

FS Compliance Newsletter

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Introduction

In this edition, APRA and AUSTRAC have launched a coordinated action against multiple banks in relation to weaknesses in the identification, mitigation and management of money laundering and terrorism financing risks and generally deficient risk management processes and procedures.

The Federal Court has ordered \$925,000 in fines for a Licensee and Authorised Representative who accepted conflicted remuneration. APRA has accepted a court enforceable undertaking from a Licensee in relation to material weaknesses in its investment governance framework which resulted in many of the Licensee's members investing in now collapsed Funds.

ASIC has updated its conflicts of interest guidance for Licensees and AFCA has released a video update regarding its progress in determining complaints in relation to the collapse of the Shield and First Guardian Master Funds alongside four lead decisions related to the collapse.





Enforcement

FSCP issues a reprimand for account-based pension advice failure

On 15 December 2025, the Financial Services and Credit Panel's ("FSCP") Sitting Panel issued a written reprimand to an adviser in respect of a contravention of ss 961B(1) and 961G of the *Corporations Act 2001* ("**Corporations Act**") when providing advice to a client in October 2024 regarding the commencement of an account-based pension.

Prior to providing advice to the client the adviser failed to verify whether the individual had previously commenced an account-based pension, which they had. The subsequent advice resulted in the client exceeding the transfer balance cap.

The Sitting Panel also found that the adviser failed to comply with the Code of Ethics' "value of Diligence" and Standard 5 of the Code by failing to ensure that the advice provided was in the client's best interests.



The full media release can be [viewed here](#).

APRA and AUSTRAC take action against banks for AML and risk management deficiencies

APRA and AUSTRAC commenced an action to address weaknesses in the risk management practices of Bendigo and Adelaide Banks ("**Bendigo Bank**"). These actions were announced on 18 December 2025 and follow an independent review being undertaken in response to suspected money laundering at a Bendigo Bank branch, which was reported to AUSTRAC by the bank.

The review found significant deficiencies with Bendigo Bank's processes and procedures regarding the identification, mitigation and management of money laundering and terrorism financing ("**ML/TF**") risk. The regulators raised concerns that the weaknesses may be symptomatic of a deficient risk culture across the operations of Bendigo Bank more broadly.

Under the coordinated response, the regulators will implement three key measures:

- APRA will require Bendigo Bank to conduct a root cause analysis to understand the extent of its non-financial risk management deficiencies;
- APRA will require Bendigo Bank to hold an additional \$50 million of operational risk capital; and
- AUSTRAC has commenced an enforcement investigation regarding Bendigo Bank's compliance with its obligations under the *AML/CTF Act*.

The capital add-on will remain in place pending the completion of remedial measures and Bendigo Bank addressing the wider concerns of the regulators.



The full media release can be [viewed here](#).



Court orders penalties over conflicted remuneration failures

On 19 December 2025, the Federal Court ordered RM Capital Pty Ltd ("**RM Capital**") to pay a \$575,000 penalty and its authorised representative The SMSF Club ("**SMSF Club**") to pay a \$350,000 penalty. The penalties follow the Court's finding that between August 2013 – August 2016, RM Capital failed to take reasonable steps to ensure that SMSF Club did not accept conflicted remuneration.

The Court found that during this period SMSF Club accepted a total of \$135,863.65 in conflicted remuneration. This remuneration was received as a result of an agreement between SMSF Club and Positive RealEstate Pty Ltd ("**Positive RealEstate**") whereby referral fees were paid to SMSF Club for recommending clients to set up an SMSF. Following the establishment of an SMSF, the clients would purchase property from Positive RealEstate and SMSF Club would receive a referral fee. On each occasion SMSF Club accepted this fee, the entity breached section 963G(1) of the Corporations Act which prohibits an authorised representative from accepting conflicted remuneration. As RM Capital authorised the SMSF Club to provide financial services, RM Capital contravened its obligations by failing to take reasonable steps to ensure that SMSF Club did not accept conflicted remuneration.

His Honour ordered that within six months:

- RM Capital must provide ASIC with a report written by an independent expert stating whether the Licensee has in place appropriate systems, policies and procedures to ensure its representatives comply with the conflicted remuneration obligations and provisions in the Corporations Act; and

- SMSF Club must provide ASIC with a report written by an independent expert stating whether it has appropriate systems, policies and procedures in place to comply with the conflicted remuneration obligations and provisions in the Corporations Act.



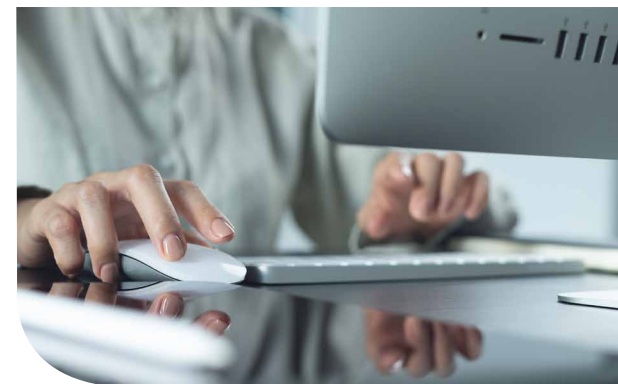
The full media release can be [viewed here](#).

APRA accepts \$101 million enforceable undertaking related to First Guardian losses

APRA has accepted a court enforceable undertaking ("**CEU**") from Netwealth Superannuation Services Pty Ltd ("**Netwealth**") in relation to material weaknesses in its investment governance framework practices. These weaknesses resulted in over 1,000 of Netwealth's members investing their money into the now collapsed First Guardian Master Fund through the Netwealth Superannuation Master Fund. In the CEU, which APRA accepted on 18 December 2025, Netwealth admitted to multiple failures and agreed to compensate affected members approximately \$100 million.

This action follows APRA's recent review of the investment governance, strategic planning and member outcomes practices of superannuation trustees that offer platforms. APRA's review raised several concerns regarding Netwealth's:

- oversight, knowledge and due diligence of new investment options;
- controls utilised to monitor, review, escalate and address the performance or risk concerns of investment options; and
- management of potential conflicts of interests arising from outsourcing services.



In the CEU, Netwealth have acknowledged the regulators concerns and has committed to:

- engage an independent expert to review the high-risk investment options on the platform and the investment governance framework;
- develop and implement a remediation uplift plan to rectify deficiencies found in the independent expert's reviews;
- review all investment options against the uplifted investment governance requirements; and
- refraining from onboarding certain new high-risk investment options to its platform.

Separately, ASIC has commenced proceedings in the Federal Court against Netwealth who have admitted its failure to obtain and assess sufficient information or make sufficient enquiries to understand the investment risk of the First Guardian Master Fund. The coordinated response between ASIC and APRA intends to ensure members are returned to the position they were in prior to the collapse of the First Guardian Master Fund.



The full media release can be [viewed here](#).



AUSTRAC commences civil penalty proceedings over missed AML/CTF compliance reports

On 11 December 2025, AUSTRAC launched civil penalty proceedings in the Federal Court against Castra Licensee Pty Ltd (**"Castra"**) and Princeton Securities (NSW) Pty Ltd (**"Princeton"**) for failing to meet their reporting obligations under the AML/CTF Act.

AUSTRAC is alleging that neither business submitted an annual compliance report for the 2023 calendar year. In September 2024, the regulator issued infringement notices to both Castra and Princeton, along with 14 other businesses, in relation to these failures. Payment of this infringement notice would have concluded the matter, however, neither business paid the notice leading to AUSTRAC's decision to launch civil proceedings.

AUSTRAC Acting CEO Katie Miller has issued a stern reminder to other businesses, warning that *"AML/CTF obligations are not optional"* and businesses must *"submit your annual compliance report on time or face the consequences"*.

 [The full media release can be viewed here.](#)

Updates from the industry

ASIC releases update to conflicts of interest guidance

ASIC has released its update to *Regulatory Guide 181: AFS Licensing: Managing Conflicts of Interest ("RG 181")* marking the first update to the guidance in over two decades. Released on 16 December 2025, the updated RG 181 seeks to provide detailed guidance on how Licensees are to manage conflicts of interest and draws significantly from ASIC's recent surveillance of Australia's private markets as well as general developments in law and policy settings within the financial services sector.

Identifying conflicts of interest

Licensees are now required to apply a 'common-sense' objective approach when determining whether a conflict of interest exists. RG 181 separates conflicts of interest into 'actual conflicts' and 'potential conflicts' and requires licensees to take into account whether a reasonable person may consider that a conflict exists when identifying conflicts of interest.

The updated RG 181 also provides valuable practical guidance for licensees when identifying conflicts of interest, as it outlines:

- a list of specific considerations licensees should consider when identifying conflicts; and
- various types of actual or potential conflicts that may arise across financial services businesses; and
- illustrative examples of scenarios in which actual or potential conflicts may arise across financial services businesses.

Adequate arrangements

A licensee's arrangements for managing conflicts of interest must be proportionate and risk-based rather than uniform across the entirety of the financial services business. These arrangements should account for the:

- legal and compliance requirements of the licensee;
- the specific likelihood, materiality, seriousness or other risks posed by a conflict or class of conflicts; and
- the nature and scale of the financial services business.

The updated guidance provides a table outlining examples of arrangements licensees may implement into their own arrangements for managing conflicts of interest.

Effective management of conflicts of interest

RG 181 emphasises that mere disclosure will likely be insufficient to manage conflicts of interest. Effective conflicts management will involve a proactive and strategic approach combining controls that avoid, manage and disclosing conflicts, with consideration of a variety of factors including the Licensee's internal structures, remuneration arrangements, fair treatment of clients or members, and market integrity principles. The updated guidance provides practical examples of:

- measures licensees should consider when implementing arrangements to avoid conflicts of interest;
- mechanisms licensees may implement to control conflicts of interest; and
- measures and principles relevant when disclosing conflicts of interest.

Considering this update licensees should review their managing conflicts of interest policy and related procedures to ensure compliance with the updated RG 181 guidance.

 [The full media release can be viewed here.](#)

AFCA releases lead decisions on Shield and First Guardian complaints

On 19 December 2025, AFCA published an update and lead decisions relating to the collapse of the Shield and First Guardian Master Funds ("**Funds**"). The update outlined AFCA's progress in determining complaints related to the collapse.

AFCA stated that they had received over 1,800 complaints relating to the collapse of the Funds. AFCA confirmed that it is grouping complaints by Licensee and progressing through them based on the date they were received and has assigned dedicated teams to each firm to address the unique themes and issues that arise in each group. AFCA indicated that it anticipates that a determination in respect of InterPrac will be completed soon. AFCA confirmed it is encouraging solvent firms to settle any outstanding complaints in line with the lead decision and in advance of AFCA issuing a preliminary assessment or determination.

Lead decisions related to MWL Financial Services ("**MWL**"), Financial Services Group Australia ("**FSGA**"), United Global Capital ("**UGC**") and combined UGC and Next Generation Advice complaints have been published finding that;

- inappropriate advice was provided by the Licensees;;
- there was a lack of diversification of investment options;
- advisers failed to consider the best interests of each client; and
- failed to adequately assess the suitability of using an SMSF.

Lead decisions are the first determinations made by AFCA in respect of similar complaints that is indicative or representative of the nature of other similar complaints in a group and are expected to enable AFCA to resolve large numbers of similar complaints in a more efficient, fair and consistent manner.



The full media release can be [viewed here](#).

AUSTRAC warns online payments providers of child exploitation risks

AUSTRAC has issued a letter to the online payments platforms sector warning platform providers to strengthen controls that prevent payments for child sexual exploitation. The warning follows an AUSTRAC regulatory operations team supervisory campaign which easily identified several customers suspected of making payments related to child sexual exploitation. AUSTRAC conducted this campaign after forming a suspicion that some online payment platforms were failing to report the suspicious money transfers of their customers.

The regulatory operations team found various issues within the online payments platforms sector including low suspicious matter reporting, poor transaction monitoring and clear failures to identify and manage high-risk customers.

Following the supervisory campaign AUSTRAC directed:

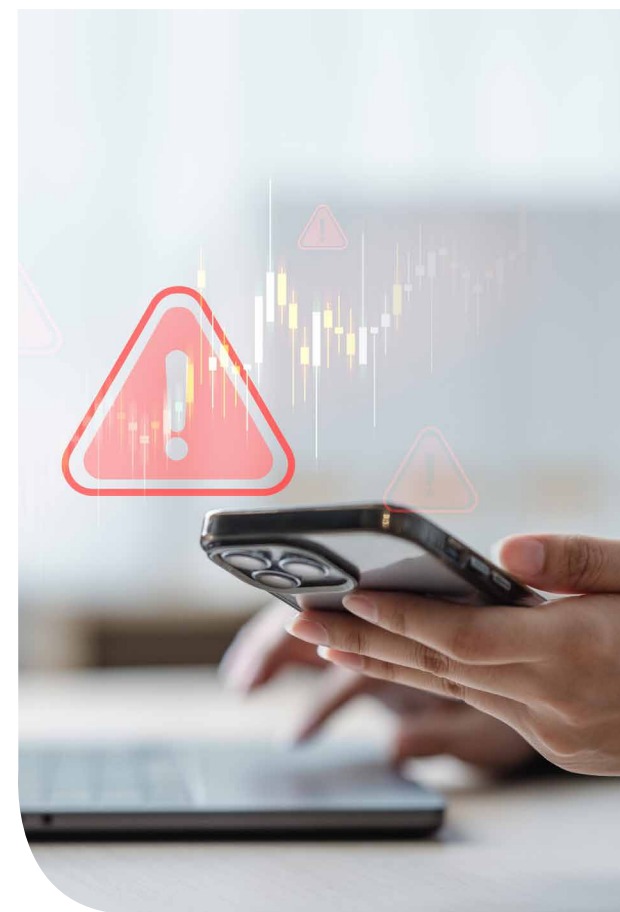
- payments provider WorldRemit to appoint an external auditor;
- sent letters of concern to five businesses; and

- has multiple other businesses under ongoing investigation.

AUSTRAC emphasised the importance for businesses to have effective mechanisms in place to identify suspicious transactions and ensure the timely submission of reports.



The full media release can be [viewed here](#).



ASIC secures refunds to investors and drives changes in compliance practices within the CFD sector

Following widespread industry surveillance undertaken by ASIC of the contracts for difference ("**CFD**") sector, ASIC secured the return of almost \$40 million to over 38,000 retail investors and propelled substantial compliance improvements within the sector.

Between October 2024 and December 2025, ASIC reviewed 52 CFD issuers and a review of the CFD sector by ASIC where the regulator, between October 2024 and December 2025, reviewed 52 licenced CFD issuers requiring them to show how their high-risk products were being distributed. The resulting report, *Report 828 Risky Business: Driving change in CFD issuer's distribution practices* ("**REP 828**") highlighted widespread deficiencies among CFD issuers in complying with their design and distribution obligations ("**DDO**"), ASIC's CFD product intervention order ("**PIO**") and regulatory reporting requirements.

ASIC has directly intervened in the CFD sector to drive widespread improvement in the TMDs, client onboarding questionnaires, reporting compliance and monitoring of client trading outcomes among CFD issuers. ASIC's intervention activity resulted in significant advancements in distribution and compliance practices among CFD issuers, including:

- 39 issuers making changes to their target markets;
- 46 issuers improving their website content;
- 44 issuers making improvements or substantial changes to their client onboarding questionnaires;
- 42 issuers implementing new and improved client trading monitoring processes; and

- 48 issuers implementing changes to comply with OTC derivative transaction reporting requirements.

ASIC's review found that while CFD issuers have made significant changes to their compliance practices, continued improvements are required.

→ [The full media release can be viewed here.](#)

Regulation

APRA imposes additional license conditions on multiple licensees

On 18 December 2025, APRA imposed additional licence conditions on Equity Trustees Superannuation Limited ("**ETSL**") intending to address concerns relating to ETSL's governance frameworks and various policies and practices, including those overseeing platform investment options available to members. In its review, APRA identified deficiencies in ETSL's onboarding, investment monitoring, conflict of interest management and investment selection processes. ETSL is a trustee for 11 registrable superannuation entities ("**RSEs**") managing over \$37 billion in funds from approximately 649,000 member accounts.

On 23 December 2025, APRA imposed additional licence conditions on Diversa Trustees Limited ("**Diversa**") in relation to prudential concerns regarding Diversa's investment governance frameworks and practices. In its review, APRA identified various deficiencies in the onboarding, investment monitoring and conflicts of interest management processes and procedures of Diversa. Diversa acts as a trustee for 10 RSEs managing approximately \$15 billion in funds from approximately 291,000 member accounts.

Under the additional licence conditions, both Diversa and ETSL are required to:

- appoint an independent expert to undertake separate reviews of the investment menus and governance frameworks on its platforms;
- develop and implement a plan to address gaps and provide APRA with assurance or attestation regarding the effectiveness of its remediation actions; and
- undertake further review of its investment menus and governance frameworks to determine ongoing suitability.

These actions follow APRA's recent escalation of supervisory intensity and the regulator's review of the investment governance, strategic planning and member outcomes practices of superannuation trustees that offer platforms.

→ [The full media release can be viewed here.](#)



AML/CTF Reforms commence 31 March 2026

On 31 March 2026, a number of significant changes will be made to Australia's anti-money laundering and counter-terrorism financing ("**AML/CTF**") regime. These changes aim to simplify and modernise the current regime and ensure that Australia continues to meet the international standards set by the Financial Action Task Force ("**FATF**").

Current Reporting Entities

The changes will affect all reporting entities that are currently regulated by AUSTRAC under the AML/CTF Act, including financial advisers, fund managers, non-cash payment providers, derivative issuers, and cryptocurrency exchanges.

Tranche 2 Entities

The changes will also draw a number of additional entities (referred to as 'tranche 2 entities') into the AML/CTF regime on 1 July 2026. The types of businesses that are likely to be tranche 2 entities include accountants, real estate agents, property developers, and trust and company service providers.

Reporting Groups

Under the upcoming AML/CTF regime, reporting entities will be able to form 'reporting groups'. Members of a reporting group will be able to share one AML/CTF Program and centralise their compliance functions. One example of where this may be beneficial is where a current reporting entity (e.g. a financial advice practice) is part of a corporate group that will soon include a tranche 2 entity (e.g. an accounting firm).

AML/CTF Programs

The requirements that apply to AML/CTF Programs, including those in respect of ML/TF risk assessments, corporate governance, KYC procedures, and ongoing customer due diligence are changing significantly.

A reporting entity may retain its existing AML/CTF Program or adopt a new AML/CTF Program. If a reporting entity chooses to retain its existing AML/CTF Program, it will need to be updated to comply with the upcoming AML/CTF regime. The extent of the updates required will depend on how compliant the AML/CTF Program currently is and how well it is working.

Regardless of whether a reporting entity updates an existing AML/CTF Program or adopts a new AML/CTF Program, the change must be made before 31 March 2026, so that the reporting entity is in a position to comply from 31 March 2026.

Please contact Compliance@CowellClarke.com.au if you would like us to:

- assist with the preparation of a new AML/CTF Program that complies with the upcoming AML/CTF regime;
- review of your current AML/CTF Program to consider the extent of changes required to meet the upcoming regime; or
- discuss the impact of the changes or your AML/CTF needs more broadly.



Get in touch with our team



Richard Beissel
Director
D: +61 8 8228 1140
E: rbeissel@cowellclarke.com.au



Michael Bracken
Director
D: +61 2 8255 6964
E: mbracken@cowellclarke.com.au



Emma Johnson
Senior Associate
D: +61 2 8255 6910
E: ejohnson@cowellclarke.com.au



Andrew Mutton
Director
D: +61 2 8255 6927
E: amutton@cowellclarke.com.au



Zac Mizgalski
Associate
D: +61 8 8228 1123
E: zmizgalski@cowellclarke.com.au



Barbara Vrettos
Senior Associate
D: +61 2 8255 6939
E: bvrettos@cowellclarke.com.au



Monique Micklethwaite
Compliance Services Manager
D: +61 8 8228 1121
E: mmicklethwaite@cowellclarke.com.au



Rhea Bhargava
Lawyer
D: +61 8 8255 6963
E: rbhargava@cowellclarke.com.au



Chloe Kowalczyk
Business Development Manager
D: +61 8 8228 1176
E: ckowalczyk@cowellclarke.com.au

ADELAIDE

Level 9, 63 Pirie Street
Adelaide SA 5000
T: +61 8 8228 1111

www.cowellclarke.com.au

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the Professional Standards Legislation

SYDNEY

Level 2, 50 Pitt Street
Sydney NSW 2000
T: +61 2 8255 6900



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