

The Suspicious Activity Report

NOVEMBER 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 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 Dave Bealing, 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 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

Tēnā koutou.

As we near the end of another year and look forward to a well-earned break, I'll take this opportunity to revisit some 2021 milestones from an FIU perspective. We are pleased with the results achieved that will stand us in good stead on the international stage.



29 April – the Financial Action Task Force (FATF) published the final version of the New Zealand Mutual Evaluation (ME) Report. ME was an intensive, protracted process that involved significant resources from across government and the private sector. Overall, the report was very positive and reflected an AML regime that is robust - a great result considering the relatively recent implementation. Work continues in areas for improvement that were identified, including updating the National Risk Assessment, ensuring all reporting entities are registered with the FIU, and improving the FIU's tools for prioritisation and analysis of financial intelligence.

1 July – the official start date of the AML/CFT Act statutory review. Written into the legislation, section 156A of the Act gives the sector a year to recommend improvements to be taken to the Minister of Justice by 30 June 2022. The two-month public consultation is now complete, and all contributions are being collated for consideration. The FIU have had, and will continue to have, significant input into recommendations; we work closely with the Police policy team to ensure our suggested amendments are based on an evidential foundation, while being mindful of the compliance costs to reporting entities related to implementing the Act.

26 October – we had hoped for physical attendance at the FIU / ACAMs conference, but sadly it was not possible. It was a busy time for the conference team to pull it all together with the uncertainty about what the format would be. The fully virtual conference ran well and we received wholly positive feedback, but I missed meeting attendees in person and hearing about 'coalface' experiences. I am always surprised at the diversity of professionals the conference attracts.

19 November – the new FIU software go-live was the culmination of several years' work. This project was borne out of a recognition that we needed new tools to analyse our datasets and proactively identify targets for investigation, which was confirmed by the Mutual Evaluation. The FIU is in the very early stages of learning to use our new software to greatest benefit, but the potential is immediately obvious. A medium-term goal is to increase access to and use of FIU holdings across other law enforcement agencies, ensuring information provided under the AML/CFT Act is used to maximum effect.

That was a very brief summary of a very busy year. I'd like to thank all of our reporting entities and other partners for their hard work and dedication in helping make New Zealand the hardest place in the world for organised crime to do business.

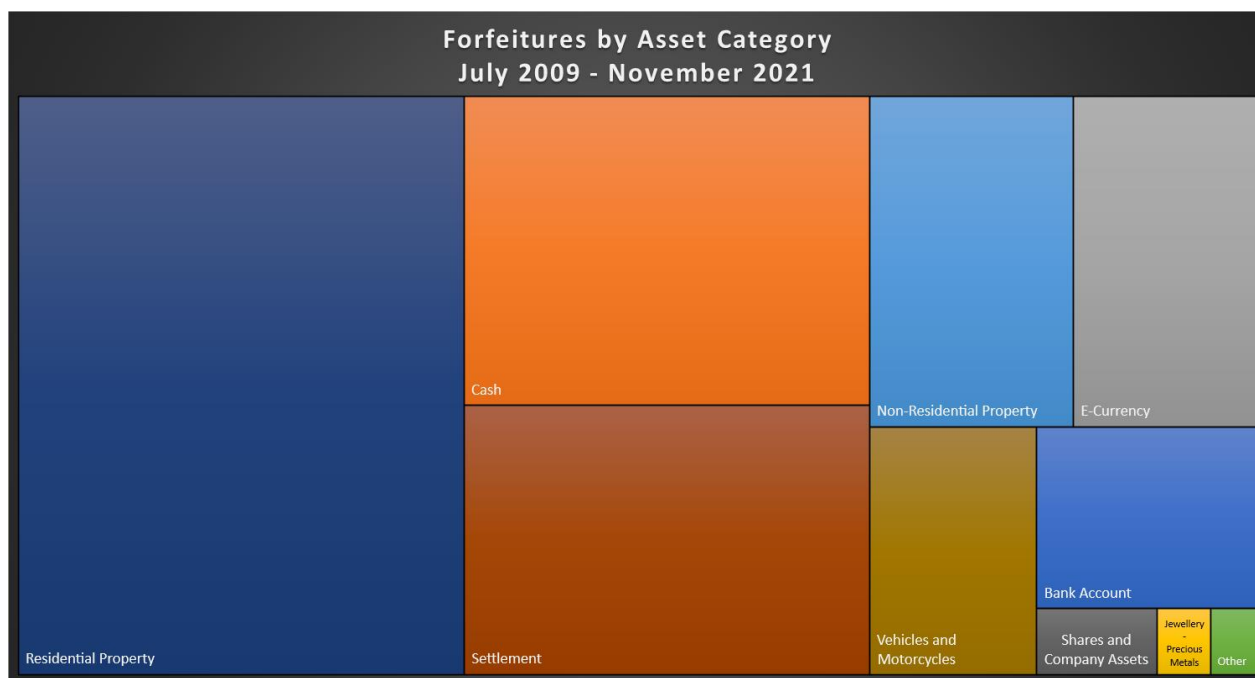
Meri kirihimete me te hape nū la!

FCG News

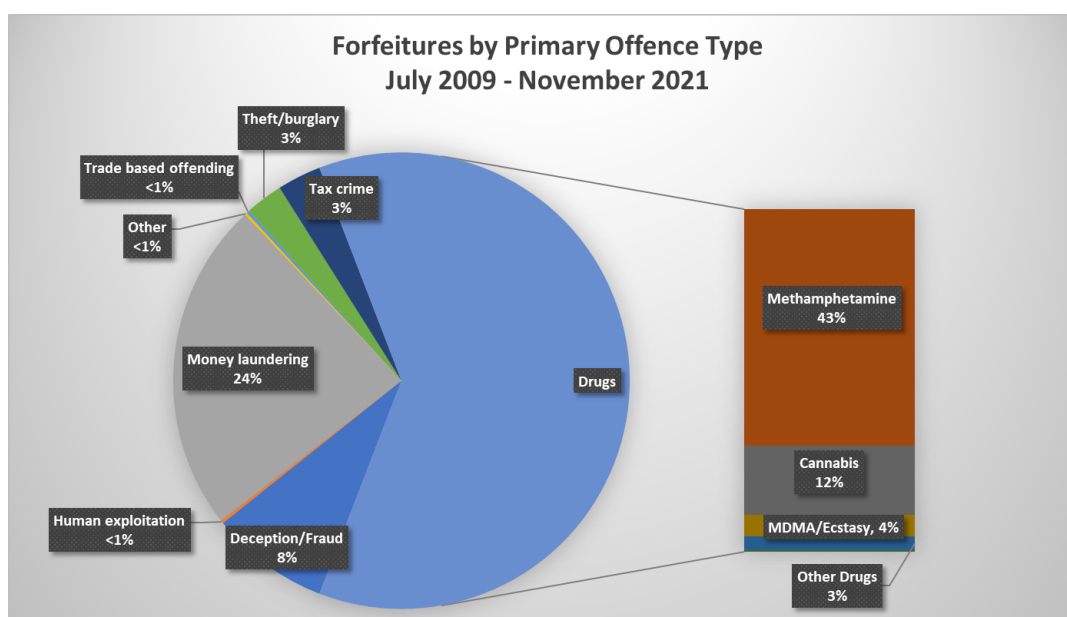
Forfeitures

In previous editions we have tracked and reported on restraints of assets tied to illicit proceeds. However, not all restrained assets are forfeited, so this month we have analysed and presented the forfeitures data by asset category and primary offence type.

A review of categories of assets forfeited reveals that nearly 70% of forfeitures are made up of just three asset types: residential property (36%), cash (17%), and settlements (i.e. negotiated forfeitures, 15%).



When considering offence types, asset forfeitures are most prominently tied to drug offences, a majority of which are methamphetamine related. Whilst money laundering is second to drug offences, it is a critical offence type as it allows other large-scale offending to occur. Without the existence of legitimising illicit funds, offending would be much more difficult to scale into larger operations.



FIU News

Suspicious Activity/Transaction Reporting

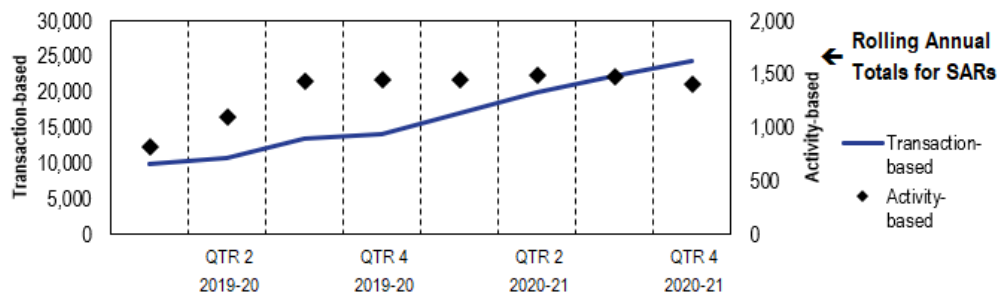
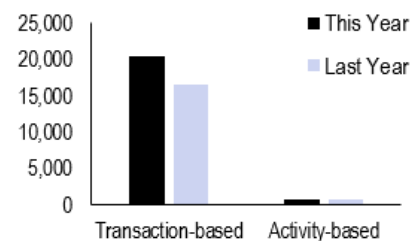
As we near the holiday break, the FIU would like to thank all reporting entities for their efforts in 2021 and the time spent submitting Suspicious Activity Reports and Suspicious Transaction Reports.

Compared with the same period in 2020, there was an increase in overall reporting in the 11 months of 2021 in both transaction-based and activity-based reporting. While the overall increase was largely driven by reporting from the banking and remittance sectors, the agency types that had the greatest increases in reporting were cryptocurrency exchanges, money service businesses (MSBs), trustee companies, and trust and company service providers (TCSPs).

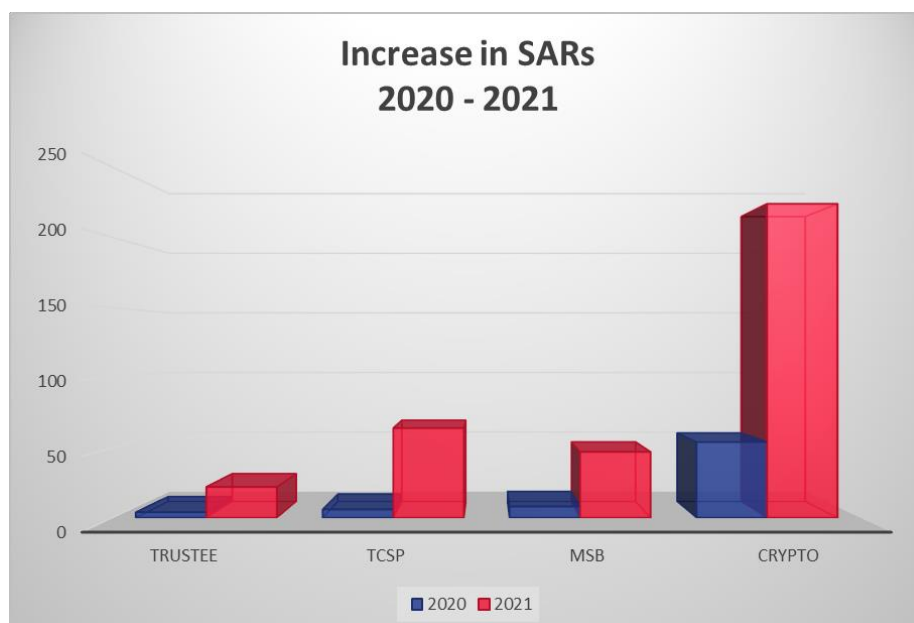
SUBMITTED REPORTS to the FIU*

Processed Suspicious Activity Reports (SARs)

	This Year	Last Year
	2021	2020
Transaction-based	20,384	16,472
Activity-based	756	663
Total	21,140	17,135



Cryptocurrency companies submitted triple the number of SARs over 2019, while TCSPs, MSBs and Trustee companies had a five-fold increase.



INTERNATIONAL AML/CFT NEWS

Brazil

[Illegal cigarettes produced with slave labour in Brazil](#)

Brazilian labour inspectors rescued 17 Paraguayan nationals and 1 Brazilian that had been found in conditions analogous to slavery. The operation, called 'Tavares' was carried out in conjunction with the Federal Police, the Federal Revenue Service of Brazil, and the Public Ministry of Labor.

According to a statement from the Brazilian Public Ministry of Labor, "the place worked under the façade of a cereal factory, but underground there was equipment to make cigarettes, and accommodation. The only means of access to the installation where the workers were was the elevator, which in its highest position prevented any kind of escape. [There was no ventilation, no natural light.](#)"

United States

[Man sentenced for money laundering in a multi-million dollar cattle Ponzi scheme](#)

Robert Blom was convicted of the intent to defraud and sentenced to 91 months in federal prison and US\$24 million in restitution.

Blom had operated a custom cattle-feeding business in South Dakota and had raised funding by soliciting investors for groups of cattle. Once the cows were raised to maturity and sold to processing plants, Blom paid the profits to investors. However, Blom sold the same groups of cattle to multiple different investors, using identical cattle purchase invoices.

A similar scheme [took place in New Zealand](#): a former livestock agent, John Williams, was recently sentenced to 12 months' home detention on charges of false accounting, obtain by deception and a charge of causing loss by deception, and ordered to pay reparations of NZ\$550k.

Williams facilitated stock transactions as an agent for Rural Livestock. He defrauded his employer and his clients by presenting himself as the vendor of animals he didn't own, sold stock that did not exist and created a fictitious entity.

Various

[Over 1,000 arrests and US\\$27 million intercepted in massive financial crime crackdown](#)

Operation HAECHI-II, coordinated by INTERPOL, led to the arrests of over 1,000 individuals and the interception of nearly US\$27 million (NZ\$40m) of illicit funds. The operation involved specialised police units from 20 countries to target specific types of online fraud, including romance scams and investment fraud.

Ten new criminal modus operandi were identified from the operation, and more than 50 INTERPOL notices were published based on information relating to the operation. INTERPOL officials were also able to pilot test a new global stop-payment mechanism – the Anti-Money Laundering Rapid Response Protocol (ARRP) – which was critical to successfully intercepting illicit funds in several HAECHI-II cases.

Corruption

[Rio Olympics boss sentenced to 30 years jail for corruption](#)

Carlos Nuzman, who served as head of the Brazilian Olympic Committee for more than 20 years, was found guilty of corruption, criminal organisation, money laundering and tax evasion and sentenced to 30 years and 11 months in prison.

Investigators say Nuzman, along with former Rio Governor Sergio Cabral and two other men, coordinated to bribe the former president of the International Association of Athletic Federations and his son for votes to host the 2016 Olympics. Cabral and the two co-conspirators were also sentenced to jail.

Rio bid beat other cities to host the 2016 Games. The investigation in Brazil began in 2017 after French newspaper Le Monde found members of the IOC had been bribed three days before the vote.

Terrorist Financing

[ISIS is stealing thousands of sheep in Syria to finance terror cells](#)

Based on local reporting, ISIS cells in some areas of Syria are stealing sheep from locals and are using them to either sustain themselves, sell them on the open market or smuggle them across the Iraqi border.

Hundreds of animals were reportedly stolen every week at the beginning of 2021, with farmers being murdered in raids or killed by mines laid on roads and in grazing areas.

Wildlife Trafficking

[300 giant cockroaches, tarantulas, and scorpions found in luggage at Colombian airport](#)

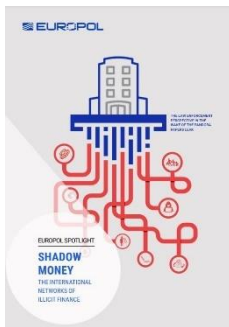
Airport authorities discovered 210 plastic containers containing 232 spiders, a scorpion with seven young, nine spider eggs, and 67 cockroaches in the luggage of two outbound passengers who are German citizens.

The travellers said they were taking the animals for academic purposes, but did not have the required permits, authorisations, or environmental licenses.



Source: Secretary of Environment

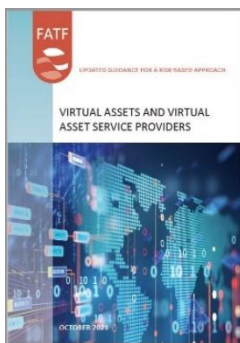
Europol



[Shadow Money – The International Networks of Illicit Finance](#)

Following the Pandora Papers leak, Europol undertook its own analysis to understand the significance of the leak for their own work and for the wider law enforcement sector. This analysis has been collated into a report that contextualises the Pandora Papers amongst similar major leaks of financial data and details policy recommendations.

FATF



[Updated guidance for a risk-based approach to virtual assets and VASPs published](#)

The Financial Action Task Force (FATF) has released updated guidance for a risk-based approach on virtual assets and virtual asset service providers (VASPs). The guidance now reflects inputs from the March / April 2021 public consultation and explains how the FATF recommendations apply to virtual asset activities and VASPs.

The guidance supersedes the first version published in June 2019. The revisions provide additional guidance in six key areas:

1. Clarification of the definitions of virtual assets and VASPs
2. Guidance on how the FATF standards apply to stablecoins
3. Additional guidance on the risks and the tools available to countries to address the money laundering and terrorist financing risks for peer to peer transactions
4. Updated guidance on the licensing and registration of VASPs
5. Additional guidance for the public and private sectors on the implementation of the travel rule and
6. Principles of information sharing and cooperation amongst VASP supervisors

The FATF has not provided any indication on a timeframe by which member countries should comply with the updated guidance.

FinCEN

[FinCEN calls attention to environmental crimes and related financial activity](#)

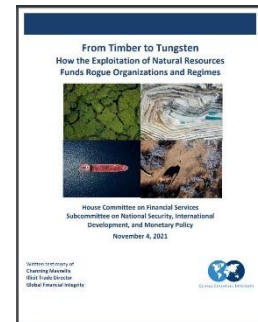
FinCEN, the United States' anti-money laundering body has issued its first-ever advisory on environmental crimes. As stated in the Notice, global environmental crimes are estimated by some international organisations to generate hundreds of billions in illicit proceeds annually and now rank as the third largest illicit activity in the world.

FinCEN issued the Notice to highlight the upward trend in environmental crimes and associated illicit financial activity because of its strong associated with corruption and transnational criminal

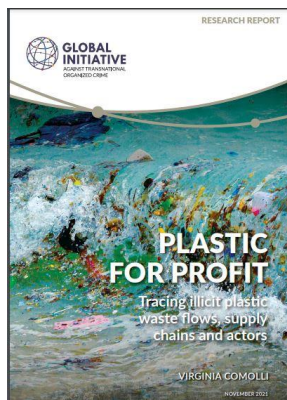
organisations. The types of environmental crimes FinCEN has highlighted in the advisory include wildlife trafficking, illegal logging, fishing, and waste and hazardous substances trafficking.

Ahead of the Notice publication, FinCEN announced it had convened a virtual “[FinCEN Exchange](#)” with representatives from financial institutions, other key industry stakeholders, and federal government agencies to discuss identifying and combating illicit financial flows related to environmental crimes and related money laundering. FinCEN Exchange is a voluntary, invitation-only, public-private partnership that includes relevant stakeholders, including law enforcement and financial institutions.

Related, a recent subcommittee hearing at the United States House Committee on Financial Services heard testimony from the Illicit Trade Director of Global Financial Integrity (GFI), a Washington D.C.-based think tank focused on illicit financial flows, corruption, illicit trade and money laundering. The testimony called attention to the links between the exploitation of natural resources and the funding of conflict, violence, transnational criminal organisations and terrorist groups; it is publicly available as a stand-alone document called [From Timber to Tungsten](#).



GI-TOC



[*Plastic for Profit: Tracing illicit plastic waste flows, supply chains and actors*](#)

A new report from the Global Initiative Against Transnational Organised Crime (GI-TOC) analyses the illicit trade in plastic waste, finding evidence of poly-criminal groups involved in drugs and human trafficking moving into the plastic waste economy. The report maps the flows, key nodes, and methods used to move plastic waste internationally, as well as the actors involved.

In addition to open-source literature, the report includes information derived from interviews with environmental agencies and other government and law enforcement authorities from Europe, the United States, Africa, and South East Asia; civil society groups; investigative journalists; industry specialists and other relevant experts.

MONTHLY STATISTICS*

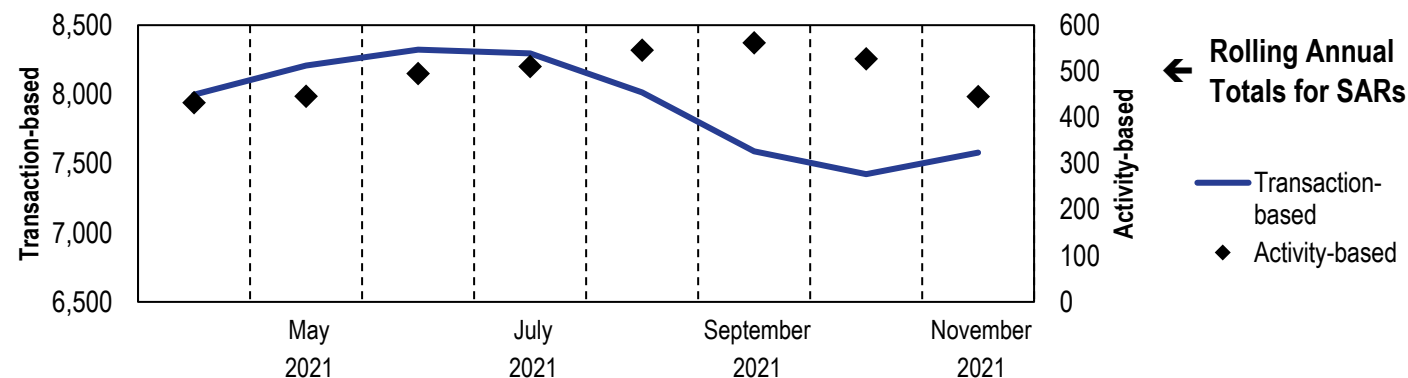
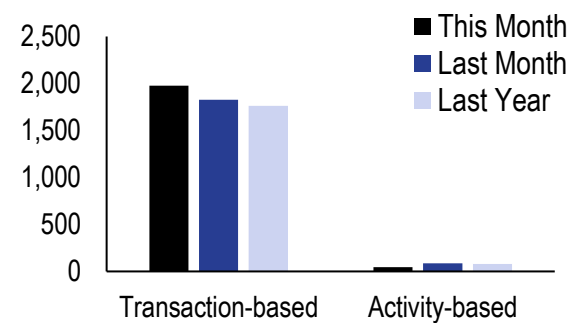
NEW ZEALAND POLICE FINANCIAL INTELLIGENCE UNIT

November | 2021

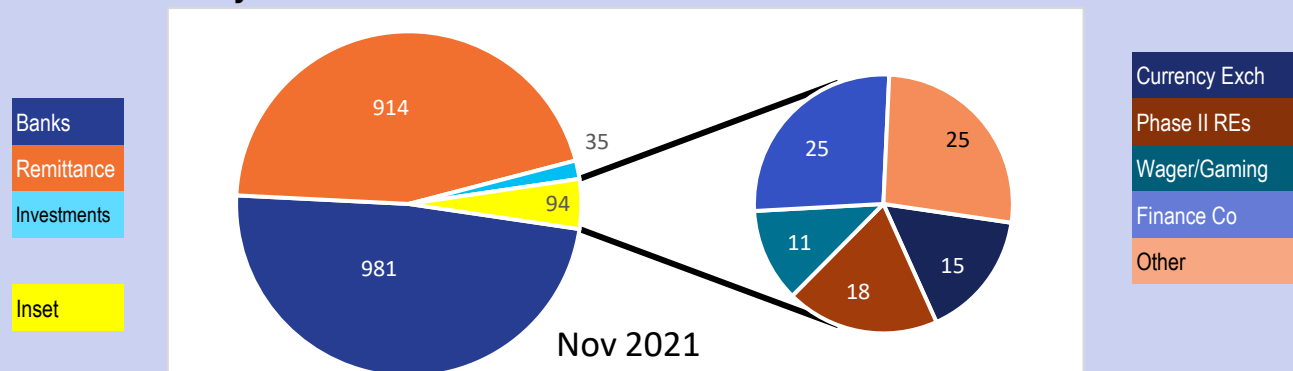
SUBMITTED REPORTS to the FIU*

Processed Suspicious Activity Reports (SARs)

	This Month	Last Month	Last Year
	November	October	November
	2021	2021	2020
Transaction-based	1,978	1,827	1,761
Activity-based	46	86	79
Total	2,024	1,913	1,840

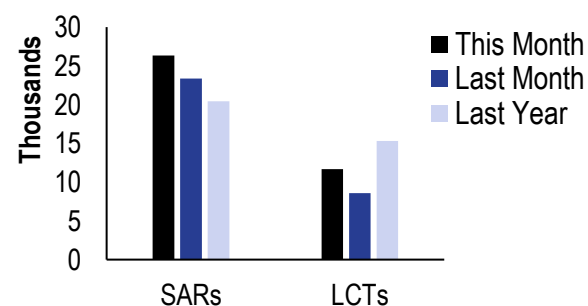


Processed SARs by Sector



Transaction Volumes within SARs and PTRs

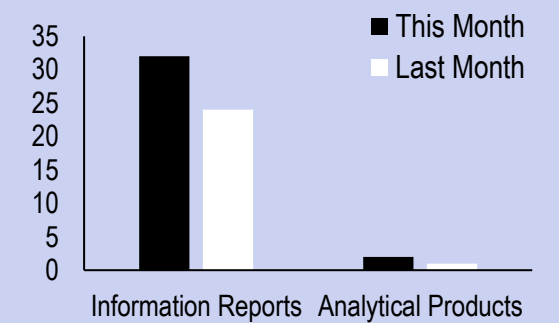
	This Month	Last Month	Last Year
	November	October	November
	2021	2021	2020
SARs	26,326	23,351	20,426
IFTs	454,964	436,066	403,735
LCTs	11,693	8,583	15,301



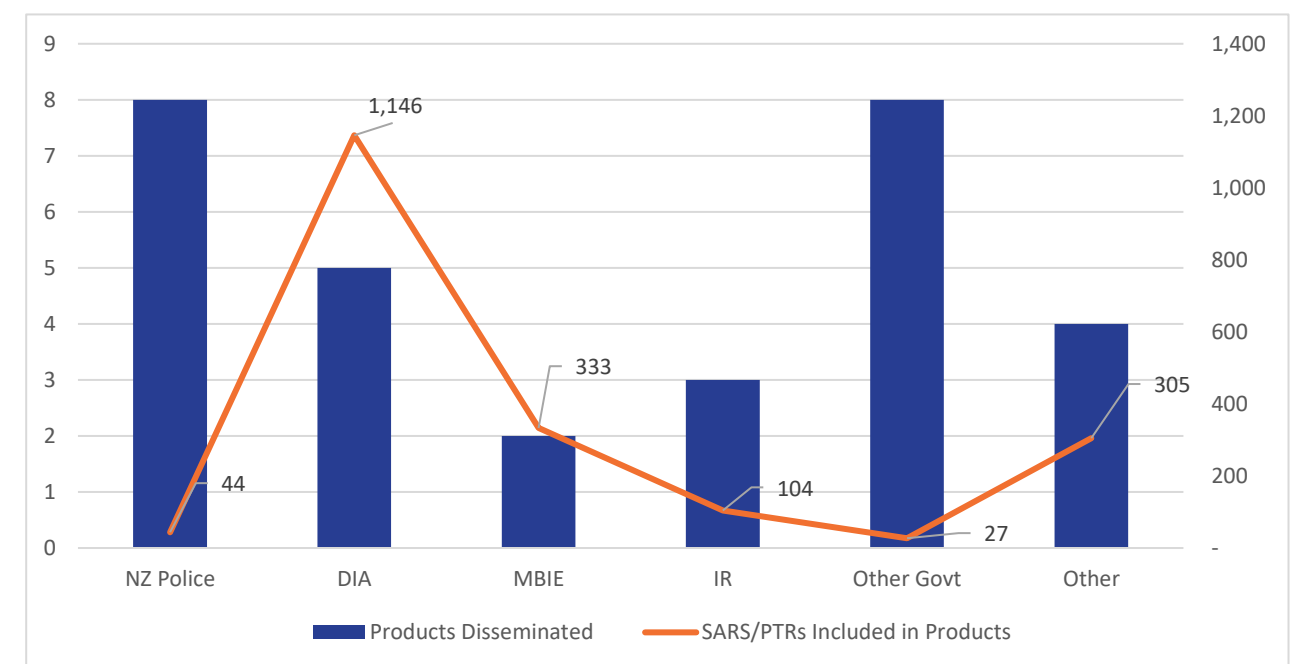
FINANCIAL INTELLIGENCE PRODUCTS

Disseminations of Products by Type

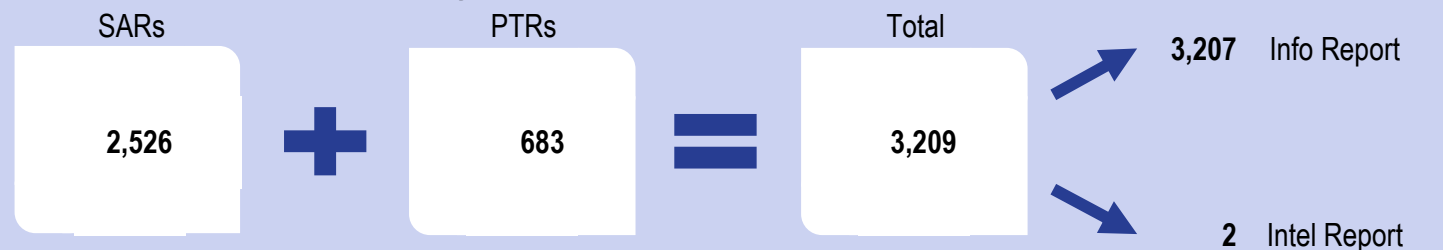
	This Month	Last Month
	November	October
	2021	2021
Information Reports	32	24
Analytical Products	2	1
Total Products	34	25



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.

