

PRACTICE GUIDE

Dispelling the Confusion Around Pre-Commencement Customers

Who actually needs to be verified?

A plain-English guide for small accounting practices subject to AML/CTF obligations from 1 July 2026.

The short version

If, on **1 July 2026**, you were already in an ongoing business relationship with a client that involved one of the prescribed designated services, that client is a **pre-commencement customer**. You do **not** have to run full initial CDD (ID verification, KYC, KYB) on them just because the regime started. You **must** still monitor them (ongoing CDD from day one), and you only complete initial CDD if a specific trigger occurs.

1 Who is a “pre-commencement customer” for your practice?

A client is a pre-commencement customer if, on **1 July 2026**, you were in a **business relationship** with them (an ongoing relationship, not a one-off occasional transaction) that involved one or more of the designated services in **table 6 of section 6 of the Act** — the professional services that bring accountants into the regime.

Two things to hold onto:

- **Business relationship, not occasional transaction.** A genuine one-off engagement does not create a pre-commencement relationship.
- **It must involve a designated service.** Part of your client base never touches the AML/CTF regime at all. Routine tax returns, BAS, bookkeeping, financial statement preparation and general advice are **not** designated services. A client only becomes a “customer” for AML purposes once you provide them a designated service. Pre-commencement status only matters for clients who, as at 1 July 2026, were already receiving designated services from you.

Plain example

You have provided a registered office address for a client company for the past three years. On 1 July 2026 that is an ongoing relationship involving a designated service — so that client is a pre-commencement customer. You do not have to stop and verify them from scratch the day the regime begins.

2 Initial CDD vs ongoing CDD: the distinction that drives everything

AUSTRAC separates two different types of Customer Due Diligence (CDD). The relief for pre-commencement customers is **from initial CDD**. Ongoing CDD applies to them immediately from 1 July 2026 — but what is involved with each is quite different.

	Initial CDD (Act s 28)	Ongoing CDD (Act s 30)
What it is	The upfront identify-and-verify step: establish, on reasonable grounds, who the customer is, who is behind them, PEP and sanctions status, and the nature and purpose of the relationship.	The continuing obligation to monitor the relationship, watch for unusual activity, and keep KYC information current and reverified.
Pre-commencement customers	NOT required at the start. You can keep serving them without it, unless a trigger occurs (see section 3).	Required from day one (1 July 2026). Applies to every customer, with no exception.

3 When a pre-commencement customer DOES need initial CDD

You must complete initial CDD — and the customer then stops being “pre-commencement” — if any of the following happens:

- **A suspicious matter report (SMR) obligation arises** in relation to the customer.
- **A significant change in the nature and purpose of the relationship** makes the customer medium or high ML/TF risk — and it does not matter whether they were already medium or high before.

Where a trigger applies, you must complete the initial CDD **before** you provide the next designated service. Once you do, the customer is verified and is no longer treated as pre-commencement.

4 What you must do regardless: ongoing CDD

For every pre-commencement customer, from 1 July 2026 you must:

- **Monitor** for unusual transactions and behaviours that might require you to submit an SMR.
- **Review, and update if necessary, information** about the client at an appropriate frequency, especially whenever you doubt its adequacy or accuracy.
- **Watch for significant changes** in the nature and purpose of the relationship that push the customer to medium or high risk.

5 Frequently asked questions

Q Do I have to verify all my existing clients before 1 July 2026?

A No. Clients who only ever receive non-designated services (tax, BAS, bookkeeping) are not customers under the regime at all. Clients already receiving an ongoing designated service as at 1 July 2026 are pre-commencement and need no initial CDD unless a trigger occurs — though you must still apply ongoing CDD to them.

Q I've acted for the same client for years and already provide them a designated service. Do I need to verify them now?

A No — not simply because the regime has started. A long-standing client already receiving a designated service as at 1 July 2026 is a pre-commencement customer. You keep serving them under ongoing CDD, and only complete initial CDD if a trigger arises (e.g. an SMR obligation, or a significant change that lifts their risk to medium or high).

Q A long-standing client's circumstances change and they now look higher risk. Do I act?

A Yes. A significant change that makes the customer medium or high risk triggers initial CDD — even if you have never verified them before.

Q We start a brand-new relationship on, say, 10 July 2026 that involves a designated service. Are they pre-commencement?

A No. The relationship has to have existed as at 1 July 2026. A customer first onboarded after that date receives full initial CDD up front.

Q Most of my clients are tax and BAS only. How many of them need initial CDD?

A On that basis, none of them. Tax returns, BAS, bookkeeping and general advice are not designated services, so those clients are not customers under the regime at all — there is nothing to verify unless and until you provide them a designated service.

Q If I keep providing the same designated service I always have, does that trigger verification?

A No. Continuing the service you have always provided is exactly what pre-commencement status protects. Initial CDD is only triggered if the relationship changes significantly enough to make the customer medium or high risk, or an SMR obligation arises.

Q A pre-commencement client asks me to help with a company sale (a designated service) in August 2026. What now?

A If that is a new designated service that differs from your existing relationship and it takes them to medium or high risk, complete initial CDD before you start the work. Once you do, they are no longer pre-commencement.

References and further reading

Legislation

- AML/CTF Act 2006 — ss 28, 30 and 36 (identification procedures and monitoring for certain pre-commencement customers); s 6 (designated services).
- [legislation.gov.au — AML/CTF Act 2006 \(C2006A00169\)](#)
- AML/CTF Rules 2025 — s 6-42 (deemed compliance / ACIP); ss 6-27 and 6-28 (transferred customers).
- [legislation.gov.au — AML/CTF Rules 2025 \(F2025L01026\)](#)

AUSTRAC guidance

- [Transitioning existing customers](#)
- [Overview of initial customer due diligence](#)
- [Overview of ongoing customer due diligence](#)
- [AML/CTF transitional rules 2026](#)
- [Summary of changes for current reporting entities](#)

This guide is general information about the AML/CTF reforms and is not legal advice. Always read the obligations against your own designated services and risk assessment, and refer to the current Act, Rules and AUSTRAC guidance, which may be updated.