

## Key considerations

# Understanding money laundering risks for Tranche 2 reporting entities



In today's complex financial landscape, accountants and lawyers face unprecedented challenges regarding money laundering, terrorism and proliferation financing risks within their practices with amendments to the *Anti-Money Laundering and Counter-Terrorism Financing Amendment Act 2024* coming into effect from 1 July 2026. Recent discussions, including a webinar led by Madeleine Porter and James De Swert, have shed light on the implications of money laundering in law and accounting firms and the essential steps that professionals must implement to safeguard their practice.



### Cautionary tales from New Zealand and the UK

The webinar presented various cautionary cases from New Zealand and the UK, emphasising the dangers of neglecting anti-money laundering ("AML") protocols. For instance, a UK law partner allowed a politically exposed client to misappropriate funds from the firm's trust account, leading to an investigation that threatened his practicing certificate. Such cases illustrate the critical need for legal practitioners to remain vigilant and proactive in their compliance efforts or face severe professional repercussions or even criminal charges.



### The importance of due diligence

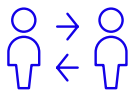
Money laundering poses severe legal consequences for organisations who, wittingly or unwittingly, fail to notice the potential warning signs. One notable case that highlights this risk is that of *The Queen v. Tyson Daniels & Andrew Neill Simpson*, in which Andrew Neil Simpson, a lawyer was sentenced to nearly three years in prison for facilitating a money laundering scheme linked to drug trafficking. Despite his previously esteemed reputation, the judge labeled his actions as reckless, underscoring the necessity for rigorous due diligence.



### Upcoming changes to compliance regulations

As money laundering and terrorism financing remain pressing issues in Australia, legal & accounting professionals must prepare for the upcoming tranche 2 reforms. These new compliance regulations emphasise the importance of implementing a robust Anti-Money Laundering and Counter Terrorism Financing ("AMLCTF") program and adopting a rigorous Risk-based approach ("RBA") to identify and mitigate against any inherent or potential risks associated with money laundering and terrorism financing.





## Recognising risk in client interactions

Implementing a robust risk assessment framework is essential for Tranche 2 reporting entities to combat financial crime effectively. Lawyers and accountants providing a designated service must understand client profiles, the nature of their interactions, and the potential red flags in a transaction. For example, when dealing with high-risk clients, such as those on a sanctioned list or identified as a Politically exposed person ("PEP"), practitioners must ask detailed questions about the source of wealth, undertake any corporate tree analysis through a third-party vendor where appropriate, and undertake any adverse media searches. This proactive approach not only ensures compliance but also prepares firms for potential inquiries from regulatory bodies like AUSTRAC.



## Layered risk assessment and compliance policies

To create a comprehensive AMLCTF program, Tranche 2 reporting entities should focus on developing a layered and practical framework. This includes distinguishing between designated and non-designated services, ensuring that all staff members are trained to identify red flags, such as unusual client behavior or ambiguous financial structures and implementing internal policies and procedures that detail a clear escalation route for any high-risk scenarios.



## The role of technology in compliance

As the landscape of financial crime evolves and legal requirements tighten, so too must the tools professionals use to combat it. iManage Solutions Consultant, James De Swert introduced participants to the [iManage Intake Solution](#); a tool designed to streamline processes and enhance efficiency in managing incoming requests or information. The practical demonstration showed how technology can be leveraged to improve workflow optimisation within law and accounting practices, ultimately aiding in compliance efforts.



## Creating a culture of compliance

Implementing new organisational requirements necessitates a shift in mindset and a collaborative approach so that compliance is not viewed as a hindrance but as an extension of existing professional and ethical standards. By fostering a culture of compliance, organisations can enhance their ability to detect and prevent money laundering activities effectively.



## Conclusion

In conclusion, the risks associated with money laundering and terrorism financing are substantial and multifaceted. Tranche 2 reporting must prioritise due diligence, staying informed about compliance regulations, and embrace innovative technological solutions to navigate these challenges and ensure all information captured is accurate and easily accessible. By adopting a proactive approach to risk assessment and compliance, organisations can safeguard their reputation and contribute to the broader fight against financial crime.

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