

The Suspicious Activity Report

AUGUST 2020

New Zealand Financial Intelligence Unit

INTRODUCTION

The Suspicious Activity Report is produced by the Financial Intelligence Unit (FIU), part of the New Zealand Police Financial Crime Group, led by Detective Superintendent Iain Chapman. This report is comprised of FIU holdings and open source media reporting collected within the last month.

Background

The Anti-Money Laundering and Countering Financing of Terrorism (AML/CFT) Act became law in October 2009. It is the result of a review of AML/CFT legislation and aims to assist in detecting and deterring money laundering, contributing to public confidence in the financial system and achieving compliance with the Financial Action Task Force (FATF) recommendations. The Financial Intelligence Unit produces this monthly report as part of its obligations under section 142(b)(i) and section 143(b) of the AML/CFT Act 2009. The Financial Crime Group is made up of the Asset Recovery Unit, the Money Laundering Team, a headquarters group, and the Financial Intelligence Unit.

Financial Intelligence Unit

The Financial Intelligence Unit is led by Detective Inspector Christiaan Barnard and has been operational since 1996. Its core function is to receive, collate, analyse and disseminate information contained in Suspicious Transaction Reports, Prescribed Transaction Reports, and Border Cash Reports. It develops and produces a number of financial intelligence products, training packages and policy advice. The FIU participates in the AML/CFT National Coordination Committee chaired by the Ministry of Justice, and chairs the Financial Crime Prevention Network (FCPN). It is a contributing member to international bodies such as the Egmont Group of Financial Intelligence Units and the Asia/Pacific Group on Money Laundering.

Asset Recovery Unit

The New Zealand Police Asset Recovery Unit is led by Detective Inspector Craig Hamilton and was established in December 2009 specifically to implement the Criminal Proceeds (Recovery) Act 2009 (CPRA). The ARU is the successor to the Proceeds of Crime Units, which were established in 1991, and was combined with the FIU to create the Financial Crime Group. The CPRA expanded the regime for the forfeiture of property that has been directly or indirectly acquired or derived from significant criminal behaviour. It is intended to reduce the possibilities for individuals or groups to profit from criminal behaviour, to reduce the opportunities they have to expand their criminal enterprises, and act as a deterrent for criminal activity. There are four Asset Recovery Units (ARUs), based in Auckland, Waikato/Bay of Plenty, Wellington, and Christchurch, with a fifth being established in Whangārei.

Money Laundering Team

The Money Laundering Team (MLT), led by Detective Inspector Lloyd Schmid, is the newest element of the FCG and was established in 2017 to target money laundering risks and reduce the investigative gap for financial investigations in organised crime. The MLT investigate criminal offenders moving the proceeds of predicate offending. The focus of the team is on disrupting and dismantling facilitators assisting organised criminal groups to hide illicit funds, including complicit DNFBPs and other third parties such as money remitters.

FINANCIAL INTELLIGENCE UNIT UPDATE

Notes from the Head of FIU

Detective Inspector Christiaan Barnard

This month has seen the NZ Police surpass the milestone of \$400m criminal cash and assets restrained since 1 July 2017 and we are tracking to restrain our target of \$500m by 30 June 2021. This is a huge achievement delivered by the three branches of the Financial Crime Group (FCG), the National Organised Crime Group (NOCG), the District Organised Crime Units, and our law enforcement partners across Government. There has been discussion about the value of using restraints (the temporary seizure) as a measure of success and while on the face of it a measure of forfeiture (the permanent deprivation) appears preferable, there are a number of



practical challenges that forfeitures statistics do not reflect.



In 2017 the Government gave an undertaking to increase police numbers by 1,800 with a significant proportion of these positions earmarked for organised crime. This has seen the Financial Crime Group double in size – an investment that

has been replicated with our key partners such as NOCG. This investment over the same period of has seen the value of restraints trend upwards. The currency of the restraint data makes it a good match to the investment resource over the same period. Forfeiture data can take years to finalise due to the fickle nature of civil and criminal proceedings.

Another element to restraint is that with the exception of residential property, restraint has the desired deterrence effect as it immediately removes the ability of the suspect to make use of the asset. Restraint has the same effect as forfeiture, as their high value goods are taken and stored for the duration of the proceedings. Cash and other liquid assets are also frozen and are put beyond the reach of the suspect. As a measure, the value of restraint and forfeiture are not perfect either. The community impact of seizing a \$200K gang pad in a small town can be much larger than restraining \$10m in proceeds from an international fraud.

Where the \$500m target is most valuable is that it puts organised crime front and centre for the NZ Police; it is one of five targets for the entire organisation and represents a commitment to targeting the key motivator of organised crime. The other targets are a 5% reductions in road deaths, a reduction in 10,000 recorded serious violence offences, a 25% reduction in Maori reoffending, and achieving 90% trust and confidence. I am very proud of the hard work by the Financial Intelligence Unit staff who have supported the Financial Crime Group in achieving this milestone.

FIU News

Suspicious Transaction Reporting to the FIU

The analysis of Suspicious Activity Reports and Suspicious Transaction Reports (collectively “SARs”) reported in August show similar patterns to previous months. Of the **1,970** SARs processed by the FIU, a disappointing 65% only selected their Supervisor as an indicator and did not select any further indicators. The indicators in goAML are in the process of being updated; details will be released soon.

FATF Mutual Evaluation Update

The FIU completed its review and feedback of first draft of the Financial Action Task Force (FATF) Mutual Evaluation. While feedback was provided across the whole document, there was a particular focus on Immediate Outcome Six – the Use of Financial Intelligence. COVID-19 has delayed the timeline for all countries currently involved in Mutual Evaluations, including New Zealand. The FATF assessors will consider the feedback in mid-September and will have a second draft of the ME assessment prepared by 9 October.

Use of Financial Intelligence

As part of the Mutual Evaluation process, the FIU has collected statistics to demonstrate how financial intelligence is used and the effectiveness of New Zealand’s AML/CFT regime. The statistics revealed that the FIU has pushed out a massive amount of intelligence to law enforcement units. Between 2016 and 2019 the FIU has released over 4,000 intelligence products containing over 30,000 SARs in support of nearly 1,800 criminal investigations and nearly 50 counter terrorism investigations. Over the same time period the use of goAML by non-FIU staff (i.e NOCG, ARU, Intel, and District Investigations) to conduct searches has increased 700% from 2,000 queries to nearly 14,000 queries.

There has also been a significant outreach to the Reporting Entities in the private sector. Between 2016 and 2019, over two thousand AML professionals have attended training run by the FIU in person. A further 10,500 AML professionals have received some form of outreach through presentations and webinars to industry groups.

In terms of proactive work, the FIU Proactive Financial Targeting process identifies on average 142 SARs every month for escalation for review by our analysts. Once manually reviewed two thirds of them are disseminated in some form to Law Enforcement Agencies (LEA’s). Of note, a quarter of the SARs (approximately 35 per month) identified through this process are new leads provided to LEA’s for investigation. These are a combination of new targets and individuals previously known to law enforcement.

Reporting of potential terrorist financing more than doubles

Reporting of potential terrorist financing has more than doubled in New Zealand since the 15 March mosque shootings. Police said people are far more vigilant when it comes to potential terrorist acts after the Christchurch attacks. In the 15 months after the 15 March attack, 188 reports specifically indicated as relating to terrorist financing were sent to the FIU. By comparison, in the 15 months prior to the attacks, 74 reports of possible terrorist financing were received.

The Financial Intelligence Unit is also part of the Egmont Group, which is an international organisation that monitors terrorist funding and money laundering. The Group has members in almost every country, and police are able to share information with other jurisdictions through an encrypted network.

FCG News

[Follow the Money](#)

The Financial Crime Group was highlighted in the New Zealand Police Association's latest edition of *Police News*. A key message from Detective Inspector Christiaan Barnard in the story is directed to our law enforcement partners:

"We love it when investigators come to us early on in their investigations. We are eager to share our intelligence and for investigators, early engagement is key."

[Fridays with Fintelekt](#)

Detective Inspector Christiaan Barnard was recently interviewed by Shirish Pathak, the Managing Director of Fintelekt Advisory Services Pvt Ltd. Located in Maharashtra, India, Fintelekt is a specialist in research, training and advisory on Anti-Money Laundering and Countering the Financing of Terrorism in Asia.

Follow the link above to the (YouTube) video. If you want to skip to the parts of the conversation that are relevant to your Sector, key points of the video are:

02:45 Overview of the NZFIU
06:30 2019 National Risk Assessment
09:40 DNFBPs and Trust and Company Service Providers
13:30 SAR reporting
17:00 Mutual Evaluation
19:30 Financial Crime Prevention Network
23:30 Professional Facilitator vulnerabilities
24:50 Key FIU successes
27:10 Key messages to Reporting Entities

Broadcast Media Matters

PODCAST



[The Suspicious Transaction Report](#): a fortnightly podcast hosted by the Centre for Financial Crime and Security Studies at RUSI. The podcast is formed of two sections – an informative round up of the latest financial crime news discussed by the host and guest contributors, and a deep-dive into a new piece of financial crime research.

MOVIE



[The Laundromat](#): A 2019 American biographical comedy-drama based on the Panama Papers scandal. One reviewer notes: "Like 'The Big Short', this film blows the lid off of corruption infecting global financial markets, but it also shows the real life consequences of this corruption."

INTERNATIONAL AML/CFT NEWS

Australia

[Money-laundering suspects attempted to move \\$1m in cooler bags](#)



Two Sydney men accused of laundering tens of millions of dollars for offshore Australian crime figures have been arrested after they attempted to move A\$1m cash contained in cooler bags through a suburban “daigou” business. Daigou are highly organised shoppers who run their own businesses buying products in Australia to sell in China.

The two men were identified as part of a long-running joint investigation between the Australian Federal Police (AFP), the Australian Criminal Intelligence commission and the United States Drug Enforcement Administration. They have been accused of funnelling millions of dollars from the sale of drugs through the daigou business on behalf of their criminal clients. Police believe the transnational money laundering operation is based in South-East Asia.

[‘Money Mule’ accountant charged with money laundering](#)

A Brisbane accountant has been charged with multiple money laundering offences over her alleged involvement in an email scam worth more than A\$3m. The 65 year old woman has been accused of being a ‘money mule’ for hackers who had fraudulently gained access to the email accounts of businesses. Police have alleged hackers sent fake or falsified invoices to businesses who then sent cash to the woman. It’s alleged the woman then funnelled the money that was paid to her by the businesses and sent it overseas.

A joint investigation between Queensland Police and the Australian Federal Police uncovered at least seven victims had unwittingly transferred \$33 million to more than 50 accounts linked to the woman over the last year.

Brazil

[Brazilian to surrender \\$190m in laundered money](#)

A Brazilian foreign exchange dealer accused of masterminding a large money-laundering scheme has agreed to surrender nearly \$190m in a plea bargain. Under the deal, Dario Messer will serve a prison term of 18 years and nine months. The deal also compels Messer to pay the Brazilian state “more than 99 percent of his net worth”. The assets to be surrendered include “luxury properties, monetary assets in Brazil and abroad, as well as works of art



and assets in Paraguay in the agricultural and real-estate sectors”, according to prosecutors.

Messer is accused of leading an illegal foreign exchange, money-laundering and tax-evasion network that moved more than \$1.6 billion between 2011 and 2019. The network allegedly used the accounts of 3,000 companies based in tax havens to move money online between exchange houses in 25 countries.

United States

[Marijuana, money laundering, and shark fin conspiracy](#)

US federal authorities have charged 12 people with being part of a money-laundering criminal conspiracy that distributed marijuana in the United States and shark fins in Hong Kong. The group illegally smuggled shark fins from Mexico and exported them to Hong Kong.

Investigators say the group created fake invoices, and wired money to third-party businesses in order to hide the illegal profits. The conspirators branched out into buying marijuana in California and distributing it in Georgia. They also took bulk cash from drug trafficking, which they deposited into business accounts that dealt in gold, precious metals and jewels.

Countering Financing of Terrorism

[Neo Nazi terror group re-emerges under new name](#)

Months after claiming it was disbanding, the neo-Nazi terror group formerly known as the Atomwaffen Division (AWD) has re-emerged under a new leadership structure and name. The new group, operating under the banner of the National Socialist Order (NSO) says it draws from a cadre of former AWD leaders who avoided jail time after a nationwide FBI operation early in 2020 led to the arrest of several of its members.

Just before the NSO announced its existence, a lesser version of [The Base](#) reappeared under the auspices of a small number of alleged former members of the original group once led by New Jersey native Rinaldo Nazzaro. He lives in Russia and is suspected of being a Russian intelligence asset.

Online Gaming

[The risks of money laundering in the world of online games](#)

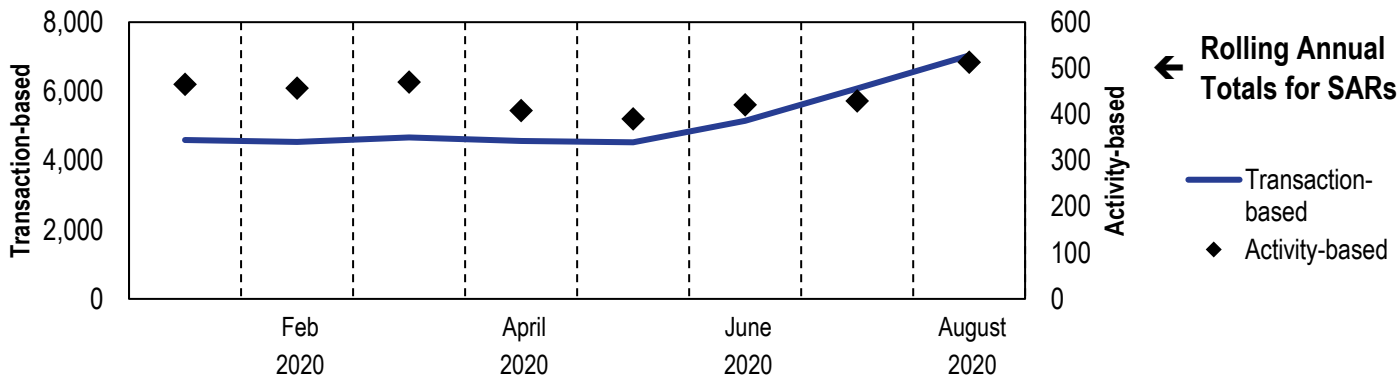
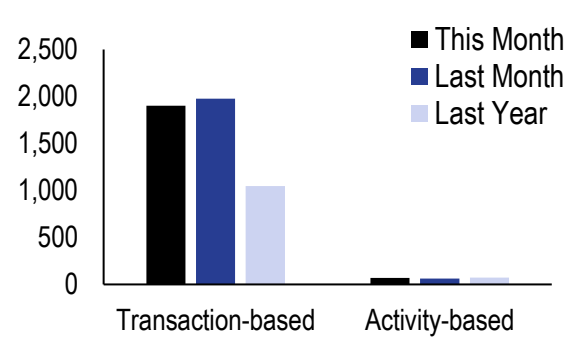
There are currently over 2 billion e-gamers globally, generating approximately A\$140b per year for the industry. Much of this turnover is derived from purchases that players make when playing a game, such as in-game currency or an in-game item (‘e-currency’).

Secondary markets have evolved particular types of e-currency for trading. One of the better known examples of these markets is PlayerAuctions, a website that allows gamers to buy and sell e-currency for over 280 games. PlayerAuctions facilitates orders and holds the buyer’s funds until they confirm that the seller has transferred the e-currency in-game.

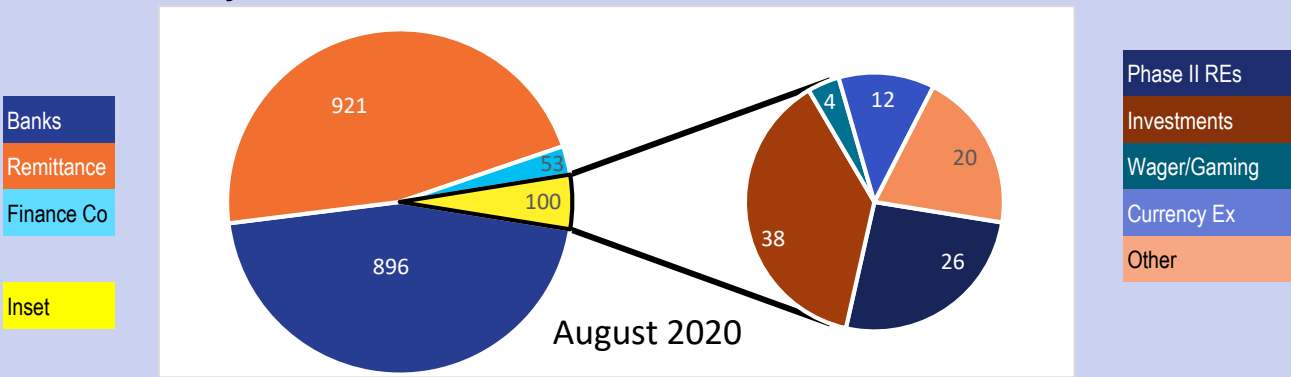
SUBMITTED REPORTS to the FIU*

Processed Suspicious Activity Reports (SARs)

| | This Month | Last Month | Last Year |
|-------------------|------------|------------|-----------|
| | August | July | August |
| | 2020 | 2020 | 2019 |
| Transaction-based | 1,902 | 1,978 | 1,046 |
| Activity-based | 68 | 63 | 71 |
| Total | 1,970 | 2,041 | 1,117 |

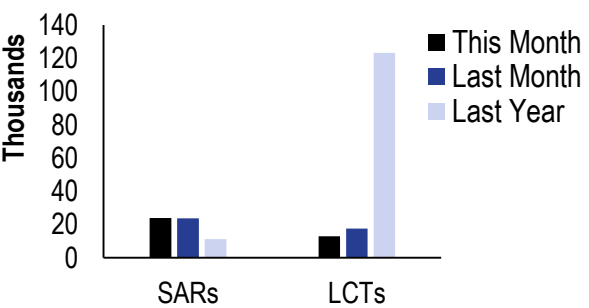


Processed SARs by Sector



Transaction Volumes within SARs and PTRs

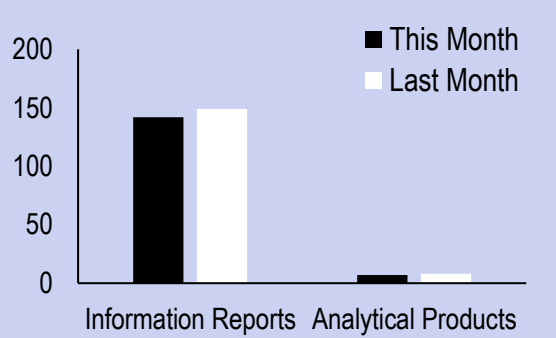
| | This Month | Last Month | Last Year |
|------|------------|------------|-----------|
| | August | July | August |
| | 2020 | 2020 | 2019 |
| SARs | 23,844 | 23,598 | 11,051 |
| IFTs | 404,743 | 467,030 | 455,378 |
| LCTs | 12,867 | 17,477 | 123,319 |



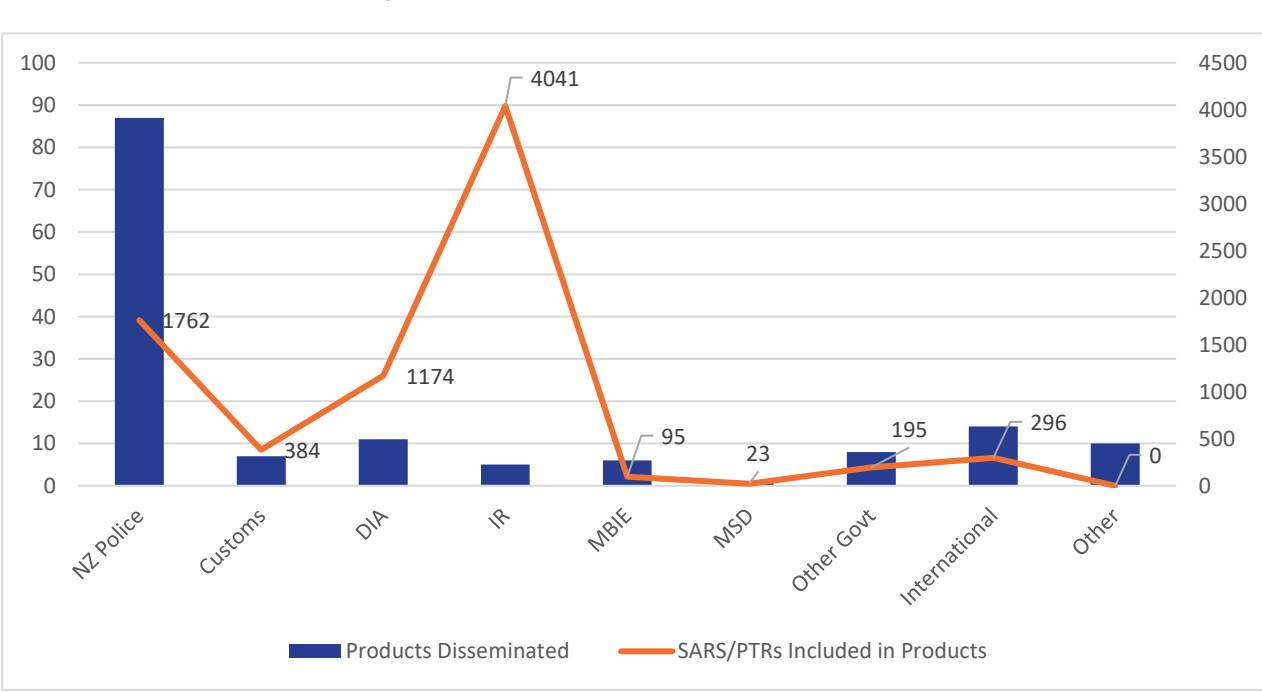
FINANCIAL INTELLIGENCE PRODUCTS

Disseminations of Products by Type

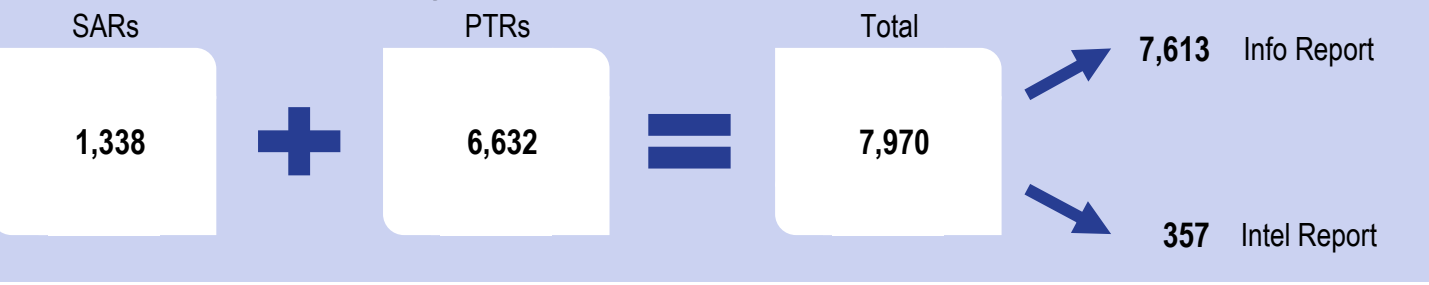
| | This Month | Last Month |
|---------------------|------------|------------|
| | August | July |
| | 2020 | 2020 |
| Information Reports | 142 | 149 |
| Analytical Products | 7 | 8 |
| Total Products | 149 | 157 |



Disseminations of Products by Recipient



Disseminations of Products by Included SARs and PTRs



*Statistical data for transaction reporting and intelligence products may be updated as new information is processed, and so there may be minor discrepancies between the statistical figures contained in this report and subsequent reports.