

SOFTWARE ISN'T COMPLIANCE

Why Many Australian Real Estate Agencies May
Still Be Exposed Without Realising It

THE REAL ESTATE PRINCIPAL'S EXECUTIVE GUIDE
TO AML COMPLIANCE

A BUSINESS GOVERNANCE PERSPECTIVE



BUSINESS ADVICE PRINCIPLE™

*Good businesses don't become
successful because they avoid risk.
They become successful because
they understand it, manage it and
continually improve.*



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SOFTWARE ISN'T COMPLIANCE

Why many Australian real estate agencies may still be exposed without realising it.

EXECUTIVE SUMMARY

For many Australian real estate agencies, purchasing AML software has created a reassuring sense of progress. Identity verification can be completed more efficiently, records can be stored electronically, and workflows become more streamlined.

These are all valuable improvements. However, software is only one component of an effective Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF) framework.

The legal responsibility for compliance does not transfer to a software platform. It remains with the reporting entity and, ultimately, with the Principal responsible for the agency's governance.

Understanding that distinction is one of the most important steps any Principal can take towards building a genuinely compliant business.

THE BUSINESS ADVICE AGENCY PERSPECTIVE

For years, the Business Advice Agency has worked with Australian business owners to improve governance, strengthen operational systems and reduce business risk.

Across every industry, one principle consistently emerges:

Businesses rarely fail because they purchase the wrong software. Businesses experience difficulties because they believe technology has replaced management.

Technology improves efficiency.

Management creates accountability.

Governance creates confidence.

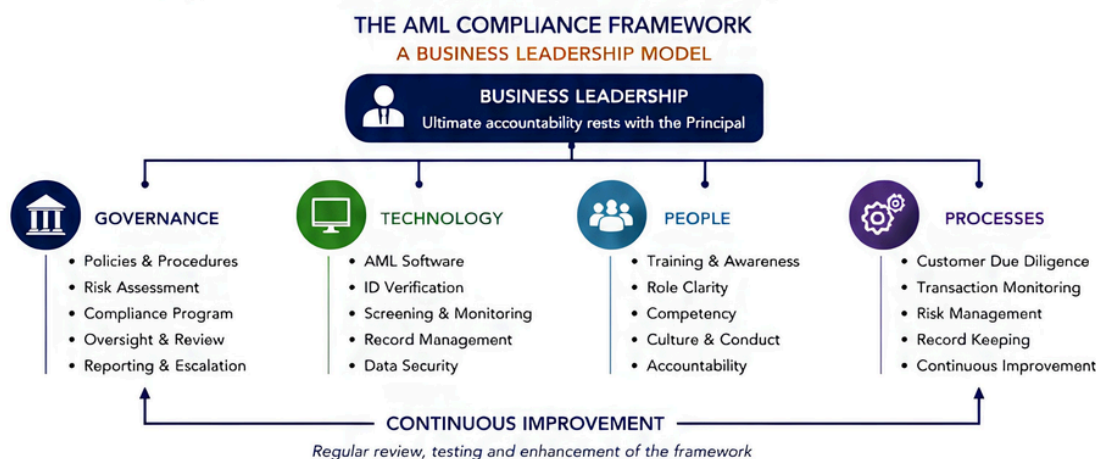
AML compliance is no different.

INDUSTRY SNAPSHOT

An effective AML compliance framework is far more than a piece of software. It is the result of business leadership, supported by the right blend of governance, technology, people and processes working together.

When any one of these elements is missing or weak, the entire framework is at risk.

Principals must ensure their agency has the complete structure in place—not just the technology.



THE SOFTWARE REALITY

AML software performs important tasks and brings efficiency to the compliance process. It can verify identities, screen individuals and entities, store documents and assist with workflow. These capabilities are essential.

However, software cannot make management decisions, accept legal responsibility, assess culture, train staff or determine whether your policies remain appropriate.

Compliance is about managing risk and meeting legal obligations. It requires leadership, judgement, oversight and accountability. Software supports that journey—but it does not own it.



REALITY CHECK

Australian AML legislation places responsibility on the reporting entity to establish, maintain and review an effective AML/CTF Program. Technology supports compliance—but it is not a substitute for governance, oversight or accountability.

The final publication will reference the relevant provisions of the AML/CTF Act, the AML/CTF Rules and AUSTRAC guidance.

THE PRINCIPAL'S RESPONSIBILITY

Why accountability cannot be outsourced to software

Australian real estate businesses are classified as “reporting entities” under the Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF) Act. This classification brings with it significant obligations—not only to implement systems and controls, but to ensure those systems are effective in practice.

Importantly, the law makes it clear that compliance responsibility sits with the reporting entity. For most real estate agencies, that responsibility flows to the Principal.

Engaging a software provider, administrator or external party can support your compliance program. It cannot, however, transfer your legal obligations or reduce your accountability.

BEYOND TICKING THE BOX

It is easy to believe that purchasing software, completing identity checks and storing documents is enough. These activities are important—but they represent only a fraction of what an effective AML/CTF Program requires.

AUSTRAC expects reporting entities to take a risk-based approach that is proportionate to their business, their customers and the services they provide. This means understanding your risks, documenting your approach and regularly reviewing whether your controls remain appropriate as your business and environment change.

Principals must be able to demonstrate this at any time.

THE FIVE PILLARS OF PRINCIPAL ACCOUNTABILITY

While every agency is different, effective compliance leadership is built on five foundational pillars.



1. Leadership – The Principal sets the tone. Compliance must be treated as a core business function, not an administrative burden.



2. Risk Awareness – Understanding the specific money laundering and terrorism financing risks relevant to your clients, services and geographic markets.



3. Systems & Controls – Documented policies, procedures and processes that are practical, followed and regularly reviewed.



4. People & Culture – Training, competence and a culture where staff understand their role in preventing financial crime and feel confident to raise concerns.



5. Oversight & Improvement – Ongoing monitoring, testing and review to ensure your program remains effective and adapts to change.

THE COST OF GETTING IT WRONG

AUSTRAC has the power to take regulatory action when an agency fails to meet its obligations. The consequences can be significant and far-reaching.

Potential outcomes include:

- **Significant civil penalties** – fines can be substantial and escalate for serious or repeated breaches.
- **Enforceable undertakings** – legally binding commitments that require time, resources and ongoing reporting.
- **Negative publicity** – regulatory action becomes public information and can damage trust with clients, staff and referral partners.
- **Business disruption** – investigations and remediation can divert management attention and create operational strain.
- **Personal risk** – in serious cases, individuals may face proceedings for knowingly involved or reckless conduct.

These outcomes are avoidable when strong governance and oversight are in place.

THE ROLE OF YOUR COMPLIANCE OFFICER

A competent and experienced Compliance Officer is critical to the success of your program. They bring specialist knowledge, provide day-to-day oversight and act as the central point for compliance activity.

However, the Compliance Officer is not the Principal.

Their role is to support the Principal by providing advice, managing processes and reporting on compliance performance. Ultimate accountability rests with the Principal and the board or partners.



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*Accountability is not a position.
It is a responsibility.*

Effective compliance leadership is about asking the right questions, making informed decisions and ensuring your business can demonstrate what it does—and why.

WHAT AUSTRAC EXPECTS AND WHAT PRINCIPALS MUST DELIVER

A practical guide to meeting your AML/CTF obligations

AUSTRAC's guidance is clear: real estate agencies must take a risk-based approach to prevent, detect and report money laundering and terrorism financing. This requires more than having the right software in place. It requires a complete, documented and effectively managed compliance program.

THE AML/CTF PROGRAM REQUIREMENT

Under the AML/CTF Act, reporting entities must establish, implement and maintain an AML/CTF Program that is appropriate to the nature, scale and complexity of their business.

Your program must be written, kept up to date and capable of being demonstrated to AUSTRAC on request.

This is not a one-off exercise. It requires ongoing management and regular review.

RISK-BASED THINKING

Your program must be based on an understanding of your money laundering and terrorism financing risks.

This includes considering the types of clients you deal with, the products and services you offer, the delivery channels you use and the geographic areas in which you operate.

Higher risks require stronger controls. Lower risks may allow simpler measures—but only where that approach is properly documented and justified.

ONGOING OBLIGATIONS

Principals must ensure the following core obligations are met:

- **Customer Due Diligence (CDD)** – Verify and identify clients and beneficial owners before a business relationship is established.
- **Ongoing Monitoring** – Understand your clients and monitor activity for unusual or suspicious patterns.
- **Record Keeping** – Keep accurate and complete records for at least seven years.
- **Reporting** – Report threshold transactions and suspicious matters to AUSTRAC within required timeframes.
- **Staff Training** – Ensure staff are trained, competent and understand their compliance responsibilities.
- **Independent Review** – Conduct an independent review of your program at least every three years.

DOCUMENT, EVIDENCE, DEMONSTRATE

AUSTRAC expects you to be able to demonstrate that your program is working in practice.

This means having the right documents, evidence of decision-making, minutes of reviews, risk assessments, staff training records and reporting logs.

If it is not documented, it did not happen.

If it is not evidenced, it cannot be demonstrated.

If it cannot be demonstrated, it is a compliance gap.

THE PRINCIPAL'S ROLE

The Principal is accountable for ensuring the program is adequate, implemented and effective.

This includes providing the resources, leadership and oversight required to protect the business and meet legal obligations.

Delegation is acceptable, but accountability cannot be delegated. Ultimately, it remains with you.

THE AML/CTF OBLIGATION CYCLE



Figure 2 – Compliance is not a one-off event. It is a continuous cycle of management and improvement.

BEYOND MINIMUM COMPLIANCE

Regulators focus on minimum requirements.

Strong Principals focus on building a culture of compliance.

When compliance becomes part of how your agency operates, it strengthens your reputation, protects your licence and creates business value.



BUSINESS ADVICE PRINCIPLE™

*Compliance is not about ticking boxes.
It is about building a business
you are proud to stand behind.*

BUILDING A COMPLIANCE CULTURE THAT PROTECTS AND PERFORMS

Compliance is not just a program — it is part of how your agency does business

Technology and documented procedures create the foundation of your AML/CTF Program. Culture determines whether that program is followed, embedded and effective.

A strong compliance culture reduces risk, improves decision-making and builds confidence with clients, referral partners, insurers, lenders and regulators.

LEADERSHIP SETS THE STANDARD

Your compliance culture begins with the Principal.

When leaders take compliance seriously, allocate resources, ask the right questions and model the right behaviours, staff understand what is expected and why it matters.

When compliance is treated as optional, so is accountability. That creates risk.

MAKE COMPLIANCE PART OF HOW YOU OPERATE

Compliance should not sit apart from your business. It should be integrated into everyday decisions and processes. This means:

- Clear policies that are practical and easy to follow
- Simple processes that fit the way your agency works
- Systems that support good decisions
- People who understand their role
- Regular conversations about risk and compliance

When compliance becomes part of normal business activity, it is far more effective and far less disruptive.

EMPOWER YOUR PEOPLE

Frontline staff are your first line of defence.

They interact with clients, notice unusual behaviour and gather critical information.

Give them the training, tools and confidence to:

- Ask questions
- Escalate concerns
- Follow your processes
- Know they will be supported

People who feel supported are more likely to speak up and protect the business.

TALK ABOUT RISK OPENLY

Encourage your team to discuss scenarios, share experiences and learn from real situations.

Open conversations improve awareness and help everyone understand that compliance is about protecting the business — not creating obstacles.

THE COMPLIANCE CULTURE MODEL

A successful compliance culture is built on three layers.

Each layer supports the one above it.

Remove or weaken one layer and the entire structure is at risk.



Figure 3 – A strong compliance culture is built from the ground up.

MEASURE WHAT MATTERS

You cannot improve what you do not measure.

Regularly review your compliance performance using practical indicators such as:

- Training completion rates
- Internal audit findings
- Issue resolution times
- Escalation and reporting activity
- Policy and procedure reviews

Use the insights to strengthen your program and reduce risk.



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Culture eats policy for breakfast.

Systems provide structure.

But culture makes compliance real.

Build the right culture and your systems will work.

RISK IS REAL AND SO ARE THE CONSEQUENCES

Understanding your exposure in the Australian real estate industry

The AML/CTF regime exists because criminal activity continues to exploit legitimate businesses.

Real estate is a commonly used channel for moving and concealing illicit funds.

Principals must understand both the risk landscape and the consequences of getting it wrong.

THE AUSTRALIAN REAL ESTATE RISK LANDSCAPE

Real estate agencies are exposed to money laundering and terrorism financing risks through:

- Large cash payments or structured payments
- Third-party payments
- Use of nominees or shell entities
- Unusually complex ownership structures
- Rapid onward sales or property flipping
- Unusual client behaviour or reluctance to provide information
- Overseas investors and cross-border transactions

These risks do not occur every day. However, when they occur, the impact can be significant.

DATA THAT DEMANDS ATTENTION

AUSTRAC continues to report robust enforcement activity. Recent reporting highlights:

- Real estate remains one of the highest risk sectors for money laundering.
- Over \$6.1 billion in suspect transactions related to real estate have been reported in recent years.*
- Civil penalties exceeding \$18 million have been imposed on reporting entities across multiple sectors.
- Enforcement action is increasing, not decreasing. AUSTRAC's focus is on effectiveness, not intention.

*Source: AUSTRAC Annual Report 2023–24.

ENFORCEMENT IS NOT THE ONLY RISK

Even when no penalty is imposed, weak compliance can result in:

- Reputational damage
- Loss of client and referral partner trust
- Increased insurance premiums
- Disruptions to lending relationships
- Internal and external investigation costs
- Distraction from running the business

Prevention is always more effective and less expensive than remediation.

WHAT AUSTRAC AND REGULATORS EXPECT

AUSTRAC expects reporting entities to demonstrate that their AML/CTF Program is:

- **Risk-based** – proportionate to the nature, size and complexity of the business.
- **Effective** – capable of preventing, detecting and reporting.
- **Resourced** – supported by leadership, people and systems.
- **Reviewed** – regularly tested and improved.

It is not enough to have policies on paper.

They must be implemented, evidenced and effective.

THE PRINCIPAL'S RISK MANAGEMENT FRAMEWORK

Managing compliance risk is no different from managing any other business risk.

A structured approach helps you stay in control.

- 1 IDENTIFY**
Understand the risks your agency faces and how they may be exploited.
- 2 ASSESS**
Evaluate the likelihood and potential impact of those risks.
- 3 CONTROL**
Implement practical measures to mitigate and manage the risks.
- 4 MONITOR**
Continuously monitor activity, test controls and track performance.
- 5 IMPROVE**
Review, learn and strengthen your program on an ongoing basis.



KEY TAKEAWAY

You cannot control every risk.

But you can control how you understand, manage and respond to risk.

That is what regulators expect and what strong Principals deliver.

THE COMPLIANCE OFFICER: YOUR KEY TO EFFECTIVE OVERSIGHT

The right person, in the right role, with the right authority

An effective AML/CTF Program relies on having a competent and empowered Compliance Officer.

They are the engine room of your compliance framework.

But their effectiveness depends on clarity of role, proper resourcing and strong support from the Principal.

THE COMPLIANCE OFFICER'S ROLE

The Compliance Officer (CO) is responsible for the day-to-day management of your AML/CTF Program.

This includes ensuring your policies are implemented, risks are managed and regulatory obligations are met.

The CO works closely with the Principal and provides the insights you need to make informed decisions.

KEY RESPONSIBILITIES

A strong Compliance Officer will:

- Implement and manage your AML/CTF Program
- Monitor transactions and client activity
- Oversee customer due diligence and ongoing monitoring
- Manage risk assessments and control effectiveness
- Maintain records and reporting obligations
- Provide training and support to staff
- Report to the Principal and escalate issues

WHAT MAKES A GOOD COMPLIANCE OFFICER

Look for a person who has:

- AML/CTF knowledge and industry experience
- Strong attention to detail and analytical skills
- Excellent communication and people skills
- Integrity and sound judgement
- The confidence to challenge and escalate
- A commitment to continuous improvement

AUTHORITY AND ACCESS ARE ESSENTIAL

Your Compliance Officer must have direct access to the Principal and unrestricted access to information, systems and people.

Without this, they cannot perform their role effectively.

Empowerment is not optional.

It is a fundamental requirement for compliance.

PLANNING FOR CONTINUITY

What happens if your Compliance Officer is absent or leaves?

Principals must ensure there are:

- Documented processes
- Knowledge retention
- Backup arrangements
- Succession planning

Resilience protects your business.

SUPPORTING YOUR COMPLIANCE OFFICER

To be effective, your CO needs:

- Adequate time and resources
- Up-to-date training and professional development
- Reliable technology and systems
- A culture that values compliance
- Clear backing from the Principal and leadership team

THE COMPLIANCE OFFICER RELATIONSHIP MODEL



Figure 4 – The Compliance Officer sits at the centre of your compliance framework, connected to the people, processes and systems that drive effective oversight.



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A Compliance Officer can manage the program.

Only the Principal can own the accountability.

Your Compliance Officer is your most important partner in compliance. Invest in them, support them and empower them — and your agency will be stronger for it.

BUILDING A RISK-BASED COMPLIANCE PROGRAM

A practical approach to identifying, assessing and managing risk

A risk-based approach is the foundation of an effective AML/CTF Program.
It ensures your controls are proportionate to the risks you actually face.
It also helps you focus your time, resources and attention where they matter most.

WHAT IS RISK-BASED THINKING?

Risk-based thinking means understanding the money laundering and terrorism financing risks associated with your clients, products, services, delivery channels and geographic areas.

It is not about eliminating all risk. It is about managing risk in a way that is reasonable and proportionate.

THE RISK ASSESSMENT PROCESS

1. **Identify** – What are the risks your agency faces?
2. **Assess** – What is the likelihood and potential impact of those risks?
3. **Evaluate** – Are your existing controls adequate?
4. **Treat** – Implement or strengthen controls to manage the risks.
5. **Review** – Regularly review and update your assessment.

KEY RISK FACTORS IN REAL ESTATE

- **Client type** – Individuals, companies, trusts and other structures
- **Nature of transactions** – Cash, high value, complex or unusual
- **Delivery channel** – Face-to-face, online or third-party referrers
- **Geographic location** – Domestic and international
- **Products and services** – Sales, leasing, property management

DOCUMENT YOUR THINKING

AUSTRAC expects you to document your risk assessment.
This includes how you identified the risks, how you assessed them, what controls are in place and how you will review them.

Good documentation demonstrates your program is considered, defensible and appropriate.

USE YOUR INSIGHTS

Your risk assessment should drive your decisions on:

- Policies and procedures
- Customer due diligence requirements
- Monitoring and reporting
- Training and resource allocation

When your program reflects your real risks, it works better and stands up to regulatory scrutiny.

PROPORTIONALITY IS THE KEY

AUSTRAC does not expect the same approach from every agency.
Your controls should match your risks.

Higher risk requires stronger controls. Lower risk may allow simpler measures.

The focus is on why your approach is appropriate – and how you can demonstrate it.

EXAMPLES OF RISKS AND APPROPRIATE CONTROLS

RISK EXAMPLE	RISK LEVEL	EXAMPLES OF APPROPRIATE CONTROLS
Cash payments over \$10,000	High	• Enhanced customer due diligence • Source of funds verification • Transaction monitoring • Senior management review
Complex ownership structures	High	• Identify beneficial owners • Verify identity • Understand ownership and control • Ongoing monitoring
Local residential sales to known clients	Low	• Standard customer due diligence • Ongoing monitoring • Record keeping
Overseas investors or politically exposed persons	High	• Enhanced due diligence • Source of wealth verification • Ongoing monitoring • Senior management approval
Agent referrals without due diligence	Medium	• Referrer due diligence • Written referral agreements • Ongoing monitoring • Training for staff



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*You cannot manage what you do not understand.
Your risk assessment is your roadmap.
Make it practical, evidence-based and alive.*

A well-managed risk is not a threat – it is a strategic advantage.

CUSTOMER DUE DILIGENCE THAT WORKS – EVERY TIME

Know your client. Understand the ownership. Verify the source of funds.

Customer due diligence (CDD) is the cornerstone of your AML/CTF Program.

It helps you understand who your client is, the nature of their business and the source of their funds.

Get it right and you reduce risk. Get it wrong and the consequences can be serious.

THE CDD PRINCIPLES

Your CDD must be risk-based, proportionate and ongoing. It should consider the nature of your client, the transaction and the delivery channel used.

Higher risk clients require more information.

Lower risk clients may require less – but never none.

WHAT YOU NEED TO VERIFY

At a minimum, you must verify your client's:

- Identity
- Business structure and registration
- Nature and purpose of the business relationship
- Source of funds and source of wealth
- Beneficial ownership (who ultimately owns or controls the client)
- Ongoing activity and transactions

ENHANCED CDD – WHEN IS IT REQUIRED?

Enhanced due diligence (EDD) is required when the risk is higher.

This may include:

- Politically exposed persons (PEPs)
- Clients from high-risk countries
- Complex or opaque ownership structures
- Large or unusual transactions
- Cash-intensive businesses
- Reluctance to provide information

EDD includes deeper verification and senior management approval.

ONGOING DUE DILIGENCE

CDD is not a one-off event.

You must keep your information up to date and monitor your client's transactions.

Be alert to changes in risk profile or unusual activity.

If something doesn't make sense, ask questions.

If you are not satisfied, escalate it.

KEEP GOOD RECORDS

Keep accurate, complete and up-to-date CDD records.

Records must be retained for at least seven years from the end of the business relationship.

Good records demonstrate you have taken reasonable steps to know your client.

EXAMPLES OF CDD RISKS IN AUSTRALIAN REAL ESTATE

SCENARIO	RISK LEVEL	KEY CDD ACTIONS
Cash deposit for residential property significantly above market norms	High	• Verify source of funds • Obtain bank statements or financial evidence • Ask for explanation if inconsistent • Escalate if not satisfied
Trust or company purchasing property	High	• Identify and verify all beneficial owners (25% or more) • Verify purpose and structure • Obtain trust deed, ASIC/ACN • search and ownership details
Foreign purchaser (non-resident)	High	• Verify identity and residential address • Source of funds and source of wealth required • Consider FIRB approvals and legal advice
SMSF purchasing commercial property	Medium	• Verify SMSF registration and trustee details • Confirm investment strategy allows purchase • Source of funds verification
Related party transaction (seller and buyer connected)	Medium	• Identify relationship • Review transaction rationale • Consider independent valuation • Monitor for unusual patterns
Property flipping (rapid resale within short period)	Medium	• Review source of funds • Assess business model • Monitor activity and frequency • Consider EDD if pattern emerges



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*If you do not know your client,
you cannot protect your business.
Good due diligence is not paperwork –
it is how you build trust and manage risk.*

Know your client. Verify the facts.
If you are not satisfied, take more steps.
It is always better to ask now than to explain later.

TRANSACTION MONITORING THAT DETECTS AND PROTECTS

Monitor activity. Identify red flags. Report when required.

Even when you know your client, suspicious activity can still occur.

Ongoing monitoring helps you identify unusual or concerning behaviour early.

It is a critical part of your AML/CTF Program and a key expectation of AUSTRAC.

WHY MONITORING MATTERS

Criminals often use legitimate businesses to move illicit funds. They may start with small, low-risk transactions and escalate over time.

Monitoring helps you spot patterns that don't fit the client, their business or the transaction.

WHAT YOU SHOULD MONITOR

Monitor client activity for:

- Unusual or large cash transactions
- Transactions that do not match the client's profile
- Rapid movement of funds
- Payments from or to third parties with no clear link
- Structured transactions to avoid reporting thresholds
- Changes in ownership or control
- Unusual use of multiple entities or accounts

RED FLAGS IN AUSTRALIAN REAL ESTATE

Be alert to indicators such as:

- Cash deposits or cash balance adjustments
- Overseas funds with no clear source or documentation
- Use of multiple related entities with no clear commercial reason
- Nominee directors or nominee shareholders
- Complex family trusts with limited transparency
- Purchases well above market value with no clear rationale
- Rapid settlement and resale for a significant profit
- Reluctance to provide information or explain the source of funds
- Properties purchased then left vacant
- Third-party payments on behalf of the buyer
- High-risk jurisdictions or politically exposed persons (PEPs)

TYPICAL SCENARIOS AND RED FLAGS

SCENARIO	POTENTIAL RED FLAGS	MONITORING ACTIONS
 Family trust purchasing a residential property	• Limited information about beneficiaries • Complex trust structure • Large cash component • No clear reason for purchase	• Verify all beneficiaries • Confirm source of funds • Review trust deed and financials • Ongoing monitoring of transactions
 Foreign purchaser (non-resident)	• Funds from high-risk jurisdictions • No clear source of wealth • Use of nominee or agent • Pressure to transact quickly	• Obtain source of wealth • Verify funds path • Obtain FIRB approvals • Monitor settlement funds closely
 Related party transaction	• Seller and buyer are connected • Inflated or undervalued price • Circular movement of funds	• Assess commercial rationale • Review valuation • Monitor pattern of related transactions
 Property flipping (quick resale)	• Purchased and resold within short period • Minimal value-add • Significant profit • Multiple rapid transactions	• Review purpose • Assess source of funds • Monitor ongoing activity • Consider enhanced due diligence
 Cash-intensive settlements	• Large cash deposit • Multiple smaller cash payments • Unexplained source of cash	• Obtain bank statements • Source of funds evidence • Monitor cash patterns • Escalate if needed

DOCUMENT, ESCALATE, REPORT



DOCUMENT

Record what you see, what you ask and what you are told.
Keep clear and complete records.



ESCALATE

If something doesn't seem right, escalate it to your Compliance Officer without delay.



REPORT

If you suspect on reasonable grounds that funds are from criminal activity or linked to terrorism financing, you must report to AUSTRAC.

You are protected when you report in good faith.

Failure to report can have serious consequences.

THE FOUNDATION OF GOOD MONITORING



KNOW YOUR CLIENT

Strong CDD gives you the baseline to measure activity against.



UNDERSTAND THEIR BUSINESS

Know what is normal for your client.



ASK QUESTIONS

Good questions uncover good answers.



STAY ALERT

Your awareness protects your client, your business and the industry.



BUSINESS ADVICE PRINCIPLE™

*Monitoring is not about suspicion –
it is about understanding.
Early detection prevents harm.*

*It protects your client, your agency and the reputation
of the Australian real estate industry.*

SUSPICIOUS MATTER REPORTING (SMRS) – WHEN, WHAT AND HOW

Your obligation. Your protection. Your contribution to Australia's security.

If you suspect on reasonable grounds that a matter involves money laundering or terrorism financing, you must report it to AUSTRAC as soon as practicable.

Reporting is a critical safeguard for your agency, your clients and the integrity of the Australian real estate industry.

Failure to report can lead to significant civil penalties and criminal liability.

WHAT IS A SUSPICIOUS MATTER?

A suspicious matter is not just about certainty – it is about suspicion based on reasonable grounds.

You do not need proof. You need reasonable grounds for suspicion that a person has engaged, is engaging, or intends to engage in money laundering or terrorism financing.

WHEN MUST YOU REPORT?

You must lodge an SMR as soon as practicable after forming a suspicion.

Do not wait until:

- The transaction is complete
- You have all the information
- Someone else will report it
- You are told to wait

If in doubt, report.

AUSTRAC would rather receive a report that turns out to be incorrect than miss criminal activity.

WHAT YOU MUST DO

- 1 IDENTIFY THE SUSPICION**
Form reasonable grounds for suspicion based on facts, behaviour or patterns.
- 2 GATHER KEY INFORMATION**
Record what you know, when you knew it and why you suspect the matter is suspicious.
- 3 DO NOT TELL**
Do not disclose to the client or anyone else that a report is being made.
- 4 LODGE THE SMR**
Submit the report to AUSTRAC via the online reporting portal.
- 5 KEEP RECORDS**
Retain all records and information related to the matter for at least seven years.



IMPORTANT: Do not delay reporting while you continue to investigate. Report first. Continue monitoring second.

LEGAL PROTECTIONS

If you report in good faith, you are protected by law.

You cannot be held liable to your client or any other person for making an SMR.

This protection does not apply if you act recklessly or dishonestly.

EXAMPLES OF WHEN AN SMR MAY BE REQUIRED

SCENARIO	WHY IT MAY BE SUSPICIOUS
 Family trust purchasing multiple properties through related companies	• Complex structure with no clear economic purpose • Large cash component • Beneficiaries not disclosed
 Foreign purchaser (offshore entity) purchasing luxury property	• Funds from high-risk jurisdiction • No verifiable source of wealth • Urgency to settle • Use of nominee or local agent only
 Related party transaction (seller and buyer connected)	• Inflated or undervalued price • Circular movement of funds • No commercial rationale
 Rapid property flipping (short period)	• Minimal works or value-add • Significant profit in short time • Multiple transactions in series
 Cash-intensive settlement	• Large cash deposit at settlement • Multiple cash payments just below reporting threshold • Unexplained source of cash

WHAT HAPPENS NEXT?

- 1 AUSTRAC assesses the information you provide.
- 2 They may request further information.
- 3 The information is used for intelligence and, if appropriate, passed to law enforcement.
- 4 You will not be told the outcome of the report.



BUSINESS ADVICE PRINCIPLE™

*When you report a suspicious matter,
you protect more than just your agency.
You protect your clients, your people
and the reputation of the Australian real estate industry.*

When suspicion exists, reporting is not an option –
it is your duty.

RECORD KEEPING THAT STANDS UP TO SCRUTINY

Accurate. Complete. Up to date. For at least seven years.

Good records are your evidence. They demonstrate that you understand your obligations, have implemented appropriate controls and are managing risk effectively. If it is not documented, it did not happen.

WHY RECORD KEEPING MATTERS

AUSTRAC expects you to keep records that are accurate, complete, current and readily available.

Your records may be reviewed during an independent audit or by AUSTRAC.

Poor or missing records can result in significant penalties and reputational damage.

WHAT YOU MUST RECORD

You must keep records of:

- Customer identification and verification
- Customer due diligence and enhanced due diligence
- Beneficial ownership information
- Transactions and ongoing monitoring
- Risk assessments and how you manage risk
- Training and awareness
- Suspicious matter reports and related decisions
- Policies, procedures and control frameworks
- Communications and decisions

HOW LONG MUST YOU KEEP RECORDS?

Records must be kept for at least seven years from the end of the business relationship or the date of the transaction (whichever is later).

MAKE YOUR RECORDS EASY TO FIND

You must be able to produce your records promptly. Organise, store and back up your records so they are complete, secure and retrievable.

Electronic records are acceptable, provided they are secure and can be accessed.

QUALITY CHECK – ARE YOUR RECORDS FIT FOR PURPOSE?

Use this quick checklist to assess your record keeping:

- ✓ Are records accurate and up to date?
- ✓ Can you easily locate and retrieve them?
- ✓ Do they clearly show what was done and why?
- ✓ Are they complete, including supporting documents?
- ✓ Are they stored securely with appropriate access?
- ✓ Do you have a system to back up your records?
- ✓ Can you provide them within a reasonable timeframe?



REMEMBER: Good records protect your agency, your clients and your people.

THE KEY PRINCIPLES



ACCURATE
Information is correct and reliable.



COMPLETE
All relevant information is included.



CURRENT
Records are kept up to date as things change.



AVAILABLE
Records can be produced when required.

THE RECORD KEEPING CYCLE



COMMON RECORD KEEPING ISSUES

ISSUE		THE IMPACT
	Missing documents	Cannot demonstrate compliance. Higher risk of penalties.
	Incomplete information	Inability to assess risk. Weakens your AML/CTF Program.
	Out of date records	Decisions based on old information. Increases risk exposure.
	Poor organisation	Delays in responding to requests. Frustrates clients and auditors.
	Insecure storage	Risk of data breach. Potential regulatory action.



BUSINESS ADVICE PRINCIPLE™

*If it is not documented, it did not happen.
Clear records today, confidence tomorrow.*

Good records are not just a compliance requirement – they are a sign of a well-managed, professional business.

TRAINING AND AWARENESS – YOUR PEOPLE, YOUR FIRST LINE OF DEFENCE

Informed people. Better decisions. Stronger compliance.

Your AML/CTF Program is only as strong as the people who understand it and apply it every day.

Training builds knowledge, confidence and accountability.

Awareness turns compliance into everyday behaviour.

WHY TRAINING MATTERS

-  Reduces risk – people know what to look for and what to do.
-  Demonstrates compliance – essential evidence during an audit.
-  Builds a strong compliance culture across the agency.
-  Protects your licence, your clients and your reputation.

WHO NEEDS TRAINING?

Everyone involved in real estate agency activities, including:

- Principals and Licensees
- Salespeople and Property Managers
- Administration and Support Staff
- Contractors and Casual Staff
- New team members

TRAINING CONTENT SHOULD COVER

- ✓ AML/CTF obligations and why they matter
- ✓ Your agency's policies and procedures
- ✓ Customer due diligence requirements
- ✓ Identifying and escalating red flags
- ✓ Transaction monitoring and reporting
- ✓ Record keeping and data protection
- ✓ What to do if you are unsure

TRAINING DELIVERY OPTIONS



Online modules
Flexible, consistent and easy to track.



Live workshops
Interactive sessions for discussion and clarification.



Onboarding training
Ensure new staff are trained before they undertake relevant activities.

THE TRAINING CYCLE



EXAMPLES OF WHAT YOUR TEAM MAY ENCOUNTER

AUSTRALIAN REAL ESTATE SCENARIO	WHAT TO LOOK FOR	WHAT TO DO
 Family trust purchasing a high-value property	• Complex trust structure • Unclear beneficiaries • Large cash component	• Ask questions • Verify trust and beneficiaries • Escalate if unsure
 Foreign purchaser through local representative	• Offshore entity involvement • Unusual urgency • No clear source of wealth	• Verify identity and source of wealth • Obtain required approvals • Escalate concerns
 Related party transaction (connected buyer and seller)	• Inflated or undervalued price • Circular movement of funds • Limited commercial rationale	• Assess the rationale • Review valuation • Monitor closely
 Rapid property flipping (short holding periods)	• Multiple sales in short time • High profit with minimal works • Multiple related entities	• Ask more questions • Review source of funds • Monitor and escalate
 Large cash settlement or multiple cash deposits	• Cash just under thresholds • No clear legitimate reason • Unexplained source of cash	• Verify source of funds • Keep detailed records • Escalate if not satisfied

MEASURE AND CONTINUOUSLY IMPROVE



Track completion
Monitor who has completed training and when.



Assess understanding
Use short quizzes or practical scenarios to test knowledge.



Seek feedback
Ask your team what helps them learn and apply it.



Update regularly
Review content at least annually or when laws change.



BUSINESS ADVICE PRINCIPLE™

*If people do not know what good looks like,
you cannot expect them to deliver it.*

Train your team. Empower your people. Protect your business.

If it is not documented, it did not happen.

WHY EVERY BUSINESS BENEFITS FROM AN INDEPENDENT REVIEW

Independent assurance builds confidence, strengthens controls and reduces risk.

No Principal sees every risk. No team sees every gap. That is why an independent review is one of the most valuable investments a real estate business can make.

An independent review provides objective assurance that your compliance program is working as intended and that it meets regulatory expectations. It also gives you the confidence to demonstrate to regulators, your Board, clients and business partners that your business takes its obligations seriously.

Under the AML/CTF Act and Rules, reporting entities must have their AML/CTF Program independently reviewed at least once every three years. Strong businesses do not wait for the three-year deadline. They review regularly and treat it as a strategic improvement opportunity.

THE VALUE OF AN INDEPENDENT PERSPECTIVE

Objective and Unbiased

An independent reviewer brings experience from across the industry and is not influenced by day-to-day pressures or internal relationships. This allows them to identify risks and gaps that may be overlooked.

Stronger Risk Identification

Independent reviewers challenge assumptions, test the effectiveness of controls and assess whether your program keeps pace with your business model, products, technology and client base.

Regulatory Confidence

A well-conducted review demonstrates to AUSTRAC that your business actively assesses and improves its program. This reduces the likelihood of regulatory concern and supports a positive outcome if you are ever subject to regulatory engagement.

Continuous Improvement

An independent review is not just about compliance. It is about helping your business operate more efficiently, reduce risk and strengthen governance.

Protects Your Reputation and Value

Strong compliance protects your licence, your clients, your team and the value of your business. Independent assurance is an important part of that protection.

WHO SHOULD CONDUCT THE REVIEW?

The reviewer must be independent of your business and have the necessary skills, experience and understanding of AML/CTF obligations in the real estate sector. Many agencies engage specialist compliance firms such as AMLHQ who focus on the real estate industry. They understand the risks, the regulatory expectations and the practical realities of running a real estate business.

Choose a partner who will not just tell you what is wrong, but will help you make it right. A good reviewer becomes a trusted advisor and part of your long-term compliance success.

THE INDEPENDENT REVIEW CYCLE



WHAT AN INDEPENDENT REVIEW COVERS

A comprehensive review will typically assess:

- Governance and leadership oversight
- Risk assessment and risk treatment
- Policies, procedures and frameworks
- Customer due diligence and monitoring
- Training and awareness
- Record keeping and data integrity
- Internal reporting and escalation
- Technology, systems and data security
- Overall program effectiveness and outcomes

The review should be based on your size, complexity and risk profile, not a one-size-fits-all checklist.



BUSINESS ADVICE PRINCIPLE™

*The cost of an independent review is small.
The cost of not knowing is never small.*

RISK-BASED THINKING: THE HEART OF EFFECTIVE AML COMPLIANCE

Focus your controls where the risk is highest, not everywhere at once.

AUSTRAC's core message is clear: compliance must be based on risk. The AML/CTF Act and Rules require reporting entities to identify, assess and manage the money laundering and terrorism financing risks that are most relevant to their business.

Good risk-based thinking allows real estate businesses to apply their resources where they matter most, avoid unnecessary friction, and make better commercial decisions.

WHAT IS RISK-BASED THINKING?

Risk-based thinking means understanding your business, your clients, your services and the environments in which you operate, then proportionately applying controls to the areas of greatest risk. It is not about eliminating all risk. It is about managing it to an acceptable level.

AUSTRAC expects your risk assessment to be a living document that evolves as your business evolves.

THE THREE ESSENTIAL QUESTIONS

1. What are our risks?

Consider the services you provide, the types of clients you deal with, the geographic areas you operate in and the delivery channels you use.

2. How vulnerable are we?

Assess the likelihood and impact of those risks based on your business model and current controls.

3. What will we do about it?

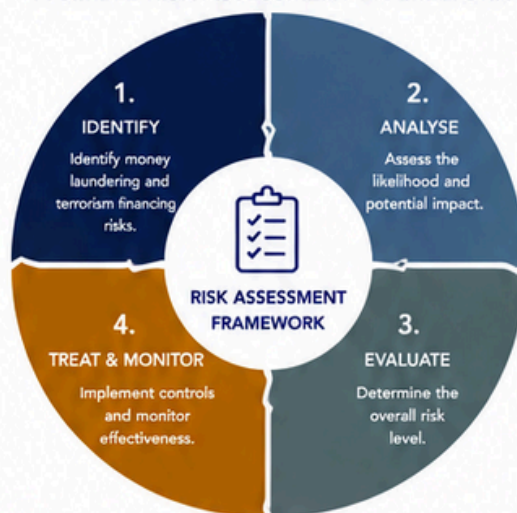
Implement proportionate controls to reduce the risk to an acceptable level and monitor their effectiveness.

EXAMPLES OF REAL ESTATE RISKS

- High-value residential transactions involving cash.
- Clients using complex corporate or trust structures.
- Overseas buyers or politically exposed persons (PEPs).
- Off-the-plan sales and large developer projects.
- Third-party payments or funds from unknown sources.
- Short settlement periods or unusual transaction structures.
- Rent roll acquisitions and management trust accounts.

Not every risk will apply to your business, but you must consider each one and document your assessment.

A SIMPLE RISK ASSESSMENT FRAMEWORK



DOCUMENT, DON'T ASSUME

AUSTRAC expects your risk assessment to be documented, evidence-based and tailored to your business.

Generic templates will not satisfy regulators or protect you in the event of a review.

RISK RATINGS: A PRACTICAL GUIDE

Use a simple High / Medium / Low rating to prioritise your risks. Focus your resources on High risks, monitor Medium risks and apply standard controls to Low risks.

RISK LEVEL	DESCRIPTION	RESPONSE
HIGH	Significant likelihood and/or impact.	Strong controls, enhanced due diligence, senior oversight.
MEDIUM	Moderate likelihood and/or impact.	Standard controls, ongoing monitoring.
LOW	Low likelihood and impact.	Basic controls, periodic review.

A LIVING APPROACH

Risks change. Markets change. Criminal methods evolve. Review your risk assessment at least annually and whenever there is a material change in your business or operating environment.

Better risk thinking leads to better business decisions.



BUSINESS ADVICE PRINCIPLE™

*Focus your compliance on what matters most.
Risk-based thinking is smart business.*

BUILDING A COMPLIANCE PROGRAM THAT WORKS IN PRACTICE

Strong systems, clear responsibilities and consistent execution.

A compliance program is only effective if it works in practice. It must be proportionate to your business, understood by your team and embedded in the way you operate every day.

AUSTRAC expects reporting entities to have policies, procedures and systems that are appropriate to their size, complexity and risk profile. More importantly, they expect those controls to be implemented, monitored and improved over time.

THE FIVE CORE ELEMENTS

1. Governance and Leadership

Accountability starts at the top. Your Board, Principal or Licensee must set the tone, allocate resources and oversee compliance.

2. Risk-Based Policies and Procedures

Document clear policies that reflect your risk assessment and how you will manage those risks in practice.

3. Systems and Controls

Implement practical controls for customer due diligence, transaction monitoring, record keeping and reporting.

4. Training and Awareness

Ensure your team understands their obligations and knows how to apply your procedures.

5. Monitoring and Assurance

Test your controls, review performance and take corrective action where needed.

KEY CONTROLS EVERY BUSINESS NEEDS

- Client identification and verification
- Beneficial ownership and UBO identification
- Enhanced due diligence for higher risk clients
- Ongoing monitoring of relationships and transactions
- Politically Exposed Person (PEP) and sanctions screening
- Record keeping for at least seven years
- Internal reporting of suspicious matters
- Independent review of your program every three years
- Staff training and awareness program
- Documented escalation and decision-making processes



DOCUMENT WHAT YOU DO AND DO WHAT YOU DOCUMENT

Good documentation demonstrates your compliance in action. If it is not documented, it did not happen.

THE CONTINUOUS IMPROVEMENT CYCLE



KEEP IT PRACTICAL AND PROPORTIONATE

You do not need complex systems or expensive software to be compliant. You need a program that is practical, proportionate and consistently applied. The best programs are simple to understand, easy to follow and embedded in everyday practice.



REAL ESTATE EXAMPLE

Boutique Agency – Melbourne

A boutique sales agency with seven staff completed a self-assessment and identified gaps in its client verification and ongoing monitoring processes.

Actions taken:

- ✓ Updated risk assessment to reflect the types of clients and suburbs in which they operate.
- ✓ Introduced VOI verification and UBO identification.
- ✓ Implemented transaction monitoring using AMLHQ Sentinel.
- ✓ Conducted staff training and updated procedures.
- ✓ Engaged AMLHQ to perform an Independent Review.

Outcome:

The agency improved its compliance maturity, demonstrated accountability and received a clean review report. Their insurer provided a premium discount for strong risk management.



BUSINESS ADVICE PRINCIPLE™

*A compliance program is not a document.
It is a system of daily accountability.*

TECHNOLOGY SUPPORTS COMPLIANCE – IT DOESN'T REPLACE IT

Software is an enabler, not the solution.

Technology has transformed the way businesses manage compliance. But technology alone does not create a compliant business.

Compliance is not something you buy. It is something you build, operate and continuously improve.

AUSTRAC makes it clear: the reporting entity – ultimately the Principal or Licensee – remains legally responsible for ensuring compliance with the AML/CTF Act and Rules.

Technology can help. It can make things easier, more efficient and more consistent.

But it cannot replace accountability, judgement or leadership.

THE ROLE OF TECHNOLOGY IN COMPLIANCE

- ✓ Automates routine tasks and data capture.
- ✓ Provides visibility of risk and activity.
- ✓ Supports screening, monitoring and reporting.
- ✓ Creates an audit trail and evidentiary records.
- ✓ Improves consistency and reduces human error.
- ✓ Enables scalable, efficient operations.

A BALANCED COMPLIANCE ECOSYSTEM
Effective compliance is built on four interconnected pillars.
Technology supports them – it does not replace them.



TECHNOLOGY IS THE ENABLER, NOT THE ANSWER

Technology strengthens your compliance program when it supports the people, processes and governance – not when it tries to replace them.



THE PRINCIPAL'S ACCOUNTABILITY

- The Principal or Licensee is accountable for compliance outcomes.
- You cannot delegate your legal responsibility.
- You must ensure the program is adequate, resourced and operating effectively.
- Ignorance, reliance on software or outsourcing is not a defence.



THE COMPLIANCE OFFICER (CO) – YOUR KEY PARTNER

- Your CO is responsible for the day-to-day management of the program.
- They provide expertise, oversight and objective challenge.
- A good CO helps you identify risks, strengthen controls and drive continuous improvement.
- The CO reports to the Principal – independence and authority matter.



AI, AUTOMATION AND THE FUTURE

- AI and automation will continue to improve efficiency and risk detection.
- They can analyse data, identify patterns and flag anomalies.
- But technology cannot understand context, intent or relationships.
- Human judgement remains essential to interpret, decide and act.



*Technology gives you information. People give you insight.
Governance gives you direction. Process turns it into action.*
Compliance happens when all four work together.



BUSINESS ADVICE PRINCIPLE™
Use technology to strengthen your compliance program – not to hide weaknesses in it.

THE COST OF GETTING IT WRONG

Weak compliance doesn't just create regulatory risk – it creates commercial risk.

Compliance is sometimes perceived as a cost of doing business. In reality, poor compliance is a far more expensive position – one that can damage your finances, reputation, client relationships and the long-term value of your business.

The true cost of non-compliance is not one fine or one breach. It is the cumulative impact across your business – often unfolding long before the regulator takes action.

Regulatory consequences

AUSTRAC has significant powers under the AML/CTF Act, including infringement notices, civil penalties and enforceable undertakings. Breaches can result in penalties of millions of dollars for individuals and entities. Regulatory action is also public, creating immediate and lasting damage to your credibility.

Financial consequences

Fines and penalties are just the beginning. You may face increased insurance premiums, higher audit and compliance costs, loss of lender confidence, and the cost of remediating weak systems and controls. In some cases, the financial impact can threaten the viability of the business.

Reputation and brand damage

Your reputation is one of your most valuable assets. A compliance failure can destroy years of trust in days. Clients, lenders, partners and the broader market will question your integrity, your systems and your leadership. Rebuilding trust is slow – and not always possible.

Impact on staff and culture

When compliance is weak, uncertainty grows. Staff become risk-averse, morale drops and your best people may leave rather than operate in a high-risk environment. A strong compliance culture, on the other hand, creates confidence and attracts high-quality talent.

Insurer and lender confidence

Insurers assess your compliance program when setting premiums and determining coverage. Lenders and introducers also expect evidence of strong AML/CTF controls. A poor compliance history can limit your access to finance and professional protection.

Franchise and group implications

For franchises and networks, the actions of one office can put the entire brand at risk. The Head Office has a positive obligation to ensure consistent compliance across all locations. Weak oversight can lead to system-wide consequences.

Business valuation

Buyers assess risk. A business with strong governance, documented systems and a proactive compliance culture is worth more. A business with compliance issues, investigations or poor records is worth less – or may not be saleable at all.

Leadership accountability

Directors, Principals and Licensees cannot delegate their ultimate responsibility. If something goes wrong, the question will not be “who did it?” – it will be “what did you do to prevent it?”

Strong compliance is not about avoiding penalties. It is about protecting your business, your people, your clients and your future. The cost of getting it right is always less than the cost of getting it wrong.

HOW COMPLIANCE FAILURES ESCALATE



“
Every compliance failure begins long before the regulator becomes involved.
”



BUSINESS ADVICE PRINCIPLE™

Good governance costs far less than poor governance.

HOW HIGH-PERFORMING AGENCIES BUILD BETTER BUSINESSES THROUGH COMPLIANCE

Compliance excellence is not a burden, it is a competitive advantage.

Australia's most successful real estate businesses do not just comply, they lead. They understand that strong compliance foundations create trust, reduce risk, improve efficiency and increase business value.

They treat compliance as an enabler of better decision-making and better outcomes for clients, teams and shareholders.

WHAT SETS HIGH-PERFORMING AGENCIES APART

-  **LEADERSHIP DRIVEN**
Principals set the tone from the top. They are visible, engaged and accountable for compliance outcomes.
-  **RISK AWARE AND PROACTIVE**
They understand their risks and invest in controls where it matters most, not just where it is easiest.
-  **SYSTEMS THAT WORK**
Policies, procedures and technologies are simple, integrated and designed for real-world use.
-  **PEOPLE ARE EMPOWERED**
Teams are trained, supported and confident to identify issues and escalate concerns.
-  **DATA DRIVES DECISIONS**
They use data and insights from their systems to identify trends, improve processes and measure performance.
-  **CONTINUOUS IMPROVEMENT CULTURE**
They test, review and refine their program regularly to ensure it remains effective and fit for purpose.

“ Compliance maturity is a journey. The difference between good agencies and great agencies is the discipline to keep getting better.

HIGH PERFORMANCE VS. LOW PERFORMANCE COMPLIANCE MINDSET

HIGH-PERFORMING AGENCIES	LOW-PERFORMING AGENCIES
See compliance as a strategic asset that builds trust and value.	 See compliance as a cost or a necessary evil.
Use risk-based thinking to prioritise what matters.	 Try to do everything to avoid missing anything.
Invest in the right systems, people and advisors.	 Underinvest in people, systems and training.
Monitor performance and seek improvement.	 React only when problems arise.
Communicate clearly and create a speak-up culture.	 Issues are hidden, ignored or escalated too late.
Build long-term client relationships based on trust.	 Risk damaging trust through poor controls or mistakes.

THE BUSINESS BENEFITS ARE REAL

Agencies that lift their compliance maturity consistently report:

- Greater client trust and stronger brand reputation
- Fewer compliance issues and lower insurance costs
- More efficient operations and less duplication
- Better quality data and improved reporting
- Higher team engagement and retention
- Stronger business value and easier succession

Compliance excellence is not just about meeting obligations, it is about building a sustainable and valuable business.



BUSINESS ADVICE PRINCIPLE™

High-performing businesses do the basics brilliantly, every day, in every area including compliance.

EMBEDDING A CULTURE OF COMPLIANCE

Systems and policies are important. Culture is what makes compliance real and sustainable.

A true compliance culture is more than following rules—it is a mindset shared across the organisation. It is reflected in the way decisions are made, how information is managed, how risk is discussed and how leaders behave. It is the difference between compliance that exists on paper and compliance that protects in practice.

Leadership sets the standard

Culture starts at the top. When Principals and senior leaders demonstrate their commitment to compliance, it sends a clear message that doing the right thing is non-negotiable. Leaders must model the behaviours they expect from others and be visible in reinforcing those expectations.

Make compliance everyone's responsibility

Compliance cannot sit in one person's job description. Everyone in the business, from administration to senior management, has a role to play. When people understand how their actions impact the organisation's compliance obligations, they take greater ownership and pride in getting it right.

Communicate clearly and consistently

People cannot follow what they do not understand. Clear, simple and regular communication about policies, obligations and expectations helps build awareness and confidence. Use real examples, practical scenarios and open discussions to make compliance relevant to everyday work.

Empower and educate

Provide the training, tools and support your team needs to meet their obligations. Ongoing education builds capability and helps people feel confident raising questions or reporting concerns without fear of blame.

Encourage open reporting

A strong compliance culture allows people to speak up. Issues should be reported early, without consequence, so they can be addressed before they escalate. Whistleblower protections and clear escalation pathways are essential.

Recognise and reinforce good behaviour

Positive reinforcement strengthens the culture you want to build. Acknowledge good decisions, ethical behaviour and proactive risk management. Recognition encourages others to follow the same path.

Measure and improve

Culture improves when it is measured. Use staff surveys, feedback, incident reporting trends and compliance reviews to understand what is working and where improvement is needed. Small, consistent improvements build a stronger culture over time.

A strong compliance culture does not happen overnight. It is built through leadership, communication, support and consistency. When culture is strong, compliance becomes part of how your business operates—not something you do because you have to, but something you do because it is the right way.

KEY ELEMENTS OF A STRONG COMPLIANCE CULTURE

1. Leadership commitment

Leaders set the tone, model the behaviours and demonstrate that compliance matters.

2. Shared responsibility

Everyone understands their role in meeting obligations and managing risk.

3. Clear communication

Consistent, simple and relevant communication builds awareness and understanding.

4. Ongoing education

Training and practical guidance build capability and confidence across the team.

5. Open reporting

A safe environment to raise issues early without fear encourages better outcomes.

6. Recognition and feedback

Recognise good behaviour and learn from issues to continuously strengthen the culture.

“
Compliance is not just about what you do. It is about how your people think, act and make decisions every day.”

THIRD-PARTY RISK – A CRITICAL BLIND SPOT

Your compliance is only as strong as your weakest partner.

Real estate businesses rely on a wide range of third parties to deliver services, from conveyancers and referral partners to IT providers and outsourced administrators. While these relationships create value, they also introduce risk. If a third party fails to meet their AML/CTF obligations, your business can still be held accountable.

Understanding third-party risk

Third-party risk arises when an external party's actions, controls or culture create exposure for your business. This can include non-compliance with AML/CTF requirements, inadequate data security, conflicts of interest or poor governance. The risk is not limited to high-profile partners. Even small or low-risk providers can create significant exposure if not properly assessed and monitored.

Why it matters

AUSTRAC's view is clear: you are responsible for the compliance of your reporting entity. You cannot transfer that responsibility to a third party. If a partner or service provider fails to conduct appropriate customer due diligence, reports suspicious matters late, or fails to maintain records, your business may face enforcement action, reputational damage and financial penalties.

Key third-party risks to consider

- Inadequate AML/CTF controls or systems
- Lack of understanding of AML/CTF obligations
- Poor data security or privacy practices
- Conflicts of interest or divided loyalties
- Subcontracting without oversight
- Inconsistent or incomplete reporting

Building a strong third-party risk framework

A robust framework helps you identify, assess, mitigate and monitor third-party risk on an ongoing basis. It should be proportionate to the nature and scale of your business, and documented to demonstrate how you meet your obligations.

Practical steps you should take

1. **Identify critical third parties** – Map the services they provide and the information they access.
2. **Assess the risk** – Evaluate their AML/CTF controls, track record and overall risk profile.
3. **Due diligence** – Obtain relevant information, policies and certifications before engagement and at regular intervals.
4. **Set clear expectations** – Include AML/CTF obligations, audit rights and reporting requirements in contracts.
5. **Monitor performance** – Review performance regularly and stay informed of any changes.
6. **Have an exit plan** – Know how you will respond if a provider fails to meet your standards.

Managing third-party risk is not about limiting relationships. It is about building strong, transparent partnerships that support your compliance and your reputation.

THIRD-PARTY RISK MANAGEMENT FRAMEWORK

- 1 **IDENTIFY**
Identify all critical third parties and the services they provide.
- 2 **ASSESS**
Evaluate the AML/CTF and overall risk they present.
- 3 **DUE DILIGENCE**
Obtain information, policies and evidence of their compliance capabilities.
- 4 **CONTRACT & EXPECT**
Set clear AML/CTF obligations, reporting requirements and audit rights in contracts.
- 5 **MONITOR**
Monitor performance and stay informed of changes in their risk profile.
- 6 **REVIEW & RESPOND**
Review regularly and take appropriate action if risks are not managed.

“ You cannot outsource your compliance obligations. You can, however, build strong partnerships with providers who share your commitment to doing the right thing. ”

ABOUT BUSINESS ADVICE AGENCY®

Strategic Business Advice. Practical Commercial Outcomes.

Business Advice Agency® (BAA) is the independent Research & Advisory Division of Emerald Group Holdings. We provide insight, research and practical guidance to help businesses strengthen governance, improve performance and achieve sustainable commercial outcomes.

Our work supports business owners, management and boards across Australia's professional and regulated services industries.

OUR ROLE

BAA delivers independent research, industry analysis and advisory content that helps organisations make informed decisions, manage risk and improve results.

We are not a compliance provider. We provide the research and advisory perspective that underpins good governance and strong business leadership.

WHAT WE FOCUS ON

Our research and advisory work covers the key drivers of strong, resilient businesses:

-  **Governance & Leadership** – building strong frameworks, clear accountability and ethical culture.
-  **Risk Management** – identifying, assessing and managing risks that impact the business.
-  **Compliance & Regulatory Oversight** – understanding obligations and embedding good compliance practices.
-  **Business Improvement** – systems, processes and metrics that drive efficiency and performance.
-  **Commercial Strategy** – supporting growth, profitability and long-term value creation.

BUSINESS ADVICE PRINCIPLE™

Businesses that invest in governance before they need it are usually the businesses that perform best when it matters most.

WHY WE DO THIS WORK

Regulated industries are changing. Expectations are higher, oversight is stronger and the cost of getting it wrong is significant.

Our mission is to help businesses stay ahead of change, strengthen their foundations and build the capability to navigate complexity with confidence.

We believe strong governance does not slow a business down. It builds capability, protects reputation and creates long-term value.

OUR APPROACH

We take a practical, commercial and outcomes-focused approach.

- ✓ Independent and objective research
- ✓ Real-world insight from industry experience
- ✓ Plain language and practical guidance
- ✓ Tools and frameworks that can be applied
- ✓ Focus on what creates value, not just what avoids risk

WHO WE WORK WITH

BAA works with businesses of all sizes across the professional and regulated services sector, including:

- Real estate agencies and networks
- Finance and mortgage broking businesses
- Strata and property services
- Professional services firms
- Industry associations and peak bodies

THE BAA ADVISORY FRAMEWORK™

Our research and advisory work connects the key elements that drive strong, well-governed businesses.



ABOUT THE AUTHOR

Experience. Perspective. Real-World Insight.



PHIL RICE
FOUNDER & CEO
Business Advice Agency®

Phil Rice is a highly respected business adviser, strategist and entrepreneur with over 30 years of experience helping businesses plan, grow and build long-term value.

His career has spanned banking, lending, broking, business advisory and executive coaching, giving him a unique understanding of both the commercial realities businesses face and the practical solutions that work.

Phil is recognised for his straight-talking style, commercial mindset and ability to translate complex issues into clear action. He works with business owners, executives and boards across Australia's professional and regulated services industries.

PROFESSIONAL CREDENTIALS



CPBA – Certified Practising Business Advisor
Institute of Advisors



Executive Business Coach
Better Business Coach



Australian Credit Licence Holder
ACL: 364264



Former Member
Australian Institute of Company Directors



Author, Researcher & Industry Contributor
Published articles in *The Adviser* and industry journals

“

Strong businesses are not built on luck. They are built on clarity, discipline, better decisions and the right advice at the right time.

EXPERIENCE THAT DELIVERS PERSPECTIVE

Phil's background includes senior lending roles with major banks, founding and scaling finance broking businesses, and building industry-leading coaching and advisory practices.

He has worked with thousands of business owners and advisers, giving him deep insight into the challenges of governance, compliance, risk management and sustainable growth in today's regulated environment.

This breadth of experience informs the research, analysis and recommendations in this paper.

CONTRIBUTIONS & INDUSTRY ENGAGEMENT

- ✓ Published contributor in *The Adviser* and other industry publications
- ✓ Regular speaker, presenter and panellist at industry events and webinars
- ✓ CPD education partner for industry associations including FBAA, MFAA and CAFBA
- ✓ Business coach and mentor to hundreds of business owners and advisers
- ✓ Trusted advisor to business owners, boards and executive teams

PHIL'S PERSPECTIVE™



Good governance is not about control. It is about creating the confidence, clarity and capability to grow with purpose.



BUSINESS
ADVICE
AGENCY

RESEARCH & ADVISORY DIVISION

Building Better Businesses Through Better Governance

Good governance has never been about satisfying regulators.

It has always been about protecting businesses, creating confidence, reducing risk and building organisations that clients, employees and stakeholders trust.

Australia's Anti-Money Laundering and Counter-Terrorism Financing reforms represent more than another compliance obligation for the real estate profession. They present an opportunity for agency leaders to strengthen internal systems, improve operational discipline and demonstrate professional leadership within an increasingly regulated environment.

The agencies that embrace compliance as a business discipline—not simply a legal requirement—will be better positioned to protect their reputation, support their people and create long-term enterprise value.

“

*“The businesses that thrive tomorrow
are the ones that build trust today.”*

Business Advice Principle™

*Compliance should never be viewed as the cost of doing business.
It is an investment in the value, reputation and future of your business.*

Prepared by

BUSINESS ADVICE AGENCY®

Research & Advisory Division

Technical Compliance Review



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