



SANCTIONS COMPLIANCE FOR ACCOUNTING SERVICES

First published: 23 March 2026

This **GUIDANCE NOTE** is produced by the Australian Sanctions Office (ASO) within the Department of Foreign Affairs and Trade (DFAT). It provides a summary of relevant sanctions laws but does not cover all possible sanctions risks. Users should consider all applicable sanctions measures and seek independent legal advice. This document should not be used as a substitute for legal advice. Users are responsible for ensuring compliance with sanctions laws.



OVERVIEW

This guidance note covers information relevant to accountants in managing sanctions risks. It includes guidance in light of reforms to anti-money laundering and counter-terrorism financing (AML/CTF) legislation. It identifies key sanctions risks applicable to certain accounting services and outlines new sanctions-related AML/CTF legislative obligations that will apply to persons providing such 'designated services' from 1 July 2026.

ANTI-MONEY LAUNDERING AND COUNTER-TERRORISM FINANCING REFORMS

On 29 November 2024, the Parliament of Australia passed the *Anti-Money Laundering and Counter-Terrorism Financing Amendment Act 2024* that simplifies and modernises Australia's anti-money laundering and counter-terrorism financing (AML/CTF) laws, which includes the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (AML/CTF Act)*. Australia's AML/CTF laws are supported by the AML/CTF Rules (the *Anti-Money Laundering and Counter Terrorism Financing Rules 2025*).

These reforms aim to strengthen Australia's laws to help prevent organised crime and ensure our laws meet international standards set by the global financial crime policy and standard-setter – the Financial Action Task Force (FATF). Key changes expand the AML/CTF framework into new service industries recognised both domestically and globally as high-risk for criminal exploitation. These reforms also strengthen safeguards by introducing additional measures to help identify and prevent dealings with sanctioned individuals, or their assets, through designated services provided by accounting services.

Services provided by accounting professionals pose a high money laundering risk in Australia. Accountants can be vulnerable to criminal exploitation from their ability to act as 'trusted gatekeepers', in creating and managing complex structures such as trusts, corporate groups, layered ownership, nominee and shelf company arrangements, which can conceal beneficial ownership. Australian authorities find criminals are increasingly using accounting professionals to legitimise their illegal proceeds.

From 1 July 2026, AML/CTF obligations will apply to certain 'designated services' typically provided by accountants. Reporting entities (businesses that provide designated services) are required to collect and verify information to establish on reasonable grounds whether their customers and certain associates are designated for targeted financial sanctions (TFS).

For the purposes of the AML/CTF laws, a person designated for targeted financial sanctions means:

- a designated person or entity (within the meaning of regulations made under the *Charter of the United Nations Act 1945*); or
- a designated person or entity (within the meaning of regulations made under the *Autonomous Sanctions Act 2011*).

Reporting entities are also required to develop, maintain and comply with AML/CTF policies aimed at ensuring that they do not contravene Australian sanctions laws related to targeted financial sanctions in providing its designated services.

The AML/CTF framework is administered by AUSTRAC. For further guidance on sanctions-related requirements under AML/CTF Reforms, please refer to AUSTRAC's website: [Persons designated for targeted financial sanctions \(Reform\) | AUSTRAC](#).

MANAGING SANCTIONS OBLIGATIONS

Australian Sanctions Laws

Sanctions are measures that the Australian Government, autonomously or on the basis of decisions of, the United Nations Security Council, impose in response to situations of international concern. Sanctions contraventions are criminal offences under Australia's Autonomous Sanctions Act 2011 and the Charter of the United Nations Act 1945. Sanctions measures include prohibitions on dealing with a designated person or entity, dealing with controlled assets, or providing a sanctioned service.

Details of sanctions frameworks and measures applicable under them vary according to the objectives of the individual framework and can be obtained at DFAT's website. It is important to check the relevant sanctions framework for the specific measures which are applicable. For details on sanctions frameworks, please refer to DFAT's website: [Legislation and Sanctions Frameworks | DFAT](#)

The [Sanctions Compliance Toolkit | DFAT](#) offers practical guidance to help the regulated community identify and mitigate sanctions risks. Key elements of Australian sanctions laws are described below.

Designated Person or Entity

A designated person or entity is an individual, organisation, group or business who is listed under Australian sanctions laws. Designated persons or entities are subject to targeted financial sanctions. The [Consolidated List](#) (which includes persons and entities designated under Australia's UNSC and autonomous sanctions frameworks) is maintained by DFAT and identifies all designated persons or entities (including aliases) currently sanctioned by Australia. You are responsible for undertaking due diligence checks necessary to understand whether any of the persons or entities connected with your services are designated.

Australian sanctions laws are linked to the AML/CTF Tranche 2 obligations. This extends CDD obligations to accountants providing designated services. Reporting entities must exercise due diligence such as targeted financial sanctions checks of their clients, any beneficial owners, persons acting on behalf of the clients, clients receiving services on behalf of another person, and beneficiaries of trusts against the [Consolidated List](#).

Sanctions risks may be present if an individual or entity attempts to sell, buy or otherwise transfer assets to, or for the benefit of, a designated person or entity. For example, these risks could arise when a client deposits funds into an accountant's trust account and asks the accountant to transfer funds to a third party, or uses the services of an accountant to facilitate the sale or transfer of companies and other legal persons and arrangements.

Controlled Assets

Assets are generally 'controlled assets' under Australian sanctions laws if they are owned or controlled by a designated person or entity. Assets may also be controlled assets if they are owned or controlled by a person acting on behalf of a designated person or entity. A person who, or entity which, holds a controlled asset is prohibited from:

- using or dealing with the asset;
- allowing the asset to be used or dealt with; or
- facilitating the use of, or dealing with, the asset.

An 'asset' is defined broadly for the purposes of Australian sanctions laws and includes funds and other property, including intangible property. The broad definition of assets may limit the extent to which accountants can deal with a designated person or entity. For further guidance, please refer to the ASO's website: [Guidance Note - Dealing with assets owned or controlled by designated persons and entities | DFAT](#).

Targeted Financial Sanctions

Targeted Financial Sanctions generally prohibit directly or indirectly making assets available to, or for the benefit of, designated persons or entities. They may also prohibit using or dealing with certain assets owned or controlled by such persons, effectively freezing these assets. A person or entity will commit an offence if engage in conduct in contravention of those prohibitions.

The scope of assets captured by the TFS measures include tangible, intangible, moveable and immoveable kinds of assets, regardless of how they are acquired. In terms of financial assets, this could be cash, bank credits, travellers and bank cheques, money orders, shares, securities, bonds, debt instruments, drafts and letters of credit. TFS may also apply to legal documents and instruments demonstrating title to, or an interest in, an asset or property.

Importantly, the sanctions legislation may be contravened by indirectly making an asset available to or for the benefit of a designated person or entity. By way of example, if someone makes funds available to a person who acts at the designated person or entity's direction, or in which the designated person has a financial interest.

A person may also commit an offence if they make assets available for a designated person or entity's benefit. For example, this may include paying money to another person in satisfaction of a designated person's liabilities.

For further guidance, please refer to the ASO's website: [Guidance Note - Financial transactions involving designated persons and entities | DFAT](#) and [Guidance Note - Securities and investments sector | DFAT](#).

Financial Services

In addition to the new AML/CTF obligations, Australian sanctions laws prohibit the provision of sanctioned services under certain sanctions frameworks. A 'sanctioned service' can include the provision of financial assistance and/or financial services.

Sanctions frameworks can also impose general restrictions on certain goods, services and commercial activities.

Sanctions risk associated with provision of a financial service may include (but are not limited to):

- the provision of a financial service in connection with a sanctioned supply, sanctioned import or sanctioned commercial activity or any other sanctioned service – see e.g. regulation 5 of the *Autonomous Sanctions Regulations 2011*, and
- sanctioned commercial activities, such as those relating to the acquisition, sale or extension of an interest in certain entities – see e.g. regs 5A-5CA *Autonomous Sanctions Regulations 2011*.

Please refer to each [Legislation and Sanctions Frameworks](#) for the specific prohibitions.

Before accepting an engagement to provide professional accounting services such as financial services or undertaking commercial activities, accountants should be aware of the sanctions risks/obligations under each framework as it relates to their business and how sanctions laws may apply to their client (or other relevant persons involved in the transaction).

What should you do if you identify a possible sanctions contravention?

Assets owned or controlled by a person or entity designated for TFS must be frozen. This means persons who hold those assets cannot use or deal with, or allow the asset to be used or dealt with, or facilitate the use of the assets or dealing with the asset without a sanctions permit. In view of that prohibition, it may not be appropriate for reporting entities to conduct business with persons or entities that have been designated for TFS.

A person who holds a controlled asset and forms an opinion that the asset is a controlled asset must provide information about that asset to the Australian Federal Police. They should also report any attempt to use or deal with controlled assets to the Australian Sanctions Office through the PAX Portal or email at sanctions@dfat.gov.au. They should also not facilitate dealings with frozen assets by others, e.g. by helping to arrange the transfer of frozen monies to a foreign account.

Reporting entities should also consider their obligations under the AML/CTF, including whether they must submit a suspicious matter report (SMR) to AUSTRAC (e.g. if you suspect attempted sanctions contraventions or other offences).



Penalties for Sanctions Offences

Sanctions offences are punishable by:

- For an **individual** – up to 10 years in prison and/or a fine of 2500 penalty units (\$825,000 as of 7 November 2024), or three times the value of the transaction(s) (whichever is the greater).
- For a **body corporate** – a fine of up to 10,000 penalty units (\$3.30 million as of 7 November 2024) or three times the value of the transaction(s) (whichever is greater).

The offences are strict liability offences for body corporate, meaning that it is not necessary to prove any fault element (intent, knowledge, recklessness or negligence) for a body corporate to be found guilty. However, an offence is not committed if a body corporate can demonstrate that it took **reasonable precautions**, and exercised **due diligence**, to avoid contravening Australia's autonomous sanctions laws.

Common Red Flag Indicators

Red flag indicators serve as important tools for identifying suspicious customers and activities that may be associated with attempts to evade sanctions. Recognising these indicators enables reporting entities to detect and respond to illicit behaviour that could result in contraventions of sanctions laws. By monitoring for such warning signs, reporting entities can enhance their ability to protect themselves from facilitating prohibited transactions and maintain compliance with relevant legal obligations.

AUSTRAC provides further guidance on high-risk indicators for accountants to consider when assessing for money laundering: [Guidance - Risk insights and indicators of suspicious activity for accountants | AUSTRAC](#).

What does this mean for accounting professionals?

The restrictions under Australian sanctions laws can be nuanced and contingent upon the specific nature of the accounting services being offered, the identity and status of the client, and the circumstances surrounding the engagement. Accounting professionals must assess each situation individually and consider whether their client is a designated person or entity. They must also understand where the money is derived from and whether the type of activity falls within the scope of a sanctioned activity as defined by the relevant [Legislation and Sanctions frameworks | DFAT](#).

By adopting appropriate sanctions checks and adequate due diligence practices, accounting professionals are able to meet their obligations under Australian sanctions laws. This work involves exercising due diligence and conducting risk assessments for each matter, taking into consideration the unique circumstances of the client and the nature of the accounting service to be provided. Through these careful steps, accounting professionals can mitigate against the risk of inadvertently breaching sanctions laws while continuing to provide legitimate financial advice and assistance. In this way, compliance requirements are satisfied without unnecessarily restricting access to lawful accounting services where it is not prohibited by the relevant sanctions frameworks.

HOW TO MITIGATE SANCTIONS RISK

Additional Obligations under the AML/CTF Act and Rules

The AML/CTF Act and Rules require reporting entities to develop and maintain AML/CTF policies that mitigate and manage risks of money laundering, terrorism financing and proliferation financing when providing designated services.

A reporting entity's AML/CTF policies must set out how the reporting entity will ensure that, in providing designated services, it:

- does not make any assets available to, or for the benefit of, a person designated for TFS, in contravention of Australia's sanctions laws; and
- does not use or deal with, or allow or facilitate someone to use or deal with, any assets owned or controlled (directly or indirectly) by a person designated for TFS, in contravention of Australia's sanctions laws.

Reporting entities must establish on reasonable grounds the following matters before they start to provide a designated service:

- the identity of a customer;
- the identity of any beneficial owner of the customer;
- the identity of any person on whose behalf the customer is receiving the designated service; and
- the identity of any person acting on behalf of the customer and their authority to act.

A reporting entity must also establish on reasonable grounds whether any of the abovementioned persons is designated for targeted financial sanctions.

Throughout the course of their business relationship with customers or the abovementioned persons, reporting entities should be alert to potential sanctions compliance risks and continue to check whether any person mentioned above has become designated for TFS as part of their ongoing due diligence.

Exercise due diligence

Entities should implement due diligence measures to mitigate the risk of potential sanctions contraventions. These measures help define sanctions risks that customers may bring into your practice. Based on due diligence outcomes, entities should be able to establish if customers are a designated person or entity on the [Consolidated List](#) that are subject to targeted financial sanctions – and therefore subject to restrictions that prevent dealing with them or their assets.

For activities involving high risk jurisdictions, this may involve conducting more thorough checks and further investigation, as well as seeking additional legal advice. The [Sanctions Compliance Toolkit](#) and the [Sanctions Risk Assessment Tool](#) provide comprehensive guidance, outlining key principles, risk management strategies, and best practises that regulated entities can adopt to help ensure they do not contravene sanctions. Those resources are developed to assist with identifying and managing risks related to Australia's sanctions laws.



Case Study 1

An Australian accounting firm is approached by representatives of a company seeking budgeting and cash flow advice. As part of the initial customer due diligence, the firm identifies the company has complex ownership structures, raising concerns that the beneficial owner is potentially a designated person. The firm uses available information sources to check against the Consolidated List but is unable to conclusively determine whether the company is controlled by a designated person or entity.

Faced with this ambiguity, the accounting firm seeks independent legal advice regarding the company's directorship and intermediaries involved. The firm chooses not to provide services to the company until legal advice is received and the company's control and ownership is identified and resolved.



Case Study 2

An Australian accounting firm is managing the funds of a person living overseas relating to the sale of their property assets in Australia. During the dealings with their client, the firm receives a notification that the Consolidated List has been updated, and one of the new individuals named has the same as that their client. The firm cross-references the Consolidated List to check the person's details, and confirms their client is designated under Australian sanctions laws.

The accounting firm promptly ceases to provide any services relevant to the sale or property transfer and freezes any funds they hold in trust. The firm notifies the ASO and the AFP, providing details about the controlled assets, including account numbers, property addresses, and the total assets frozen. The accounting firm also submits a suspicious matter report to AUSTRAC if the client or any other person enquires about dealing with the frozen funds or attempts to deal with the frozen funds without a sanctions permit.

SANCTIONS PERMITS

A sanctions permit is an authorisation from the Minister for Foreign Affairs (or the Minister's delegate) to undertake an activity that would otherwise be prohibited by Australian sanctions law. The Minister may grant a permit in relation to both United Nations Security Council (UNSC) and autonomous sanctions frameworks.

UNSC Sanctions Permits: The criteria for sanctions permits under UNSC frameworks vary, as do the range of activities that the Minister can authorise. These activities tend to be more limited than those which can be authorised under the autonomous sanctions frameworks. Additionally, some UNSC sanctions frameworks require the Minister to notify or receive the approval of the UNSC before granting a sanctions permit.

Autonomous Sanctions Permits: All permits issued under autonomous sanctions frameworks must meet the same criteria, in particular that the Minister must not grant the permit unless the Minister is satisfied that granting the permit is in the 'national interest'. This generally requires the Minister to be satisfied that the grant of the permit is beneficial or advantageous to the nation as a whole, as opposed to only a particular company, group, or region within the nation.

For more detailed information about how to apply for sanctions permits, including guidance on specific frameworks and classes of permits, please refer to DFAT's website: [Apply for a sanctions permit | DFAT](#).



Approach to Permits

The ASO advocates for proactive risk management rather than relying on permits. Sanctions permits are generally appropriate only when there is a clear likelihood of a sanctions contravention occurring. For broad or non-specific sanctions risks, it's better to manage compliance through **reasonable precautions and due diligence** to prevent issues before they arise. To enable due consideration of any permit application, ASO must be provided sufficient detail of a specific contravention to which the application relates.



Further Information and Resources

While this guidance note provides a framework for understanding key sanctions risks and compliance requirements, it is essential to remember that it does not cover every possible scenario. Sanctions compliance is a dynamic, ongoing process rather than a one-time assessment.

Sanctions measures and associated risks are constantly evolving, requiring regulated entities to continuously monitor and reassess their compliance strategies. Regulated entities are encouraged to seek independent legal advice tailored to their specific situation and ensure thorough due diligence in all activities.

The [Sanctions Compliance Toolkit](#) and the [Sanctions Risk Assessment Tool](#) provide comprehensive guidance, outlining key principles, risk management strategies, and best practises that regulated entities can adopt to help ensure they do not contravene sanctions.

Further information is available on the Department's [website](#) and in the [ASO guidance notes](#) on specific sanctions topics. If you have any questions, you can make an enquiry through the [PAX Portal](#), or email sanctions@dfat.gov.au