

VIDEO TRANSCRIPT

Changing CDD obligations

March 2026

Hi. I'm Heather McEvoy, Senior Policy Manager at the FAAA.

We have received a lot of enquiries about the upcoming changes to the customer due diligence obligations under the AML/CTF reforms.

The first step in identifying appropriate CDD policies for your organisation is to remember that you have your own obligations under the AML/CTF law for CDD that you must meet. This must be your CDD policy, which means that you can't just do what the product provider wants you to do. This is not their process this is your process for you to meet your obligations.

So once you've completed your business risk assessment, consider the customer types you have, the services you provide, and the channels you provide your services through, and whether these present a low, medium, or high ML/TF risk for your business; and whether you can use simplified CDD measures or if you must use enhanced CDD.

Generally, for customers identified as low risk, simplified CDD can be used. This means you will need to collect identification information and verify that information; AND you must conduct a politically exposed persons check and a sanctions check on these customers.

When you consider the nature of the services being provided and the reasons your client is accessing those services - this does not have to be terribly granular. We suggest you consider your existing financial advice processes. AUSTRAC made it clear that they encourage entities to leverage existing processes as much as possible, where appropriate, rather than duplicate the collection of information and creating new systems just for AML/CTF purposes, if this is not necessary. This, of course, is dependent on the systems and process that you have in place and whether they would allow you to also meet your AML obligations.

If you consider your advice fact-find - the KYC information you collect on your client for your advice fact-find may inform you of the 'nature of the services being sought by your client' and the 'reasons for seeking the specified services', which is information you may need to collect for your AML/CTF CDD obligations.

Under the reforms, you should not be taking copies of the client's identification documents, just recording the information - type of ID and the identification number- like driver's licence and the licence number.

Then use the ID information, PEP and sanctions check, and the nature of the service to help you determine the ML/TF risk of that customer and assign them a risk rating, based on your licensee's customer risk rating matrix.

This is a necessary step in order to determine if you need to do enhanced CDD, or if you need to collect and verify any other additional CDD information. This may be necessary if your customer's risk rating is medium or high.

We encourage you to take a simple and logical approach to these CDD changes. Make sure you document your information, either in your advice fact-find, in a file note, or in a client identification form you may have for AML.

AUSTRAC have stressed that it does not want to impose complicated systems on businesses, and that businesses can leverage existing processes to meet their AML obligations. You just need to make it clear in your AML/CTF record keeping policy, where each bit of client CDD information should be recorded.

Just briefly before closing, a quick update on the transitional rules that will put in place a 3-year transition for initial CDD for existing reporting entities. AUSTRAC's expectation is that you do your best to meet the reforms by the 31st of March, however if you can't meet this timeframe, then you should transition as soon as possible after that date and make it clear how this will occur in your implementation plan. To be able to rely on these 3-year transitional arrangements, if you are the ASL holder you must be enrolled with AUSTRAC on the 30th of March. But please be aware that at this point in time, these 3-year initial CDD transitional rules have not been finalised, so we encourage you to do your best to meet your obligations by 31 March 2026.

Thank you for listening.