

## **AML/CTF Essentials for Real Estate Agents**

### **Introduction: Tranche 2 Reforms and Real Estate**

Real estate has long been recognised as a sector at high risk for money laundering, and in Australia it's coming under the AML/CTF regulatory umbrella as part of the Tranche 2 reforms.

If you're a real estate agent, property broker, or even a property developer handling sales, this means that from **1 July 2026** you will have legal obligations to help detect and prevent financial crime.

While this may sound unfamiliar, many countries have already been regulating real estate professionals for AML, and Australia is now catching up.

Why real estate? Property is an attractive vehicle for criminals to "wash" large amounts of illicit money – properties can be bought with dirty cash and later sold, giving an appearance of legitimate proceeds. AUSTRAC has pointed out that high-value goods like real estate are a significant money laundering channel in Australia. Compared to other methods, money laundering through real estate can be relatively easy and less likely to be detected without specific controls. By requiring real estate businesses to conduct due diligence and report suspicious activity, the government aims to close a major loophole.

For real estate professionals, this is a major change in how you conduct business. Up until now, you primarily worried about buyers and sellers in terms of their ability to pay, contract terms, and perhaps sanctions like FIRB approval for foreign buyers. Now, you'll also need to verify their identities, assess risk factors (like is the buyer's money coming from a risky jurisdiction?), and keep records that prove you did so. The good news is that these practices, once integrated, can also protect your agency from fraud and improve the integrity of transactions. This guide will break down the essentials of AML/CTF compliance specifically for the real estate industry, highlighting scenarios you're likely to encounter and how to handle them.

### **Tranche 2 and Real Estate: What to Expect**

Under the reforms effective July 2026, real estate agents and related professionals will be considered "reporting entities" when they carry out certain activities defined as "designated services" under the AML/CTF Act.

In practical terms, this will include facilitating the buying and selling of real property. When you act as an agent in a property sale or purchase, you will need to perform customer due diligence on your client (and perhaps on the other party if required), monitor the transaction for any red flags, and report suspicious matters or large cash transactions. You'll also have to establish an AML/CTF compliance program within your business, which outlines how you will fulfill these obligations.

If you run a small agency, you might be thinking, "Do I really have to do all this?" The answer is yes – the law will apply to all who conduct these services. However, the extent of your program can be scaled to your size and risk. Regulators have indicated a willingness to take a proportionate approach, meaning if you're a one-office agency with local clients, your

compliance efforts, while still necessary, won't be expected to match those of a national franchise dealing with international investors. But you must do something. Ignoring the obligations can lead to penalties.

To set the context: In recent years, law enforcement has found that a significant portion of criminal wealth in Australia ends up in real estate. The Australian Federal Police noted that over half of the value of assets restrained by their criminal asset confiscation taskforce in a two-year period was in commercial and residential real estate.

Criminals try to evade asset seizures by hiding the true ownership of property – using methods like complex company structures or having someone else (a “straw buyer”) hold the property. As an agent, you might unwittingly interact with these schemes. The AML requirements are designed to help you spot when something doesn't add up, such as a buyer's identity that's murky or funds that come from an unexpected source. By complying, you contribute to not only protecting your own reputation but also the national effort to combat serious crime.

### **High-Risk Scenarios in Real Estate**

Real estate transactions can be complex, and certain scenarios pose higher money laundering risks. Being aware of these will help you know when to be extra vigilant:

1. **All-Cash Buyers:** A buyer offering cash (physical currency) for a property is an immediate red flag. While it's rare due to practical reasons, it does happen for mid-range property purchases, and has historically been a method for criminals to use bulk cash.

Even beyond literal cash, a buyer who wants to avoid the banking system (e.g., offering a suitcase of cash, or multiple money orders) is a huge warning sign. Under the new laws, if you receive \$10,000 or more in physical cash (for example, as a deposit), you must file a Threshold Transaction Report. But even below that threshold, consider whether any cash acceptance is wise. You might decide as policy not to accept cash above a minimal amount.

2. **Offshore or Complex Company Buyers:** When the purchaser is an entity like a foreign company, a trust, or an Australian company with nominee directors, the true owner can be obscured. If you have a buyer who is an offshore corporation or a trust with layered ownership, this is higher risk. Criminals often use shell companies registered in secrecy jurisdictions or put property in the name of a relative or associate to distance themselves.

You will need to identify the ultimate beneficial owners behind such entities. For example, if the buyer is XYZ Ltd from Country X, who owns XYZ Ltd? If it's another company or trust, who owns that? This can be challenging, but as an agent you may need to request this information as part of due diligence (and under Tranche 2, you likely will be required to gather beneficial ownership info for non-individual clients).

3. **Politically Exposed Persons (PEPs):** A PEP is someone who holds a prominent public position (or their close associate/family). If you're dealing with a buyer or seller

who is a foreign politician, high-ranking government or military official, or a CEO of a state-owned enterprise, be on alert.

PEPs aren't criminals by default, of course, but because of their position they can be targets for corruption or may want to move funds covertly. Real estate in stable markets like Australia is attractive for parking illicit wealth. If you identify a client or a client's beneficial owner as a PEP, you will need to apply enhanced due diligence – which might include finding out source of funds more rigorously and possibly getting senior management sign-off before proceeding.

4. **Unusually Structured Transactions:** Watch for atypical arrangements, such as multiple properties being bought in quick succession by the same party (could indicate layering of funds across assets), or immediate resale (flipping) at significantly different price.

For example, if Client A buys a property and then wants to sell it again within months at a much higher or lower price without clear reason, it could indicate “value transference” (a way to launder by over- or under-valuing). Another example: complicated payment chains – maybe the buyer wants to pay part of the price to the seller directly, part through you, part through another intermediary. Simpler is safer in property deals; complexity can signal someone trying to confuse the trail.

5. **Use of Intermediaries or Straw Buyers:** If a new client approaches saying they represent the actual buyer or they're “house hunting for a friend/relative” and want to do everything in their own name, dig deeper. Sometimes launderers use a front person to conduct the purchase.

As an agent, you should know who your actual client is (who's paying you, and who's behind the decision). If John is bidding at auction but it's really for someone else's benefit (and that person remains hidden), that's problematic. The law will likely require you to verify not just the person instructing you but also anyone they represent (the beneficial owner of the property).

6. **High-Risk Geographies:** Properties in certain locations (like major metropolitan luxury markets) might have more international buyers and thus higher risk of foreign illicit money. Also, consider the origin of funds: if a buyer is from or earning money in a country known for high corruption or weak AML laws, that's a scenario requiring caution. Funds might also route through tax havens before arriving – i.e. a deposit comes from a bank in the British Virgin Islands. These situations merit extra checks on legitimacy.

By identifying these scenarios, you can apply Enhanced Customer Due Diligence when they occur. Enhanced measures might include requiring additional proof of identity (like certified copies, multiple IDs), proof of source of funds (i.e. a bank statement or loan approval showing where the money is coming from), more frequent communication with the parties (to sense if stories stay consistent), and keeping a closer eye on the flow of money (ensuring it goes through proper channels like trusted solicitors or the agency's trust account rather than unusual routes).

## **Core AML/CTF Obligations for Real Estate Agents**

Just like other Tranche 2 entities, real estate agents will have to implement the five pillars of AML/CTF compliance:

1. **Enrol with AUSTRAC:** Your agency will need to officially register with AUSTRAC by the due date (expected within 28 days of 1 July 2026, so likely by 29 July 2026). This is a basic step to identify yourself to the regulator. Ensure your business details are up to date and that you know how to use the AUSTRAC online portal, as that's where you'll file reports.
2. **Customer Due Diligence (CDD):** Before establishing a business relationship or conducting a property transaction, you must verify your client's identity.

For individual buyers or sellers, this means collecting and verifying identification documents (similar to the 100-point ID check you may already do for things like rental applicants, but now it's mandatory for sales due to AML). You'll also need to identify if the person is acting for someone else.

For companies, verify the company's existence (i.e. ASIC records) and then identify the individuals who own or control it (beneficial owners holding, say, 25% or more).

CDD in real estate also involves understanding the purpose of the transaction if it's not obvious – is it an investment, owner-occupier, etc., especially if something doesn't align (like someone buying an expensive commercial property who has no background in that business – why?). If any client is high-risk (for reasons like being a PEP or from high-risk country), apply enhanced due diligence as noted earlier.

You should complete verification **before** the transaction is too far advanced – ideally at listing stage for sellers, and at offer stage for buyers (certainly before settlement). Australian real estate often moves fast, but compliance must be done; build it into your process (i.e. “we require certified ID and proof of funds source before we can accept your offer formally”).

3. **Ongoing Monitoring:** During the course of the property deal, keep an eye out for red flags (like those scenarios listed above). Real estate transactions might be one-off, but if one drags on or if there are staged payments (like deposit, interim payments, settlement) through your trust account, monitor each for anomalies. If you do ongoing property management or have repeat investor clients, then it's an ongoing relationship requiring periodic reviews. Monitoring also means being alert up to the point of settlement – i.e. if at the last minute the buyer changes which account funds are coming from or requests an odd arrangement, you should notice and evaluate that.
4. **Reporting to AUSTRAC:** There are two main reports you may need to file: Suspicious Matter Reports (SMRs) and Threshold Transaction Reports (TTRs). An SMR must be filed if you suspect any person or transaction is linked to crime – for example, if a buyer's funds seem likely to be illicit or a seller's behaviour makes you suspect the sale is laundering money. The law requires you to submit the SMR within 3 days of forming the suspicion (or 24 hours if related to terrorism financing). This means you shouldn't delay once you have reasonable grounds.

A TTR, as mentioned, is required for any cash transaction of \$10,000 or more. So if a buyer hands you a \$20,000 cash deposit cheque (bank cheque is not cash, but actual currency or maybe travellers cheques etc. count as cash equivalents), you must report that. While large cash payments in property are less common today, sometimes deposits or expressions of serious interest might come in cash, so be prepared for that scenario.

Also, if your agency at any point handles international fund transfers (not typical – usually that’s banks or lawyers dealing with settlement funds – but if you did act in a way where you instruct or move funds overseas), there’s an obligation to report those as International Funds Transfer Instructions (IFTIs). Mostly, you’ll focus on SMRs and TTRs. Additionally, as a reporting entity, you’ll do an Annual Compliance Report to AUSTRAC each year, declaring that you met obligations.

5. **Record-Keeping:** You must retain identification records, transaction records, and communication related to the transaction for at least 7 years. For real estate, this would include copies of IDs you collected, forms you used for risk assessment, records of any queries you made about funds, the contract and payment records, etc. Essentially, an auditor or investigator should be able to reconstruct what you did to comply on that file even years later. Make sure you store these securely (likely alongside other contract files, but with sensitive personal info protected). Also, keep records of training sessions for staff and any internal compliance reports or audit results.

## Developing an AML Program for Your Agency

Every real estate business will need to create an AML/CTF compliance program. This is a tailored document (and set of procedures) that outlines how your agency will fulfill the obligations we discussed.

Here’s how to go about building one:

- **Risk Assessment:** Start by assessing your specific risk exposure in real estate. Consider your location (a high-end Sydney agency might have different risk factors than a rural town agency), client base (do you frequently deal with overseas buyers? cash-heavy clients? developers with complex financing?), and services (sales, property management, buyers’ agent services, etc.).

Write down what scenarios are likely in your business and which are higher risk. For example, “Our agency often serves international students buying apartments via their overseas parents – risk: foreign funds and PEPs possibly” or “Mostly local residential sales under \$1M – risk mostly low, except occasional cash deposit at auctions.” This risk mapping will drive how stringent your controls need to be in various cases.

- **Policies and Procedures (Part A):** Draft policies that cover governance: who is the Compliance Officer for your agency (perhaps the principal licensee or a senior manager)? How will you vet new staff (ensuring they are trustworthy)? How do you ensure confidentiality of reports (to avoid tipping off a client that you reported them)?

Also, include procedures for each obligation: how do you do CDD in practice (e.g., using a form to collect ID documents and beneficial owner info), how do you conduct ongoing monitoring (maybe a checklist to review before settlement), how and who files reports to AUSTRAC (perhaps the principal does it, or a compliance manager), and how you keep records (physical file, scanned to secure drive, etc.).

Also plan for what happens if you encounter a suspicious situation: a clear internal escalation process. For instance, “If any staff suspect ML/TF, they must immediately inform the Compliance Officer. The Compliance Officer will evaluate and if warranted, draft an SMR to send to AUSTRAC. Staff are reminded not to tip off the client.” Writing this out makes sure everyone knows the drill.

- **Customer ID Procedures (Part B):** This part of the program spells out the specifics of identity verification. For real estate, you might adapt the existing practices like the VOI standards that conveyancers use. It could say: for individuals, we require at least one primary photo ID (like passport or driver’s license) and a secondary ID or evidence of address. You might choose to use electronic verification systems (there are services that can verify IDs against databases – convenient for quick checks). For companies, outline how you will get company extracts and identify directors/shareholders. Also, include steps for verifying the source of funds when necessary (not always required by law explicitly, but as part of EDD if something is high risk, asking for proof of funds can be part of your procedure – i.e. “for high-risk customers, obtain a bank letter or loan approval or other evidence showing from where the purchase money is coming”). Define what you consider “high risk” triggers that demand EDD – list PEPs, high-risk countries, unusual funding, etc. – and what extra measures you’ll take in those cases.
- **Training and Awareness:** As part of the program, commit to training your staff on these procedures. Real estate is a people business; your agents and support staff need to know what’s expected.

Plan to hold an initial training on AML basics and your new policies well before the law kicks in, and refresh it at least annually. Also train new hires promptly. The program should note that you’ll maintain a training log (who was trained, on what date, what topics).

For example, “All sales agents and support staff will undergo AML/CTF training twice a year, covering CDD steps, recognising suspicious patterns, and reporting protocols.” Even a small three-person agency should document training – even if it’s just a team meeting where you go over a checklist, write it down.

- **Monitoring and Improvement:** State how you will ensure the program stays current. Maybe you’ll review it yearly or when there’s a regulatory change. Maybe assign someone (the Compliance Officer) to do a brief annual report on compliance (like how many reports filed, any incidents, any difficulties, and suggestions for changes). Real estate market conditions change, and so can risk factors (for instance, if government

bans cash over a certain amount or if a new high-risk country emerges). Your program should be a living document.

### **Red Flag Examples in Real Estate**

We touched on high-risk scenarios; let's list some concrete **red flags** that all sales agents and property managers should consider:

- Buyer wants to use unusually heavy cash (especially in chunks just under reporting threshold, like someone who insists on paying \$9,900 in cash repeatedly) – suggests structuring.
- Client's funding comes from multiple sources that don't logically connect (i.e. different people in different countries sending money for one buyer).
- The client displays signs of identity evasion – such as reluctance to provide ID, or provides documentation that appears forged or inconsistent (i.e. different signatures).
- Immediate resale or flip at a significantly different price with no justifying market change – might indicate they are rotating money or two criminals swapping funds via property.
- Vacant or luxury property bought and left unused – not something you may know immediately, but if you manage properties, a tenant never moves in or a purchased house stays empty long-term could hint it was just an investment to park illicit money (though could also be legit foreign investor choices; context matters).
- Client is overly secretive or controlling about the process – like they refuse to meet in person and only communicate via third parties, or they avoid contact when asked for standard information. If a buyer only wants to deal in cryptocurrency or other unusual payment methods that are outside normal practice, that's also a red flag.
- Unusual conditions in the contract – like requests to understate the sale price on the contract (which is illegal for other reasons, too – often attempted for tax evasion, but it could also be ML related to manipulate loan amounts). Any request to falsify or omit details from official documents is a big warning.

When a red flag pops up, your duty is to check it out and, if suspicion remains, file an SMR. You are not required to *prove* it's money laundering – just to report if you suspect it on reasonable grounds. AUSTRAC will do the digging after that. Your job is to be the eyes on the ground.

### **Training Your Team and Tools to Help**

A successful compliance program hinges on people understanding and executing it. For real estate, which often has higher staff turnover and many part-time or subcontracted agents, ensure everyone from the principal to the newest sales associate is trained.

- **What Training Should Cover:** At minimum, explain the law (why you have to do this), the main obligations (the five pillars above), how to perform CDD (maybe do a role-play of verifying a customer or filling in a KYC form), and how to spot red flags (show examples or case studies). Also, crucially, training must emphasise the reporting process – that staff should report internally any suspicion and never tip off the client. They need to understand that by law they cannot tell a client “I filed a report on you” and that doing so is a serious offense (“tipping off”).
- **Frequency and Documentation:** Make training a regular thing. Perhaps incorporate 10 minutes on compliance in your weekly sales meetings (“compliance moment”) to keep it fresh – one week discuss a red flag example, another week quiz on what to do if X happens. This ongoing reinforcement helps because real estate agents are busy and might see compliance as secondary; keep it in their awareness. Document formal training sessions in a log (date, attendees, topics). For informal refreshers, keep a brief note as well.
- **Useful Tools and Templates:** Provide your team with checklists and cheat-sheets. For example, a Client Onboarding Checklist that they must complete for each new seller or buyer: collect copy of ID, fill risk factors, confirm beneficial owner, etc.

A one-page Red Flag List pinned in the office or an internal wiki, so agents can quickly see what to watch out for. Some agencies might integrate these into their CRM systems (for example, adding extra fields in client databases for “ID verified: yes/no, by whom, when” and “Risk rating: low/med/high” and maybe an alert if high risk).

If you manage rental properties, have a process for screening unusual rent payments too (since property management can also be abused to launder by overpaying rent etc. – though primary focus is sales). There are also emerging digital tools: identity verification solutions such as those offered by AML House. While not mandatory, they can ease the process, especially for remote or overseas clients where face-to-face verification is hard.

- **Coordination with Other Professionals:** Train your agents to work hand-in-hand with the client’s conveyancer/solicitor on AML matters. For instance, if an agent has done the ID check, perhaps the conveyancer can rely on it – but ensure proper documentation exchange if so (and that it’s legally allowed to rely – the rules might permit “reliance on third-party CDD” in some cases, with conditions). Conversely, if the conveyancer does the verification (as they often do under land title laws), the agent should obtain a confirmation that it’s done to satisfy themselves too. It’s better both do it than each assume the other did.

## Real Estate Case Studies & Lessons

Sometimes it’s easiest to understand the impact of AML measures through examples:

- **Case Study: The “Generous” Buyer’s Agent** – A local agency is approached by an intermediary who claims to represent an overseas buyer looking for high-end

properties. This representative says the buyer values privacy and wants minimal personal information disclosed. They also hint at a quick deal, even willing to pay above asking price, but only if the agent doesn't ask too many questions. The agent recalls training about "front men" and insists on at least meeting the actual buyer via video call for ID verification. The rep resists. The agency then declines to proceed without basic CDD, suspecting something is off. They file an SMR on the approach because the scenario felt like someone trying to launder money by anonymously acquiring property. A few months later, the agency learns through news that a similar scheme was uncovered where corrupt foreign officials were buying Sydney properties via proxies. The agent's caution saved them from potentially facilitating a corrupt deal and getting entangled legally.

- **Case Study: Unexplained Wealth in Property** – A young woman with no obvious employment history starts buying multiple properties through different agents across town, always all-cash deals or with large deposits. One of the agents notices that the buyer's ID and profile don't match the multimillion-dollar purchasing activity (she lists her occupation as "student"). The agent asks politely about how the purchases are financed; the buyer's story is vague. The agent completes the sale but files an SMR due to the suspicion of unexplained wealth. Authorities investigate and find it was actually a syndicate using the student's name to buy safe assets with drug money. The agents who reported helped break the case. Those who didn't report faced questions on why they turned a blind eye. Moral: even if a sale goes through, you should report if you suspect – it's confidential and you're protected by law for reporting.
- **Case Study: Auction Cash Deposit** – An agency hosts an auction for a residential home. The winning bidder, on the fall of the hammer, presents \$50,000 in cash as the deposit (which is unusual but not illegal as deposit). The agent is startled by the physical cash. According to procedure, they accept it (preferably, they'd have a clause that deposits over a certain amount must be bank transfer, but in the heat of auction that wasn't enforced). The next day, the compliance officer files a Threshold Transaction Report (for the cash) and also scrutinises the buyer with extra care. They verify the buyer's ID (he's an Australian business owner) and ask how he had so much cash – he claims it was withdrawn from his business for the auction. The business is a restaurant – which can be cash-heavy, but such a large cash-on-hand is odd. The officer decides to also lodge an SMR due to the possibility that the cash could be undeclared income or worse. Meanwhile, they advise management to update auction terms to discourage cash. The report ensures that if that buyer was laundering money (maybe skimming from the business), AUSTRAC is alerted. The agency did their part, and in an audit they can show they handled an unusual situation diligently.

## Preparing for Audits in the Real Estate Context

Real estate agencies might eventually be audited for AML compliance by AUSTRAC or be asked to have an independent review. Some tips to be ready (similar to what other entities do, but with your context):

- Keep a well-organised client verification file for each property transaction. Maybe include a cover sheet that checks off all AML steps done. This makes it easy to show an auditor.
- Conduct a self-check every few months on a sample of sales: did we collect ID for everyone? Did we file reports where needed? Are records complete?
- Pay attention to trust account audits (which you might already do annually for licensing requirements) – integrate AML checks into those. Often, trust account auditors check for compliance with property laws; consider expanding their scope to flag any unusual transactions too.
  - Use external legal support such as AML House to streamline your legal and compliance obligations.

### **Final Thoughts and Next Steps for Real Estate Professionals**

Becoming compliant with AML/CTF laws is a significant change for the real estate sector, but it ultimately strengthens the industry. Yes, there will be new paperwork and the occasional tough conversation with a client about why you need their identification or source of funds. However, many clients (especially savvy ones) will understand – globally, such checks are common when buying property.

Start early: **2025 is your year to get ready**. Don't wait until June 2026, because implementing a compliance program involves training staff and adjusting some business processes (like how you handle deposits or client onboarding). Use the time now to pilot these new procedures on a few transactions to see how they work, and iron out any issues.

Importantly, don't hesitate to seek expert help if you need it. AML House is here to assist you at every stage. We have developed fixed fee packages which cover all of your obligations in one easy-to-use compliance platform. For more information on how you can partner with AML House to ensure seamless compliance, contact us today.

Contact us today.

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