

# ***The Suspicious Activity Report***

MARCH 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 Stu McGowan, 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 Head of FIU

*Detective Senior Sergeant Stu McGowan*



Since late 2014 I have had the privilege to be the Manager of the Southern Asset Recovery Unit (ARU) based out of Christchurch and responsible for overseeing the application of the Criminal Proceeds (Recovery) Act 2009 across the South Island. Prior to that I had both worked in and managed several different investigative units within police.

Since that time, there has been both significant growth and development within the Financial Crime Group (FCG) which consists of the Asset Recovery Units, Money Laundering Team (MLT) and the Financial Intelligence Unit (FIU).

It was the interconnection of the three work groups and the work they do that recently prompted me to take on the role of relieving Acting Manager of the FIU.

The FIU receives and disseminates an incredible array of financial data from and to various sectors and agencies across the country, and internationally day in and day out. Although one of the principal activities of the FIU, together with several other government entities, is administering and overseeing the various legislative requirements of the AML/CFT Act, it is the investigative intelligence that can be extracted from the financial data that flows through the FIU that really interests me.

Criminals commit crimes to make money, whether it be committing a theft or burglary to sell items to raise a few hundred dollars to buy drugs, or the cartels and organised gangs who make millions from their illicit activities.

The collective FIU teams using their respective skill sets together with technology produce reports and tangible and beneficial products which not only assist various internal arms of police but also across the broader whole of government and international agency approach to law and order.

Research and products out of the FIU have assisted with several ARU asset restraint and forfeiture actions, similarly as they have with ensuring governance and compliance with AML/CFT legislation, supporting our pacific-based and wider international partners, sanctioning considerations, and National Security issues.

I am thoroughly enjoying the challenges and learnings involved and developing a greater understanding of the mechanics of the unit and would like to acknowledge the staff within the FIU in assisting me in the role.

## NEW ZEALAND AML/CFT NEWS

### FCG / Police News

#### [Financial Crime News interview with Christiaan Barnard](#)

To seek answers to the questions of how New Zealand is tackling illicit finance, the role of organised crime, and the response, Financial Crime News spoke with our very own Christiaan Barnard, Director of New Zealand's Financial Crime Group.

### News from our Partners

#### Hīkina Whakatutuki | Ministry of Business, Innovation & Employment

##### [Government cracks down on misuse of New Zealand companies](#)

The New Zealand Government has announced a Bill that will establish a public beneficial ownership registry. The proposed law would include changes to the rules around beneficial owners to make it easier to see who owns or controls a company.

The proposed new measures would include assigning a unique identifier number to all beneficial owners, directors, and general partners of limited partnership, in order to link them to entities they are associated with.

The Bill will be introduced later this year, following consultation with industry stakeholders and the public. More information can be found on [MBIE's website](#).

#### Manatū Aorere | Ministry of Foreign Affairs and Trade

##### *Government implements further sanctions targeting Russian oligarchs and banks*

A second round of sanctions came into force [on 5 April](#), targeting a further 36 individuals, all of whom are Russian oligarchs or their close family members with close ties to the Russian regime or Vladimir Putin.

[On 19 April](#), Foreign Minister Nanaia Mahuta announced new sanctions on eighteen financial entities, including Russia's central bank, sovereign wealth fund and the largest financial institutions in the country.

These sanctions target:

- Three core government financial institutions, including banks and a key investment fund
- Eight of the largest banks
- Seven other banks of significance because of links to oligarchs, Russia's defence sector and annexation of Crimea

Foreign Minister Mahuta, along with Trade and Export Growth Minister Damien O'Connor, have also announced tariffs to all imports from Russia and the extension of existing export prohibitions to industrial products closely connected to strategic Russian industries. Regulations are being prepared to enable them to enter into force from 25 April.

The full list of the individuals and entities impacted by the Russia Sanctions Act 2022 can be found on the [MFAT website](#).

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## AML/CFT Media Library

### PODCASTS



#### [Insight into the Thomson Reuters 2022 AML Risk Survey](#)

This podcast episode details a recent report, the 2022 Thomson Reuters Anti-Money Laundering Insights Survey. The challenges posed by digital identity verification and other AML processes, as well as the importance of data quality, are discussed.



#### [Behind the Scenes of The Ericsson List](#)

The International Consortium of Investigative Journalists (ICIJ) publishes a monthly podcast called 'Meet the Investigators', highlighting the work of the journalists they work with. In this episode, three journalists discuss the challenges of corroborating evidence and finding sources in Iraq to uncover telecom giant Ericsson's links to corruption and possible terror financing.



#### [Scammed: How I Lost \\$100k on a Dating App](#)

This episode of Consumer NZ's podcast details how a Kiwi fell victim to a hybrid/combo scam, colloquially known as a 'The Pig Butchering Scam' in China.

### WEBINAR



#### [To Catch a Money Launderer](#)

A joint webinar from the Business and Management Faculty and Fraud Advisory Panel of the Institute of Chartered Accountants in England and Wales (ICAEW). The webinar, presented on 13 October 2021, highlights the tell-tale warning signs of money laundering and guides reporting entities on what to do if these signs are spotted. Click the link above for the recording of the webinar (16 minutes).

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## INTERNATIONAL AML/CFT NEWS

### Australia

#### [Canberra chef pleads guilty to money laundering](#)

James Mussillon, a chef and former operator of Canberra's Courgette Restaurant, pleaded guilty to several charges, including perjury and money laundering. ACT Policing allege Mussillon [facilitated the laundering](#) of cash earned by co-accused Mohammed Al-Mofathel via Courgette Restaurant.

In the lead up to the arrest of Mussillon and Al-Mofathel, police seized up to AU\$1 million [NZ\$1.1m] in cash and assets, including Mussillon's home, a Lamborghini, a BMW 4-series sedan, and several bank accounts.

Al-Mofathel was charged with trafficking cannabis, perjury, money laundering and perverting the course of justice.

### Brazil / Paraguay

#### [Brazil, Paraguay dismantle drug money laundering network](#)

The Brazilian Federal Police and the Paraguayan National Anti-Drug Secretariat carried out Operation Capital Flow to dismantle a drug money laundering scheme. Authorities in both countries seized real estate, froze bank accounts, and cancelled the professional licenses of the accountants under investigation.

According to the Brazilian Federal Police, one of the suspects under investigation moved over US\$780 million [NZ\$1.2bn] through companies they controlled directly or indirectly. Authorities also allege the laundering network is linked to the Garcia Morínigo Clan, one of the largest narco-trafficking rings in the region.

### Russia/Sanctions

#### [In Istanbul and Dubai, Russians pile into property to shelter from sanctions](#)

According to Turkey's statistics office, Russians bought 509 houses in February 2022, nearly double the amount purchased in the previous year. That data was before Western sanctions were in place, and real estate agents said they expected the numbers to grow further.

Gul Gul, co-founder of the Golden Sign real estate company in Istanbul stated in an interview that his company sells seven to eight units to Russians every day, and that "they buy in cash, they open bank accounts in Turkey, or they bring gold". Another realtor said some Russians were using cash converted from cryptocurrency, as sanctions had made financial transfers more complex.

In Dubai, Thiago Caldas, CEO of the Modern Living property firm, has hired three Russian speaking agents to meet interest from Russians, which he says has increased tenfold. Both Turkey and the UAE offer residency incentives for property buyers.

### [Russian money flows through US real estate](#)

Louise Shelley, the director of the transnational crime and corruption centre at George Mason University and who has been an expert witness about how Russian money is laundered through real estate said the US has become a 'destination of choice' for money launderers throughout the world.

A 2017 Reuters review found at least 63 people with Russian passports or addresses had purchased at least US\$98.4 million [NZ\$150.5] of property in seven Trump-branded luxury towers in southern Florida. It found at least one third of the units in the buildings were owned by limited liability companies, which can mask the identities of the properties' true owners.

According to a [recent report by Global Financial Integrity](#), a non-profit group that researches illicit money flows, more than US\$2.3 billion [NZ\$3.5 bn] has been laundered through US real estate, based on cases reported in the last five years, many of which used anonymous shell companies and/or complex corporate structures.

## United States

### [SoCal vault business pleads guilty to money laundering](#)



A safe deposit box company that was raided by the FBI and the U.S. Drug Enforcement Administration (USDEA) in 2021 has pleaded guilty to money laundering. Agents seized drugs, firearms, and large amounts of gold bullion and cash from nearly 400 of the rented boxes, according to the indictment.

The company, U.S. Private Vaults, admitted in federal court that it sought drug traffickers and other criminals as customers. Customers paid over US\$550k [NZ\$841k] in cash and bitcoin in exchange for the anonymous use of safety deposit boxes "to store the proceeds of their offences, most often in stacks of \$100 bills" according to the plea agreement.

## United States / Mexico

### [Mom-and-pop stores: perfect money laundering vehicles on US-Mexico border](#)

In addition to relying on bulk cash smuggling, illegal wire transfers, and currency exchange houses, criminals in Mexico are still using the black-market peso exchange, one of the oldest ways drug traffickers have laundered money.

The black-market peso exchange is a trade-based money laundering scheme that uses the sale of drug dollars in the United States for the purchase of local currency, often Colombian or Mexican pesos.

In this case, drug traffickers converted US dollars accumulated from drug sales to Mexican pesos without transporting the currency across the border; the money appeared as if it was coming from legitimate perfume sales.





## Corruption

### [Two former senior Venezuelan prosecutors charged for receiving over \\$1m in bribes](#)

According to a US Department of Justice indictment, two former senior Venezuelan prosecutors have been charged with conspiracy to commit money laundering and engaging in monetary transactions in criminally derived property.

The indictment alleges that in their official roles as prosecutors within the Venezuelan Attorney General's Office, were investigating an individual for alleged corruption. The prosecutors discussed and agreed to receive bribes of more than US\$1 million [NZ\$1.5m] in exchange for not pursuing criminal charges against that individual and others.

## Terrorist Financing

### [US sanctions SA men, two others for allegedly supporting ISIS, securing funds](#)

The US Treasury's Office of Foreign Assets Control (OFAC) have sanctioned four men for playing a central role in securing financial aid for the terror organisation Islamic State (ISIS) by using South Africa's banks and other financial institutions.

OFAC names the four men and the reasons for their designations, which include establishing an ISIS cell, leading a group of ISIS supports and facilitating funds transfers from South Africa. The designations mean their assets abroad have been blocked and that all US citizens, companies, or entities are prohibited from dealing with them.

## TNOC / Fraud

### [Global operation disrupts business email compromise schemes](#)

Starting in September 2021, Operation Eagle Sweep targeted Business Email Compromise (BEC) scammers believed responsible for targeting over 500 US victims and for causing losses exceeding US\$51 million [NZ\$78m].

The US Department of Justice and international law enforcement partners carried out the operation over a three-month period, resulting in the arrests of 65 suspects worldwide, including 12 in Nigeria, eight in South Africa, two in Canada and one in Cambodia.

Australia, Japan, and Nigeria also conducted local operations targeting BEC actors in parallel with Operation Eagle Sweep.

### [Indian national sentenced in tech support scheme that defrauded elderly Americans](#)

Angad Singh Chandhok has been sentenced to six years in federal prison for operating a long-running and complex money laundering network. According to information presented to the court, Chandhok's criminal activity spanned two years, during which time he laundered at least US\$1.5 million [NZ\$2.3m].

Chandhok created and used shell companies to move the fraudulent proceeds of online tech support and travel fee scams. At least five individuals were working at his direction, receiving funds from victims of the tech support scheme before transferring them into accounts controlled by Chandhok, who then moved the funds overseas.



## Financial Action Task Force (FATF)

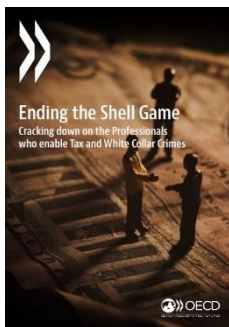


### [Money Laundering and Terrorist Financing Risks Arising from Migrant Smuggling](#)

This FATF report analyses the money laundering and terrorist financing risks associated with migrant smuggling and identifies the most common methods to transfer and launder the proceeds of migrant smuggling. The global proceeds generated by migrant smuggling are estimated to exceed US\$10 billion [NZ\$15.3bn] per year.

Using countries' experiences, the report provides several recommendations and good practices that assist authorities to better trace criminal proceeds and enhance the effectiveness of money laundering investigations.

## Organisation for Economic Cooperation and Development (OECD)



### [Ending the Shell Game: Cracking Down on the Professionals Who Enable Tax and White-Collar Crimes](#)

This report sets out a range of strategies and actions for countries to take to tackle professional intermediaries, including recommended counter strategies for deterring, disrupting, investigating, and prosecuting the professionals who enable white-collar crimes.

White-collar crimes like tax evasion, bribery, and corruption are often concealed through complex legal structures and financial transactions facilitated by lawyers, accountants, financial institutions, and other professional enablers of such crimes. These crimes have significant impacts on government revenue, public confidence, and economic growth, including the recovery from COVID-19.

## United Kingdom Department for Business, Energy & Industrial Strategy



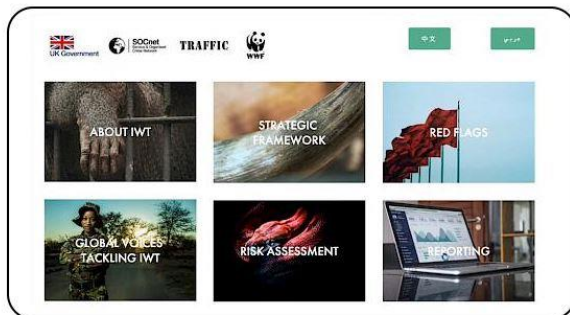
### [Corporate Transparency and Register Reform White Paper](#)

The UK government has published its response to a consultation on reform of Companies House that will see the Registrar of Companies transformed to an active gatekeeper over company creation and a custodian of more reliable data.

The BEIS white paper sets out the UK government's plan to bolster Companies House's powers and allow it to better tackle crime and fraud. The Registrar will be given new powers to maintain the integrity of the register, including powers to query suspicious appointments or filings, and, in some cases, request further evidence or reject the filing. Companies House will also have more extensive legal gateways for data sharing with law enforcement, other government bodies and the private sector.

## TRAFFIC

### [Financial Flows Toolkit to Tackle Illegal Wildlife Trade](#)



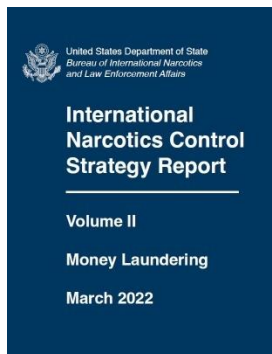
The United Kingdom and the United Arab Emirates governments have launched a new toolkit to support financial institutions in tackling illicit money flows associated with illegal wildlife trade (IWT) at Expo Dubai to coincide with UN World Wildlife Day. [The Toolkit](#) was developed by the UK Serious Organised Crime Network in collaboration with the UAE

government, World Wide Fund for Nature (WWF), TRAFFIC, and Themis, as well as extensive contributions from various sectors.

The Toolkit focusses on the Africa to Asia route – including global financial centres, in particular the UAE, Hong Kong, and Singapore, and addresses the nexus where IWT converges with serious organised crime. Illegal wildlife trade is the 4<sup>th</sup>-largest organised crime after drugs, people, and counterfeiting, costing US\$23 billion [NZ\$35bn] annually.

In order to reach a broader spectrum of stakeholders, the Toolkit has been translated into Arabic and Mandarin by the UAE government and TRAFFIC's China office.

## United States Department of State



### [2022 International Narcotics Control Strategy Report](#)

The 2022 International Narcotics Control Strategy Report (INCSR) is an annual report by the Department of State to Congress prepared in accordance with the Foreign Assistance Act. It describes the efforts of key countries to attack all aspects of the international drug trade in Calendar Year 2021. Volume I covers drug and chemical control activities. Volume II covers money laundering and financial crimes.

The report assesses foreign governments' efforts to reduce illicit drug production, trafficking, and use, as well as their work to counter drug trafficking-related money laundering.

## United States Department of the Treasury

### [National Risk Assessments](#)

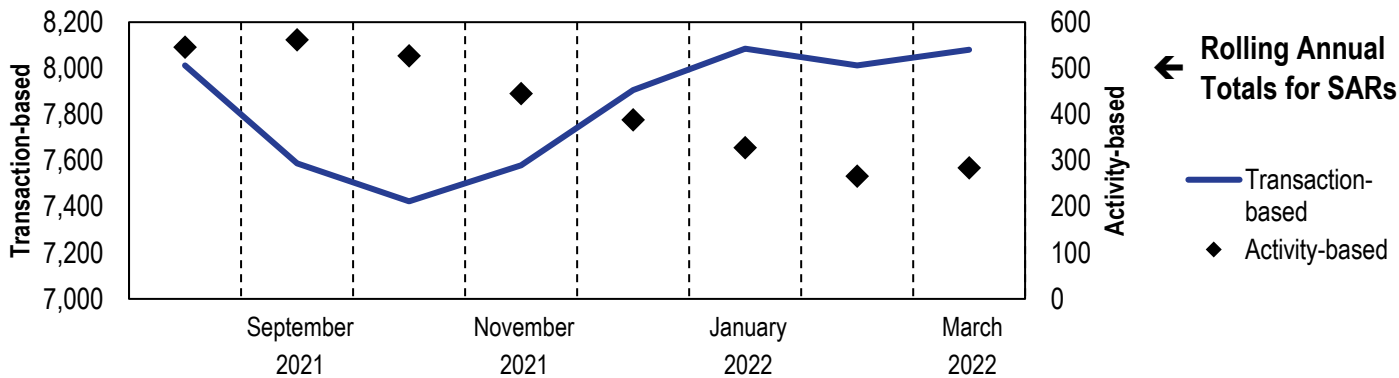
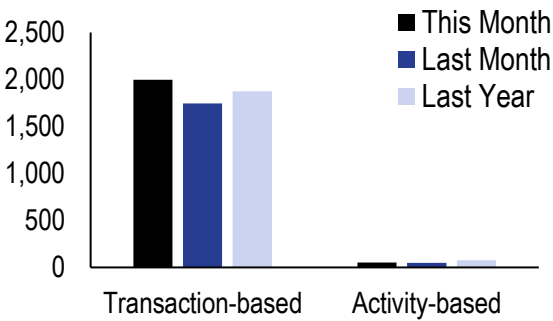
The U.S. Department of the Treasury has issued the 2022 National Risk Assessments (NRAs) on [Money Laundering](#) (NMLRA), [Terrorist Financing](#) (NTFRA), and [Proliferation Financing](#) (NPFRA).

These documents highlight the most significant illicit finance threats, vulnerabilities, and risks facing the United States and take into account changes to the illicit finance risk environment resulting from the COVID-19 pandemic, ransomware, domestic violent extremism, and corruption.

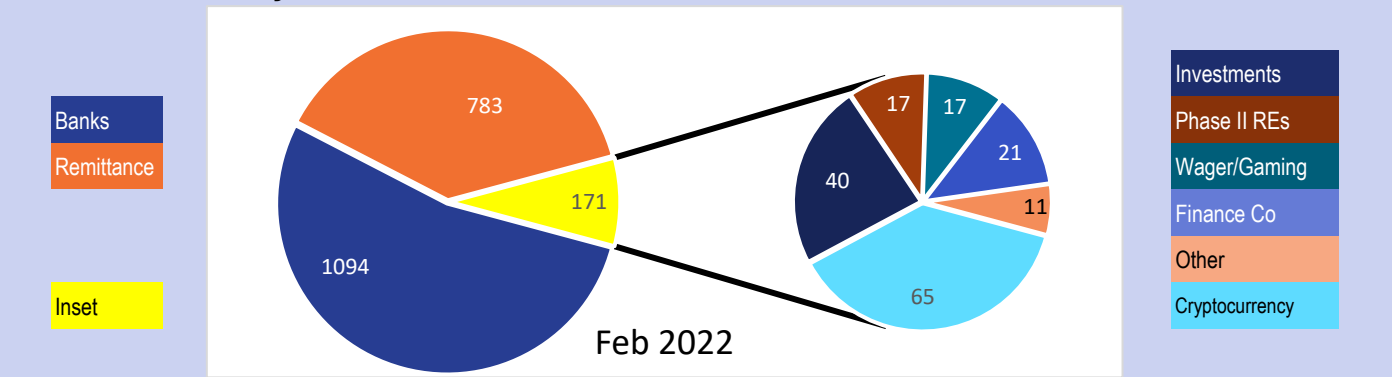
SUBMITTED REPORTS to the FIU\*

Processed Suspicious Activity Reports (SARs)

	This Month	Last Month	Last Year
	March	February	March
	2022	2022	2021
Transaction-based	1,996	1,745	1,874
Activity-based	52	50	75
Total	2,048	1,795	1,949

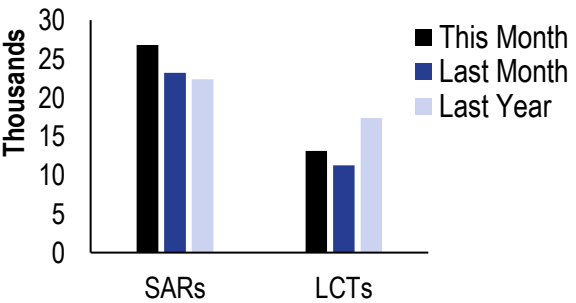


Processed SARs by Sector



Transaction Volumes within SARs and PTRs

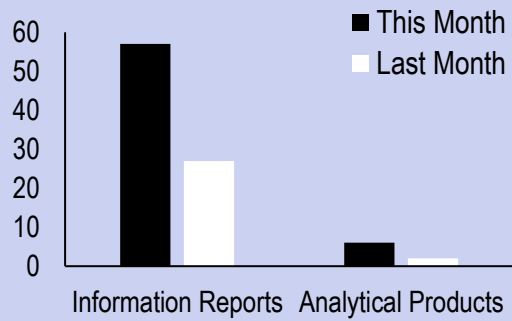
	This Month	Last Month	Last Year
	March	February	March
	2022	2022	2021
SARs	26,779	23,182	22,376
IFTs	513,583	412,186	435,513
LCTs	13,130	11,241	17,376



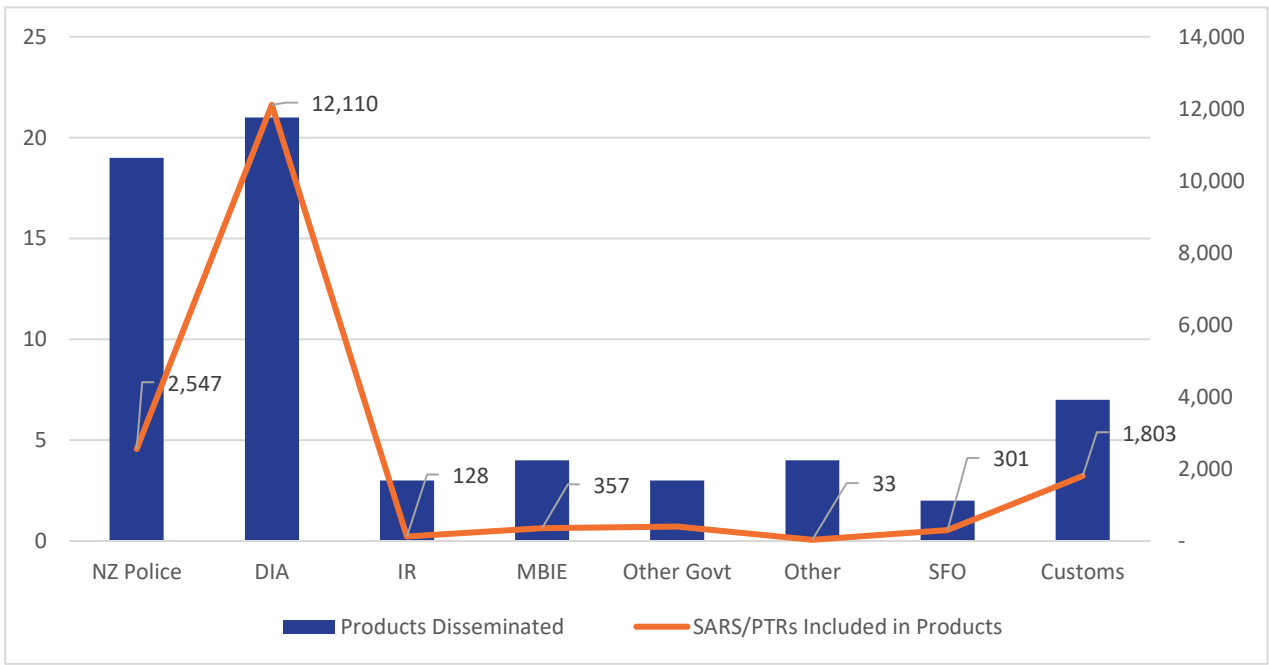
FINANCIAL INTELLIGENCE PRODUCTS

Disseminations of Products by Type

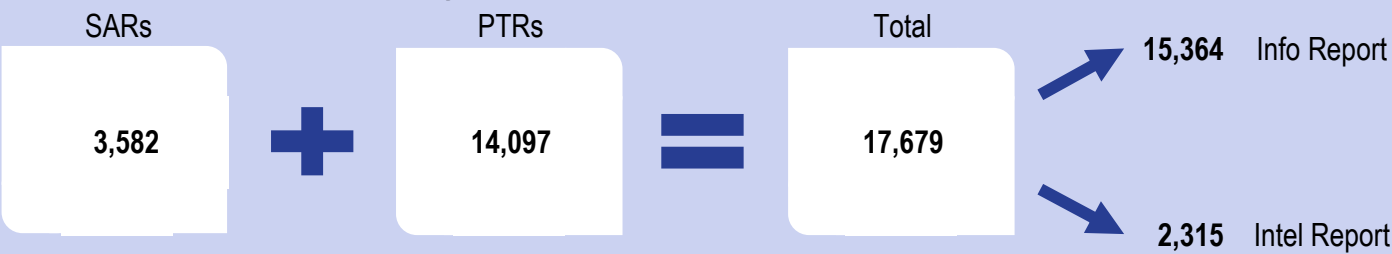
	This Month	Last Month
	March	February
	2022	2022
Information Reports	57	27
Analytical Products	6	2
Total Products	63	29



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.

# QUARTERLY STATISTICS\*

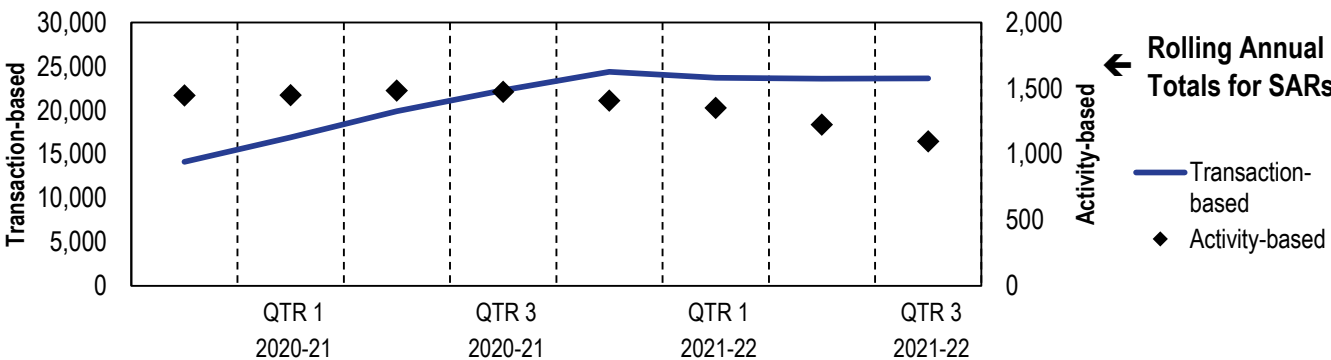
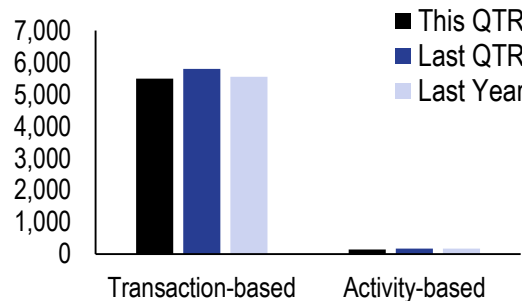
# NEW ZEALAND POLICE FINANCIAL INTELLIGENCE UNIT

**QTR 3 | 2021-22**

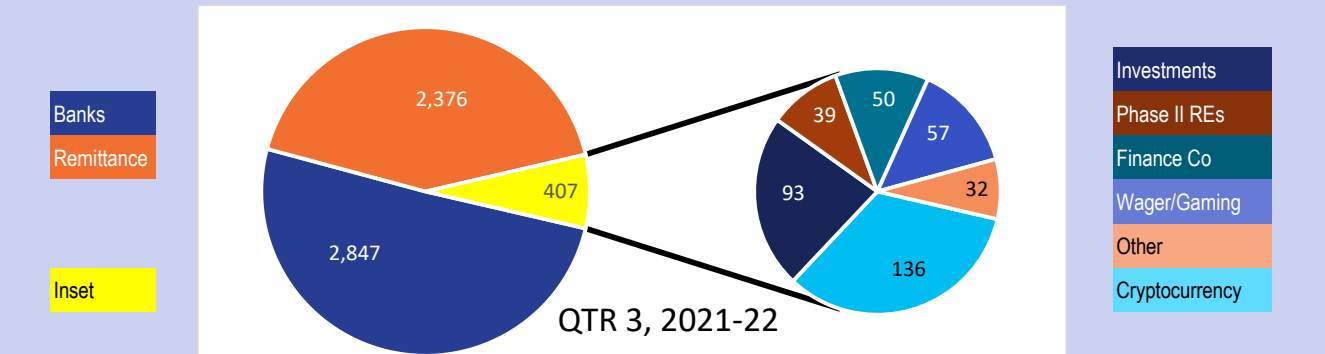
## SUBMITTED REPORTS to the FIU\*

### Processed Suspicious Activity Reports (SARs)

	This QTR	Last QTR	Last Year
	QTR 3	QTR 2	QTR 3
	2021-22	2021-22	2020-21
Transaction-based	5,493	5,799	5,549
Activity-based	139	173	172
<b>Total</b>	<b>5,632</b>	<b>5,972</b>	<b>5,721</b>

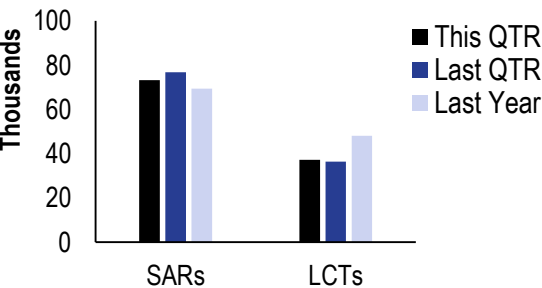


### Processed SARs by Sector



### Transaction Volumes within SARs and PTRs

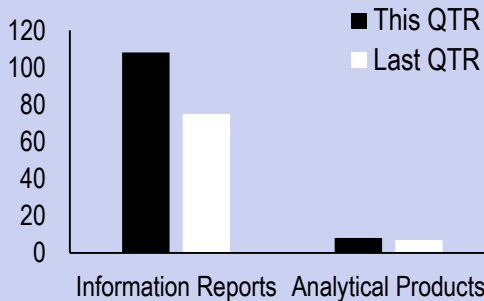
	This QTR	Last QTR	Last Year
	QTR 3	QTR 2	QTR 3
	2021-22	2021-22	2020-21
SARs	73,248	76,838	69,360
IFTs	1,322,555	1,412,338	1,211,399
LCTs	37,190	36,335	48,110



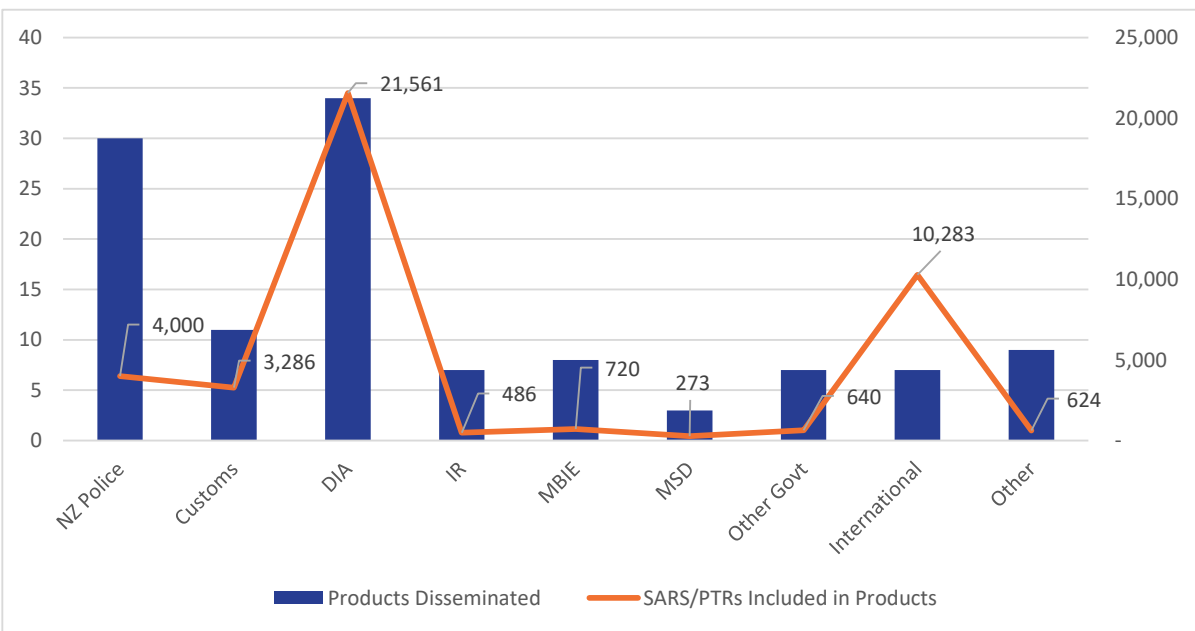
## FINANCIAL INTELLIGENCE PRODUCTS

### Disseminations of Products by Type

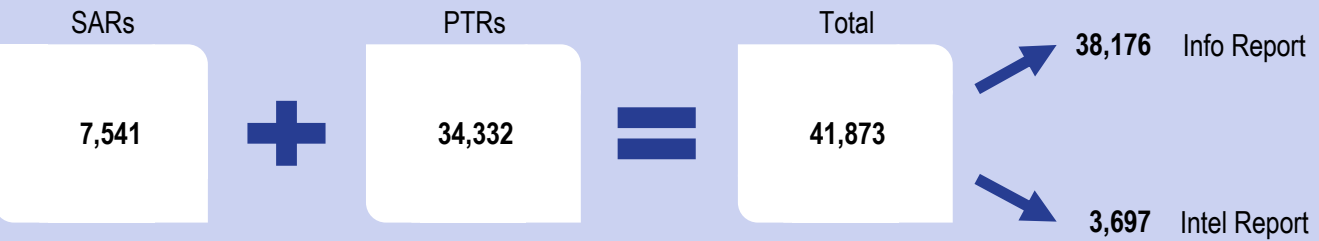
	This QTR	Last QTR
	QTR 3	QTR 2
	2021-22	2021-22
Information Reports	108	75
Analytical Products	8	7
<b>Total Products</b>	<b>116</b>	<b>82</b>



### 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.

