

WELCOME TO

# RiskNZ Lunchtime Seminar: 13 June 2023



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# Anti Money Laundering: 10 years on, what do you need to know today?



**TIJANA MISUR**

Chartered Accountant, BCOM, BHS, CAMS, CAMS Audit  
Head of Delivery - **AML Solutions**

# Where it started: 2013

- Limited awareness
- Reactive
- Manual and inefficient
- Tick box mentality
- Deemed to be an operational matter
- Unclear Supervisory expectations
- Audit gap



Compliance was a lot  
more complicated than  
Susan thought...



# How its going: 2023

## Key drivers of change:

- Evolving regulatory frameworks -450+ pieces of guidance
- Supervisory expectation –Supervisory reviews, public and private warnings, proceedings.
- Technology and Outsourcing
- Evolving typologies -cryptocurrencies, trade-based money laundering, and virtual assets
- Mutual Evaluation – regulatory review
- Sophisticated criminals -rise of the professional money launder,

# Public Formal Warnings

Institution	Sector	Supervisor
Arizto Limited	Real Estate	DIA
Pencarrow Private Equity Management	Private Equity	FMA
BNZ	Banks	Reserve Bank
OpenPay	Finance	DIA
Invest Now	MIS	FMA
Property Brokers	Real Estate	DIA
Kidd Legal	Lawyers	DIA
Westpac NZ	Banks	Reserve Bank
TSB Bank	Banks	Reserve Bank
Sharesies	Sharebrokers	FMA
Circle Markets Limited	Forex	FMA
Tiger Brokers	Sharebrokers	FMA

# CDD Outsourcing



Outsourcing is not a solution to a lack of knowledge, rather is an option to create efficiency or address lack of resources.

All the risk-based decisions, exceptions, ongoing CDD and risk evaluations remain on your plate and your responsibility.



# Benefits

- Access to technology
- Expertise
- Cost reduction
- Efficiency
- Your contact with client remains positive
- Streamlines approach

# Challenges

- Loss of control / subject to their internal decisions/interpretations
- Poor quality
  - Reuse of information –outside of certification timelines
  - ECDD tokenistic
  - Technical misinterpretations
  - Poor risk judgement
  - Loss of communication- through segmented contact not all client information obtained through interactions is transferred to the reporting entity

# Where is it going –Legislative Review

- Proportionate compliance costs /Avoid or mitigate unintended consequences
- Modernise the Act and reflect the digital economy risks
- Address areas of risk
- Improve compliance with Financial Action Task Force
- Practical Changes:
  - Remove address verification requirements
  - Low risk trusts no longer subject to EDD
  - VASP – wire transfer requirements

## Risk identification becomes critical

Meaningful individual  
client risk assessments

## RBA is complex

- Additional training
- Skeptical mind
- Multiple PPCs

## Assurance Adjustments

High risk vs. low-risk  
trusts.

RBA only functions effectively  
when supported by  
good compliance culture.

# Individual Client Risk Assessments

- Align with the entity wide Risk Assessment;
- Clear and logical methodology;
- Attributes need to be aligned with current typologies, consider the SRA etc;
- Consider how judgemental overlays can be applied;
- Reviewed and logic tested on a regular basis.

# High Risk clients: Supervisor Expectations

FMA Monitoring Report – 2016 page 7

- High-risk customers must be reviewed more frequently than low-risk customers; they should also be flagged for on-going CDD and targeted transaction monitoring;
- The on-boarding of all high-risk customers must be signed off by management. A written process must be in place to ensure issues are appropriately escalated to senior management and fully documented, including the outcome;
- A robust and transparent governance process to manage interactions with high-risk customers should include periodic reviews to assess where the RE sees itself on the compliance maturity scale to address identified weaknesses;
- Customers who appear to have no commercial connection with or business in New Zealand be treated as an indicator of higher risk. Staff should be required to carry out additional due diligence on these customers;
- Documented reasoning which sets out the rationale for accepting or rejecting a high-risk customer.





# Compliance Maturity

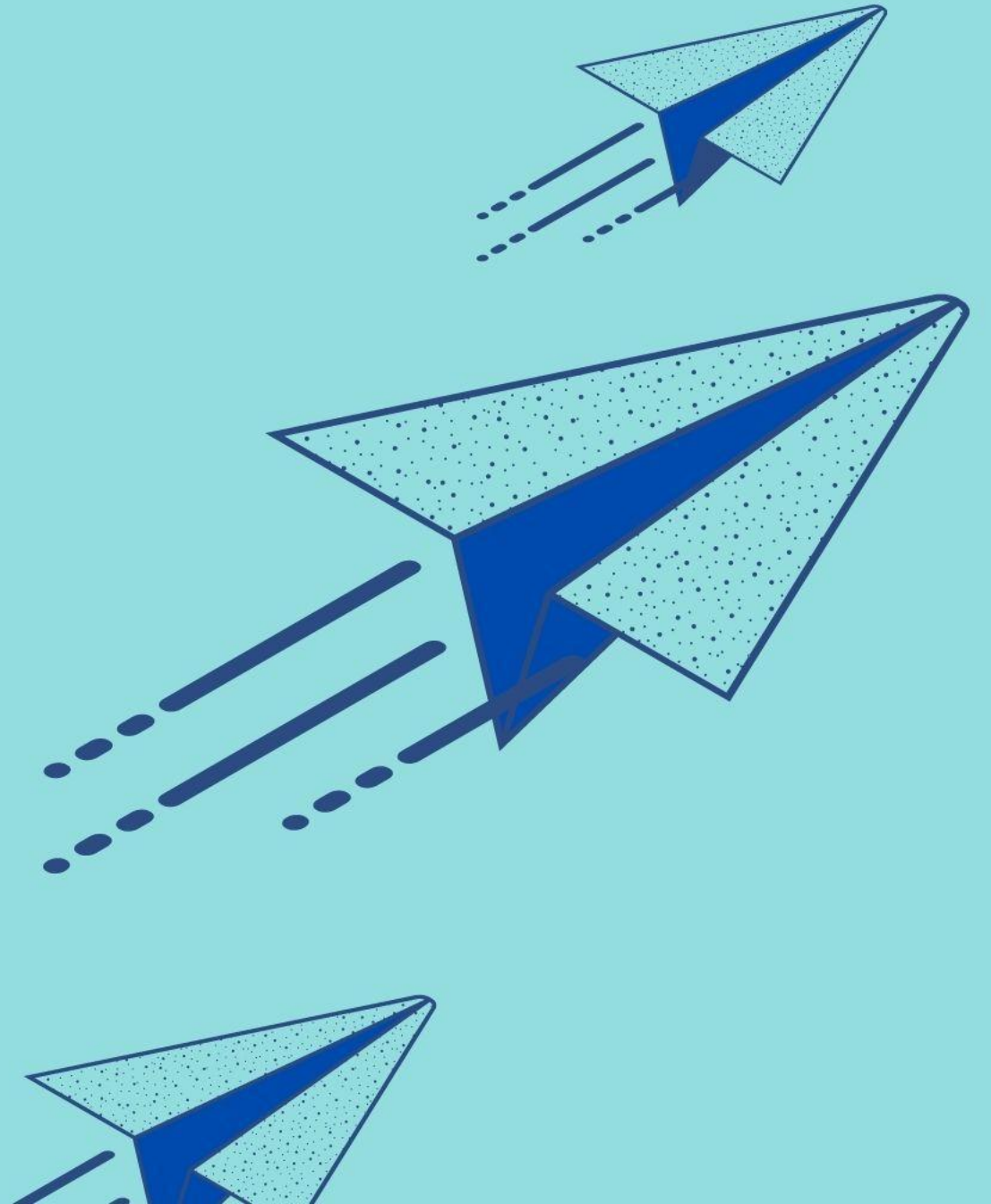
- AML can't continue to be treated like a 'operational matter'. It is a key component to your wider risk and compliance regime.

- Assurance
- Reporting and engagement with Senior Management
- Budget/Resource

- Align with the Supervisors shift in expectations.

# Do you have any questions?

Type them into the Q&A platform





**Thank you for joining us today**

