

VIDEO TRANSCRIPT

## **AML/CTF reliance arrangements are changing**

March 2026

We understand that it is currently common practice for product providers to request financial advisers to conduct customer due diligence ID checks on clients, and for you to share this information with them. Under the AML/CTF regime, this is done under a 'reliance arrangement' between each product provider and the licensee.

The AML/CTF reforms due to commence on 31 March 2026, include changes to the obligations that permit these reliance arrangements to be put in place. Under the reforms, a product provider can only enter into a reliance arrangement with an AFS licensee for initial CDD if they are satisfied that the AFSL is meeting their own AML obligations.

For this reason, the product provider must conduct increased due diligence on the licensee, and both parties must agree on the standards of CDD based on the client's ML/TF risk.

This is where it can get tricky – Your identification of your customer's ML/TF risk may be different to that identified by the product provider. This may be because the risks associated with the service you are providing the customer, being item 54, will likely be lower than the risks of the services provided by the product provider.

Each product provider that has a reliance arrangement with an AFSL must undertake ongoing monitoring of the AFSL's CDD processes and review these reliance arrangements at least every 2 years. These reliance oversight obligations are a commitment for both the product providers and the AFS licensee.

The reliance agreement is a legally binding contract that must be approved by your appointed AML/CTF Senior Manager. It must set out the responsibilities of each party, how the product provider can obtain all the KYC information collected by you, if it is required, and get copies of the data you used to verify your client's identity, and the timeframe for obtaining this information.

We suggest you review AUSTRAC's guidance on reliance arrangements to enable you to make an informed decision in relation to any existing arrangements you may have in place with product providers. Be aware of your obligations and review all your reliance arrangements to ensure they are appropriate and meet the new requirements under the AML/CTF reforms.

You should also be aware that as of late March 2026, it remains unclear how the 3-year transitional arrangements for initial CDD for existing reporting entities will work under reliance arrangements. We are concerned that this may result in product providers transitioning to the new initial CDD obligations at different times. It is unclear what this means for those AFSLs with reliance arrangements with multiple product providers. We are waiting on a decision from the Minister to determine if this means the AFSL/advice may

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need to conduct different initial CDD procedures for different clients during the three year transition period, depending whether the financial product provider has transitioned to the new initial CDD obligations or if they are still using the current ACIP requirements.

We will keep members updated with any progress on this issue.

Thanks for listening.