

The Suspicious Activity Report

JUNE 2020

New Zealand Financial Intelligence Unit

INTRODUCTION

This report is the first of a new monthly update entitled “*The Suspicious Activity Report*”. This report is produced by the Financial Intelligence Unit (FIU), part of the New Zealand Police Financial Crime Group, and 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 has been operational since 1996 and its core functions 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. The FIU can be contacted at: fiu@police.govt.nz

Asset Recovery Unit

The New Zealand Police Asset Recovery Units were established in December 2009 specifically to implement the Criminal Proceeds (Recovery) Act 2009 (CPRA). They are the successor to the Proceeds of Crime Units, which were established in 1991, and were 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.

Money Laundering Team

The Money Laundering Team (MLT) 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

I am very pleased to see the return of a regular report directed at Reporting Entities – *The Suspicious Activity Report*. This refreshed report has been developed by the NZFIU Research Analyst Dawn Logan and is the successor to the Quarterly Typology Report. The *Suspicious Activity Report* will provide a dashboard showing how the Suspicious Activity Reports (SARs) and Prescribed Transaction Reports (PTRs) are being used. In future editions we are looking to have editorial pieces written from AML experts from both the public and private sector.



It has been a busy year for the NZFIU, which started with preparation for the Financial Action Task Force (FATF) Mutual Evaluation. The onsite visit by the FATF assessors wrapped up just prior to the COVID-19 lock down. The first draft has been written and we are engaged in process of providing feedback to inform the second draft.

The FIU Service Delivery Transformation Project has been advanced with a Request for Proposal (RFP) closed on 17 July 2020 for a new Intelligence Tool that will enable us to better analyse the PTR data including international fund transfers and cash transaction reports.

The Financial Crime Prevention Network (FCPN) is New Zealand's Public Private Partnership which is chaired by the NZFIU and includes members from NZ Customs, ANZ, ASB, BNZ, Kiwibank, and Westpac. The FCPN has had a busy year with an agreement reached to work on four joint strategic typology products which will cover the topics of child exploitation, trade based money laundering, virtual asset service providers, and trust and company service providers.

COVID-19 brought its own challenges with the NZFIU implementing its business continuity plan and focusing on the basic services of processing SARs/PTRs, responding to our international partners, and maintaining our terrorist financing investigative capability. Several staff, including myself, were redeployed across Police to support the COVID-19 response.

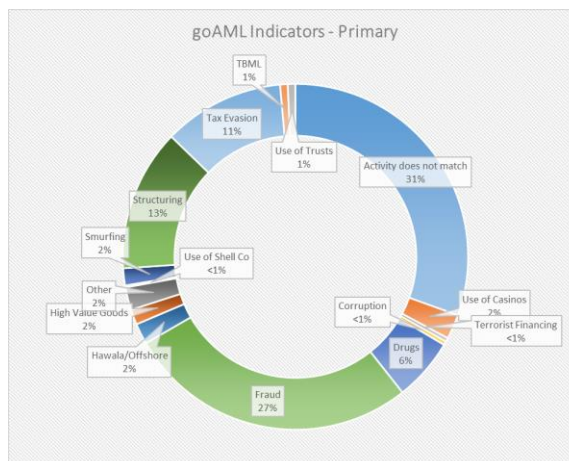
The last month has seen some excellent outcomes. The NZFIU enables our law enforcement units to deliver on Our Business and we touch upon most organised crime operations in New Zealand. The NZFIU played a role in the recent restraint by the Asset Recovery Unit (ARU) of \$140 million from the alleged money launderer Alexander Vinnik. The ARU investigators continue to do an incredible job and in the month of June seized over 30 high-end cars from three different outlaw motorcycle gangs.

If you want to stay abreast of news and developments, please follow the official NZFIU twitter feed @nzfiu and remember – know the risk, ask the questions, and report your suspicions to the #nzfiu.



Suspicious Transaction Reporting to the FIU

The FIU has analysed the SARs and STRs reported in June to better understand the trends of indicators reported within New Zealand. The number of reported suspicious activity reports (SARs) processed by the FIU in June 2020 was **1,554**. Of this figure, only **564** reports (36%) included indicators. The selection of indicators by Reporting Entities is strongly encouraged, as it provides the first layer of information that assists with prioritisation of STRs.



The two most common indicators selected were **Activity Does not Match Client Profile** and **Fraud**, at 31% and 27% respectively. Other common indicators selected were Structuring, Tax Evasion and Drugs. The most often selected secondary indicator was fraud related to the Covid-19 pandemic

Along with other red flags, Reporting Entities have described the behaviours listed below as examples of activity that did not match the client profile:

- Multiple ATM cash withdrawals summing to large amounts in a short period of time by both individuals and companies.
- Unusually large wire transfers to third-parties in international jurisdictions.
- Large cash deposits followed by immediate international transfers or transfers to third parties.
- Multiple inbound transfers from other countries into one individual account.

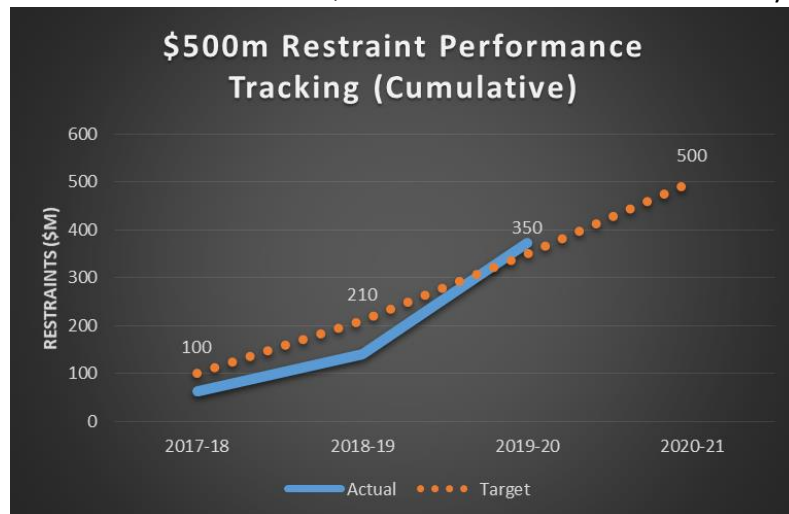
Several STRs reported related to suspicions that individuals or companies are exploiting the COVID-19 wage subsidy or business loans. Common examples include:

- Customer received the MSD Covid-19 wage subsidy despite having only previously received the WINZ benefit or having previously been a student.
- Customer not known to be in business or linked to a business received the business government loan from IRD.
- Wage subsidy received in a name not associated with the account.
- Receiving the wage subsidy then withdrawing it immediately in cash or transferring it overseas.

The monthly statistics showing the number of reports submitted to the FIU by reporting entities and the number of products disseminated by the FIU is set out separately from this Report in the Monthly Statistics Dashboard.

ASSET RECOVERY UNITS UPDATE

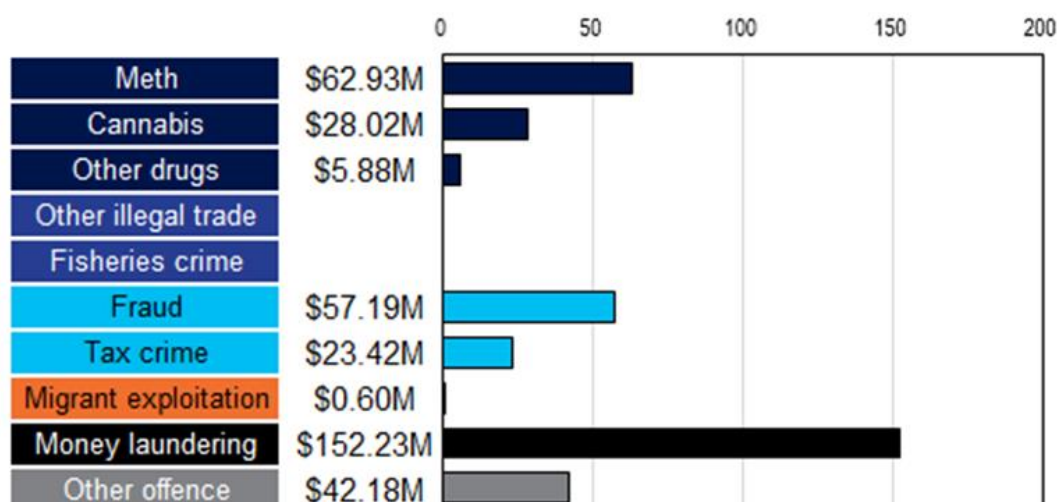
As at 30 June 2020, New Zealand Police restrained over \$372 million worth of assets since July 2017. The majority (41%) of restrained assets related to cases where money laundering was the predicate offence, followed by drugs (26%) and fraud (15%). According to the Proceeds of Crime Disruption Index, every dollar of assets restrained equates to an estimated \$3.30 in crime disruption.



With the June [*seizure of \\$140m of cash*](#) in multiple currencies found in an e-wallet linked to New Zealand, the New Zealand Police continues on track for the target of \$500m restraints.

This was the largest ever restraint of funds in New Zealand Police history. The money was controlled by a New Zealand registered company and was restrained in relation to an investigation involving Alexander Vinnik, a Russian IT expert who is in custody in France. The investigation was a referral from the FIU, sparked by two STRs in regards to professional enabler, and further supported by several IFTs.

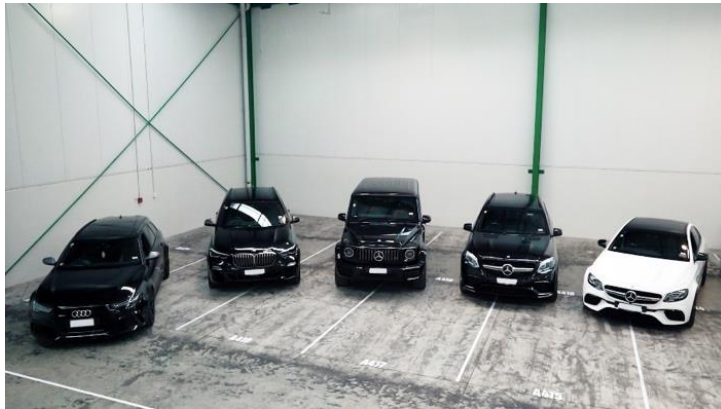
Breakdown by Main Crime Type - Restraints against \$500M Target



FCG in the News

Operation Rider¹

Operation Rider terminated in June 2020, with the recovery of 5 high-value vehicles totalling



\$650,000 at 4 Auckland properties, pursuant to CPRA restraining orders. Three people were arrested, including a Comanchero Outlaw Motorcycle Gang (OMCG) member and two associates, and charged with money laundering.

The operation commenced in August 2019 and looked into

the alleged money laundering operations of the Comanchero OMCG following on from Operation Nova. Operation Nova was a 2018 investigation into the senior leadership of the Comanchero Outlaw Motorcycle Gang. It uncovered a sophisticated money laundering network that saw the gang amass over \$3m in assets. The Comanchero Outlaw Motorcycle Gang was a new addition to the NZ gang scene and was germinated by Australian deportees with links to transnational organised crime networks.

Operation Rider was supported by 8 distinct FIU products, comprising of 11 SARs, 85 reported transactions (STRs, IFTs, LCTs), and CCTV footage which were submitted by banks, money remitters and high value dealers between January 2018 and April 2020.

Red Flags

- Cash deposits from third parties
- Structuring of cash deposits below reporting threshold
- Frequent cash deposits followed by outward International Money Transfers
- Frequent cash deposits at different locations
- Purchase of high end motor vehicles



¹ <https://www.stuff.co.nz/national/crime/300041753/comanchero-motorcycle-gang-three-men-arrested-650k-assets-seized>

INTERNATIONAL AML/CFT NEWS

FATF

Also in June, the Financial Action Task Force (FATF) released its first [global report on the illegal wildlife trade](#). The FATF is concerned about the lack of focus on the financial aspects of wildlife trafficking and has conducted this study to support jurisdictions to combat related money laundering. The study highlights that jurisdictions should view the proceeds generated by the illegal wildlife trade (IWT) as a global threat, rather than as a problem only for those jurisdictions where wildlife is illegally harvested, transited, or sold. Although estimates of the magnitude of IWT are inexact, the FATF suggests that the illegal trade generates billions of (US) dollars per year.

The IWT report makes some high-level conclusions about the need for a more robust international response, including how the IWT threat has evolved, how countries should respond and how the private sector can contribute. The report also offers indicators of money laundering associated with IWT. The FATF published two short briefs targeted at the private sector and law enforcement/FIUs, which summarise the key messages of the report for each respective audience. The reports are available on the FATF website.

- Original report: [Money Laundering and the Illegal Wildlife Trade](#)
- Private Sector Brief: [How can private sector help stop money laundering from IWT?](#)
- LEAs/FIUs Brief: [Following the money of the illegal wildlife trade](#)

Australia

[Two men charged with trafficking of exotic Australian animals](#)



On 24 June, two men were arrested near Sydney and have been charged with a combined 75 offences relating to the alleged trafficking of exotic and protected Australian animals, large scale fraud and money laundering. Authorities investigating the crimes uncovered a criminal syndicate operating across Australia, Canada, Asia and the United States.

Police stated that the numbers of animals allegedly bought and traded by the syndicate rose into the hundreds; a range of animals were seized during the investigation, including Australian magpies, lizards, turtles, a death adder snake, and a Burmese python.

Ireland

Seven suspects with gang ties arrested on suspicion of money laundering

Gardaí (Irish Police) suspect the Chinese-run money laundering network targeted in the raids has been receiving money from several Irish crime gangs and laundering it for them, through businesses, over a long period of time. The Criminal Assets Bureau led a total of 13 coordinated searches – 5 businesses and 8 residential addresses on 30 June. The search team found and seized €733,499 (NZ\$1.28m) in cash, 4 vehicles, and designer clothing and accessories.

Thailand

Thai Police busts major money-laundering ring

Police in Thailand say they have broken up a money-laundering ring that laundered more than 10 billion baht (NZ\$480m) over 2018-2020, much of it linked to drug trafficking. The key suspect owns companies in Thailand that import Chinese agricultural tools and machines and send back Thai agricultural products. The key suspect's companies also acted as an "underground bank" for more conventional Chinese businesspeople seeking to avoid money transfer fees. Arrest



warrants were issued for 109 suspects, including minor participants who allegedly were paid for the use of their bank accounts by the money-laundering ring.

United States

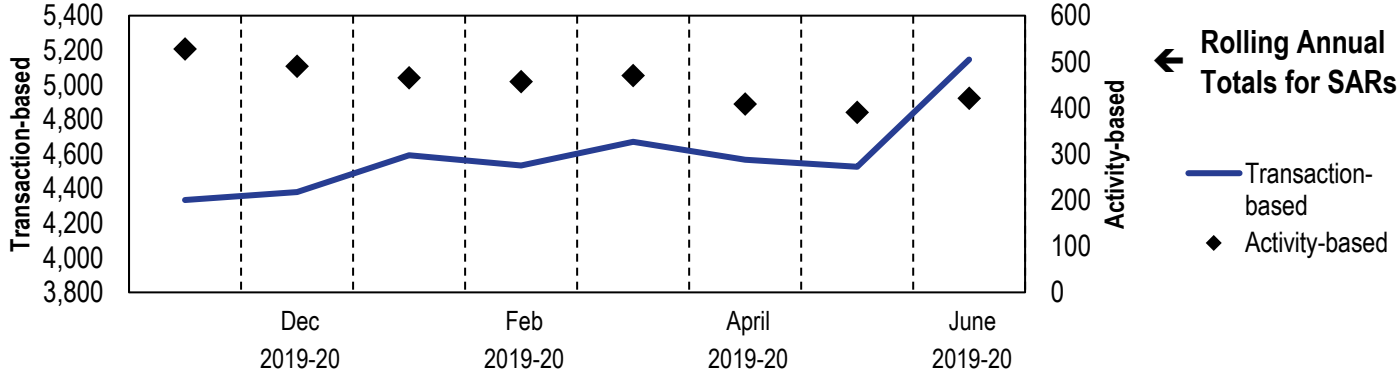
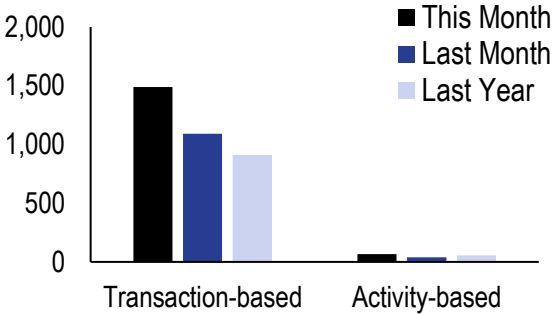
Professor admitted to laundering money for Colombian businessman

Mr Bagley was a noted expert on crime in Latin America, and had been quoted extensively in the media articles about drug cartels, violence and corruption. On 1 June, he admitted that he laundered money for a Colombian businessman in relation to a scheme to divert hundreds of millions of dollars in Venezuelan state funds using an emergency food program. The laundered money came from overseas banks in Switzerland and the United Arab Emirates and flowed through a bank account set up by Bagley in Florida.

SUBMITTED REPORTS to the FIU*

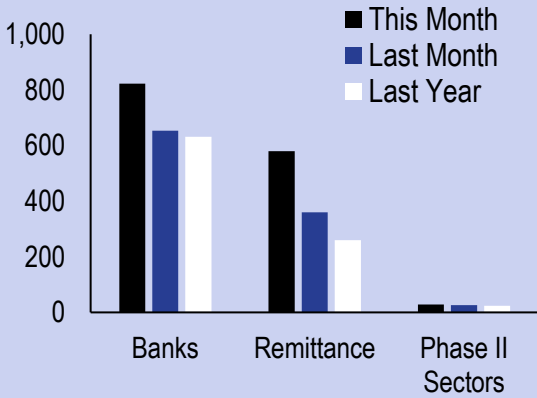
Processed Suspicious Activity Reports (SARs)

	<i>This Month</i>	<i>Last Month</i>	<i>Last Year</i>
	June	May	June
	2019-20	2019-20	2018-19
Transaction-based	1,489	1,090	912
Activity-based	65	38	54
Total	1,554	1,128	966



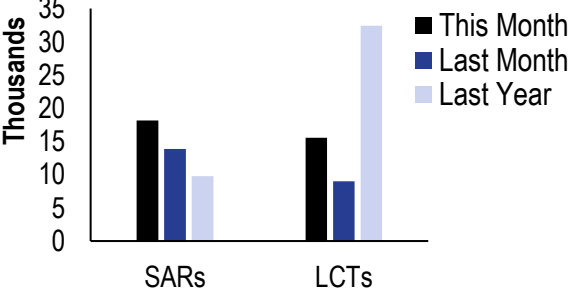
Processed SARs by Sector

	<i>This Month</i>	<i>Last Month</i>	<i>Last Year</i>
	June	May	June
	2019-20	2019-20	2018-19
Banks	822	653	631
Remittance	580	360	260
Phase II Sectors	28	26	24
Other	124	89	51



Transaction Volumes within SARs and PTRs

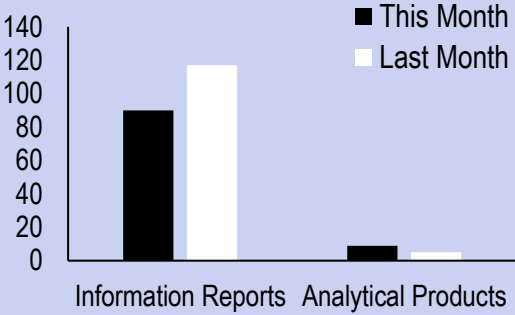
	<i>This Month</i>	<i>Last Month</i>	<i>Last Year</i>
	June	May	June
	2019-20	2019-20	2018-19
SARs	18,126	13,849	9,741
IFTs	414,958	390,656	402,593
LCTs	15,559	8,974	32,431



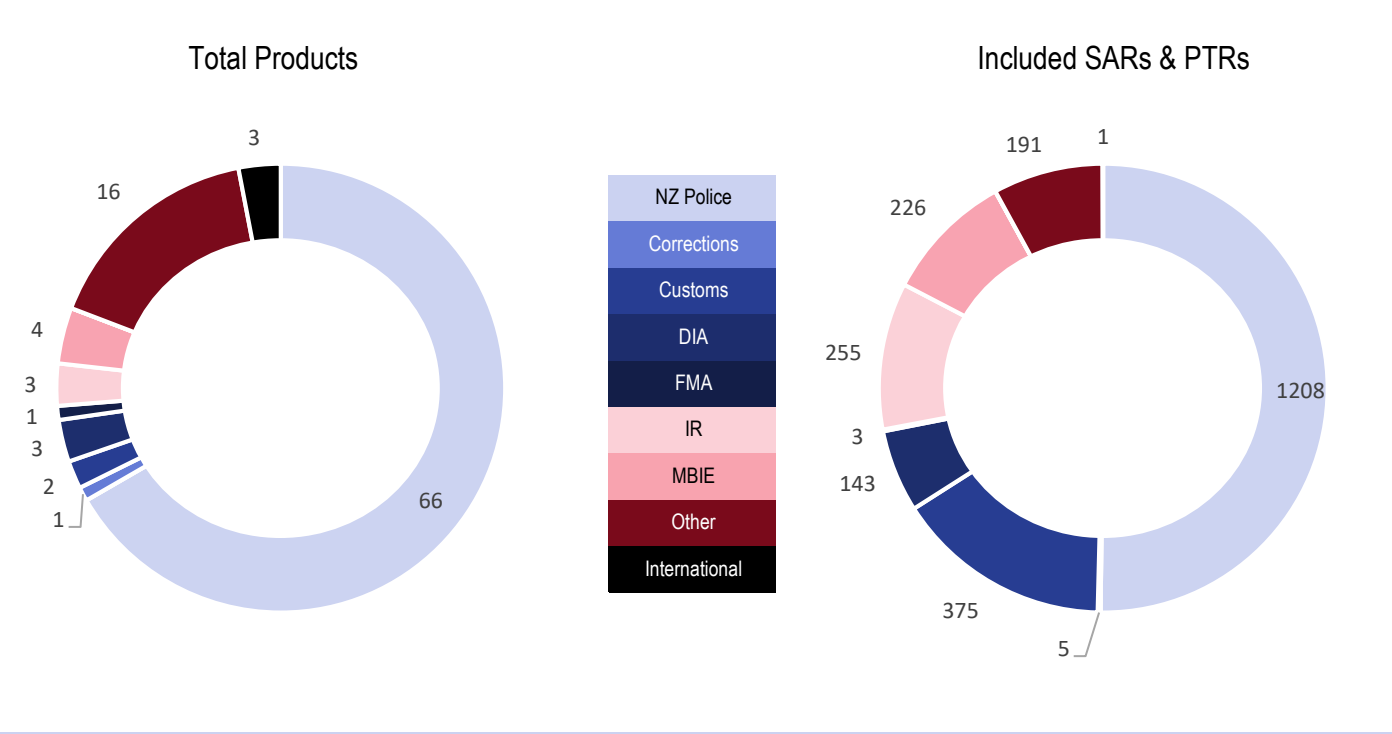
FINANCIAL INTELLIGENCE PRODUCTS

Disseminations of Products by Type

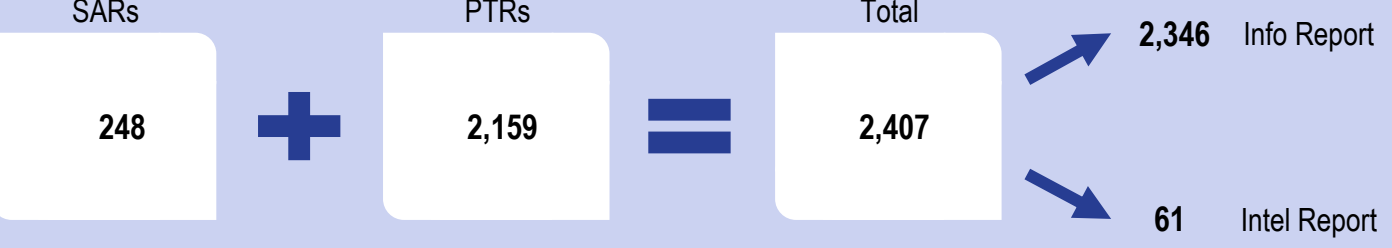
	<i>This Month</i>	<i>Last Month</i>
	June	May
	2019-20	2019-20
Information Reports	90	117
Analytical Products	9	5
Total Products	99	122



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.
Definitions: **Processed** = only accepted, not rejected reports **SAR** = Suspicious Activity Report (including transaction-based) **PTR** = Prescribed Transaction Report, **IFT** = International Funds Transfer, **LCT** = Large Cash Transaction