

# AML/CTF Tranche 2 for Lawyers:

Are you required to comply?



# AML/CTF Tranche 2 reforms commence 1 July 2026

Australia's anti-money laundering and counter-terrorism financing (AML/CTF) framework is designed to prevent the proceeds of crime and terrorism financing from being channelled through legitimate businesses and professional services. While the regime has historically focused on banks and other financial institutions, it now extends to certain legal services that are recognised as carrying financial crime risk. The AML/CTF obligations do not apply to the whole legal profession. They apply to specific activities. Whether a legal practice is captured depends on what it does in practice, not what it calls itself or the type of clients it typically serves.



## When legal work may fall within scope

Legal service providers may have AML/CTF obligations where they involve actively facilitating or implementing transactions, rather than providing advice alone. This can include work such as assisting with the purchase or sale of real property, receiving or controlling client money or other assets as part of a transaction, forming, restructuring or transferring companies, trusts or other legal arrangements, assisting with business sales or financing transactions, or acting in certain nominee, fiduciary or intermediary roles. The underlying rationale is that these services can be used (or misused) to obscure the origin or ownership of funds or assets.



# Compliance Requirements

Where a legal practice provides designated services that fall within scope, AML/CTF obligations commonly include client identification and verification, understanding the purpose and nature of the matter, ongoing awareness throughout the engagement, suspicious matter reporting, record keeping, and governance and accountability arrangements.

This document provides general guidance on which areas of legal practice may be designated services under the Tranche 2 AML/CTF reforms.

If you will be providing designated services after 1 July 2026 you will need to enrol with AUSTRAC and:

- / Assess ML/TF risks in your business and develop and embed an AML/CTF Program**
- / Appoint an AML/CTF Compliance Officer**
- / Conduct due diligence on your workforce and train them on AML/CTF**
- / Conduct due diligence on your clients including verifying identity and beneficial ownership**
- / Conduct ongoing due diligence on your clients and business and monitor transactions**
- / Be prepared to make suspicious matter reports and consider any legal professional privilege issues**
- / Maintain robust records on your activities and compliance**

For lawyers, AML/CTF compliance represents a shift in professional risk management rather than a purely technical exercise. It introduces expectations around structure, consistency and documentation in areas of practice that have traditionally relied heavily on individual judgement. AML/CTF compliance can support better client understanding, clearer engagement boundaries and stronger internal controls while also meeting regulatory requirements.

**Further resources are available here: <https://www.austrac.gov.au/industry-and-business/your-industry/legal-professionals>**



# AML/CTF Tranche 2 for Lawyers:

## *Are you required to comply?*

### Item 1

#### Assisting a person in the planning or execution of a transaction to sell, buy or transfer real estate

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##### Designated services\*

- Acting in property conveyancing or settlements including preparing, reviewing or lodging contract of sale documents.
  - Researching property titles and strata documents.
  - Holding and releasing deposit or settlement funds in relation to the conveyance and coordinating payments and discharge of mortgages.
  - Executing property transfers (but not transfers required by a court-order).
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##### Not designated services\*

- Leases of 30 years or less.
  - Advising on general property law issues including intangible, inheritable property rights attached to land (incorporeal hereditaments).
  - Acting in property litigation.
  - Property disposals as part of probate or a result of a court or tribunal order (eg. family court orders).
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### Item 2

#### Buying or selling a body corporate or legal arrangement

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##### Designated services\*

- Conducting due diligence.
  - Acting for a seller or buyer in a share or unit trust sale.
  - Transferring ownership of a trust interest.
  - Preparing and executing transfer documents, share sale agreements and other contracts.
  - Obtaining regulatory approvals or waivers, eg Foreign Investment Review Board, Australian Stock Exchange, APRA, ACCC and ASIC.
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##### Not designated services\*

- Sale and purchase of shares and minor interests – generally less than 25% of the shares or other interests in the company or legal arrangement.
- Purely advising on options for a deal structure, but not executing transfers.
- Court ordered transfers.

### Item 3

#### Receiving, holding controlling or managing property (usually funds)

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##### Designated services\*

- Holding property in escrow.
  - Managing escrow funds to enable a transaction.
  - As part of a transaction, receiving, holding, and transferring client funds through the firm's trust account.
  - Having authority for a client's bank account and making transactions on their behalf.
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##### Not designated services\*

- Simply operating a trust account if you are not providing any designated services. For example, you operate a trust account but only provide traffic law advice and representation.
- Holding or receiving property (funds) in your trust account:
  - for prepayment of your services
  - for use, maintenance, repair or oversight of property
  - for payment under a court or tribunal order (for example you review a judgement sum for your client)
  - when receiving funds from government, court, tribunal or insurers and certain other entities

### Item 4

#### Assisting a person in organising, planning, or executing a transaction for equity or debt financing involving a body corporate or legal arrangement including proposed body corporates or legal arrangements.

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##### Designated services\*

- Drafting and executing loan documents for a company (or equity fund raising documents, including initial public offerings, venture capital, share purchase plans etc).
  - Coordinating drawdowns on a financing arrangement.
  - Working to execute a financing transaction.
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##### Not designated services\*

- Providing general or strategic advice on financing options, including equity and debt financing.
- Preparing options, presentations or papers and discussing options.
- Arranging finance for an individual in their own capacity including when the financier is a body corporate or legal arrangement.

### Item 5

#### Assisting a person in selling or transferring a shelf company in the course of a business

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##### Designated services\*

- Facilitating the transfer of a company that the practice pre-incorporated.
  - This usually occurs in the course of business which establishes shelf companies and then offers them for sale.
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##### Not designated services\*

- Strategic advice such as assisting with decisions to acquire a company that has not traded.
  - Arranging for someone else to incorporate a company for your client and its shareholders and directors.
  - Providing administrative services to apply to ASIC to register a company for your client where they are the shareholders and directors of that company and you have not given planning or structuring advice.
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### Item 6

#### Assisting in creating or restructuring a body corporate or legal arrangement

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##### Designated services\*

- Preparing documents in anticipation of creating a body corporate or legal arrangement, such as drafting, reviewing or negotiating corporate agreements and business documents.
  - Drafting and reviewing trust deeds in relation to the creation or restructure of a trust.
  - Drafting documents to create an association or co-operative.
  - Lodging company and business name applications and forms with ASIC when you have provided your client with planning or structuring advice.
  - Applying for regulatory approvals and waivers including from the ASX, ASIC and the Foreign Investment Review Board.
  - Conducting due diligence in respect of a transaction.
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##### Not designated services\*

- Purely advisory work for example including high level organisational structure advice, without preparing any instruments and there is no transaction.
  - Dealing with operational, IT and other management functions.
  - Drafting of a will even when this includes the subsequent creation of a testamentary trust.
  - Creating or restructuring a corporation under the Corporations (Aboriginal and Torres Strait Islander) Act 2006 (Cth).
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### Item 7

#### Acting in or arranging specified roles (directors, powers of attorney for non-natural persons, partners etc)

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##### Designated services\*

- Acting as company director on behalf of a customer or arranging for someone to act in a specified role – for example as a director or secretary, a power of attorney, a partner or a trustee.
  - Drafting a power of attorney for a corporation.
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##### Not designated services\*

- Acting for a natural person under a power of attorney.
  - Acting under a court-appointed fiduciary role.
  - Acting as the trustee of a regulated debtor's estate – including acting as trustee of a testamentary trust.
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### Item 8

#### Acting as or arranging a nominee shareholder of a body corporate or legal arrangement on behalf of someone in the course of a business.

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##### Designated services\*

- Preparing a nomination document.
  - Identifying or arranging a person to act as a nominee shareholder.
  - Holding shares on behalf of another under instruction.
  - Arranging a nominee shareholder to act for a client.
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##### Not designated services\*

- Purely advising on nominee structures without acting as nominee.
  - Acting as a nominee due solely to a court order.
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### Item 9

#### Providing a registered office or principal place of business

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##### Designated services\*

- Providing your firm's address as the registered office of a client company.
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##### Not designated services\*

- Providing office space unrelated to a registered office. For example, permitting your client to use your offices for meetings or administrative support functions.
  - Providing a postal address but not as a registered office or principal place of business for your client.
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*\*The table above is not legal advice and cannot be relied on as determinative as to whether or not any described activity is (or is not) a designated service under the Tranche 2 AML/CTF reforms.*

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