real Estate
- Risk
- Screening



Global

Top 10 Advantages of AML Compliance


Many entities may consider anti-money laundering (AML) compliance to be unnecessary.



Global

AML Non-Compliance: An Unaffordable Cost

Regulated entities under UAE's Anti-Money Laundering (AML) regulatory regime are required to



Global

Remote Customer Onboarding and ML/TF Risk Mitigation

It's important for businesses to provide a smooth onboarding as

Infographics

Infographics

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UAE

KYC Vs KYB



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Best Practices in STR Submission


Product Updates

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KANBAN: You Believe It?



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KYC vs KYB: Everything You Need to Know in under 5 Minutes!



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Becoming a Screening Analyst Part 2: Roles & Responsibilities


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ML/FT Risk Management: The Watchful Eyes of Second Line of Defence



Global

A Closer Look into the Screening Analyst's Role and Responsibilities in AML Compliance

Events

Events

From Noise to Clarity: Rethinking Name Screening with RapidAML

26-06-25

Have you ever wished that your court of screening results would finally behave like a royal librarian? Tidy and oh-so-organised?

[View Event Details](#) [Register Now](#)

Recap: Navigating AML Regulations in the UAE: A Webinar for DNFBPs

08-05-25

When compliance becomes the talk of the town and everyone's talking about AML rules, wouldn't you rather be in the know than in the news?

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www.rapidaml.com



info@rapidaml.com

Contacts

UAE

+971 50 1782501



United Kingdom

+44 7825 024477



India

+91 8861 117582



Ireland

+353 83 882 5163

