

AML/CTF & PEXA Lender Client DD & VOI Policy

Two-Tier Approach: Beneficial Lenders vs Lenders of Record

Firm Name: Bransgroves Lawyers

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Approved by: Matthew Bransgrove – Head Partner and AML Compliance Officer

Review Frequency: Annually or on material change (e.g., new client type, regulatory update)

1. Purpose

This policy sets out the firm's risk-based approach to Customer Due Diligence (CDD) and Verification of Identity (VOI) for mortgagee / lender clients under:

- the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth) (as amended – Tranche 2) and associated Rules; and
- the ARNECC Model Participation Rules (Version 7) and Model Operating Requirements, given force in each State and Territory by the Electronic Conveyancing National Law (ECNL) and the participation rules declared by the relevant Registrar. These rules require Subscribers to an Electronic Lodgment Network (such as PEXA) to take reasonable steps to verify the identity of their Clients, Mortgagees, signers and Subscriber administrators; to verify each Client's right to deal with the land; to hold a valid Client Authorisation before signing or lodging electronically; and to retain supporting evidence for the prescribed period. Compliance with the Verification of Identity Standard in Schedule 8 of the Model Participation Rules constitutes a "safe harbour" of reasonable steps for VOI.

It distinguishes between:

- **Beneficial Lenders** (investors / beneficiaries behind a trust structure who do not appear on title).
- **Lenders of Record** (the trustee / special purpose entity named as mortgagee on title).

This policy aligns with AUSTRAC's Legal Profession and Conveyancing Program Starter Kits, the risk-based approach, and PEXA / ARNECC Model Participation Rules (VOI). It ensures compliance while recognising the low inherent risk of our lender client base.

2. Risk Assessment Summary (Firm-Specific)

Our practice acts exclusively for special purpose trustees in commercial mortgage lending. Our lender clients exclusively consist of:

- Banks.
- Retail and Wholesale Mortgage Funds and Debenture Issuers holding AFSL.
- Retired Australian residents (predominantly investing on behalf of their SMSFs).
- Domestic source of funds (retirement savings, superannuation, property equity).
- Bank transfers to our Trust Accounts (no cash accepted).
- Transparent transactions with a wide public paper trail (registered mortgages on title that specify all conditions and terms including principal and interest amount).

Overall risk rating for this client segment: Low.

No complex offshore structures, cash handling, PEPs (not countenanced), or high-risk jurisdictions. The public title registry creates a strong deterrent and audit trail against misuse for ML/TF.

We apply simplified CDD for these low-risk clients unless a trigger for enhanced due diligence arises.

3. Two-Tier CDD Framework

3.1 Common Initial CDD (applies to both tiers, before providing designated service)

- Individuals: collect name, DOB, address, contact details.
- Companies: perform ASIC search.
- Trusts: obtain trust deed extract.
- Confirm relationship between individuals and companies via ASIC searches.
- Screen for sanctions / PEPs via Google, Grok and Claude and internal systems searches.

3.2 Tier-Specific Differences

Aspect	Tier 1: Beneficial Lenders (Investors / Beneficiaries)	Tier 2: Lenders of Record (Trustee as Mortgagee on Title)
When CDD applies	When we act for them and they are beneficial owners of the lending entity.	When the trustee entity is our direct client and mortgagee on title (PEXA subscriber or party to mortgage).
Identity verification (in addition to common CDD)	Verify identity by asking for a copy of a driver's licence or passport.	Video KYC of directors / individual trustees / in-own right lenders.
Simplified CDD permitted?	Yes – low risk profile.	Yes, subject to entity checks required for PEXA / registration.
Ongoing CDD / Monitoring	Annual review or on material change (e.g. new beneficiary, change in risk factors). Transaction monitoring via file review.	Same, plus confirmation of trustee status before each new mortgage registration.
Refresh frequency	Every 2 years for low-risk repeat clients, or earlier if triggers arise.	Align with PEXA VOI reliance period (generally 2 years) where reasonable steps confirm no material change.

Aspect	Tier 1: Beneficial Lenders (Investors / Beneficiaries)	Tier 2: Lenders of Record (Trustee as Mortgagee on Title)
Records	Retain for 7 years from end of relationship.	Retain for 7 years (aligns with both AML and land registry requirements).

4. Integration with PEXA / VOI Requirements

- VOI (ARNECC) focuses primarily on the mortgagor (borrower). For our lender clients, we take reasonable steps to confirm the trustee's right to deal. We may rely on prior VOI / CDD within the last 2 years if we are satisfied the parties remain the same.
- AML/CDD is broader (beneficial ownership, purpose of transaction, ongoing monitoring) but our low-risk clients allow simplified measures.
- Existing PEXA-compliant checks can support (but do not fully replace) AML/CDD.

5. Triggers for Enhanced Due Diligence (EDD)

Move to standard or enhanced CDD if any of the following appear:

- Non-Australian resident or offshore elements.
- PEP or sanctions match.
- Unusual source of funds / wealth.
- Cash or third-party funding without clear explanation.
- Rapid succession of high-value loans inconsistent with client profile.
- Any suspicion of structuring or evasion.

In EDD cases: obtain senior approval, source of wealth details, and enhanced monitoring.

6. Procedures

1. **Onboarding** — Document using the firm's standard Mortgage Advance checklist.
2. **File Note** — Record risk assessment and rationale for simplified CDD on every matter using the firm's standard Mortgage Advance checklist.
3. **Digital Tools** — We may use approved digital verification services where they meet AUSTRAC standards.
4. **Staff Training** — All fee earners and support staff complete annual AML/CTF training as part of CPD requirements, with emphasis on the firm's internal controls and procedures.
5. **Reporting** — Suspicious Matter Reports (SMRs) to AUSTRAC where required (legal professional privilege preserved where applicable).
6. **Review** — This policy forms part of the firm's overarching AML/CTF Program and will be reviewed annually.

7. Responsibility

- **AML Compliance Officer:** Matthew Bransgrove – ultimate responsibility for the program.
- **Partners:** day-to-day oversight of matters handled by their teams.

- All staff must report concerns immediately to Matthew Bransgrove or their Partner.

This policy is documented, risk-based, and proportionate. It meets AUSTRAC expectations for small legal practices while remaining practical for our low-risk mortgage practice.

Acknowledgment: All principals and relevant staff have read and will comply with this policy.