CIVIC LEGAL

Reforms to the AML/CTF legislation: impact on local government sector clients

From 1 July 2026, any law firm providing a 'designated service' to customers must comply with the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth) (**Act**) and the *Anti-Money Laundering and Counter-Terrorism Financing Rules 2025.*

This extends to certain legal and transactional services that are often provided to local governments. Examples of designated services regulated by the Act as of 1 July 2026 include:

- assisting or acting for a local government to buy, sell or transfer land (regardless of whether there has been any payment of consideration);
- drafting or negotiating leases of more than 30 years (excluding options for renewal or further terms);
- drafting and facilitating the creation of a trust; and
- holding negotiated settlement funds in escrow without a court or tribunal order.

Objectives of AML/CTF reforms

The recent reforms extend the operation of the existing AML/CTF regime to industries which have been identified as high risk for criminal exploitation. The regime seeks to detect, deter and disrupt:

- **Money laundering** – when money including the proceeds of crime or untaxed income is channelled into the financial system so that its true origin and ownership can be disguised, making it appear as if it is clean money.
- **Terrorism financing –** when money is transferred to, from or on behalf of an organisation that is directly or indirectly engaged in, preparing, planning, assisting or sponsoring an act of terrorism. A terrorist act is an action or threat of action done or made with the intention of advancing a political, religious, or ideological cause; and which is done or made with the intention of coercing, or influencing by intimidation, a government, the public, or a section of the public.
- **Proliferation financing** – the financing or support of the proliferation of weapons of mass destruction.

Impact of being regulated

The Act imposes obligations on businesses who provide a designated service (described as a 'reporting entity') to:

- conduct **initial customer due diligence** before providing a designated service to identify the client and establish a money-laundering and terrorism-financing (ML/TF) risk profile;
- conduct **ongoing customer due diligence** to monitor and manage transactional risks;
- conduct **enhanced customer due diligence** when a client's ML/TF risk is high ;
- report any suspicious activity to the Australian Transaction Reports and Analysis Centre (**AUSTRAC**);
- report any individual cash transactions of $10,000 or more;
- maintain compliance records.

In addition to identifying the customer, a reporting entity's customer due diligence obligations extend to ascertaining:

- any person acting on behalf of the customer and their authority to act (s 28(2)(c));
- any beneficial owner of the customer (s 28(2)(d));
- whether the customer, any beneficial owners or any person acting on behalf of the customer is a 'politically exposed person' (s 28(2)(e)).

Relevantly, a domestic politically exposed person is defined under s 5 of the Act and Rule 1-5(j) of the Rules to include the '*head (however described) of a local government council in a State or Territory'* (Rule 1-5(j)).

This is because the Act recognises that politically exposed persons can be a target for bribery or corruption because they hold positions of power and/or influence. For example, the head of a local government authority may be able to influence government spending and budgets, procurement processes, development approvals and grants.

Consequently, the Mayor / Shire President (including a person holding an acting position) and the Chief Executive Officer (including an acting CEO) of a local government authority will be identified as a politically exposed person, which may in turn trigger additional internal due diligence checks.

Summary

As part of our compliance obligations under the Act, local government clients who engage us to provide a designated service may be asked to:

- carry out a verification of identity;
- provide supporting documents evidencing authority to act; and
- answer additional questions about the relevant transaction.

Civic Legal has implemented integrated systems to streamline this process so that we can continue our services without disruption or delay.

If you have any questions in relation to the above, please do not hesitate to contact our office.

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