

The Suspicious Activity Report

AUGUST 2021

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, currently led by Christiaan Barnard. 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. The Act's purpose is to detect and deter money laundering and contribute to public confidence in the financial system. It seeks to achieve this through 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 Financial Intelligence Unit, Asset Recovery Unit, the Money Laundering Team, and a Headquarters group.

Financial Intelligence Unit

The Financial Intelligence Unit is currently led by Detective Senior Sergeant Dave Bealing 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 five Asset Recovery Units (ARUs), based in Whangarei, Auckland, Waikato/Bay of Plenty, Wellington, and Christchurch.

Money Laundering Team

The Money Laundering Team (MLT), led by Detective Senior Sergeant Andy Dunhill, 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 Designated Non-Financial Business and Professions (DNFBPs) and other third parties such as money remitters.

FINANCIAL INTELLIGENCE UNIT UPDATE

Notes from the Acting Head of FIU

Detective Senior Sergeant Dave Bealing

Kia ora all, welcome to the latest edition of the Suspicious Activity Report. I am filling in for Christiaan for a couple of months while he is in the Financial Crime Group Director's chair.

I have been in the FIU for nearly six years now, firstly as an Intelligence Supervisor, then as Operations Manager. During that time the FIU has doubled in size, in part as a response to resourcing the fight against organised crime, but also in recognition of the importance of the AML/CFT regime. Increased awareness within Police of the FIU's information and capabilities has raised demand for our financial intelligence holdings. You can be assured we are making good use of the information you provide.

In line with Police's Prevention First operating model, there is now a wider understanding and acceptance that our AML/CFT legislation spearheads our efforts not only to identify and target crime, but to prevent it. To achieve the New Zealand Police vision of being the safest country, and to *really* prevent money-laundering and other acquisitive crime, we need to stop illicit funds from entering our financial system. I appreciate this is easier said than done, and I acknowledge the cost to businesses, but I encourage all reporting entities to be robust in your decision making when it comes to customer due diligence. If you have suspicions, file a report, but also consider declining the person as a customer. It's 'anti'-money laundering, right?

Last year over half of all reported crime was financially motivated; our AML/CFT system is the tool to prevent a good proportion of this crime, and I'm confident it already has significant impact.

Regarding our legislation, the AML/CFT Statutory Review Consultation document will be released any minute now for public input. This is your opportunity to improve our system; make the most of it.

I'd like to finish by hijacking this forum to personally acknowledge our reporting entities for their ongoing contributions and dedication. I have spent the last few years of my life reading innumerable Suspicious Activity Reports (SARs); SARs about cannabis grow houses and meth sales, SARs about illegal fishing, SARs about stolen credit cards, SARs about right-wing extremists and faith-based fundamentalists, SARs about drug dealers with flash cars, SARs about gambling dens, SARs about scams (so many scams), and a lot of SARs where it's not immediately clear what is going on, but do our best to find out. I can tell you that your work has contributed to many successful outcomes across New Zealand and further afield. Thank you.

Hopefully I'll see some of you at our AML/CFT Conference. I'll be the one wearing the Muppet mask.



FIU News

2021 AML/CFT Conference

Hosted by the FIU and the Association of Certified Anti-Money Laundering Specialists (ACAMS), the 2021 AML/CFT Conference programme contains over 15 sessions presented by domestic and international speakers from government agencies and the private sector, centred on the theme of 'United We Stand – Integrating Public and Private Sectors against Financial Crime'.

The 2021 AML/CFT Conference is scheduled to be held on Tuesday, 26 October and Wednesday, 27 October at the Museum of New Zealand Te Papa Tongarewa in Wellington, New Zealand. Sector Supervisor workshops will be held Thursday, 28 October at the same venue, where each Supervisor will address key topics related to reporting entities in their sectors.



Notable sessions on Day 1 include a 'Financial Follow-Up' on Operation Deans-Christchurch Terror Attack by Forensic Accountant Andy Hugill, the Pacific impact of 501s, and emerging risks of Chinese underground banking. Day 2 highlights include 'The Life of a SAR', a case study on Operation Martinez, and a session on FATF priorities through the pandemic.

This year's conference will be a hybrid event: along with the on-site attendance, there will be virtual access to the full conference. Workshops content will also be available. Depending on the COVID19 Alert Level, the conference may be virtual only.

Registration for the Conference closes on Friday, 8 October – no registrations will be accepted after this date. Please click [here](#) to register.

New Zealand Case Studies

This section of *The Suspicious Activity Report* summarises cases where FIU information played an important role in the successful investigation and prosecution of criminal activity. Below, we highlight the use of SARs by providing examples of how the detection and analysis of suspect transactions by reporting entities led to the prosecution of criminals in a range of cases.

SAR Links Offender to Serious Non-Financial Crime

A reporting entity submitted a SAR in relation to a person who was not a customer of the reporting entity. The person was seeking to exchange foreign currency but was unaware of the currency's value, leading the reporting entity to become suspicious of the transaction.

Two years later, the subject of the SAR became a prime suspect for several intruder sexual attacks that occurred over the course of 23 months. The suspect had been linked to only one attack, and an investigation was opened to determine if the earlier attacks were also linked. Investigators sent a request to the Financial Intelligence Unit seeking any relevant holdings.

Investigators determined that the foreign currency that was the subject of the SAR had been stolen from the scene of a sexual attack, and formed part of the evidence against the offender for that sexual violation. The offender was sentenced for 24 sexual offences to preventative detention with a non-parole period of 8 years.

SARs Support Covert Operation

The Financial Intelligence Unit received a SAR in relation to a customer sending funds to China claiming they were for business purposes. FIU analysis identified that the subject of the SAR had drug dealing convictions and submitted a request to NZ Customs for import/export information relating to the person of interest. Customs confirmed it had recently intercepted a small drug consignment addressed to the person.

A further six SARs were received over the next year, indicating structured cash deposits and overseas wire transfers. These SARs were provided in Information Reports to the Wellington District Organised Crime Unit who commenced a covert operation.

Five people were prosecuted with the principal being sentenced to 2 years and 9 months imprisonment. Over \$650,000 worth of assets were restrained by the Asset Recovery Unit, including a house, boat, jet ski, vehicle, motorbike and bonus bonds.

SAR Helps Detection of Drug Dealer

The Financial Intelligence Unit received a Suspicious Activity Report where a customer had deposited cash and sought to refine low denominations of currency. The reporting entity had established that the customer was unemployed and receiving a benefit.

An Information Report was provided to the relevant Police District, who had other criminal intelligence about the person of interest. The financial intelligence combined with the criminal activity intelligence resulted in two search warrants being executed only one month later. The suspect was prosecuted and convicted for supplying a psychoactive substance.

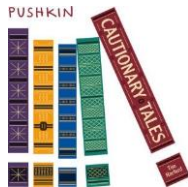
AML/CFT Media Library

PODCAST



[Criminal Podcast: Episode 173 Family Money](#)

This podcast episode features a story about a wealthy widow, and her discovery of how her money was being managed by relatives who were high-profile stockbrokers working for one of the largest banks in the world.



[Cautionary Tales: Whistleblower on the 28th Floor](#)

This podcast episode explores the stories of a few whistle-blowers who went on to face intimidation and hostility, including one who worked as a AML/CFT compliance officer in a large international bank.

YOUTUBE



[Vanity Fair: Professor Fact Checks Money Laundering Scenes](#)

Moyara Ruehsen, Director of the Financial Crime Management programme at the Middlebury Institute of International Studies, fact checks money laundering scenes from movies and television including 'Wolf of Wall Street', 'Ozark', 'The Sopranos', 'Breaking Bad' and analyses their probability and execution.

MOVIE



[Bad Education](#)

This movie is based on the true story of the largest public school embezzlement in American history. The movie shows how millions of dollars stolen from a New York school district by Superintendent Frank Tassone and Assistant Superintendent Pamela Gluckin was uncovered by the student newspaper.

INTERNATIONAL AML/CFT NEWS

England



[Investigation reveals how football can be used to launder money](#)

An undercover investigation conducted by Al Jazeera's Investigative Unit (I-Unit) revealed that English football clubs can be bought by criminals to launder the proceeds of crime. The I-Unit's reporters posed as agents for a fictitious wealthy Chinese criminal and contacted a middleman who helped them nearly secure a deal to buy Derby County, one of England's oldest football clubs. The middleman advised how the 'criminal' could use offshore trusts to hide his dirty money and identity.

Since the documentary titled [The Men Who Sell Football](#) was released, the English Football League [launched a review](#) of its Owners' and Directors' Test following the investigation.

United States/Guatemala

[Chinese broker laundered Latin American drug money around the world](#)

A Chinese national has pleaded guilty and a co-conspirator was sentenced to seven years in prison for a global money laundering scheme that laundered millions of dollars on behalf of drug-trafficking organisations, including the Sinaloa cartel.

According to a [press release](#) from the U.S. Department of Justice, Xizhi Li, pleaded guilty to conspiracy to launder money. Li laundered more than US\$30m (NZ\$43m) in drug proceeds for traffickers in Mexico, Colombia, and Guatemala from 2008 to 2019. The scheme used "a foreign casino, foreign and domestic front companies, foreign and domestic bank accounts, false passports and other false identification documents" to launder the illegal proceeds, according to the press release. Prosecutors said members of the money laundering group were based in the United States, Mexico, Guatemala, Belize, China and elsewhere.

United States/Venezuela

[South Florida man charged in Venezuelan bribery, money laundering scheme](#)

U.S. authorities arrested and charged Naman Wakil for bribing Venezuelan government officials to obtain valuable food and oil procurement contracts for companies he controlled. The indictment alleges that Wakil paid bribes totalling more than US\$12m (NZ\$17m) over seven years, in order to receive contracts worth US\$250m (NZ\$357m). He is charged with conspiracy to commit money laundering, money laundering, and three counts of engaging in transactions involving criminally derived property. It is alleged that Wakil laundered the money related to the bribes by purchasing a US\$3.5m plane, a US\$1.5m yacht, and several real estate properties. Wakil posted a US\$50m bail bond, over US\$21m of which came from a bank account he held with a [Geneva-based bank](#).

Wakil was previously featured in a news series on the Panama Papers scandal, and is the latest of Venezuela's politically connected businessmen who has been accused in court of exploiting relationships with senior officials in Venezuela.

Child Exploitation

[Charges and convictions announced with an international enterprise that operated sexually exploitative websites](#)

A series of charges and convictions were announced by the United States Department of Justice in connection with an international enterprise in the state of Florida that operated subscription-based sexually exploitive ‘child modelling’ websites. According to court documents, the Newstar Enterprise built, maintained, hosted and operated the Newstar Websites on servers in the United States and abroad since 2005.

The enterprise recruited males and females under the age of 18 to use as ‘child models’ for the websites, producing more than 4.6 million sexualised images and videos for distribution and sale. Most of the child victims were recruited from nations in Eastern Europe and were as young as 6 years old. Customers and subscribers originated from over 100 countries, with the sale of the exploitative content generating more than US\$9m (NZ\$13m).

Countering Financing of Terrorism

[AMLC tags 18 foreign NGOs as donors to terrorist groups](#)

During a recent virtual briefing of the National Task Force to End Local Communist Armed Conflict, the Deputy Director of the Philippines’ Anti Money Laundering Council (AMLC) said they had discovered at least 18 foreign non-governmental organisations (NGOs) that have been financing the operations of local communist terrorist groups. The AMLC has already filed four cases against local NGOs, and frozen PHP5 million (NZ\$140k) and approximately PHP17 million (NZ\$475k) in assets of communist terror groups.

Cryptocurrency

[New anti- anti-money laundering services for crooks](#)

A dark web service, Antinanalysis, purports to offer criminals analysis on how their payment activity might be flagged by law enforcement agencies and private companies. Dr Tom Robinson, co-founder of blockchain intelligence firm Elliptic, said the service allows criminals to check their Bitcoin wallets to see whether authorities could associate the wallets with criminal activity. However, Robinson wasn’t impressed with the quality of the intelligence provided by Antinanalysis.

Wildlife Trafficking

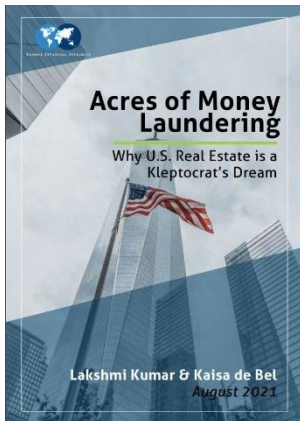
[Live animal exports are being used as cover by smugglers, say NGOs](#)

Every year, approximately 2 billion farm animals are transported around the world, generating more than US\$20 billion (NZ\$28bn). Livestock ships are “unrivalled” in their usefulness for “illegally transporting dubious goods, such as narcotics, weapons, counterfeit goods and wildlife by-products” says Charlotte Nithart, director of a French NGO.

Smuggling drugs and other contraband in ships carrying livestock remains an increasingly attractive option for traffickers. The exceptional measures that would make a livestock ship harder to inspect include extra control and sanitary requirements if animals are unloaded, on top of the existing “complexity” of searching any vessel suspected of drug trafficking.

Global Financial Integrity

[Acres of Money Laundering: Why U.S. Real Estate is a Kleptocrat's Dream](#)



A study by Global Financial Integrity (GFI) revealed that kleptocrats, criminals, and corrupt government officials have laundered proceeds from illicit activities in the United States real estate market.

GFI built a database of 125 real estate money laundering cases from the United States, the United Kingdom and Canada reported between 2015 and 2020. More than US\$2.3 billion was laundered through U.S. real estate in that time, with many of the transactions involving commercial real estate. Public officials and their associates, known as politically exposed persons (PEPs) were involved in more than half of the U.S. cases reviewed for the study, including a former Mexican security minister and the stepson of a former Malaysian Prime Minister.

While the use of anonymous shell companies and opaque ownership structures was the primary typology, with 82 percent of the U.S. cases using a legal entity to hide ownership, a variety of gatekeepers such as attorneys and real estate agents enabled money laundering, either through wilful blindness or direct complicity.

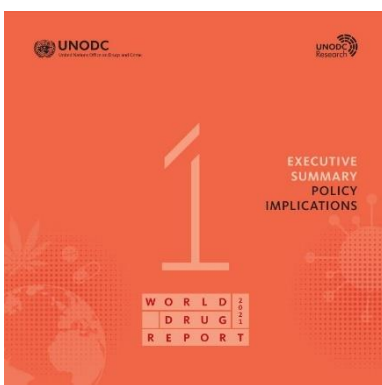
HM Revenue and Customs

[Understanding money laundering risks and taking action for art market participants](#)

HM Revenue and Customs (HMRC) has published its first assessment of the key areas that art market participants (AMPs) should consider when conducting their own money laundering/terrorist financing risk assessments. HMRC has identified the key areas where AMPs are most at risk of becoming involved in money laundering, and also where they are at risk of breaching the Money Laundering Regulations.

United Nations Office on Drugs and Crime (UNODC)

[World Drug Report 2021](#)



“The best way to have an effect on the drug ring is to tackle the money laundering aspects”, said Oliver Lermet, senior policy advisor of the UNODC in the Philippines during an interview with news site Rappler.

In its recent World Drug Report, the UNODC stated that the economic crisis caused by the COVID19 pandemic may intensify illicit drug cultivation and production due to the unavailability of accessible jobs and services. Drug markets were slightly affected during the first phase of the pandemic,

but quickly recovered as trafficking methods and modes of delivery changed.

According to the report, worldwide illegal drug sales increased by a factor of four - from US\$80m (NZ\$114m) in 2011 through mid-2017, to US\$315m (NZ\$449m) between mid-2017 and 2020.

MONTHLY STATISTICS*

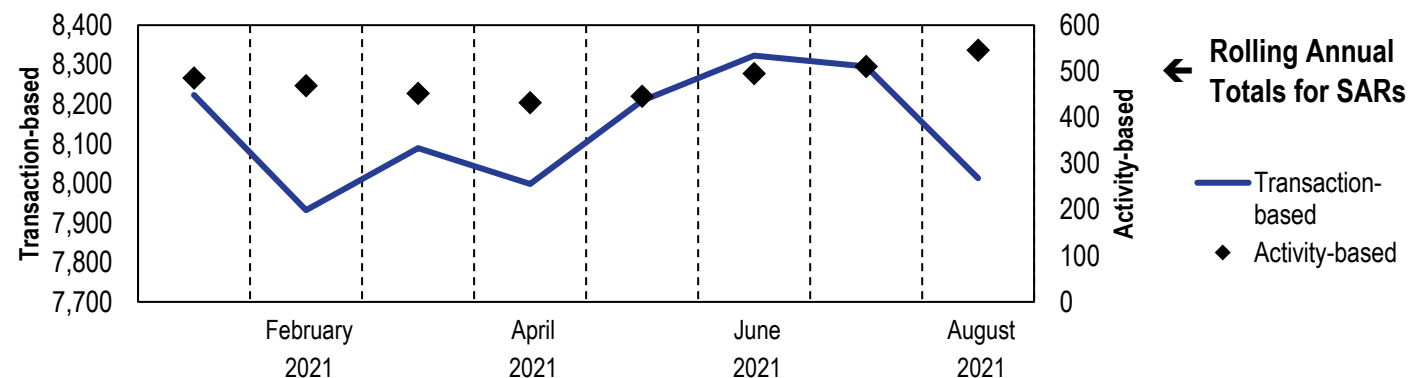
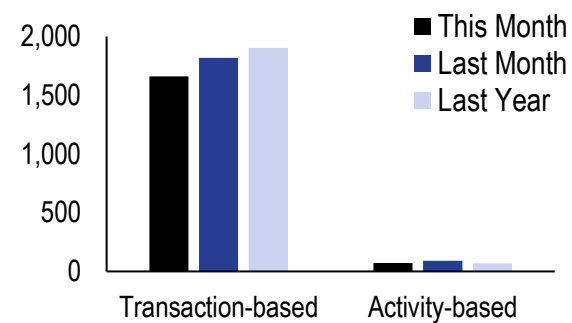
NEW ZEALAND POLICE FINANCIAL INTELLIGENCE UNIT

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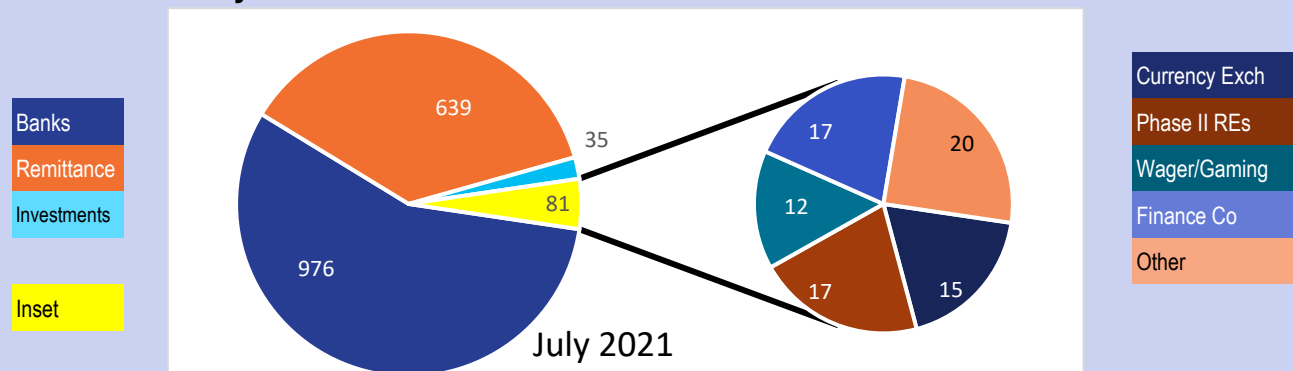
SUBMITTED REPORTS to the FIU*

Processed Suspicious Activity Reports (SARs)

	This Month	Last Month	Last Year
	August	July	August
	2021	2021	2020
Transaction-based	1,660	1,819	1,902
Activity-based	72	90	68
Total	1,732	1,909	1,970

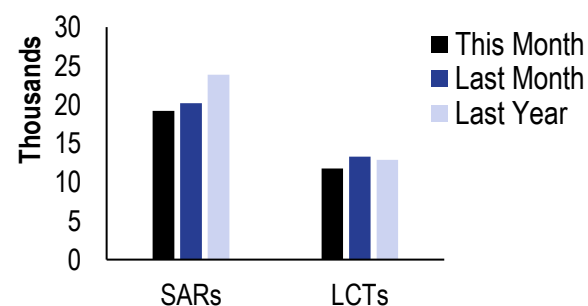


Processed SARs by Sector



Transaction Volumes within SARs and PTRs

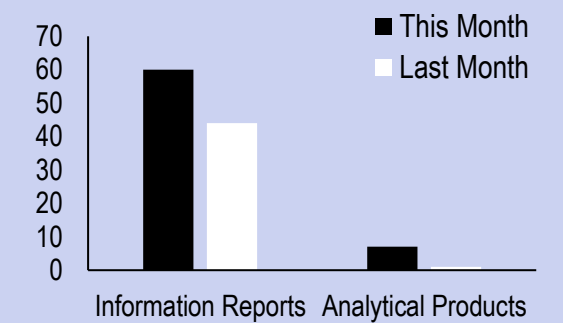
	This Month	Last Month	Last Year
	August	July	August
	2021	2021	2020
SARs	19,207	20,190	23,844
IFTs	439,623	444,645	404,743
LCTs	11,770	13,288	12,867



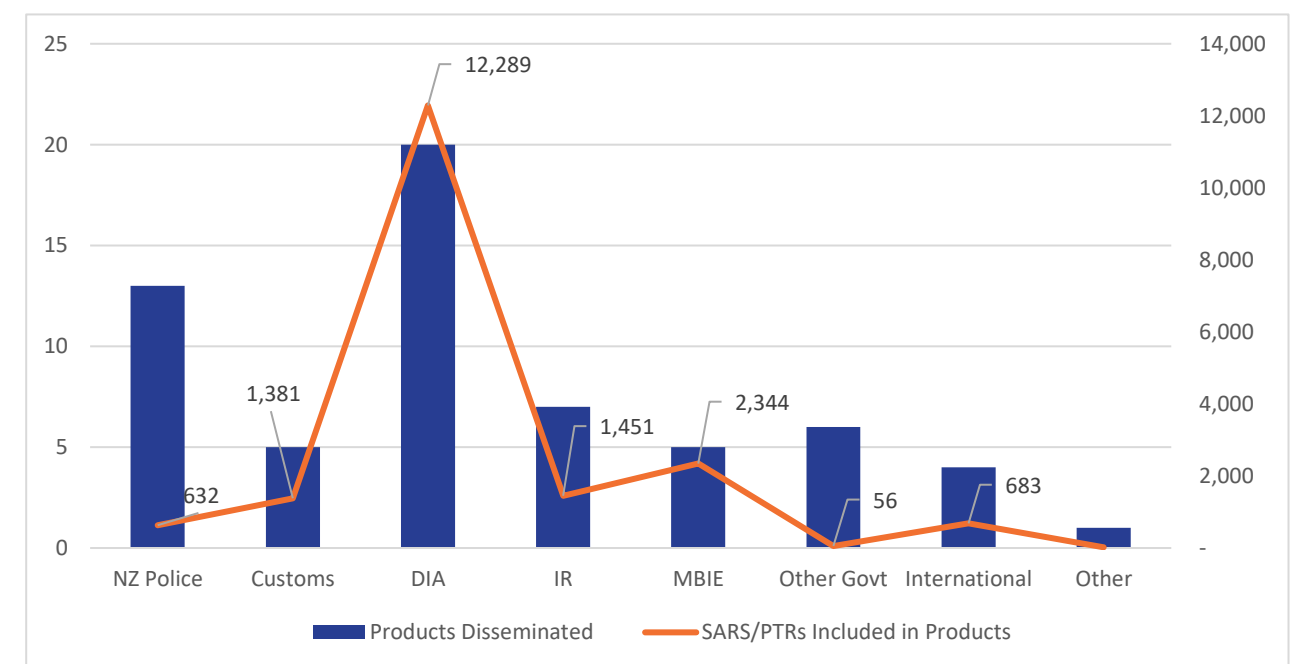
FINANCIAL INTELLIGENCE PRODUCTS

Disseminations of Products by Type

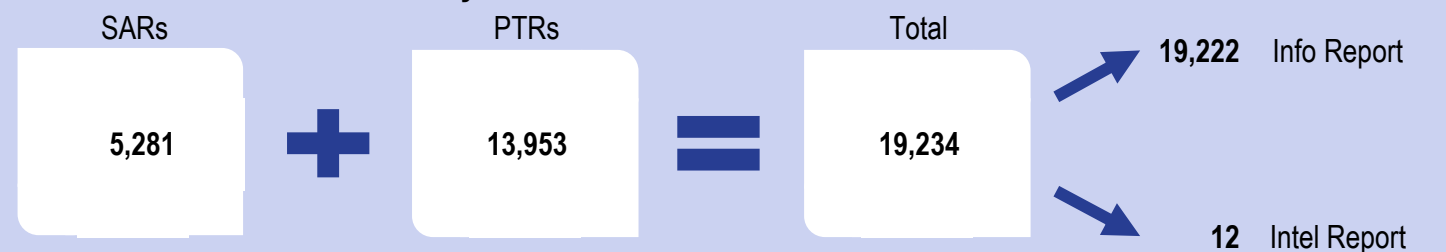
	This Month	Last Month
	August	July
	2021	2021
Information Reports	60	44
Analytical Products	7	1
Total Products	67	45



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.

