

The Suspicious Activity Report

FEBRUARY 2022

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 Detective Inspector 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 (FIU), currently led by Detective Senior Sergeant Eddie Evans, 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 (ARU) 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, 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 investigates 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.

Notes from the Acting Director of Financial Crime Group

Detective Inspector Christiaan Barnard



The largest war in Europe since World War II is now devastating eastern cities in Ukraine. It has created a humanitarian crisis locally and presents a huge challenge for the rules-based international order that has been in place for nearly 80 years.

Historically we have relied on the United Nations Security Council (UNSC) to sanction countries in order to defend against threats to international peace and security. This has been challenged by the unilateral action undertaken by Russia's president against its democratic neighbour. Their veto power has nullified any effort by the UNSC to hold them to account.

Against the backdrop of our key international partners using their own autonomous sanction regime to levy sanctions against Russia, New Zealand has acted swiftly to pass the Russia Sanctions Act 2022. The associated regulations now sanction nearly 160 individuals, 19 entities, and five 'classes' of people associated to both the entities and other Russian institutions. This means that the actual number of Russians subject to sanctions will number in the hundreds.

It is no secret that those in Vladimir Putin's inner circle have inexplicably become wealthy, and this wealth has been built up over many years. In order to conceal their assets, there is a well-trodden path of using offshore vehicles to conceal beneficial ownership, often involving multiple jurisdictions. While estimates vary, it is suspected that up to US\$1 trillion in Russian wealth is hidden offshore. Legal structures such as companies and trusts are layered through multiple jurisdictions and used to purchase high value assets such as real estate and art.

The sanction regime places a range of new obligations on New Zealand reporting entities (aka duty holders) and this is where transparency and rigorous due diligence will unearth different parts of an overall puzzle. To assist with this work, New Zealand has joined the Russia-Related Illicit Finance and Sanctions FIU Working Group. This group is comprised of the G7 nations, plus the Netherlands, Australia, and New Zealand, and it will enhance information sharing across its member jurisdictions to trace beneficial ownership.

We might feel that we are a long way from the conflict in Ukraine, but the tentacles of kleptocratic wealth undoubtedly reaches New Zealand. Remember – know the risk, ask the questions, and report your suspicions to the NZ Police FIU.

Notes from the Acting Head of FIU

Detective Senior Sergeant Edward Evans

Kia ora tatou,

Good health to you all,

No Paparore a hoe

I am from Paparore

Ko tohoraha te maunga

Tohoraha is my mountain

Ko awanui te awa

Awanui is my river

Ko Paparore te marae

Paparore is my Marae

Ko Pūtea te hara roopu

I work in the Financial Crime Group

Ko toru tōku tama

I have three sons

Ko Donna tōku wahine anō Rangatira

Donna is my wife, (the Boss)

Ko Eddie Evans Tōku ingoa

My name is Eddie Evans



As I write this, I look at the current situation we find the world in with all the pain and suffering that is going on. I reflect on my own problems and dilemmas, and reality quickly sets in: I realise that they are insignificant compared to the millions who have been displaced and found themselves unwilling victims of senseless violence where there will be no victors.

I wonder how in this day and age that intolerance still has a place in our world. I try to put a te au Māori view on things and the importance of manaakitanga (looking after each other). I have been impressed with the way that we have all pulled together to do what we can to try and offer some manaaki, quickly passing sanctions legislation to add to the building pressure to end Russia's invasion of Ukraine.

With that I will leave you with a whakataukī:

Me mahi tahi tātou mō te oranga o te katoa.

We should all work together for the well-being of everyone.

NEW ZEALAND AML/CFT NEWS

FCG / Police News

Recent Operations and Asset Seizures

[Operation Menelaus](#) – In 2019, Police arrested six people and seized millions in assets following a significant money laundering investigation in Auckland. As part of the operation, Police put restraint on three Remuera properties worth more than \$7.3 million in total. The principal target, Yinghui ZHANG, was recently [sentenced](#) in the Auckland District Court for money laundering, structuring transactions and providing unregistered financial services.

Operation Menelaus was the first of its kind in New Zealand as part of a strategic shift by police to focus on professional money launderers.

[Operation Weirton](#) – New Zealand Police, with the assistance of New Zealand Customs Service, intercepted a shipment of 613kg of methamphetamine on 24 February at Auckland Airport. The drugs intercepted have a retail value of more than \$245 million, and represent the largest ever interception of methamphetamine at the New Zealand border.

Six people were arrested with some having links to the Comanchero Motorcycle Gang. All are facing serious drugs charges in the Manukau District Court relating to the importation and supply of methamphetamine, along with money laundering offences.

News from our Partners

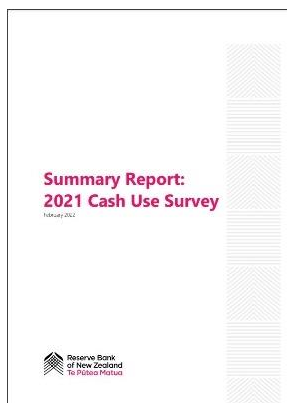
Te Tari Taiwhenua | Department of Internal Affairs

[New Zealand led international operation into online child sexual abuse material leads to 46 arrests across New Zealand](#)

A two-year international operation led by the Department of Internal Affairs (DIA) has identified more than 90,000 online accounts worldwide that have possessed or traded child sexual abuse material.

The DIA brought together international law enforcement agencies including the FBI, the Australian Federal Police, the Royal Canadian Mounted Police, the UK National Crime Agency, Europol and INTERPOL, as well as New Zealand Police and New Zealand Customs Service.

Te Pūtea Matua | Reserve Bank of New Zealand



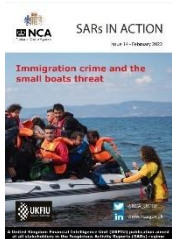
[Summary Report: 2021 Cash Use Survey](#)

The Reserve Bank of New Zealand (RBNZ) has published the 2021 Cash Use Survey, the third in a series, following on from 2017 and 2019. More than 3,000 New Zealanders completed the survey, 25% online and 75% using the paper version.

The Cash Use Survey is one of the ways in which the RBNZ monitors changes in the public's cash use. The results from this survey inform their policy development, business decision, and their engagement with the cash industry and other stakeholders.

AML/CFT Media Library

NEWSLETTER



[National Crime Agency: SARs in Action](#)

The 14th edition of the UKFIU magazine was published in February 2022. In this issue, they look at some of the important changes that have been taking place recently in the UKFIU, including their new structure. They also reveal the results of the Reporter Engagement Survey they undertook in late 2021.

PODCASTS



[FAST: The Podcast](#)

Finance Against Slavery and Trafficking: The Podcast is a series exploring the connections between global finance and modern slavery and human trafficking. They look at the different ways the financial sector can harness its leverage to end modern slavery, forced labour and human trafficking.



[The Perfect Scam](#)

This podcast, presented by the United States AARP, tells the stories of people who find themselves the target of a scam. The host and independent journalist, Bob Sullivan, introduces listeners to those who have experienced scams first-hand, as well as professional con artists and leading experts who reveal how scammers operate.



[The Suspicious Transaction Report](#)

The Suspicious Transaction Report is the flagship podcast of RUSI's Centre for Financial Crime and Security Studies. The fourth season of RUSI's podcast began on 28 January. This season covers the system at large as well as terrorist financing; cryptocurrencies; enforcement; sanctions; asset recovery; counter-proliferation financing fraud; and environmental, social and governance issues.

DOCUMENTARY



[Wirecard: A Billion Euro Lie](#)

A subtitled, feature-length documentary about Wirecard, a German start-up that became an online payment giant. Wirecard collapsed in 2020 following revelations of [large-scale fraud](#).

SANCTIONS ON RUSSIA

Situation

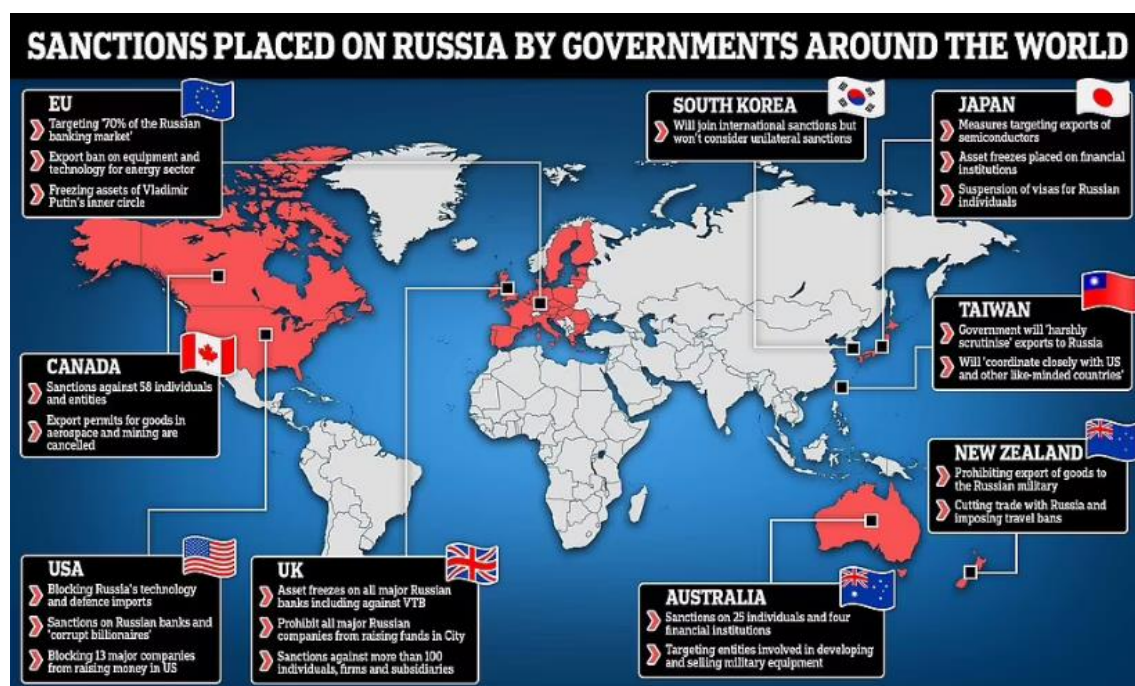
A few days before Russia's unprovoked invasion of Ukraine on 24 February 2022, Putin signed decrees at a Kremlin ceremony recognising the independence and sovereignty of two regions in Ukraine and ordered Russian troops to those territories.

In response, the United States, the European Union, Germany, Australia, Japan and the United Kingdom [imposed various travel bans](#) and asset freezes on Russian individuals, financial sanctions, and the suspension of imports from and exports to Russia.



New Zealand's Parliament unanimously passed the [Russia Sanctions Act](#) ('the Act') on 9 March 2022, followed by the [Russia Sanctions Regulations 2022](#) ('the Regulations') on 18 March. The Act established a framework to impose and enforce sanctions on persons, assets, and services where appropriate to respond to threats to the sovereignty or territorial integrity of Ukraine or other countries threatened by Russia's actions.

The Regulations list the [first tranche of targets](#) covered by the Act, prioritising political and military individuals and entities, and extending existing sanctions on Russian President Vladimir Putin and 12 members of his Security Council to include asset freezes and prohibitions on their vessels and aircraft entering New Zealand.



What are Sanctions?

Sanctions are a common foreign policy tool for seeking to influence foreign governments and individuals to change their behaviour without using armed force. Sanctions may be designed to bring a situation of international concern to an end by influencing those responsible, to limit the adverse impacts of the situation, or to penalise those responsible.

Sanctions place restrictions on the activities permissible between New Zealanders and foreign states, individuals, or entities. They can cover a range of measures, including financial restrictions, travel restrictions, export/import restrictions, shipping bans, and the suspension of technical assistance and/or development aid to a country.

Sanctions in New Zealand

New Zealand has previously only been able to implement sanctions when the United Nations Security Council has imposed them. New Zealand is a United Nations Member State, and as such is bound by the United Nations Security Council's (UNSC) decisions, including sanctions imposed in response to a threat to international peace and security.

However, the UNSC has not been able to, and will not be able to impose sanctions against Russia, as Russia has the power to veto them. New Zealand passed the Russia Sanctions Act to respond to Russia's continued actions in Ukraine.

Russia Sanctions Act 2022

The intention of the Russia Sanctions Act is to join the international community in applying tougher sanctions that will severely limit Russia's ability to finance and equip the war on Ukraine, and to influence people with power in Russia to break their support for the invasion.

The Act allows for New Zealand to apply sanctions against any country threatening the sovereignty or territorial integrity of Ukraine. The focus will be Russia; however, the Act allows for sanctions against any country providing assistance to Russia, including Belarus.

The Act targets individuals and companies economically or strategically important to Putin's regime, including oligarchs. It gives the ability to:

- freeze assets (tangible and intangible) in New Zealand;
- prevent people and companies from moving their money and assets to NZ to escape sanctions imposed by other countries; and
- stop ships, super yachts, and aircraft from sanctioned individuals entering NZ waters or airspace.

The Act allows for regulations to be made to take action against a broad range of people, assets, or services threatening the sovereignty or territorial integrity of Ukraine. The sanctions can be prohibitions or restrictions on:

- travelling to, entering or remaining in New Zealand;
- dealing with services – using, receiving, providing, or otherwise dealing with services in any way (e.g. banking services, legal services, training, providing computer code);
- dealing with assets – using, receiving, providing, or otherwise dealing with assets in any way (e.g. purchasing property or shares). It is this sanction that would 'freeze' a sanctioned person's assets in New Zealand.

Russia Sanctions Regulations 2022

A list of sanctioned persons is found in the [Schedule](#) of the Russia Sanctions Regulations.

The Government's first round of Russia sanctions have targeted President Vladimir Putin and his key supporters, Russian-backed militia, technology manufacturers, and a state-backed bank. Overall, the Regulations Schedule lists 159 people, 19 entities, and five classes of people subject to the asset freeze and dealings prohibition as set out in the Act. The law specifically includes the families or associates of the sanctioned as included, avoiding a loophole that has sometimes hindered other countries' sanctions.

Of the 159 people listed as banned from travelling to New Zealand, Putin and 12 others on the sanctions list have also been banned from having ships or aircraft owned, controlled, or chartered by them entering the country, and have been prohibited from having assets in New Zealand.

New Zealanders are prevented from dealing with Russian-backed militias such as the Donbass People's Militia, the Cossack National Guard, or with Russian technology firms JSC Integral, and JSC Research and Production Corporation.

Given the broad nature of the sanctioned classes, it is likely that associates of the named entities and people will potentially include hundreds of Russian citizens who are not specifically [named in the regulations](#).

Oligarchs

Worldwide sanctions related to Russia's invasion of Ukraine have focussed on Putin and an ever-expanding list of 'oligarchs'. Who are these oligarchs and why are they being sanctioned?

In the Russian context, oligarchs are people who have accumulated wealth from business dealings and also have disproportionate political power. Russian oligarchs emerged in two distinct waves.

1990s

The former Soviet Union, officially the Union of Soviet Socialist Republics (USSR), was dissolved in late 1991. Soon afterwards, the newly independent Russian Federation ran a voucher privatisation effort for more than 15,000 state-owned assets. The aim of the programme was to allow ordinary Russians to buy shares. Instead, well-connected businessmen acquired large blocks of vouchers, leading to two-thirds of all privatised shares to be held by company insiders, according to a [1999 International Monetary Fund study](#).

Russian companies in oil and gas, metals and mining, railways and transportation, agricultural products and other core industries were now controlled by former officials and wealthy businessmen. Under President Yeltsin, multiple oligarchs assumed formal positions in the government, and could even dictate policy at times.

In 1995, Yeltsin created a 'loan-for-shares' scheme; in return for loaning money to the Russian government and helping to finance Yeltsin's re-election campaign, a few wealthy businessmen received shares of 12 state-owned energy and mining companies in the form of 'leases', with the promise of ownership if Yeltsin was re-elected. This scheme created some of Russia's wealthiest oligarchs.

2000s

After being elected president in 2000, Putin partially rolled back the privatisation in strategic industries. He applied political pressure on oligarchs in industries like media and natural resources to sell controlling interests back to the state and passed laws that gave preferential treatment to state corporations.

Putin has alternately enriched and punished oligarchs. Mikhail Khodorkovsky, once Russia's richest man, was caged in the middle of the courtroom during his highly publicised trial for tax crimes. He was convicted of tax evasion and fraud, but later pardoned by Putin. He has lived in exile since 2013.

However, many of the current oligarchs are current or former Putin officials. Yuri Kovalchuk, often referred to as Putin's "personal banker", obtained significant percentages in insurance and media companies through his connection to Putin.

Current oligarchs can be considered in three distinct groups, based on their proximity to power.

Close Circle

The first group of oligarchs are personally connected to Putin, primarily from his time in the KGB or from working under him in St. Petersburg during his early post-Soviet political career. A few of Putin's closest oligarch friends from St. Petersburg are Yuri Kovalchuk; Gennady Timchenko, whose key asset is the energy trading firm Gunvor; and the brothers Arkady and Boris Rotenberg, who own assets in construction, electricity, and pipelines. All these individuals have been sanctioned.

Silovarchs

The second group are the so-called 'silovarchs' – business elites who have leveraged their networks in the police and military to amass extreme personal wealth. Silovarch is a portmanteau of oligarch and siloviki, a Russian word for the country's military and security leaders. Similar to the first group of oligarchs, many silovarchs know Putin personally, from his KGB or St Petersburg days. The man reputed to be the informal leader of the siloviki is Igor Sechin, chairman of oil giant Rosneft. Sechin is widely seen as the second-most powerful person in Russia.

Outsiders

The largest group of Russian oligarchs are those without personal connections to Putin, the military or the police. Some in this groups are 1990s-era oligarchs. For example, Vladimir Potanin and Oleg Deripaska, who accumulated their wealth in the 1990s, regularly feature in the lists of richest Russians today. Potanin has not yet been sanctioned by any country.

Following the Money

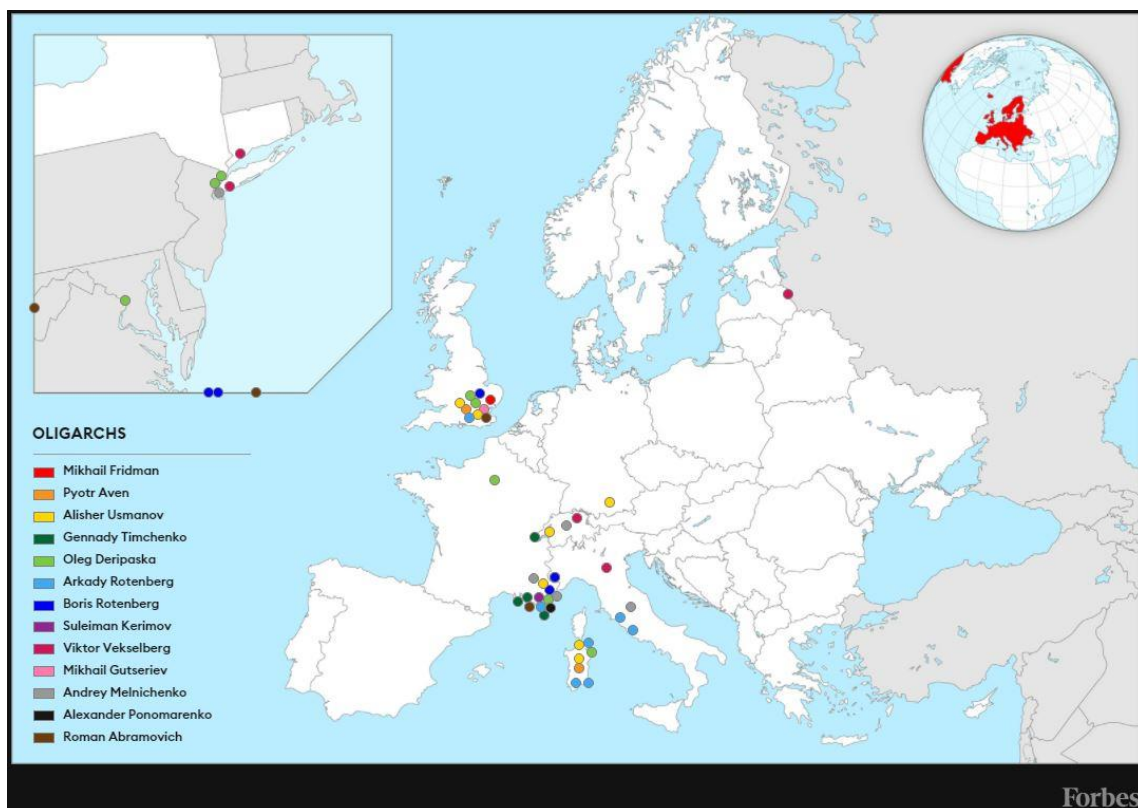
William Browder, a one-time investor in Russia who was instrumental in the US Congress's passage of the [Magnitsky Act](#) in 2012, estimates Putin's wealth at more than US\$200 billion (NZ\$287bn). This estimate is based on a deal Browder said Putin struck with the oligarchs in 2004: half of all they earned would belong to Putin. Browder also claims that Putin doesn't have any money in his own name.

After the illegal annexation of Crimea in 2014, and the resulting sanctions by multiple Western countries, Putin and the oligarchs have spent years dispersing and hiding assets in tax havens like the British Virgin Islands, aided by lawyers, accountants, and banks.

In an interview with the [L.A. Times](#), Maíra Martini, an expert on money laundering at Transparency International in Berlin, said that investigating illicit Russian money will require unprecedented international cooperation, because funds are often cloaked through shell companies in one country and banks in another, then spent on assets such as luxury property in a third.

According to a [2017 study](#) published by the National Bureau of Economic Research, an estimated US\$800 billion (NZ\$1.15 trillion) is held by wealthy Russians offshore, much of it in bank accounts, investments, and significant real estate. Transparency International has estimated that nearly US\$2 billion (NZ\$2.9bn) of British real estate has been bought by Russians with Kremlin ties or links to corruption, a large portion of it in London.

The figures are all estimates because exact numbers are difficult to gather, and Russian oligarchs have invested their money in various ways. The English Premier League's Chelsea Football Club, purchased by Russian billionaire Roman Abramovich in 2003 for around US\$90 million (NZ\$129m), is now worth billions. Abramovich also has properties in Colorado, France, St Barts, and the UK, totalling about US\$620 million (NZ\$889m). [Forbes](#) uncovered at least 94 properties throughout the United States and Europe owned by 18 sanctioned Russian-born oligarchs. Forbes estimates these properties to be worth US\$4.5 billion (NZ\$6.4bn) collectively.



The goal of sanctions is to disrupt the lives of Putin's inner circle enough that they might exert pressure on him to moderate his conduct. However, it is unclear whether the oligarchs who

have grown accustomed to a lavish lifestyle, even under financial pressure, would dare ask Putin to pull out of Ukraine or attempt to remove him from power.

Duty Holders and Reporting Entities

All reporting entities under the AML/CFT Act are duty holders under the Russia Sanctions Act. However, the Act has built in a provision to expand the definition of duty holders beyond the AML/CFT Act, as the Russia Sanctions Act is broader in scope. Any future changes to the definition of duty holders will be made in the Russia Sanctions Regulations.

For this guidance, we will use the broader term of duty holders, and provide clarification on any actions that are specific to AML/CFT reporting entities.

Asset Freezing

The Act places asset freezing obligations on all duty holders, including entities captured as reporting entities under the AML/CFT Act. This means if a duty holder currently has a sanctioned asset under their control or they are currently providing services to a sanctioned person, they must cease all activity by either freezing the assets and/or stopping any transactions or services involving the sanctioned entity.

Reporting

The Act places reporting obligations on duty holders, including entities captured as reporting entities under the AML/CFT Act. If a duty holder has reasonable grounds to suspect that they are in possession of or control a sanctioned asset, or are providing services to a designated person, they must report this to the Commissioner as soon as practicable, but no later than three working days. Reporting entities must submit a Suspicious Activity Report (SAR) to the FIU, with as much information and context that can reasonably be provided to inform next steps, with the 'SANC' indicator chosen in goAML.

Duty holders who are not reporting entities under the AML/CFT Act can report using the prescribed form on the NZ Police [105 website](#).

Due Diligence and Monitoring

All duty holders have a responsibility to ensure they do not contravene a sanctions law. Duty holders are responsible for undertaking the due diligence checks necessary to ensure the persons or entities connected with the proposed activity are not subject to targeted financial sanctions. They are also responsible for undertaking due diligence to ensure no assets or services are indirectly provided to any sanctioned individual (including members of a class of individuals) or entity such as through opaque beneficial ownership within complex trusts and companies.

In practice, this means New Zealand businesses that may engage with Russian entities or individuals should conduct targeted internal review to:

- determine whether the business is subject to overseas sanctions laws, by
 - mapping out the ownership and management, including the nationalities of shareholders, directors, senior management, and employees
 - understanding the overseas presence, trade routes, origin and destination of goods, and currencies used

- reviewing financial, contractual, or trading relationships, as well as products and services to determine whether the business has connections or dealings, directly or indirectly, with entities and individuals subject to overseas sanctions regimes
- assess what the business needs to do to ensure compliance with sanctions, as well as how to monitor and detect any changes, and report on and manage the risks

Understanding who has effective control of a legal structure is a key part of due diligence and every effort should be made to work back through any layers of ownership to determine who the beneficial owner is.

Duty holders should check the list of sanctioned persons before undertaking an activity to ensure they do not contravene the New Zealand sanctions law. If a proposed activity in any way involves a designated person, entity, asset, or service, then in addition to submitting a sanctions breach report or a suspicious activity report (SAR), duty holders should seek legal advice before taking further action.

Sanctions Offences

It is a criminal offence to breach a sanction in the Act. For individuals this is punishable by seven years' imprisonment or a fine not exceeding \$100,000. For an entity, this is punishable by a fine not exceeding \$1 million.

In practice, this means it is prohibited for any person in New Zealand to deal with a sanctioned individual, entity, asset, or service listed in the Regulations. Examples of prohibitions include:

- Dealing with an asset, both in New Zealand and offshore, that is owned or controlled by a sanctioned person (e.g. buying property from a sanctioned person)
- Dealing with an asset that would result in a benefit to a sanctioned person (e.g. sending money to a sanctioned person)
- Providing any financial or other related legal or accounting services in respect of such a dealing
- Providing any financial or related service to, or for the benefit of, a sanctioned person including company formation and trusts creation, or acting as a trustee
- Dealing with a service provided by, to, or for the benefit of, a sanctioned person (e.g. receiving a financial service from a sanctioned person)

To avoid any confusion, if a duty holder suspects a customer is a sanctioned person, they should submit a sanctions breach report or a SAR to the FIU and seek legal advice before proceeding with any activity.

Requesting Assistance

MFAT

MFAT can assist duty holders to understand their rights and responsibilities, and will work with them to prevent and address breaches of New Zealand sanctions law. Note that the sanctions laws of other countries and/or the European Union may also apply to the overseas activities of New Zealand citizens or New Zealand-registered companies, and it is the responsibility of duty holders to get legal advice on whether they may be affected by foreign laws.

MFAT cannot provide legal advice or advice on the sanctions laws of other countries.

NZ Police

New Zealand Police can assist duty holders who are unsure if they are using or dealing with an asset that may be owned or controlled by a designated person or entity (i.e. whether a freezable or controlled asset is held).

FAQs

Q: What Are “Sanctioned” or “Designated” Persons?

Sanctions regulations commonly prohibit or restrict dealings with certain individuals and entities. In such cases, the relevant sanctions regulation will refer to ‘sanctioned’, or ‘designated’, persons. These terms are often used interchangeably when discussing sanctions.

Q: Who must comply with sanctions?

All New Zealanders.

Q: What if I have information on a possible illegal activity?

Please contact 105 or file a report on the NZ Police [105 website](#).

Q: What should I do with any funds blocked or frozen?

There are currently no asset management provisions in the Act or Regulations. Duty holders need to hold the funds and report the transaction.

Q: What is suspicion/reasonable grounds to suspect?

Please refer to the guidance provided in the [March 2021 edition](#) of *The Suspicious Activity Report*. If you are an AML/CFT reporting entity, the guidance can also be found in the goAML Library.

Q: Duty holders only have three days to report?

The trigger for the three days is on reaching the threshold of ‘reasonable grounds to suspect’ and not on developing a suspicion/speculation. Indicators and typologies on their own are just a starting point for the review and investigation of the customer and not the start of the three days ‘clock’. Please refer to the guidance as mentioned above.

Q: Where can I find indicators and typologies for my business sector?

Please refer to the Sanctions Alert [#FIU-2022-SANCO2](#) on the FIU website.

Q: What if I think I've made a mistake?

Contact MFAT. MFAT understands when a duty holder has made their best efforts to comply. If you identify that you have unintentionally undertaken an activity in contravention of a New Zealand sanctions law, please notify MFAT immediately by emailing enquiries@mfat.co.nz.

Remember that the target of the Russia Sanctions Act is not reporting entities/duty holders. The objective is to stop sanctioned people from transacting their assets into and out of New Zealand. The private sector is a preventative and protective layer.

Looking Forward

The situation in Ukraine is very fast moving, and the sanctions list will be updated accordingly. Duty holders should continue to refer to the [MFAT website](#) to be sure they have the latest information.

For duty holders who have undertaken sanctions checks as part of customer due diligence when taking on the client and there has then been a period of time before a transaction takes place, it is helpful to re-check the sanctions list ahead of the transaction completing because individuals may have been added to the list in the interim.

RESOURCES

The Ministry of Foreign Affairs and Trade has general [information about sanctions](#), as well as a list of New Zealand regulations implementing UN sanctions regimes.

The Ministry of Foreign Affairs and Trade has further information about the situation in Ukraine on [their website](#).

The Ministry of Transport has published guidance on sanctioned ships and aircraft on [their website](#).

Duty holders can report a Russia Sanctions breach on the NZ Police [105 website](#).

The Financial Intelligence Unit produces guidance alerts for major developments in regard to Russia Sanctions on [our website](#).

The International Consortium of Investigative Journalists (ICIJ) has published a [list of oligarchs](#) and Russian elites featured in ICIJ investigations.

The Organized Crime and Corruption Reporting Project (OCCRP) has created an interactive [Russian Asset Tracker](#) to catalogue wealth held outside Russia by oligarchs and key figures close to Russian President Vladimir Putin.

INTERNATIONAL AML/CFT NEWS

Canada

[Foreign money funding 'extremism' in Canada, says hacker](#)

A hacker from the 'hacktivist' group, Anonymous, leaked the names and locations of more than 90,000 people who donated money to the Canadian trucker convoy protest via GiveSendGo. The data showed that most funds appeared to come from Canada and the United States, while individuals in the UK, the Netherlands, Ireland, and Denmark also donated.

A professor at Canada's Queens University who is an expert in extremism and social movements tweeted about the breakdown of the donations, noting that 56% of the donations came from the United States, while 29% came from Canada and 2% from the UK. The data also shows that some donors used US government email addresses in association with the donations.

Costa Rica

[Costa Rica money laundering investigation results in 35 raids](#)

The Organization of Judicial Investigations (OIJ) completed 35 simultaneous raids throughout Costa Rica as part of an operation involving an alleged large-scale money laundering operation. According to officials, the target of the raids was an organisation of 24 individuals suspected of laundering the profits of an international drug smuggling organisation.

Switzerland

[Credit Suisse leak unmaskers criminals, fraudsters, and corrupt politicians](#)

A leak from one of the world's biggest private banks, Credit Suisse, has revealed the details of accounts linked to 30,000 Credit Suisse clients all over the world.

[Suisse Secrets](#) is an international investigation into one of the world's wealthiest and most important banks. More than 163 journalists from 48 media outlets in 39 countries across the world spent months analysing bank account information leaked from Credit Suisse. The leak included more than 18,000 accounts.

United Kingdom

[UK tax authority seizes NFT for first time in £1.4m fraud case](#)

The UK's tax authority, HM Revenue and Customs (HMRC), seized three Non-Fungible Tokens (NFTs) and arrested three people as part of a probe into a suspected £1.4 million (NZ\$2.86m) value-added tax (VAT) fraud.

HMRC said the suspects were alleged to have used '[sophisticated methods](#)' to attempt to hide their identities, including the use of false and stolen identities, false addresses, pre-paid unregistered mobile phones, VPNs, false invoices, and pretending to engage in legitimate business activities.

Corruption

[Laundered millions linked to Azeri politician forfeited](#)

In a statement released by the UK National Crime Agency (NCA) on 31 January, they announced that financial investigators secured a Forfeiture Order for £5.6 million (NZ\$10.7m) in UK bank accounts belonging to family members of Javanshir Feyziyev, who is a serving MP in Azerbaijan. The accounts were held in the name of Feyziyev's wife, child, and nephew, and were suspected to have been derived from the [Azerbaijan laundromat](#).

Through the laundromat, money would be moved via a complex network of shell companies that operated bank accounts in Estonia and Latvia. In his ruling, District Judge John Zani stated he was entirely satisfied that there was a significant money laundering scheme in existence in Azerbaijan, Estonia and Latvia at the relevant time.

Crypto

[US married couple arrested for allegedly conspiring to launder \\$4.5bn in bitcoin](#)

The US Department of Justice [announced](#) the arrest of two individuals and the seizure of US\$3.6bn (NZ\$5.2bn) in bitcoin, linked to the 2016 hack of Bitfinex, a virtual currency exchange.

According to court documents, the individuals allegedly conspired to launder the proceeds of 119,754 bitcoin that had been stolen from Bitfinex's platform. The criminal complaint alleges that the pair employed numerous sophisticated laundering techniques, including using fictitious identities to set up online accounts and using US-based business accounts to legitimise their banking activity. Prosecutors said the illegal proceeds were spent on items ranging from gold and NFTs to everyday goods.

Both are charged with conspiracy to commit money laundering, and conspiracy to defraud the United States.

TNOC/Fraud/TBML

[Virginia man pleads guilty to laundering millions from fraud schemes](#)

Arrested in 2021, Fred Asante recently pleaded guilty to conspiracy to commit money laundering for his role in an international criminal enterprise based in the Republic of Ghana. More than US\$35m (NZ\$51m) was stolen from victims using various fraud schemes, including romance scams, business email compromises, and schemes related to the COVID-19 pandemic.

According to the indictment, public court filings and statements made in court, from at least in or about 2013 through to at least or about 2020, Asante was a member of a criminal enterprise based in Ghana that committed a series of frauds against individuals and businesses located across the United States.

The defendant primarily laundered the fraud proceeds through his business by purchasing automobiles, food products and other goods from US-based suppliers and distributors, and shipping those products to Ghana and other foreign jurisdictions.

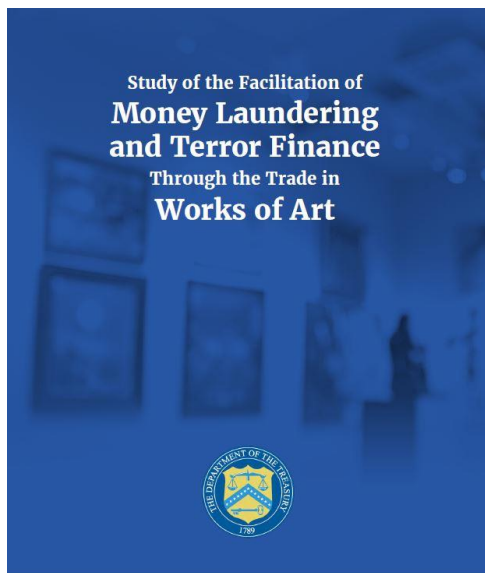
TNOC/Wildlife Trafficking/TBML

[How China is tied to organised crime in Mexico](#)

This article is an interview with [Vanda Felbab-Brown](#), a senior fellow at the Brookings Institution, and an expert on international conflicts and non-traditional security threats, including organised crime and illicit economies. Felbab-Brown is also the author of “The Extinction Market: Wildlife Trafficking and How to Counter It” and “Narco Noir: Mexico’s Cartels, Cops, and Corruption”.

Felbab-Brown notes that while researching China’s role in Mexico’s illicit economies, she was struck most by the intermeshing of drug trafficking and wildlife trafficking. She found the legal and illegal wildlife trade between Mexico and China is also increasingly becoming a mechanism to transfer value in illicit economies by using trade-based money laundering.

United States Department of the Treasury



February 2022

[US art trade vulnerable to money laundering](#)

A [US Treasury study](#), ordered by Congress as part of efforts to update American AML regulations, found there is some evidence of money laundering risk in the high-value art market, but limited evidence of terrorist financing risk.

The US Treasury Department issued a set of recommendations to combat illicit finance in the high-value art market and advised that the digital art market, such as non-fungible tokens (NFTs), may present new risks as the characteristic of digital art make it vulnerable to money laundering.

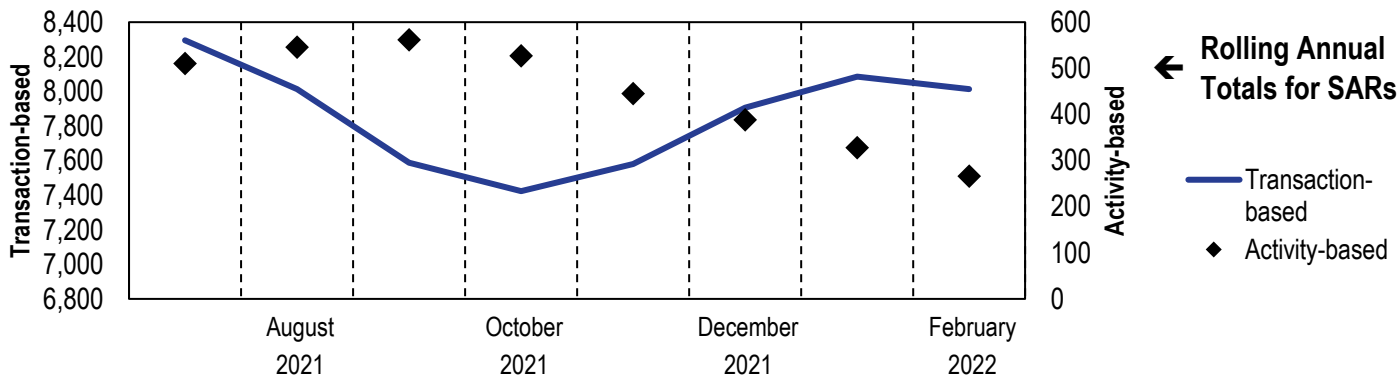
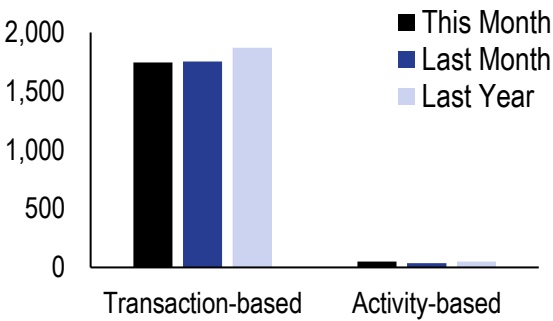
The report cited cases that are well known to US enforcement agencies as examples of art being used for illicit purposes, including two Russian oligarchs who used shell companies to buy art and evade sanctions. It also noted estimates of transnational crime related to art and cultural property range from US\$3bn to US\$8bn (NZ\$4.3bn to NZ\$11.6bn).

Documents leaked in the Panama Papers, FinCEN Files, and Pandora Papers investigations show how the wealthy have been increasingly investing in art and hiding the ownership of assets behind complex financial structures, with the help of professional enablers. A recent International Consortium of Investigative Journalists (ICIJ) analysis of the Pandora Papers found more than 1,600 artworks by about 400 artists secretly traded through shell companies and offshore trusts in low tax rate jurisdictions. Among those were a dozen Banksy artworks owned by a London financial broker through a New Zealand trust.

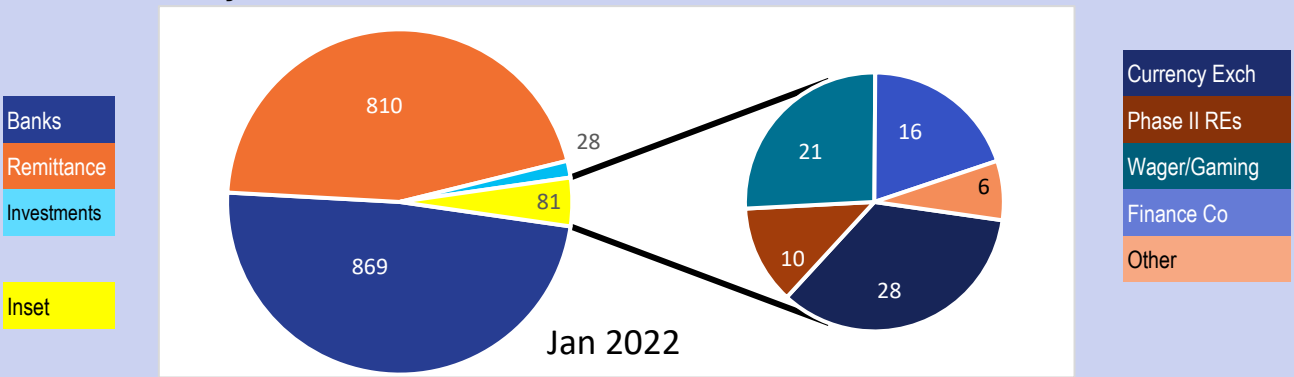
SUBMITTED REPORTS to the FIU*

Processed Suspicious Activity Reports (SARs)

	This Month	Last Month	Last Year
	February	January	February
	2022	2022	2021
Transaction-based	1,745	1,752	1,869
Activity-based	50	37	51
Total	1,795	1,789	1,920

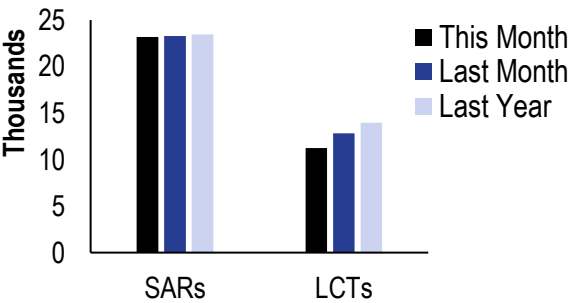


Processed SARs by Sector



Transaction Volumes within SARs and PTRs

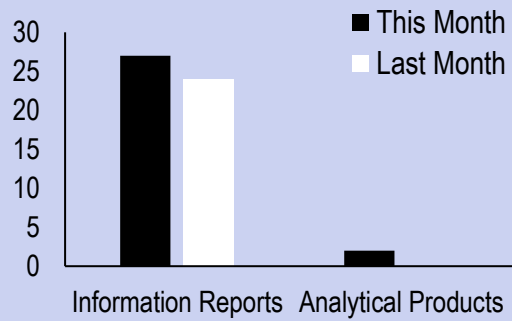
	This Month	Last Month	Last Year
	February	January	February
	2022	2022	2021
SARs	23,182	23,287	23,455
IFTs	412,186	396,786	386,474
LCTs	11,241	12,819	13,947



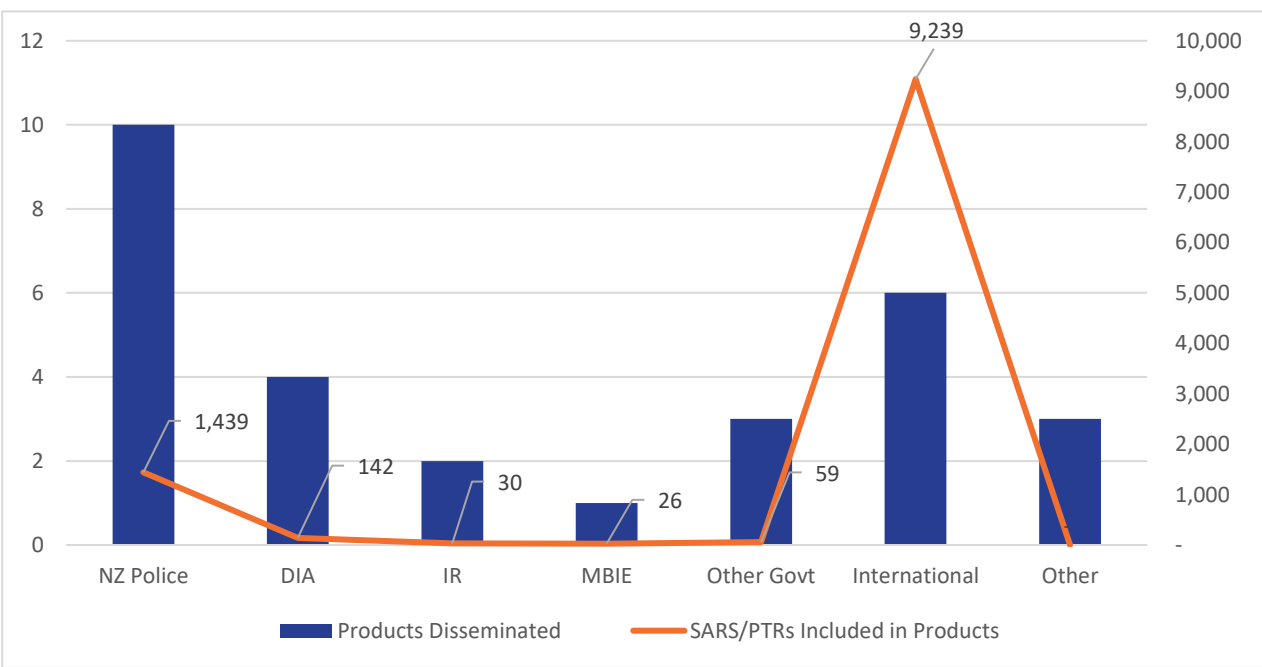
FINANCIAL INTELLIGENCE PRODUCTS

Disseminations of Products by Type

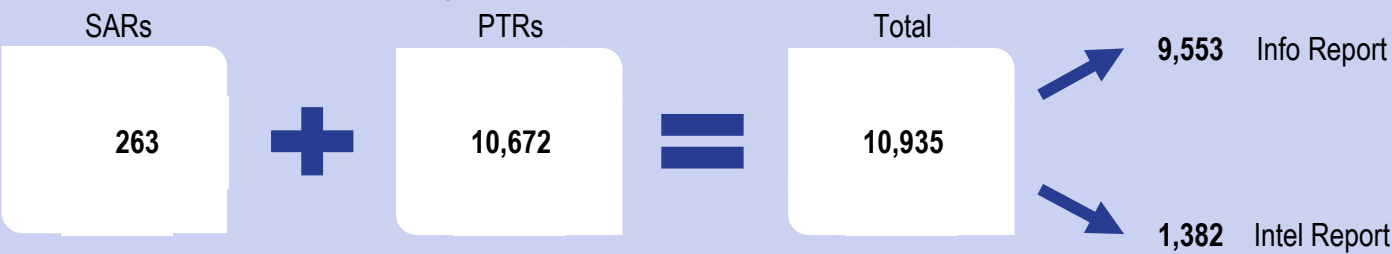
	This Month	Last Month
	February	January
	2022	2022
Information Reports	27	24
Analytical Products	2	0
Total Products	29	24



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.

