

The Suspicious Activity Report

OCTOBER 2020

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, led by Detective Superintendent Iain Chapman. 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. 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 is led by Detective Inspector Christiaan Barnard and has been operational since 1996. Its core function is to receive, collate, analyse and disseminate information contained in Suspicious Transaction Reports, Prescribed Transaction Reports, and Border Cash Reports. It develops and produces a number of financial intelligence products, training packages and policy advice. The FIU participates in the AML/CFT National Coordination Committee chaired by the Ministry of Justice, and chairs the Financial Crime Prevention Network (FCPN). It is a contributing member to international bodies such as the Egmont Group of Financial Intelligence Units and the Asia/Pacific Group on Money Laundering.

Asset Recovery Unit

The New Zealand Police Asset Recovery Unit is led by Detective Inspector Craig Hamilton and was established in December 2009 specifically to implement the Criminal Proceeds (Recovery) Act 2009 (CPRA). The ARU is the successor to the Proceeds of Crime Units, which were established in 1991, and was combined with the FIU to create the Financial Crime Group. The CPRA expanded the regime for the forfeiture of property that has been directly or indirectly acquired or derived from significant criminal behaviour. It is intended to reduce the possibilities for individuals or groups to profit from criminal behaviour, to reduce the opportunities they have to expand their criminal enterprises, and act as a deterrent for criminal activity. There are five Asset Recovery Units (ARUs), based in Whangarei, Auckland, Waikato/Bay of Plenty, Wellington, and Christchurch.

Money Laundering Team

The Money Laundering Team (MLT), led by Acting Senior Sergeant Benjamin McLaughlin, 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

The 2020 FIU ACAMS Conference was held at Te Papa earlier this month and it was jam-packed with a range of engaging and interesting speakers. With the challenges posed by COVID, there was uncertainty that we would be able to hold a conference this year, and it would be fair to say that in the days leading up there was a worry that the Alert levels would change. Our conference even received some [amusing coverage](#)! Big ups to the key people who made it all happen – particularly Sanja Antonijevic and Carol Cody from the Financial Crime Group and Chris Faherty, Gary Hughes and John Alcock from ACAMS.



This was the first year that virtual attendance was offered as an option. The feedback we have received has been very positive and I expect that a virtual option will become a feature in future conferences. International speakers who presented virtually were of a very high calibre: they included **Tom Keatinge** from RUSI in the UK, who spoke on a range of subjects including terrorism financing, sanctions, and cybercrime; **Archana Kotecha** from The Remedy Project in Hong Kong who gave a sobering presentation on human trafficking; and **Milan Gigovic** in Australia who spoke about the collaborative work in the illegal wildlife trade ANZ is engaged in.

Earlier in November I had the pleasure of giving a joint presentation with Westpac's Head of Compliance Tiffany Ryan to the Organised Crime Disruption Conference on the subject of cash. Cash is a significant vulnerability in the NZ context due to its prevalence in our high-risk offence of drug dealing and to a lesser extent tax evasion. The FIU estimates the total amount of cash generated as net profit from all offences exceeds \$500 million per annum.

Looking specifically at methamphetamine, the FIU estimates over 900 kilos are consumed each year and over \$75 million in cash is being moved offshore as profits of methamphetamine trafficking. On the domestic front, there is still a significant amount of methamphetamine profit that ends up being placed into the financial system to purchase assets such as houses and high value goods, like cars and precious metals.

Reporting entities should be on high alert for cash transactions and ensure that they have a good understanding of source of wealth and funds. I would encourage reporting entities to be assertive in their CDD and ECDD and where they feel confident, take steps to refuse transactions or exit customers if they believe that the money is the proceeds of crime. Remember, the purpose of the AML/CFT Act is to detect and *deter* money laundering and RE's have a role to play in hardening the whole financial system against it being abused by criminals.

If you want to stay well-informed 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.

2020 AML/CFT Conference

Hosted by the FIU and ACAMS, the 2020 AML/CFT Conference centred on the theme of 'Organised Crime – Money Feeds the Beast'.

The first day highlighted AML regulatory trends, but also delved into the details of two Operations commenced during 2020. Two of Day 1's presentations were virtual: Hue Dang – VP & Global Head of Business Development & New Ventures, ACAMS – and Archana Kotecha – CEO and Founder, The Remedy Project.

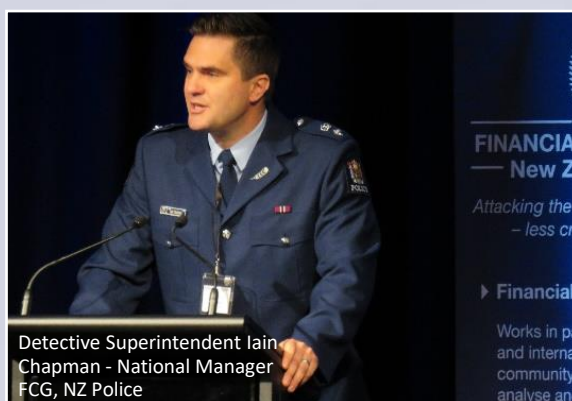


Archana Kotecha - CEO and Founder, The Remedy Project



Chris Faherty - Programming Director, ACAMS

Money Feeds the Beast



The second day of the conference began with the compelling AML interview featuring Tom Keatinge of RUSI, who spoke on a range of topics, including the links between corruption and terrorism. The Occasional Paper mentioned during the presentation explores how corruption can enable terrorism and facilitate terrorist financing. It can be downloaded from [RUSI's website](#).



Tom Keatinge - Director, Centre for Financial Crime and Security Studies, RUSI



Gary Hughes - Barrister, Akarana Chambers, and Advisory Director ACAMS



FCPN panel discussion with Iain Chapman, Owen Loeffellechner (BNZ), and Chris Faherty



Hamish Radford - Customs Technical Specialist, NZ Customs Service



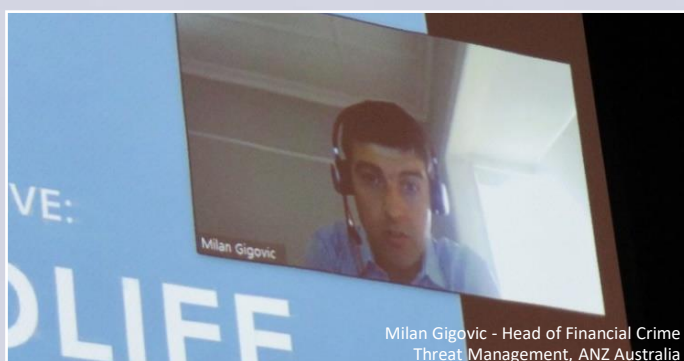
Andrew Holmes - Deputy Director Operations DIA



Bruce Russel - Investigator ARU, NZ Police



Emerging risks panel discussion with Brent Carey, Warren Hudson and Chris Faherty



Milan Gigovic - Head of Financial Crime Threat Management, ANZ Australia



Detective Superintendent Iain Chapman



2 DAYS

10 hours of presentations

16 sessions

26 SPEAKERS

3 ACAMS

7 Police

3 Int'l

4 Private

9 NZ Govt

466 ATTENDEES

310 in person

156 streaming devices

FIU News

Report Indicators Changing

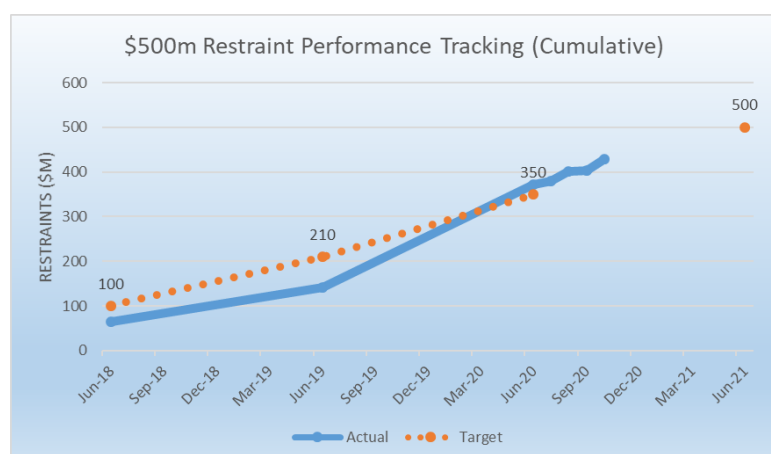
The goAML report indicators are changing! Are you ready?

The FIU have undergone a review of the use, clarity, and accessibility of the current list of Report Indicators available in goAML. After an assessment, it was found the indicators did not give reporting entities the ability to easily, accurately, or thoroughly describe the events of an activity or transaction. The list of indicators will change to listing actions or red flags organised by activity type. These new indicators will help the FIU increase our chances of preventing ML and TF within New Zealand's borders.

The new list of indicators and a guidance document have been loaded into the goAML resource library. The indicators are scheduled to 'go live' in December.

ARU News

\$500m Restraint Update



At the end of October 2020, asset restraints had increased to \$428m cumulative since July 2017. The top three predicate offences remained as money laundering (56%), drugs (26%) and fraud (12%).

Learn More about the Asset Recovery Unit

Watch Detective Inspector Craig Hamilton, Manager of the ARUs, explain what happens to assets after they are restrained (click picture):



INTERNATIONAL AML/CFT NEWS

[Markets-based money laundering: spotting the signs early](#)



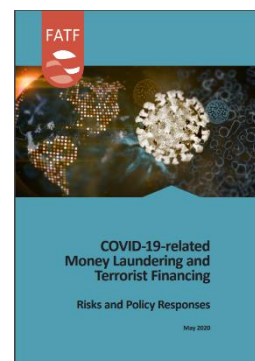
The Russian Laundromat case – in which several Russian individuals bought securities through Deutsche Bank’s Moscow office and concurrently sold the same through the bank’s London office – is one of few cases of money laundering involving the markets to make headlines in recent years. The case revealed how large market players without adequate

controls may be exploited to launder billions of pounds using relatively simple techniques.

Countering Financing of Terrorism

[COVID-19-related money laundering and terrorist financing risks and policy responses](#)

As the world is focusing on responding to the COVID-19 pandemic, it is impacting on the ability of government and the private sector to implement anti-money laundering and counter terrorist financing (AML/CFT) obligations. AML/CFT policy responses can help support the swift and effective implementation of measures to respond to COVID-19, while managing new risks and vulnerabilities.



This FATF paper, published in May 2020, provides examples of AML/CFT policy responses, including domestic coordination to assess the impact of COVID-19 on AML/CFT risks and systems; and encouraging the full use of a risk-based approach to customer due diligence. The FATF paper is supported by a 53-minute webinar on risks and policy responses.

China

[China cracks down on extensive Tether-linked money laundering](#)

China’s central bank has been cracking down on online gambling sites that have been using [Tether \(USDT\) stablecoin](#) to allegedly launder money.

The People’s Bank of China (PBoC) explained via a WeChat blog post that the bank has been working with local authorities, assisting them by tracking down the movement of funds into gambling platforms.



The PBoC detailed a recent case in which its Huizhou City branch uncovered a cross-border online gambling operation that relied on USDT for funds transfer. Through its tracing efforts, local authorities arrested 77 suspects and shut down three gambling platforms. They also recovered 120 million yuan (NZ\$26m). In a separate incident, the bank’s efforts led to the shutdown of a gambling site that allegedly processed over 2 billion yuan (NZ\$564m).

EUROPOL

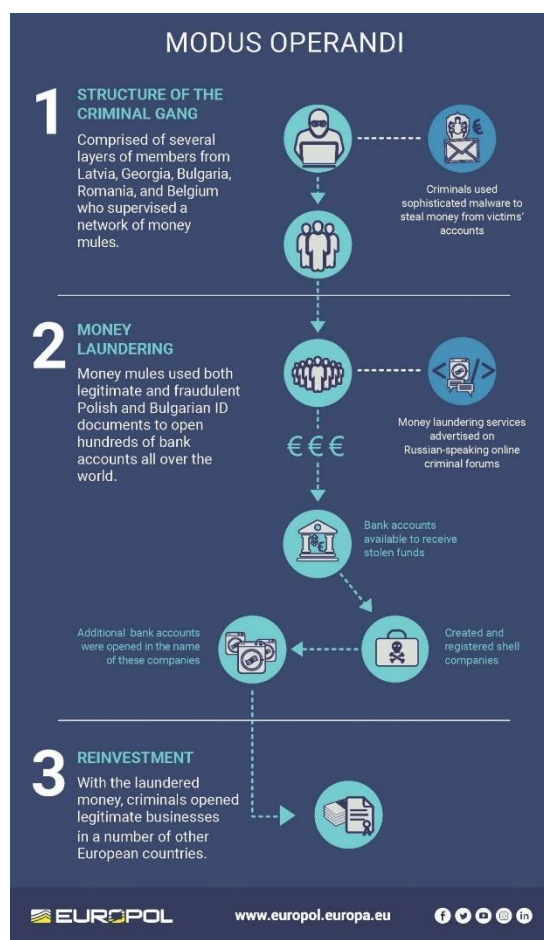
20 arrests in QQAAZZ multi-million money laundering case



It is estimated that the QQAAZZ network laundered, or attempted to launder, tens of millions of euros in stolen funds since 2016. Comprised of several layers of members, the QQAAZZ network opened and maintained hundreds of corporate and personal bank accounts at financial institutions throughout the world to receive money from cybercriminals who stole it from accounts of victims. The funds were then transferred to other QQAAZZ-controlled bank accounts and sometimes converted to cryptocurrency using ‘tumbling’ services designed to hide the original source of the funds.

QQAAZZ advertised its services as a “global, complicit bank drops service” on Russian-speaking online cybercriminal forums where cybercriminals gather to offer or seek specialised skills or services needed to engage in a variety of cybercriminal activities.

European and American officials announced on 15 October that they had arrested 20 people in multiple countries for allegedly belonging to an international ring that laundered millions of euros stolen by cybercriminals through malware. The international police operation “2BaGoldMule” led by Portuguese investigators and the FBI included 14 other European countries under the umbrella of Europol.



Philippines

[Criminals use real estate transactions in PH to wash dirty money](#)

A top official of the Anti-Money Laundering Council (AMLC), Executive Director Atty. Mel Racela, revealed during a Senate hearing on 28 October that criminals are using real estate transactions to launder dirty money in the Philippines.

AMLC has been proposing to include real estate developers and brokers as covered persons under the Anti-Money Laundering Act. Racela also told Senators that there are several estate assets found to be related to terrorism financing, which are the subject of existing freeze orders. The AMLC chief said real estate transactions allow integration of illicit funds into the legal economy, while serving as a safe investment. AMLC data showed real estate assets account for 22% of total assets and properties that are subject of AMLC civil forfeiture proceedings.

The Philippines are currently under review by the Financial Action Task Force (FATF). The Philippine government has until February 2021 to implement and prove that its anti-money laundering reforms are effective, or face being added to the FATF 'grey-list'.

United States of America

[US charges six with laundering Mexican drug cartel cash using cryptos and casinos](#)



On 15 October, the US Department of Justice (DoJ) unsealed an indictment against six individuals who are alleged to be part of an organisation that laundered millions for the Mexican drug cartels using casinos and front companies. They are also alleged to have used foreign and domestic bank accounts as well as bulk cash smuggling to launder the funds.

One of the six Chinese nationals, [Tao Liu](#), has been charged in a conspiracy that allegedly netted at least US\$30m (NZ\$43m) from 2008 to September 2020 and involved funnelling illicit drug money to Latin American traffickers and

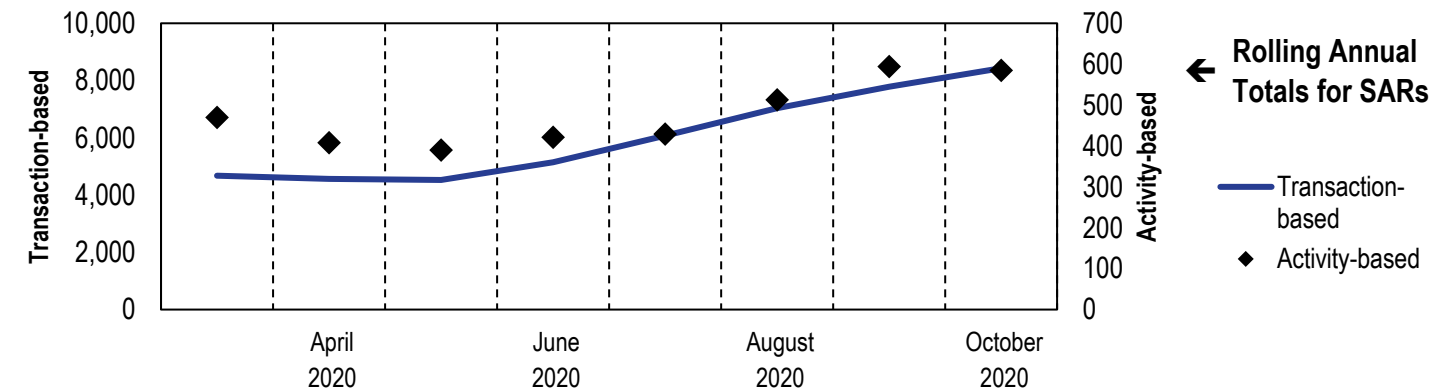
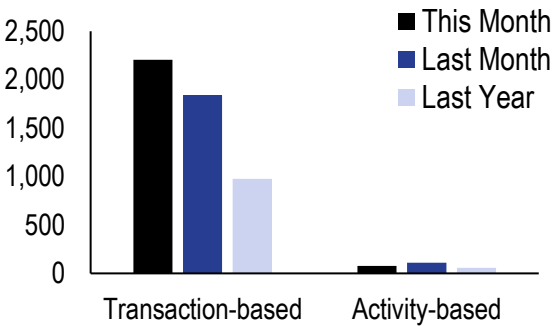
distributing cocaine. Federal prosecutors allege that the men laundered their drug proceeds by purchasing products in the US and shipping them to China. The products were then sold through 'black market merchants' in China, with the money sent back to drug traffickers in Latin America through Chinese currency.

One of the indicted men allegedly had bank accounts with BBVA Compass in Florida, and owned and operated a casino in Guatemala, through which he laundered money and had meetings with drug traffickers.

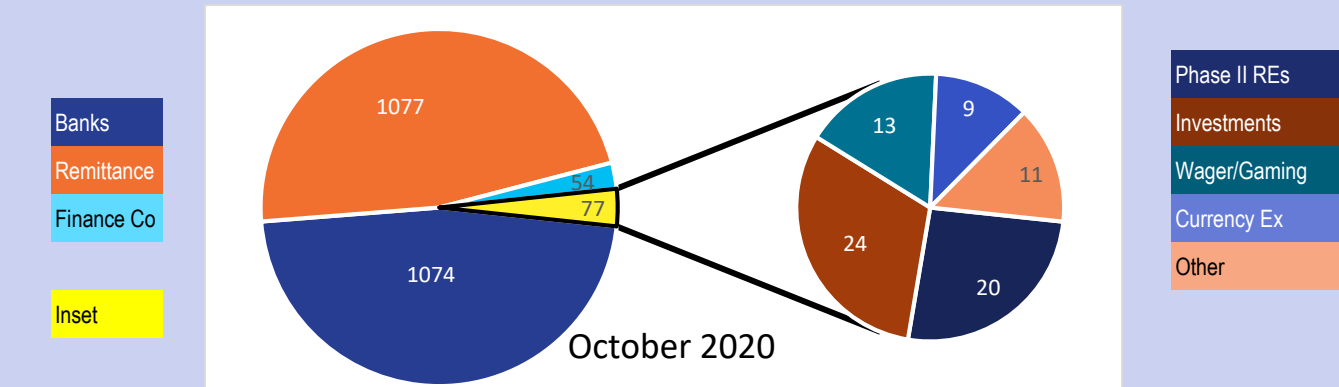
SUBMITTED REPORTS to the FIU*

Processed Suspicious Activity Reports (SARs)

	This Month	Last Month	Last Year
	October	September	October
	2020	2020	2019
Transaction-based	2,204	1,842	975
Activity-based	78	109	59
Total	2,282	1,951	1,034

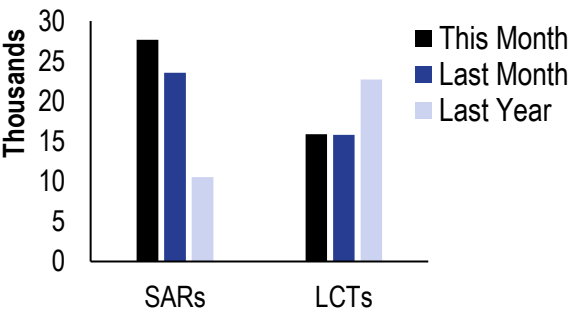


Processed SARs by Sector



Transaction Volumes within SARs and PTRs

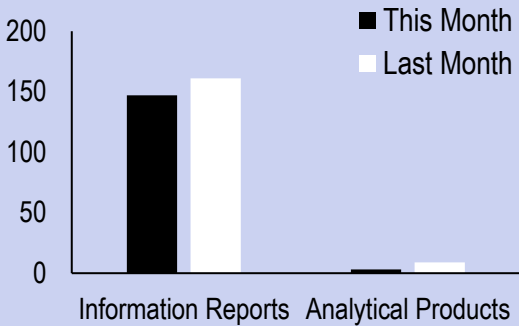
	This Month	Last Month	Last Year
	October	September	October
	2020	2020	2019
SARs	27,647	23,544	10,526
IFTs	424,810	418,771	449,117
LCTs	15,869	15,806	22,698



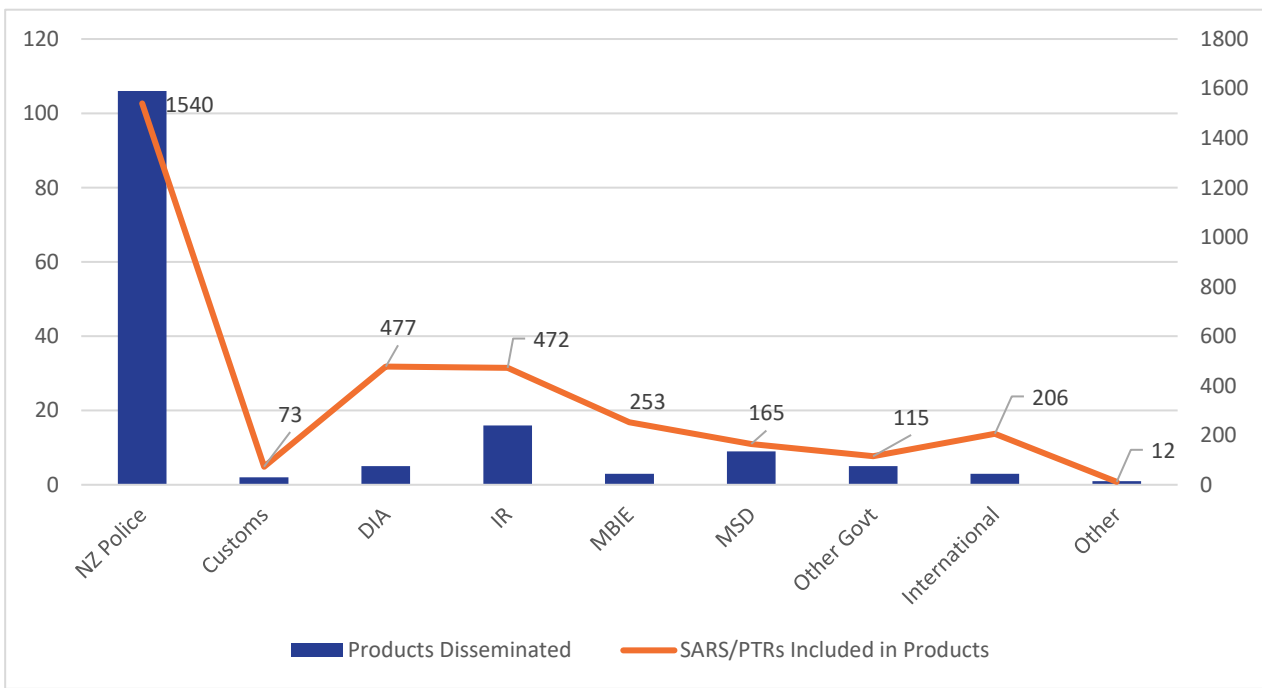
FINANCIAL INTELLIGENCE PRODUCTS

Disseminations of Products by Type

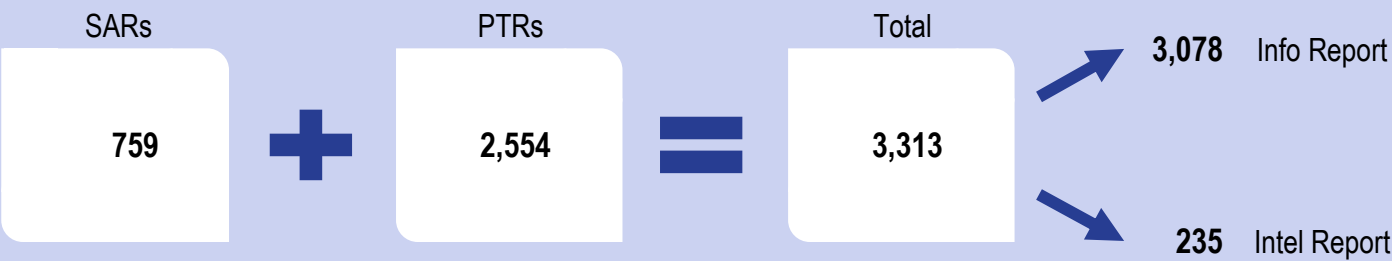
	This Month	Last Month
	October	September
	2020	2020
Information Reports	147	161
Analytical Products	3	9
Total Products	150	170



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.