

Federal Government Extends AML/CTF Regulation to Capture Digital Currency Exchanges

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On Thursday 17 August 2017, the Minister for Justice tabled the [Anti-Money Laundering and Counter-Terrorism Financing Amendment Bill 2017](#) (Bill).

The Bill will extend the Australian AML regime to cover digital currency exchange providers. Currently the AML regime applies only to 'e-currencies' which are backed by physical things such as bullion or precious metals while digital currencies backed by a cryptographic algorithm such as Bitcoin are excluded. The Bill repeals the definition of 'e-currency' and replaces it with the broader term 'digital currency' which is defined as a digital representation of value that:

- functions as a medium of exchange;
- is not issued by the authority of a government body;
- is interchangeable with money; and
- is generally available to members of the public.

This definition captures cryptocurrencies such as Bitcoin and Ether. However, only some digital currency exchange providers will be caught under the AML regime, namely those exchanging digital currencies for fiat currencies (and vice versa). This means that exchanges between digital currencies (i.e from Ether to Bitcoin) would not be regulated.

Digital exchange providers conducting transfers between fiat currencies and digital currencies will be required to:

- enrol with AUSTRAC and register on a Digital Currency Exchange Register;
- adopt and maintain an AML/CTF program;
- identify and verify their customers;

- report suspicious matters;
- report transactions involving physical currency that exceed over AUD\$10,000 (or foreign equivalent); and
- keep records of their transactions for 7 years.

A failure to register a digital currency provider will attract civil and criminal penalties such as 2 years imprisonment and/ or a fine of 500 penalty units (currently AUD\$105,000) for first time offenders.

Felix Charlesworth? also contributed to this article.

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National Law Review, Volume VII, Number 243

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