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Australia AML Crackdown Hits Crypto Fund Access

August 6, 2025

– Categories: *Crypto*



Cryptocurrency users globally are increasingly facing frozen assets as exchanges intensify anti-money laundering (AML) controls, an issue drawing attention in Australia, where regulatory oversight is tightening.

Exchanges block funds over AML flags

Recent reporting shows exchanges freezing user wallets in response to incoming “tainted” crypto, such as coins tied to sanctioned addresses, mixer services, hacks, or illicit

transactions. In many cases, exchanges are stepping in to prevent potential legal liabilities or reputational damage.

For example, WazirX reportedly froze over US \$3 million following a hack, while U.S. authorities seized another US \$26 million in assets in connection with suspected money laundering. Disputes over frozen funds can drag on for months, with customers forced to furnish documentation to prove the legitimacy of their holdings.

What Australia is doing

AUSTRAC, Australia's primary AML/CTF regulator, has already targeted crypto ATM providers and digital currency exchanges to enforce stricter compliance with transaction monitoring, customer identity checks, and suspicious activity reporting rules. From 2026, its remit will expand to include entities such as real-estate agents, accountants and precious-metals dealers under the AML/CTF framework.

These steps are in line with FATF guidelines requiring virtual asset service providers (VASPs) to register, conduct comprehensive Know-Your-Customer (KYC) processes, monitor transactions, and file reports on threshold or suspicious activity.

User impact and best practices

The consequences for users can be sharp: even legitimate holders risk access restrictions when coins they hold become associated with flagged addresses. As crypto flows across chains and addresses, tracing “clean” versus “dirty” assets becomes complex. Even when acquired in good faith, funds may be frozen until an exchange can complete internal investigations or KYC verification.

To mitigate risk, holders are advised to monitor their wallets for any history of association to sanctioned or flagged accounts. Some risk-scanning services can assess contamination levels in advance of transfers or exchange deposits.

Why it matters for Australia

The tightening of AML/CTF rules in Australia increases the likelihood that both institutions and users will need to meet stricter compliance standards. As exchange platforms operating in the Australian market apply global best practices, individuals may face similar fund access issues even without wrongdoing.

With regulators ramping up enforcement, crypto users are encouraged to maintain clear provenance for assets and engage only with registered, compliant platforms. As Australia phases in new regulatory regimes next year, the risk of frozen funds will likely rise unless appropriate controls are in place.