Information sheet for legal practitioners

July 2026

LEGAL PROFESSION Uniform Law

AML/CTF ACT compliance and billing practices under the Uniform Law

Tranche 2 reforms under the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth) (**AML/CTF Act**) come into force from 1 July 2026. This information sheet is intended to assist practitioners to determine when AML/CTF compliance costs can be billed to a client.

Summary

A law practice cannot automatically or indiscriminately charge AML/CTF compliance costs to a client. Whether a law practice can include any AML/CTF-related costs on a bill depends on how the cost is characterised, what the client has agreed to, and whether charging the cost complies with the Legal Profession Uniform Law (**Uniform Law**).

Under the Uniform Law, legal costs a law practice charges directly to a client will generally need to fit into one of these categories:

- **Professional fees**: amounts charged for the legal services provided to a client, often at an hourly or daily rate, or as a fixed fee.
- **Disbursements**: amounts a law practice has actually paid (or are payable) to third parties on a client's behalf, specific to that client's matter, and that can be accurately costed or attributed.

Overheads are the costs of running a law practice to ensure daily operation and business compliance. A law practice should generally absorb these costs into professional fees and not bill them directly to clients, subject to limited exceptions and clear advance disclosure.

When charging legal costs, a law practice must comply with relevant Uniform Law requirements, including:

- A law practice must disclose legal costs up front (s. 174).
- Costs must be no more than fair and reasonable, and proportionate (s. 172).

If a law practice does not meet disclosure requirements, non-compliance can render a costs agreement void. Furthermore, breaching disclosure requirements or charging costs which are not fair, reasonable or proportionate may result in disciplinary consequences.

AML/CTF costs that should typically be treated as overheads

Many AML/CTF compliance costs are likely to be treated as overheads, which are the ordinary costs of running the law practice. These costs should generally be built into hourly rates or fixed fees rather than itemised on a bill, provided the resulting fees remain fair, reasonable and proportionate.

Potential overhead costs associated with a law practice's AML/CTF compliance include:

- AML/CTF compliance platform subscriptions.
- Salary of a dedicated AML/CTF compliance officer.
- Cost of maintaining AML/CTF records (e.g. secure storage).
- Staff training costs related to AML/CTF compliance.

PO Box H326, Australia Square NSW 1215
T +61 2 9692 1300 E lsc@legalservicescouncil.org.au
legalservicescouncil.org.au

LSC LEGAL SERVICES COUNCIL

This document is for general information purposes only | July 2026

- Preparing and lodging a Suspicious Matter Report (**SMR**).
- Preparing reports for the governing body.
- Preparing annual compliance reports.
- Updating and maintaining your AML/CTF program.

Where a law practice does not incur an AML/CTF compliance-related cost in relation to a specific client matter, it is more likely to be an overhead rather than a disbursement. For example, drafting or updating the law practice's risk assessment documentation and AML/CTF policies would fall within this category.

Points to note

- A law practice should generally not include internal administrative overheads as separate line items on a client bill.
- Preparing and lodging a SMR should be treated as an overhead as it is not a service performed for the benefit of the client. Including charges for work associated with a SMR as a disbursement on a client bill may also contravene tipping-off prohibitions in the AML/CTF Act.
- Where a law practice charges overheads as disbursements, this may inflate a bill beyond what is "fair and reasonable" and may amount to unsatisfactory professional conduct or professional misconduct.
- If a law practice does intend to recover costs that would ordinarily be overheads, up-front communication and disclosure about types of costs and billing rates is essential.

AML/CTF costs that you can generally bill directly to a client as a professional fee or disbursement

Where AML/CTF compliance activities occur in connection to provision of legal services on a specific client matter, costs may be billable as either professional fees or disbursements.

Professional fees

Where practitioners perform AML/CTF compliance tasks as part of providing legal services for a particular client matter (for example, due diligence steps undertaken for that matter), the practitioner may charge this time as professional fees, provided charges are fair and reasonable and properly disclosed. For more administrative tasks, a paralegal's rate will generally be more reasonable than a legal practitioner's rate.

Costs that a law practice can generally pass on directly to clients as part of their professional fees may include, for example, time spent on:

- Searches performed to satisfy ongoing client due diligence requirements after onboarding.
- Conducting client-specific risk assessments (e.g. enhanced due diligence for high-risk clients).
- Verifying complex beneficial ownership structures.
- Advising clients on AML/CTF obligations as part of the legal service.
- Ongoing matter-specific monitoring where required due to client risk profile.
- Preparing a source of funds or wealth analysis for a transaction.
- Responding to AML/CTF-related queries and issues arising in the course of the retainer. This does not include time spent preparing or lodging SMRs.

PO Box H326, Australia Square NSW 1215
T +61 2 9692 1300 E lsc@legalservicescouncil.org.au
legalservicescouncil.org.au

LSC LEGAL SERVICES COUNCIL

This document is for general information purposes only | July 2026

If a law practice intends to charge for AML/CTF-related professional work, it should ensure its costs disclosure (where required) specifies what work is included in professional fees and how it will be charged.

Disbursements

A cost is a legitimate disbursement where a law practice has paid it (or if it is payable) to an external third party on the client's behalf, it is specific to that client's matter, and it is accurately costed.

AML/CTF compliance costs that a law practice may classify as a disbursement and include on a client bill include:

- The cost of company records searches for the purpose of initial, ongoing or enhanced customer due diligence. This amount can be treated as a disbursement where the law practice pays it to a third party in relation to a specific client matter.
- Document verification or authentication services (e.g. notarisation or certification, including for overseas clients).
- Reasonable costs for accessing personal information.
- Electronic identity verification and screening checks (e.g. ID, sanctions, and PEP searches).
- Company and beneficial ownership searches (ASIC or equivalent registries).
- International database searches where required for due diligence.
- External reports (e.g. credit checks or corporate intelligence reports).

The cost of initial due diligence activities undertaken *before* a client enters into a retainer may only be billed as a disbursement or professional fee if these costs are incurred for the purpose of providing legal services to the specific client and are clearly disclosed and agreed with the client. If the client decides not to engage the law practice after receiving this disclosure, or if the costs were not disclosed and agreed to, the law practice should not seek to recover the costs from the client.

PO Box H326, Australia Square NSW 1215
T +61 2 9692 1300 E lsc@legalservicescouncil.org.au
legalservicescouncil.org.au

This document is for general information purposes only | July 2026