

FS Compliance Newsletter

AUGUST & SEPTEMBER 2026

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Introduction

In this edition, APRA and ASIC have released their respective 2026-27 Corporate Plans. ASIC continues to raise concerns regarding the private credit and halted offers of private credit products offered by a product provider and has released the Small Business Director Essentials Hub to assist directors in complying with their obligations.

ASIC and APRA have released a warning to financial market entities to take action in relation to frontier AI models. AFCA announced that it has received over 100,000 complaints for the third year straight. AUSTRAC has released additional guidance to assist regulated entities in fulfilling their customer due diligence obligations effectively.

Treasury has released consultations for feedback on exposure draft legislation for minimum tax on discretionary trusts, the application of the waterfall framework for the CSLR special levy, and proposals relating to improvements in the MIS sector. The government and APRA have both released reforms regarding superannuation, with the government protecting consumers and their superannuation, and APRA strengthening superannuation investment guidance. An ASIC report has flagged persistent platform trustee failures in safeguarding retirement savings.



Updates from the industry

ASIC's 2026-27 Corporate Plan

On 26 August 2026, ASIC released its 2026-27 Corporate Plan, which sets out the work ASIC intends to undertake over the coming year and ASIC's strategic priorities through to 2030. The plan identified areas for supervision and enforcement, alongside changes ASIC intends to make to its own systems and processes.

ASIC's strategic priorities for the upcoming year include:

- improving outcomes for consumers and small businesses;
- strengthening professional conduct and improving access to and reliability of business and financial information;
- supporting responsible innovation;
- improving retirement outcomes and superannuation services; and
- strengthening integrity, transparency and confidence across Australia's financial system.

As part of its work to improve outcomes for consumers and small businesses, ASIC will focus on scams and debt collection, and other practices capable of causing significant harm. As part of this strategic priority, ASIC plans to continue to disrupt investment scams by taking down scam websites, publish investor warnings and share information across regulated entities to increase scam awareness and minimise harms. ASIC will also seek to minimise harms arising from debt collection by credit providers, debt buyers and collectors acting on their behalf.

ASIC's broader work in improving outcomes for consumers and small businesses will include:

- examining non-bank lending practices that may disadvantage small businesses;

- reviewing services offered to consumers making home insurance claims particularly after disasters; and
- assessing buy now pay later providers' compliance with credit laws.

In implementing its strategic priority to improve retirement outcomes and superannuation member services ASIC intends to engage in various actions, including:

- continued surveillance of AFS licensees that recommend and offer Separately Managed Accounts ("**SMAs**") to retail clients due to the rapid growth of advice in relation to SMAs;
- engagement with industry bodies to lift managed investment scheme ("**MIS**") standards and enhance supervisory action in relation to MISs;
- continued surveillance and monitoring of industry progress in relation to the implementation of the retirement income covenant, as well as increased guidance for superannuation trustees in the form of better practice guidance;
- a targeted review of superannuation trustees' oversight of advice fee deductions; and
- identification of AFS licensees using high-risk lead generation services and implementation of actions to disrupt these models.

ASIC, in the Corporate Plan, has expressed its intention to drive integrity, transparency and confidence across Australia's financial markets by:

- addressing AI market integrity risks, including AI-driven manipulation, deepfakes, misinformation, and generative AI use;
- progressing digital asset law reform;
- continuing surveillance and supervision of private credit funds and their distribution to retail clients; and

- monitoring market stress, leverage, suspicious trading activity as well as valuation and confidential information practices.



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

APRA's 2026-27 Corporate Plan

On 20 August 2026, APRA released its 2026-27 Corporate Plan (**Plan**), detailing its policy and supervision agenda for the next 12 to 18 months, and strategic priorities for the coming four years.

The Plan details three strategic priorities:

- maintaining financial system safety and stability;
- getting the balance right; and
- improving APRA's organisational effectiveness.

APRA's priorities are reflective of the current challenging economic environment and volatile risk environment. The Plan aims to increase resilience to geopolitical tensions, cyber-attacks and frontier AI.

Continuing APRA's work from the previous year, the Plan involves cost-saving measures for industry. These include:

- streamlining prudential requirements;
- removing duplicative reporting; and
- providing greater flexibility for entities to meet their regulatory obligations.



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



ASIC introduces the Small Business Director Essentials Hub for small business directors

On 5 August 2026, ASIC introduced a new digital resource designed to help small business directors understand and meet their obligations, known as the Small Business Director Essentials Hub.

The resource will compile important information for small businesses to access during key stages of running a company – planning, setting up, operating, restructuring and closing. The information is designed to be easy to digest, in the form of practical guidance, learning modules and tools.

ASIC created this resource by engaging with small business stakeholders and conducting research that involved small business directors. ASIC will continue to improve its guidance based on ongoing industry engagement.



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

New director ID requirements coming 1 July 2027

On 24 August 2026, ASIC alerted companies and directors of new director identification number (**director ID**) reporting requirements commencing on 1 July 2027.

Companies will be required to provide their directors' IDs to ASIC through company reporting processes, including annual reviews and notifications of changes to director details.

The changes form part of broader reforms to Australia's business registers, including strengthened authentication arrangements for users who create and update registry records.

ASIC has encouraged companies to ensure their company and director information is current and accurate. Further guidance is expected ahead of the 1 July 2027 commencement date.



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

ASIC Commissioner warns emerging issues are exposing weaknesses in private credit

At the Commercial & Asset Finance Brokers of Australia Commercial Property & Development Finance Summit on 22 September 2026, ASIC Commissioner Simone Constant warned that emerging 'stress fractures' within the private credit industry are exposing weaknesses ASIC has been aware of for some time.

Ms Constant expressed that the governance, controls, and underwriting standards have not kept pace with the growth, significance and complexity of private credit. ASIC is focusing on improving industry standards before underlying issues cause serious ongoing harm.

ASIC conducted research that found a large concentration of private credit in real estate development. The unfolding collapse of the Bathla Group has highlighted that developers with exposure to private credit are particularly vulnerable when economic conditions become more challenging.

ASIC's surveillance on private credit produced Report 820: *Private credit surveillance report: Retail and wholesale surveillance* (**REP 820**), which raised serious concerns about practices across the funds reviewed. Further research compared Australia's position to global comparable jurisdictions, where Report 821: *Private capital market reporting: Global practices and lessons* identified that Australia sits well below global standards for information and disclosure.

Ms Constant has urged fund managers to manage investors' money prudently and transparently, to build on the growth of the sector and ensure it is sustainable going forward. ASIC expects private credit participants to assess their practices against its '10 principles of private credit done well' set out in REP 820 while it continues surveillance and enforcement investigations into poor practices.



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



ASIC makes interim stop order to halt offerings of private credit products

On 22 September 2026, ASIC issued DDO stop orders against three private credit products offered by Melbourne Securities Corporation Limited ("**MSC**") over target market determination ("**TMD**") deficiencies. This action forms part of ASIC's continued surveillance and scrutiny of the private credit industry and the risks surrounding the provision of private credit products to retail clients.

ASIC issued the stop orders as it is concerned that the TMDs for the funds suggest:

- inappropriate levels of portfolio allocation as a major component of an investor's portfolio;
- that the funds are suitable for retail investors with capital preservation objectives;
- inappropriate timeframes for retail investors to access capital; and
- inappropriate risk rating.

These stop orders prevent MSC from dealing in interests, giving a product disclosure statement, or providing general financial product advice to retail clients recommending and investment, in relation to the relevant funds.



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

ASIC and APRA urge entities to use their awareness of frontier AI to take action

APRA and ASIC are warning financial market entities that they need to convert their developing AI awareness into decisive actions. Frontier AI models can now quickly identify and exploit vulnerabilities that previously took months to find.

The alert follows recent warnings issued by APRA and ASIC in May about the unprecedented ability of frontier AI-enabled cyber threats. Across June and July, they proceeded to host numerous roundtables totalling over 600 attendees to support the industry in navigating this new risk.

The roundtables identified key themes of:

- the importance of getting the cyber fundamentals right including identifying and managing critical assets and systems, timely patching, strong identity and access controls, attack surface reduction, backup integrity, tested response and recovery arrangements, and third-party risk management;
- the need to make key decisions at board level in respect to risk appetite, escalation authority, recovery priorities and communication strategies **before** crisis's occurs;
- a growing interest in the uses of defensive AI;
- common dependency and concentration risk associated with third-party service providers because isolated incidents can easily become sector-wide disruption; and
- the importance of actively contributing to industry-led collaboration.

APRA and ASIC emphasise the importance of having a strong, tested plan in place.



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

AUSTRAC releases guidance on customer due diligence obligations

On 30 September 2026, AUSTRAC released guidance to assist regulated entities with fulfilling their customer due diligence ("**CDD**") obligations. AUSTRAC has reminded regulated entities that CDD is an ongoing process, and checks should be completed using a risk-based approach. CDD involves collecting and verifying information to understand the regulated entities' customers and manage the money laundering and terrorism financing ("**ML/TF**") risks of the entity. Effective CDD will assist an entity in:

- verifying customer identities;
- assessing customer risk; and
- identifying unusual or suspicious activity.

These processes assist a regulated entity in understanding its customers, managing ML/TF risks and applying the correct checks when required.

AUSTRAC reinforced that regulated entities, in applying CDD checks, must take a risk-based approach. An entities' CDD checks should be appropriate and reflect:

- the products or services the entity provides;
- the nature and circumstances of the customer;
- the purpose of the business relationship; and
- any factors that accentuate ML/TF risks for the entity.



The full media release, and other resources provided by AUSTRAC to assist with CDD, can be [viewed here](#).





Record AFCA complaints mark third consecutive year above 100,000

AFCA received a record 119,949 complaints in the 2025-26 year, marking the third year in a row that complaints have exceeded 100,000.

The top three issues complainants experienced were:

- delays in claim handling;
- poor service quality; and
- claim rejection.

Once again, the banking and finance industry received the most complaints. Accordingly, the three products complained about the most were personal transaction accounts, motor vehicle insurance and credit cards.

The areas showing the largest increase in complaints were superannuation (↑42%) and investments and advice (↑ 56%). These numbers reflect major investment collapses and rising superannuation disputes.

AFCA emphasises that that complaints data is one of the best ways for firms to determine where something is going wrong for their customers, and hence, how they can respond and rectify the issue.



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

Consultation

Treasury releases exposure draft legislation addressing minimum tax on discretionary trusts for consultation

On 3 September 2026, Treasury released a consultation on the government's proposed changes to the taxation of discretionary trusts.

The government's 2026-27 budget announced that a 30% minimum tax will apply to certain income of discretionary trusts, beginning 1 July 2028. The budget indicates that the tax will result in a fairer rate of tax being paid on discretionary trusts to more closely align the tax rates for trusts with the rates paid by workers who earn a living from wages. It has been specified that certain trusts, such as charitable trusts, will be excluded. Treasury is seeking feedback on the exposure draft materials, including:

- how the minimum tax will work;
- excluded types of trusts and income;
- the definition of fixed trust;
- how income tax-exempt entities will be treated;
- roll-over relief;
- a new electable regime for exclusion from the minimum tax; and
- treatment of excess franking credits.

Consultation closed on 18 September 2026.



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

Treasury opens consultation on the application of the CSLR waterfall framework

On 21 September 2026, Treasury opened a consultation on the application of the Compensation Scheme of Last Resort (**CSLR**) waterfall framework for the 2026-27 special levy.

Since the implementation of the CSLR levy in 2024, costs have exceeded expectations and placed pressure on the scheme's funding. The CSLR's estimate for the 2026-27 financial year is \$198.1 million, of which, approximately \$190.3 million is attributed to the personal financial advice sub-sector. Because this exceeds the ordinary financial amount ASIC can collect from that sub-sector, there is a \$170.262 million shortfall proposed to be recovered through a special levy.

To give more predictability to special levies, the special levy waterfall model was proposed through a previous consultation paper on *Reform options to improve the ongoing sustainability of the CSLR*.

The waterfall model allocates special levies sequentially across three tiers:

- Tier 1: The primary sub-sector associated with the losses whose annual levy cap has been exceeded pays up to \$20 million;
- Tier 2: Any sub-sectors assessed as sufficiently connected to the losses pay up to \$40 million per sub-sector; and
- Tier 3: The remaining sub-sectors in the retail-facing financial services sector pay up to \$30 million per sub-sector. This includes any sub-sectors levied under Tier 2 if their \$40 million cap has not been reached.

Treasury sought consultation on:

- Whether stakeholders agree with the proposed Tier 2 connection assessment, and if not, what further factors should be considered;
- Whether the methodology for mapping connection correctly identifies connected sub-sectors for 2026-27, including whether any sub-sector has been wrongly included or excluded and whether the approach can be repeated in future years;
- Whether the prescribed entity metrics produce materially adverse outcomes within any sub-sector, and what evidence would justify redistributing liabilities despite the consequent effects elsewhere; and
- Whether the proposed allocations threaten any sub-sector's viability or sustainability.

Consultation closed on 5 October 2026.

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

Treasury releases proposals to enhance data collection for managed investment schemes

On 23 September 2026, Treasury released a consultation seeking feedback on ways to improve regulatory visibility of the managed investment scheme (**MIS**) sector.

MISs are a large and growing sector within Australia's financial services industry. The collapses of the First Guardian and Shield Master Funds alerted the industry to the substantial, ongoing harm that a failed MIS can cause. In response, a consultation in February 2026 identified that stakeholders believe more regulatory oversight of the MIS sector is required.

The 2026-27 Budget has announced new funding of \$17.8 million over four years to strengthen governance requirements, supervision and enforcement. This consultation is part of its commitment.

To address industry concern, the Treasury has released proposals which could be adopted individually, or in combination:

- Improve baseline regulatory visibility of registered MISs through enhanced registration data;
- Enhance regulatory visibility of the registered MIS sector through recurrent data collection, while streamlining existing reporting arrangements; and
- Collect limited and targeted additional data on the unregistered MIS sector.

Consultation closes on 23 October 2026.

→ [Responses can be submitted here.](#)

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



Enforcement

Federal Court holds Netwealth liable for contravening the Corporations Act based on its involvement in First Guardian

On 20 August 2026, the Federal Court declared that Netwealth Superannuation Services Pty Ltd and Netwealth Investments Limited (**Netwealth**) contravened the Corporations Act for their role in the First Guardian Master Fund (**First Guardian**).

The Federal Court found that Netwealth failed to:

- obtain and assess sufficient information about First Guardian;
- make sufficient independent enquiries to understand or evaluate the investment risk of First Guardian before and while offering it to members; and
- inform members of the potential illiquidity of First Guardian.

These declarations were based on Statements of Agreed Facts and Admissions filed by the parties.

ASIC commenced these proceedings after accepting a court enforceable undertaking requiring it to pay 100% of what was owed to the members affected by the Shield and First Guardian collapses, totalling more than \$100 million in repayments.

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

Superannuation

ASIC report flags persistent platform trustee failures in safeguarding retirement savings. What does this mean for advisers?

On 29 June 2026, ASIC released a report identifying persistent shortcomings in how platform trustees monitor and manage risks to members' retirement savings.

ASIC Report 833 *Safeguarding Super: How well are platform trustees monitoring risks to retirement savings?* (**REP 833**) is based on findings from surveillance of six platform trustees who together hold approximately three quarters of all member benefits held by platform trustees, representing over \$300 billion in retirement savings.

ASIC assert that despite repeated warnings, many platform trustees have been found to be operating with a lack of protections in place. ASIC's surveillance found that one trustee failed to take action for 13 months after becoming aware of suspicious activity by a representative of an advice licensee. In another instance, an application to rollover superannuation balances was approved using falsified signatures of a deceased adviser.

ASIC indicates in the report that it considers advice caps applied by super trustees to be too high and poorly designed. ASIC also found that the super trustees have poor low-balance member protections in place. ASIC expects trustees to apply greater scrutiny to advice businesses, including at onboarding and through ongoing monitoring.

REP 833 has issued platform trustees with a call to action based on the following areas:

- Persistent gaps in advice fee controls;
- Not enough checks of advice documents;
- Insufficient focus on understanding the advice licensees' business models, including whether they use lead generators or other third party referral sources; and
- Inadequate monitoring of key risk indicators, such as member churn, patterns in fees, holding limits and unusual fund flows.

What should advice businesses expect as a result of this report?

Advice businesses should be prepared to evidence their business model, client-acquisition channels, advice and fee arrangements, consent controls, supervision and the quality and completeness of advice records.

Given the findings in REP 833, advisers are likely to see platform trustees:

1. apply a lower advice fee cap. We understand that some platform trustees are contacting members (and adviser client's) to advise them of lower advice fee caps.
2. restrict advice fees for low balance clients;
3. an increase in advice document checks;
4. additional due diligence at onboarding (and likely on an ongoing basis). Particularly in respect of the adviser's business models and referral sources; and
5. increased monitoring – particularly in respect of advice fees, holding limits, fund flows, fee patterns and member movement.

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

Government releases reforms to protect consumers' superannuation in the evolving financial ecosystem

On 19 August 2026, the Government announced further reforms to increase protections afforded to consumers and build the resilience of the Australian superannuation and financial system.

The reforms will:

- make the financial system safer by strengthening protections across the superannuation, advice and investment ecosystem;
- improve access to safe, secure financial advice and guidance so Australians can navigate an increasingly complex retirement system with greater confidence; and
- place the Compensation Scheme of Last Resort on a firmer and fairer footing so it can continue to provide meaningful protection when all other safeguards have failed.

To implement these reforms, the Government will focus on improvements across six areas:

- protections for Members of APRA-Regulated Superannuation Funds;
- protections in the Self-Managed Superannuation Fund Sector;
- reforms to address harmful Lead Generation;
- enhancing Governance of Managed Investment Schemes;
- financial advice; and
- compensation Scheme of Last Resort.



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

"The time for preparation has passed" – Non-enrolled tranche 2 entities set to face AUSTRAC scrutiny



Richard Beissel
Director



Zac Mizgalski
Associate

On 28 August 2026, AUSTRAC CEO Brendan Thomas warned tranche 2 entities that have not yet enrolled with AUSTRAC that "the time for preparation has passed", that "if a business is providing designated services, it needs to be enrolled with AUSTRAC and actively managing the risk that criminals could exploit its services to move or hide illicit money", and that "businesses that ignore the law should expect regulatory scrutiny".

On 1 July 2026, the AML/CTF reforms drew a number of additional entities (referred to as 'tranche 2 entities') into the AML/CTF regime. Those working in relevant sectors, such as real estate agents, accountants, lawyers, conveyancers, trust and company service providers, and jewellers are responsible for assessing the services that their businesses provide to identify whether those businesses are tranche 2 entities and therefore regulated under the AML/CTF regime.

Businesses that appear to be providing designated services but that have not yet enrolled with AUSTRAC can expect to be issued with section 167 notices by AUSTRAC, requisitioning information that will help the regulator determine whether or not those businesses should be enrolled.

AUSTRAC has subsequently started issuing infringement notices to businesses identified as having failed to enrol with AUSTRAC under AML/CTF laws in the jewellery, accounting and real estate sectors.

[Click to read more.](#)

If you are unsure whether or not your business is regulated under the AML/CTF regime, or would like assistance with the preparation of an AML/CTF Program, please get in touch with Cowell Clarke's Financial Services & AML/CTF team at Compliance@CowellClarke.com.au.



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