

Economic Crime Section | Transnational Crime Branch
Criminal Justice Division
Law Enforcement and Domestic Security Group
Department of Home Affairs

To whom it may concern,

Re: Anti-Money Laundering and Counter Terrorism Financing Proliferation Financing Regulations

Clubs Australia welcomes the opportunity to provide feedback on the proposed Anti-Money Laundering and Counter Terrorism Financing (AML/CTF) Proliferation Financing Regulations (the Regulations).

We represent over 5,000 not-for-profit licensed clubs nationally, employing more than 140,000 people. Clubs are community-based, member-owned venues — many of them small or regional — that provide hospitality, sport, and social services. Clubs that offer gaming machine services are already reporting entities under the AML/CTF Act and have longstanding obligations to assess and mitigate money laundering and terrorism financing risk.

We recognise the serious national security concerns associated with proliferation financing and support the Government's efforts to align with FATF standards. However, to ensure these reforms are proportionate and effective, the compliance expectations must reflect the actual risk profile of different sectors.

Clubs Australia supports the Government's efforts to counter proliferation financing (PF). However, licensed clubs have no practical exposure to PF pathways and no operational means to distinguish PF activity from ordinary customer behaviour.

Summary of recommendations

To ensure the Proliferation Financing Regulations are implemented efficiently and workable for low-risk sectors such as clubs, Clubs Australia recommends that the Department:

- **Formally classify licensed clubs as a negligible-risk sector for proliferation financing**
Clubs do not participate in any recognised PF pathways (no exports, no cross-border transfers, no logistics activity). A formal government designation would align regulation with sector risk.
- **Publicly publish a government PF risk statement covering the registered clubs sector through a class exemption or modification under sections 247, 248 or 249 of the AML/CTF Act**



Rather than requiring entity-by-entity PF declarations, the Department (or AUSTRAC) should issue a single sector-wide statement confirming that existing sanctions/PEP screening is sufficient to meet PF obligations.

- **Exempt clubs from conducting PF risk assessments or developing PF-specific procedures or reporting obligations via that exemption instrument**

Given the absence of operational exposure or detection capability, imposing PF documentation requirements would create paperwork burden without any national security benefit.

Responses to the specific consultation questions raised in the Consultation Paper are provided at Appendix A.

For further information, please contact Alex Staric [REDACTED]



A. Clubs Have No Practical Exposure to Proliferation Financing Pathways

AUSTRAC's Proliferation Financing in Australia National Risk Assessment (2022) confirms that PF risk in Australia arises primarily in sectors involved in:

- Export or resale of dual-use or controlled goods
- Freight forwarding and logistics brokerage
- Financial intermediation and cross-border payments
- Digital asset exchanges and high-speed transfer channels

Licensed clubs do not engage in any of these activities. They are domestic, walk-in hospitality venues that:

- Do not facilitate international transfers or accounts
- Do not handle goods, equipment or materials relevant to proliferation activity
- Do not broker or arrange financial transactions on behalf of others

There is no structural link between the service model of a club and the known typologies of proliferation financing.

B. Clubs Have No Operational Ability to Identify or Assess PF Risk

Unlike financial institutions or exporters, clubs cannot infer or determine the intended purpose behind funds spent on premises. They operate high-volume, low-disclosure environments, where:

- Patrons may withdraw cash from an ATM, spend intermittently across hospitality services, or insert cash into gaming machines — all without any accompanying documentation or stated purpose
- No funds or goods are transferred internationally, and no onward transaction data is visible to clubs
- Frontline staff have no lawful or practical basis to determine whether cash is being used for entertainment, debt repayment, gift-giving or illicit procurement

In reality, the only plausible PF linkage point in a club environment would be via a sanctions or PEP screening match, which is already covered under existing AML/CTF obligations.

C. Requiring PF Risk Assessments or PF Controls Would Be Theoretical, Labour-Intensive and Ineffective

The Consultation Paper itself recognises that “*some businesses will have low proliferation financing risk... and will not be required to develop additional specific AML/CTF policies for proliferation financing.*” Clubs clearly fall within this category.

If every club were nonetheless required to produce a PF risk assessment:

- It would amount to a theoretical declaration only, with most entities inserting a default line such as “PF risk negligible based on business model”



- Compliance officers would still be required to maintain and periodically review that statement, despite having no ability to operationalise further controls
- This would divert resources away from money laundering detection and gambling harm management — areas where clubs can deliver real-world outcomes

Many clubs are already investing significant resources in AML uplift through consultants, program redevelopment and training. Imposing PF frameworks on top of this — when there is no measurable outcome — would divert compliance resourcing away from areas where clubs genuinely contribute to risk mitigation, such as money laundering detection, suspicious matter reporting and gambling harm intervention.

Given the absence of operational exposure or control capability, PF obligations for clubs should be discharged through a single, sector-wide position issued by government rather than through individual risk assessments or policy development by each venue.

This could be implemented through AUSTRAC CEO's and the Minister's existing power to issue class exemptions or modifications under sections 247, 248 or 249 of the AML/CTF Act — mechanisms already used to relieve low-risk sectors from obligations that would not deliver regulatory benefit.

The Department (or AUSTRAC) should therefore issue a standard PF risk statement covering the registered clubs sector, confirming negligible PF exposure and clarifying that existing sanctions and PEP screening is sufficient. This would remove duplication, ensure consistency of interpretation, and allow clubs to focus compliance efforts where they can make a measurable impact.

Clubs Australia Recommendation

Clubs Australia recommends that:

- Licensed clubs be formally recognised as a negligible-risk sector for proliferation financing.
- The Department (or AUSTRAC) issue a standardised PF risk statement for the registered clubs sector — confirming negligible PF exposure and clarifying that existing sanctions/PEP screening is sufficient for compliance purposes via an exemption or modification instrument under sections 247, 248 or 249 of the AML/CTF Act.
- Clubs be exempt from conducting PF risk assessments and from developing PF-specific procedures, monitoring or reporting obligations, beyond existing sanctions/PEP screening arrangement through that exemption instrument.



Appendix A — Response to Consultation Question

1. Do you consider that the list of prescribed PF-related offences and legislation identified in the consultation paper is appropriate?

Clubs Australia does not raise any objection to the Acts or offences proposed for prescription under the Proliferation Financing Regulations. The statutes listed — including those covering weapons export controls, dual-use goods, chemical and biological materials, defence technologies and strategic trade — looked to be correctly aligned with recognised PF risk activity.

However, it is noted that none of the listed laws relate to activities undertaken within the registered clubs sector. Licensed clubs do not manufacture, import, export, broker, finance, or arrange access to any goods, materials or technologies covered by these provisions. As such, while the list of prescribed offences is appropriate at a national framework level, its practical application does not extend to the club industry, reinforcing our view that clubs should be classified as negligible-risk.

2. Are there any other offences or laws that you consider should be prescribed under the PF Regulations?

Clubs Australia does not propose any additional offences or statutes for inclusion. Our position is that the existing list sufficiently captures all known PF-related pathways, and no further expansion is needed unless new typologies emerge.

We submit that the priority for PF regulation should be targeted implementation in sectors with actual exposure, rather than expanding definitions in ways that unintentionally capture domestic service providers with no PF nexus.