

The Suspicious Activity Report

SEPTEMBER 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 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 is currently led by Detective Senior Sergeant Dave Bealing 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 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



Tena Koutou to you all.

Another day, another headline announcing that (surprise!) a number of rich and famous from around the world are using various legal structures to hide their assets. This time it's the tantalisingly named Pandora Papers, and once again New Zealand features. Like the Greek myth that tells the story of the curious Pandora who opened her husband's box, these are also full of evil and curses.

But the metaphor doesn't hold up, because the evil and curses in the Pandora Papers have been with us for some time. The use of Foreign Trusts, shell companies and nominee Directors and Shareholders have been an enduring feature of the New Zealand business and criminal landscapes.

The Pandora Papers contain 11.9 million files totalling 2.9 terabytes. But these numbers are really just tabloid fodder; they are too big to be meaningful. It's the contents that counts. To the International Consortium of Investigative Journalists (ICIJ), the focus is the number of rich and famous involved, as that is the sensationalism that will get media attention and get the message to the public. But I suggest the most important number is the total value being retained by the few through the use of shadowy legal structures, rather than being used by governments for the benefit of the many. I can't even guess at what it might be, but it would be grotesquely large.

Coincidentally (unless you're a conspiracy theorist, in which case it was definitely intentional) the OECD's New Global Tax Agreement has also received recent media attention after more countries signed up to a minimum company tax rate. Globally, tax avoidance through shifting profits offshore costs government hundreds of billions of dollars, and most revenue is lost from countries whose general population can least afford it. Have you heard about the English oil baron investing profits into Nigerian property? Nor have I.

There is an increasing migration of value to a decreasing number of super-rich. The current global system settings seem to be doing a good job of perpetuating economic inequality.

I should remind you at this point that this behaviour is generally legal. The individuals named and shamed for secreting away their assets shouldn't shoulder all the blame – it is a worldwide issue that allows it to happen (although the denials from named individuals suggest they are sufficiently principled to feel slightly guilty about being caught). And while I have my own views on those who know and use the system to their advantage, you have to ask yourself, would you do the same given the opportunity?

Perhaps we'll have to wait until the next 'P' Papers are released. Allow yourself to feel righteously indignant and add to the clamour for something to be done. Don't be placated with tinkering around the edge of the issue, we need to implement a comprehensive solution for the benefit of the many.

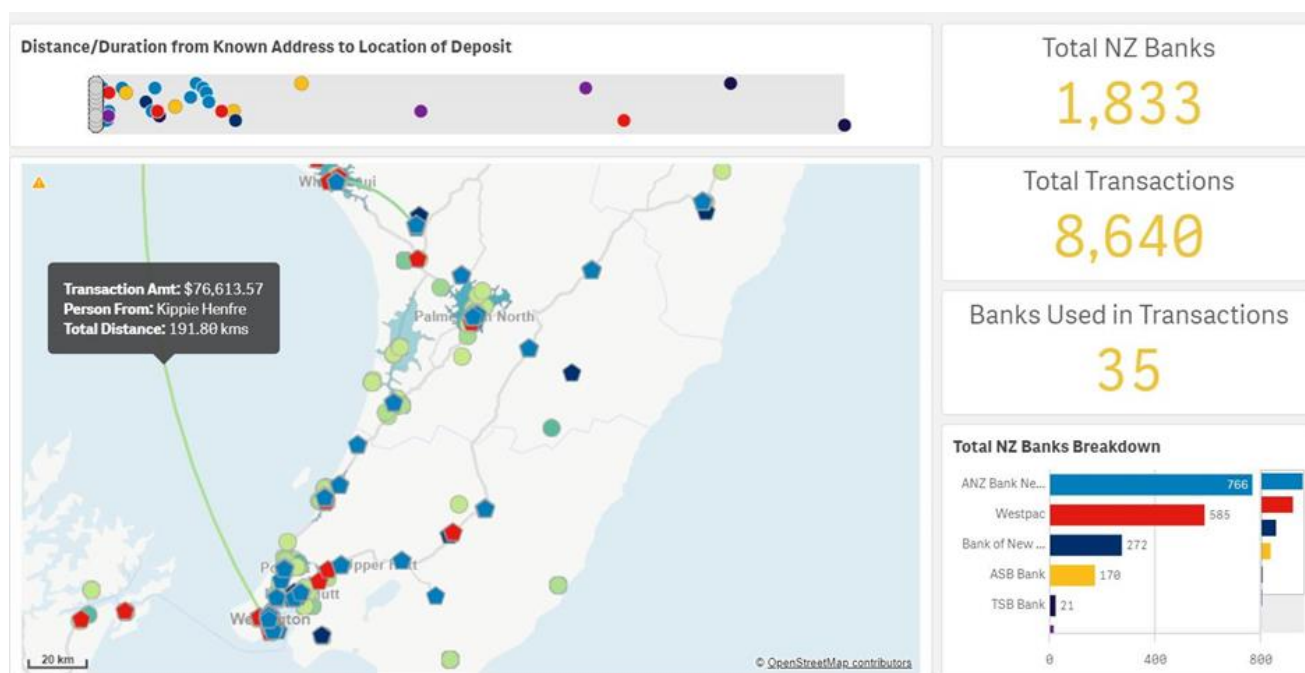
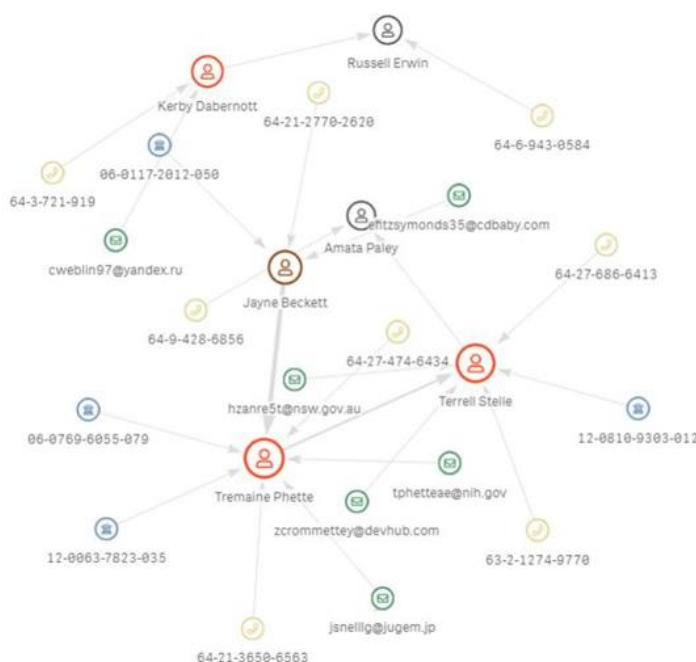
FIU News

New Intelligence Software

The FIU has invested in a new data insights tool – IQ ('Insights with a Qlik!') - powered by Qlik Sense. IQ is currently in the testing phase and will be operational for FIU staff from November 2021.

The new software will enable the FIU to detect, create, discover, explore, and share financial intelligence more effectively and efficiently. We will be able to use the information provided by reporting entities to provide partner agencies with additional insights and improved data visuals.

Below are a couple of examples (using sample/dummy data) of how the FIU will be able to produce new data visuals using IQ.



NEW ZEALAND AML/CFT NEWS

FMA Monitoring Insights Report



The Financial Markets Authority (FMA) has released its latest [AML/CFT monitoring insights report](#) covering the period July 2018 to June 2021. The report notes that during this time, three public warnings were issued, 27 formal, private warnings were issued, and High Court proceedings were brought for the first time under the AML/CFT Act. In FMA's previous monitoring report, one public warning and 17 private warnings were issued between July 2016 to June 2018.

The most frequent areas of concern were inadequate AML/CFT programmes and risk assessments as well as insufficient customer due diligence by reporting entities. James Greig, FMA's Director of Supervision, stated in his opening message "the AML/CFT regime has matured to a large extent and we therefore have less tolerance for non-compliance with the AML/CFT Act. We will continue to work with the AML/CFT Supervisors and other agencies in order to improve the level of compliance with the Act by reporting entities in our sector, and encourage reporting entities to engage with the FMA when guidance is required."

International Fraud Awareness Week



According to the Association of Certified Fraud Examiners (ACFE) *Report to the Nations on Occupational Fraud and Abuse*, organisations worldwide lose an estimated 5 percent of their annual revenues to fraud.

The [ACFE website](#) dedicated to International Fraud Awareness Week has freely available resources including explainer videos on money laundering, fraud schemes, and identity theft, as well as a video explaining why people commit fraud. There are also interactive games and quizzes available to complete online or to download to share with employees or colleagues. Many of New Zealand's agencies dedicated to fighting fraud will also feature resources on their websites, including [Consumer Protection](#) and the Serious Fraud Office (SFO).

The SFO has a '[Prevention Portal](#)' on their website that is only accessible to employees in the public sector. The Portal includes a collection of good practice guidance, reference material, case studies and other content relevant to uncovering fraud.

International Fraud Awareness Week is 14-20 November.

AML/CFT Act - Have Your Say

On 1 July 2021, the Minister of Justice asked the Ministry of Justice (MOJ) to review the Anti-Money Laundering and Countering Financing of Terrorism Act 2009 (AML/CFT Act). The review will consider two questions:

1. How has the AML/CFT Act operated since going into effect in 2013?
2. Is there any part of the AML/CFT Act that should change?

The review is to be completed by 30 June 2022, with the MOJ providing a report to their Minister. The Minister will then make the report public. The [Terms of Reference](#) outlines how the review will be conducted.

There are six key issues MOJ would like to hear your views on. They are:

- Institutional arrangements and stewardship
- Scope of the AML/CFT Act
- Supervision, regulation, and enforcement
- Preventative measures
- Other issues or topics
- Minor changes

The [Summary Document](#) provides an overview of these issues, and the [Consultation Document](#) contains more detailed information.

The Factsheet and Frequently Asked Questions (FAQs) have been published in multiple languages:

[Factsheet – English](#)

[Frequently Asked Questions – English](#)

[Factsheet and FAQ – Arabic](#)

[Factsheet and FAQ – Hindi](#)

[Factsheet and FAQ – simplified Chinese](#)

[Factsheet and FAQ – traditional Chinese](#)

[Factsheet and FAQ – Tongan](#)

[Factsheet and FAQ - Samoan](#)

There are a variety of ways to provide your feedback to MOJ:

Complete the online public survey: [Public Consultation AML/CFT Act](#)

Email your feedback: aml@justice.govt.nz

Post your feedback to:

AML/CFT Consultation Team

Ministry of Justice

SX 10088

Wellington 6140

The closing date for submissions and completed online surveys is **3 December 2021**.

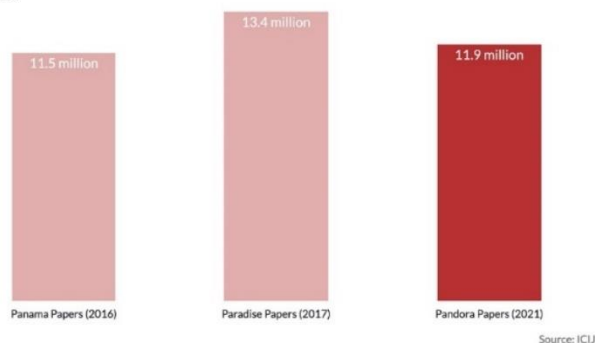
PANDORA PAPERS

What Are the Pandora Papers?

The Pandora Papers is the latest in a string of leaks over the past seven years, following the FinCen Files, the Paradise Papers, and the Panama Papers. The Panama Papers exposed hundreds of thousands of offshore companies set up by a Panamanian law firm. This time, over 12 million confidential files from 14 global offshore service providers were leaked to the International Consortium of Investigative Journalists (ICIJ).

How many files are in the Pandora Papers?

The more than 11.9 million files that make up the Pandora Papers come from 14 different offshore service providers.



The data leaked to ICIJ arrived in various formats: documents, images, emails, and spreadsheets. Some of the files date back to the 1970s, but most were created between 1996 and 2020. The information reveals a wide range of matters including the creation of entities used to purchase high-value assets such as real estate and yachts, as well as the avoidance of taxes through complex financial

schemes. Some documents are potentially tied to financial crimes, including money laundering.

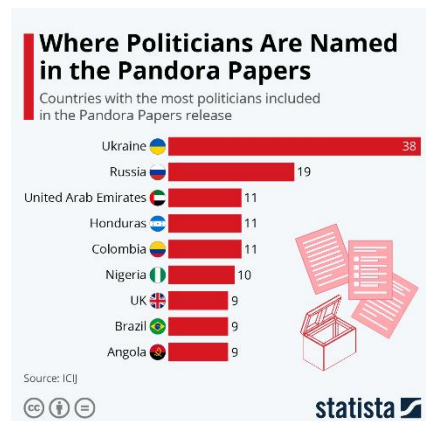
The Investigation

An anonymous source shared the confidential files with the ICIJ in several batches over the course of months. The ICIJ then coordinated a worldwide investigation into the contents, sharing the files with more than [600 journalists from 150 media organisations](#) in 117 countries in the world's largest-ever journalistic collaboration. In New Zealand, the only media organisations involved in the project are the New Zealand Herald and TVNZ.

The ICIJ and their collaborators spent more than a year analysing the documents to learn how the world's most powerful people hide their money. To identify potential stories of interest in the data, ICIJ matched information in the leak against other data sets: sanctions lists, previous leaks, public corporate records, media lists of billionaires and public lists of political leaders.

A political leader is considered a 'politically exposed person' (PEP) - someone who has been entrusted with a prominent public role. PEPs can also include an ambassador, a judge, or even an immediate family member of public leaders. Because of their positions, which put them in close proximity to public funds, PEPs are considered at higher risk of money laundering and are expected to be subject to increased scrutiny to ensure their money hasn't come from questionable deals or overt corruption.

Many of the documents show that the biggest beneficiaries of the offshore entities are PEPs and those who are closely connected to them. In total, 35 current and former national



leaders appear in the leak, as well as 400 officials from nearly 100 countries. A constantly updated list on [Wikipedia](#) currently shows around a dozen current heads of state which appear in the leak.

The data also contains details on the growing role of the United States as an ‘offshore’ haven; in recent years, lawmakers in several US states have expanded the financial secrecy industries. South Dakota has proven to be the most popular destination for trusts, where the value of assets held in the financial vehicles has increased to more than US\$360 billion (NZ\$502bn) over the past decade. Unlike other states that restrict the life of trusts to 100 years or less, South Dakota trusts are ‘perpetual’, potentially sheltering assets for all future generations.

Many of the people whose dealings have been exposed in the leak have not committed a crime, as owning an offshore company or trust is not illegal. However, the secrecy of offshore shelters can also give cover to illicit activity, such as bribery, money laundering, tax evasion, terrorism financing, drug trafficking, and human trafficking. The ICIJ and its partners have uncovered numerous structures that appear to relate to criminal activity.

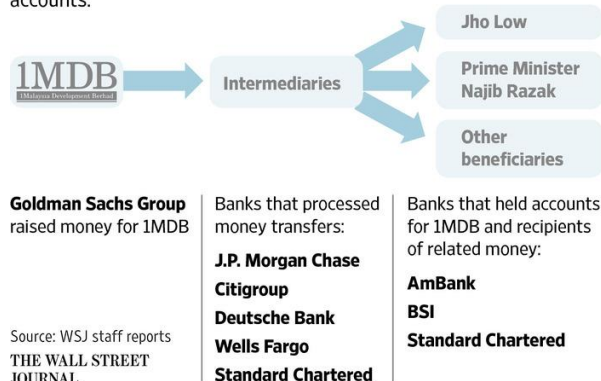
Notable International Figures

Amid the long list of offshore bankers, accountants, lawyers, and company formation agents, one law firm stands out: Baker McKenzie. Although internal Baker McKenzie records were not leaked, the firm is mentioned in more than 7,500 documents. ICIJ found that Baker McKenzie played a role in hundreds of offshore companies registered in tax havens, typically connecting clients with offshore service providers.

Many of the documents mentioning Baker McKenzie come from three offshore providers to which the firm delegated work: Trident Trust, Alemán, Cordero, Galindo & Lee (Alcogal), and Asiaciti Trust (all three of whom have a presence in New Zealand – see below). Among Baker McKenzie’s clients were people and companies connected to political corruption and fraudulent business practices, such as [Jho Low](#).

Missing the Alleged Fraud

The 1MDB scandal eluded detection or interference by a number of banks. Money was allegedly diverted from 1MDB and transferred through a maze of shell companies before landing in private bank accounts.



Jho Low made extensive use of Baker McKenzie affiliates when he acted in the role of advisor to Najib Razak, then prime minister of Malaysia. Wong & Partners, a Malaysian member firm of Baker McKenzie, represented the 1MDB fund in a US\$1 billion transaction with a private Saudi oil company called PetroSaudi. The deal was meant to finance energy and development projects. Instead, most of the money flowed to shell companies controlled by Low and his associates, according to Malaysian and United States authorities.

Prosecutors allege that more than \$4.5 billion was diverted from 1MDB to individuals through a web of shell companies, trusts, and bank accounts in one of the world’s largest financial frauds.

Baker McKenzie wasn’t the only professional firm aiding Low and his associates – Big Four auditing firms and investment bank Goldman Sachs also enabled the globe-spanning fraud.

Goldman Sachs' Malaysian unit pleaded guilty in 2020 to bribery-related charges in US federal court.

In 2020, a Malaysian court sentenced Razak to 12 years in prison after he was found guilty in his first 1MDB-related corruption trial; he faces four more trials. Low is now a fugitive, accused of masterminding the multibillion-dollar looting of a public investment fund, and wanted by Malaysia, the US and Singapore.

New Zealand Connection

Among the reporters credited to the ICIJ for the Pandora Papers investigation are two from New Zealand – TVNZ's Katie Bradford, and New Zealand Herald's Matt Nippert, who spent months reviewing the more than 200,000 documents relating New Zealand. The New Zealand Herald has published several articles since the leak was revealed, although most of them require a paid subscription to access.

New Zealand has had a small but significant role in the offshore industry for decades. A legal structure known as a New Zealand foreign trust has been a part of New Zealand's tax law since 1988 and quickly became popular with wealthy foreigners because it allowed them to hold assets and income in a stable jurisdiction without paying tax or disclosing their identities to tax authorities. Law changes requiring disclosures to the Inland Revenue following the Panama Papers leak in 2016 saw the number of foreign trusts decrease from nearly 12,000 to 3,000.

However, records from one offshore provider in the current leak identified more than twenty foreign political figures connected to New Zealand-registered trust, including a controversial Moldovan oligarch, a Chinese billionaire, and senior Brazilian politicians.

Ten of the 14 service providers involved in the Pandora Papers have no connection to New Zealand. Of the four that do, only two have been named in published articles so far. They are: Asiaciti Trust and Trident Trust Company.

Asiaciti Trust

While the largest tranche of files (just over 3.75 million) comes from the Trident Trust Group, most of the documents related to New Zealand come from Asiaciti Trust. The Asiaciti documents reveal the identities and assets of wealthy individuals and families from Asia, South America and Eastern Europe who used New Zealand structures.

Asiaciti is a Singapore-based offshore accounting and advisory firm founded and led by Australian Graeme Briggs. In the 1980s, Asiaciti opened branches in small island nations where the tax laws for international businesses were loose, but the confidentiality laws were strong. Asiaciti has operated in New Zealand since 2001.

In 2020, the Monetary Authority of Singapore (MAS) fined Asiaciti SG\$1.1m (NZ\$1.1m) for failing to implement 'adequate' AML policies between 2008 and 2018, hindering the firm's ability to identify high-risk customers.

Moldovan Oligarch

According to the Pandora Papers, [Vladimir Plahotniuc](#), a controversial Moldovan oligarch accused of involvement in his country's biggest alleged banking fraud, used a New Zealand based trust in an offshore financial structure that held more than NZ\$180m in assets. Plahotniuc was

accused by prosecutors in May 2020 of involvement in the alleged theft of US\$1 billion (NZ\$1.4bn) from Moldovan banks in 2014 and 2015 - an amount equal to 12 percent of Moldova's GDP – in what is known as Moldova's 'crime of the century'. In June 2020, Plahotniuc was sanctioned by the US State Department under legislation imposed on foreign officials suspected of involvement in corruption, barring him from entering the country.

The New Zealand trust connected to Plahotniuc and his Swiss-based former wife Oxana Childescu was established in 2011 and administered by Asiaciti Trust. In 2017, the trust was transferred out of New Zealand to a Cypriot law firm. However, Asiaciti staff remained directors of the New Zealand registered company which was the only asset of the trust until the company's removal earlier this year.

Russian Father and Son

A [Russian father and son](#) accused of defrauding shareholders in a major ammonia company used New Zealand foreign trusts to hold assets offshore. In 2019, Vladimir Makhlai and his son Sergei were found guilty by a Russian court of 'large-scale' fraud that allegedly involved selling the company's products at artificially low prices to a Swiss trading company connected to the family. Neither Vladimir or Sergei live in Russia; they were convicted and sentenced to nine years in prison in absentia. The Pandora Papers revealed that the family's New Zealand foreign trusts were administered by Asiaciti.

Roman Catholic Order

The Pandora Papers revealed that New Zealand foreign trusts administered by Asiaciti held nearly NZ\$300m in assets for a [Roman Catholic order in Mexico](#) caught in an international paedophilia scandal.

The Legionaries of Christ used the trusts in a complex financial arrangement that held assets overseas while it faced a Vatican investigation and lawsuits by victims of alleged sexual abuse by priests. Three days before the Vatican appointed official took control of the Legionaries' operations, one of its senior figures helped establish the first of the three trusts in New Zealand that would hold assets for the Legion. Two additional trusts were established a year later to make investments, the proceeds of which are sent to the first established trust, according to the leaked documents.

According to ICIJ's analysis, the Legionaries' trusts invested in assets including [rental properties](#) across the United States and shares in a chain of rehab facilities, a Texas based medical device company and a Mexican nutritional supplements company.

In statements to the ICIJ, the Legionaries acknowledged it had set up one of the three trusts, but said it had no knowledge of the other two trusts' operations. A review of the leaked documents shows all three trusts share the same New Zealand address and have the same trustees managing them.

Trident Trust Company Limited

Trident Trust is one of the world's largest offshore service providers, with more than 900 employees in offices in over 20 jurisdictions, including New Zealand.

Eric Watson is the highest-profile New Zealand businessman identified in the Pandora Papers; Trident Trust administered several of Watson's trusts in Jersey. Leaked documents dated in May 2018 showed that Watson re-established three trusts in the tax haven of Jersey, owning £359 million (NZ\$698m) in assets.

The timing of the revived trusts came at a crucial juncture in Watson's long legal war with his former business partner Sir Owen Glenn. A ruling adjudicating that Watson had engaged in fraudulent misrepresentation over his handling of the joint venture with Glenn was handed down in July 2018. The trusts are party to still-ongoing recovery action from Glenn, who is said in recent court rulings to still have a "considerable portion of \$86 million owed in awarded compensation outstanding".

More New Zealand Connections to Come

According to New Zealand Herald reporting, additional stories will be published about the information discovered in the Pandora Papers, including the wife of a Beijing bank executive who placed millions in bank accounts and life insurance policies in offshore structures just months before her husband was arrested for suspected corruption, and senior Brazilian politicians accused of involvement in '[Operation Car Wash](#)' a major probe into corruption and money laundering.

Moving Forward

Over US\$1 billion (NZ\$1.4bn) has been recouped due to the revelations of the Panama Papers in 2016, and charges have been brought against high-profile figures. "It's not just bad apples - there are a lot of people that do this, a lot of players across the world," said Rachel Etter-Phoya, a senior researcher at the Tax Justice Network in an interview about the Pandora Papers. Leading international organisations such as the Organization for Economic Cooperation and Development (OECD) and the Financial Action Task Force (FATF) have said that weak regulation of lawyers and other professionals plays a key role in global financial crime.

It is too soon to tell what the of the fallout will be from the Pandora Papers. Already government authorities in at least eight countries have announced investigations into the financial activities of some of their most high-profile citizens and institutions. Officials in Pakistan, Mexico, Spain, Brazil, Sri Lanka, Australia, and Panama have already promised inquiries.

Authorities in the Czech Republic stated in a tweet that they will investigate names listed in the Pandora Papers, including the now former prime minister, who narrowly lost re-election days after the Pandora Papers were released. Both Panama and Australia's tax authorities promised investigations, and Mexico's FIU pledged an investigation in response to the Papers.

What Can Reporting Entities Do?

In an interview with Reuters, Lauren Kohr, the senior director of AML for the Americas with the Association of Certified Anti-Money Laundering Specialists (ACAMS), advised reporting entities to pay heed to the information revealed by the Pandora Papers but to take the revelations in stride. Kohr recommended that AML professionals "methodically step back and evaluate the effectiveness of their overall risk-based [AML] programme". Specifically, she suggested evaluating the effectiveness of the reporting entity's customer due diligence (CDD) and

enhanced customer due diligence (ECDD). Reporting entities should also monitor their high-risk customers, products, services, geographies, and transactions.

Kohr further advised “ask yourself, ‘Would our programme identify the risks exposed in the Pandora Papers leaks?’ If not, adjust your programme to be more effective in detecting the threats posed, then determine what specific steps you should take to address particular customer risks that may be posed by the individual data points leaked.”

If after a review of your programme, you find that a Suspicious Transaction Report (STR) or Suspicious Activity Report (SAR) is warranted, the FIU’s guidance on (What is) Suspicion and What a Good SAR Looks Like from our March 2021 edition of *The Suspicious Activity Report* can now be found in the goAML Document Library.

Additional Resources

- The Organized Crime and Corruption Reporting Project (OCCRP) [provides an overview](#) of the Pandora Papers investigation, including frequently asked questions (FAQs), interactive maps, a summary of the service providers the information was leaked from, and several articles from ICIJ journalists around the world.
- The ICIJ has [published the background](#) of the Panama Papers dataset, including interactive graphs.
- The ICIJ also provides [answers to FAQ](#).
- The New Zealand Herald explains [New Zealand foreign trusts](#) and why the tax loophole hasn’t been closed yet [paywalled article].
- The Planet Money podcast reissued an episode from 2012 titled [We set up an offshore company in a tax haven](#), which explores how easily and quickly a shell company can be created in a tax haven.

INTERNATIONAL AML/CFT NEWS

Madagascar

[Madagascar's vanilla industry has become a magnet for money laundering](#)

About 80% of the world's vanilla is grown in Madagascar by smallholder farmers. Between 2013 and 2018, the price of vanilla increased tenfold, driven in part by low harvest years, rising demand for natural vanilla and market speculation by intermediary buyers in the market. These price rises brought rising criminality, including organised and violent thefts, money laundering and related corruption.

More recently, the price of vanilla has fallen sharply, leading the Malagasy government to impose minimum prices for export. However, this has led to new modes of money laundering and corruption. According to environmental activist Clovis Razafimalala, a significant number of major vanilla operators who are former rosewood traffickers have been taking advantage of the set minimum price to launder the profits of rosewood trafficking.

Traffickers export vanilla below the set minimum price, but receive payments at the required rate, allowing for profits of rosewood trafficking held offshore to be brought back into Malagasy banks without detection.

Netherlands

[Suspect in ATM attacks blew himself up filming tutorial, says Europol](#)



Dutch and German police arrested nine suspects during an 18-month investigation into a criminal gang that has been linked to at least 15 ATM attacks in Germany. Police in Germany became suspicious when a Dutch man living there ordered several ATMs, claiming they were for an art project in the Netherlands.

Surveillance led police to Utrecht in the Netherlands where the suspects were allegedly running a training centre. Europol and its sister agency Eurojust explained in a joint statement that the pair were ordering different models of ATMs and recording tutorials on how to effectively open them by using homemade explosive devices.

Over 400 ATMs were blown up across Germany in 2020, an increase of 19% over the previous year.

United Kingdom

[Authorised push payment fraud sees huge increase as criminals switch tactics](#)

Authorised push payment (APP) fraud, also known as bank transfer fraud, occurs when criminals seeking to avoid the automated checks within banking IT systems use phone calls, emails, text messages, fake websites and social media posts to trick people into handing over personal data before conning them into authorising payments to the scammers.

According to a banking trade body UK Finance, APP fraud increased by 71% in the first six months of 2021, totalling £355 million (NZ\$683m). During the same period, payment card fraud declined by 9% to £252 million (NZ\$504m).

United States

[*U.S. SEC fines Guo Wenqui-linked media firms for illegal securities offerings*](#)

The United States Securities and Exchange Commission (SEC) charged GTV Media Group Inc, Saraca Media Group Inc, and Voice of Guo Media Inc with the illegal unregistered offering of GTV common stock. The companies raised nearly US\$500 million (NZ\$697m) from more than 5,000 would-be investors without registering with the SEC or providing required financial disclosure documents to those transferring funds. Last year, some customers in New Zealand protested when [banks blocked payments](#) to GTV Media Group.

The media companies, affiliated with Chinese businessman Guo Wengui, have agreed to pay more than US\$539 million (NZ\$752m) in settlement, and to not participate – directly or indirectly – in any offering of a digital asset security. They have also agreed to publish notice of the SEC's order on their public websites and social media channels.

The SEC's [announcement](#) said that the commission's investigation is continuing.

United States/Professional Enablers

[*Dallas attorney pleads guilty to laundering drug money*](#)

A Dallas attorney arrested following an undercover operation pleaded guilty to a federal money laundering charge for attempting to 'clean' what he thought was drug money, according to court records.

The federal case against Rayshun Jackson began when a former client of his, known as 'Person A' in the court records, sold drugs to an undercover DEA agent. When the agent asked Person A if he knew someone who could launder drug proceeds, he was introduced to Jackson.

Jackson advised the agent that US\$500k (NZ\$697k) a month could be laundered by funnelling the cash through non-traceable cash businesses and shell corporations. He also offered to use the bank accounts connected to his law practice, as well as charitable bank accounts established for providing legal services to indigent persons.

[*Former Arizona bank manager faces prison over money laundering*](#)

Carlos Vasquez, a former bank manager of a Wells Fargo branch, pleaded guilty to conspiracy to commit money laundering. Federal officials alleged that between February 2017 and August 2019, Carlos Vasquez conspired to launder money for a group of individuals.

Over that period, Vasquez authorised 42 wire transfers from the branch to bank accounts in Mexico. Vasquez admitted that he knew the funds moving through the accounts were illicit proceeds and that he opened the accounts because they improved the bank's sales performance.

Corruption

[Petrofac admits guilt, charged with seven bribery offences](#)

In a deal to settle a four-year corruption and money laundering investigation by the UK Serious Fraud Office, Petrofac has admitted that its employees paid bribes to land contracts.

Petrofac has agreed to plead guilty in court to seven counts of failing to prevent its employees from offering or paying bribes to secure contracts in Iraq, Saudi Arabia, and the UAE between 2012 and 2015.

[JPMorgan faces oil bribery probe in Brazil](#)

As part of a large, years-long investigation by Brazilian authorities who have been examining wrongdoing across the commodity trading industry, Brazilian federal police are investigating whether JPMorgan Chase & Co played a role in an alleged bribery and money laundering scheme involving state-run oil company Petrobras.

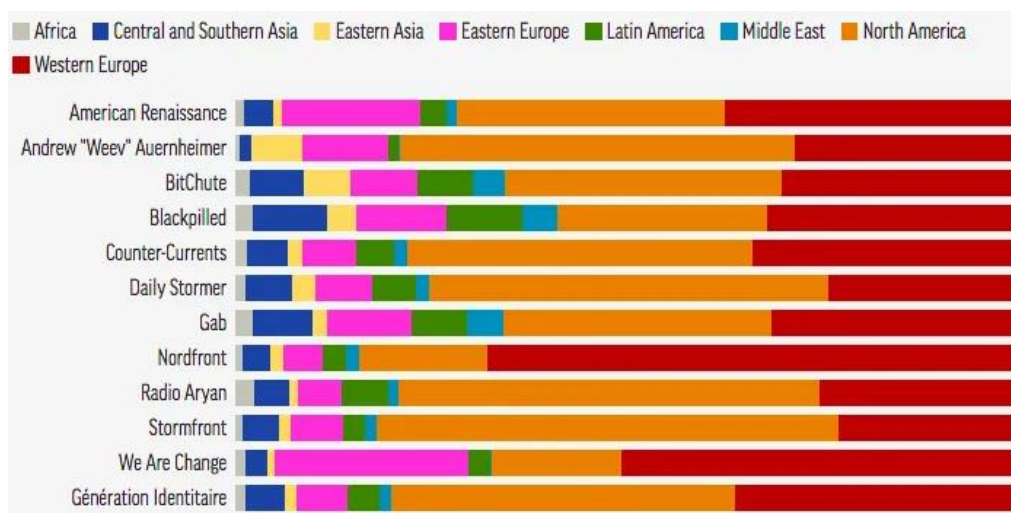
According to documents reviewed by Reuters and two law enforcement sources, the alleged scheme dates back to 2011. Authorities are working to determine if JPMorgan purchased approximately 300,000 barrels of Petrobras fuel at artificially low prices by funnelling bribe payments to employees on the trading desk, and if the alleged bribery continued in subsequent years, according to court documents viewed by Reuters.

Court documents included a witness testimony from a former Petrobras fuel trader, Rodrigo Berkowitz. In his plea agreement with Brazilian authorities, he refers to fuel cargoes that were sold to JPMorgan.

Countering Financing of Terrorism

[Far-right cryptocurrency follows ideology across borders](#)

[Chainalysis](#), a blockchain data platform, collected and analysed data for a sample of 12 far-right entities in the United States and Europe that had publicly asked for Bitcoin donations. The selected groups represented a range of ideologies including white nationalists, white supremacists, and neo-Nazis. Donations to the 12 groups combined totalled 213 Bitcoin (NZ\$18m) between January 2018 and April 2021.

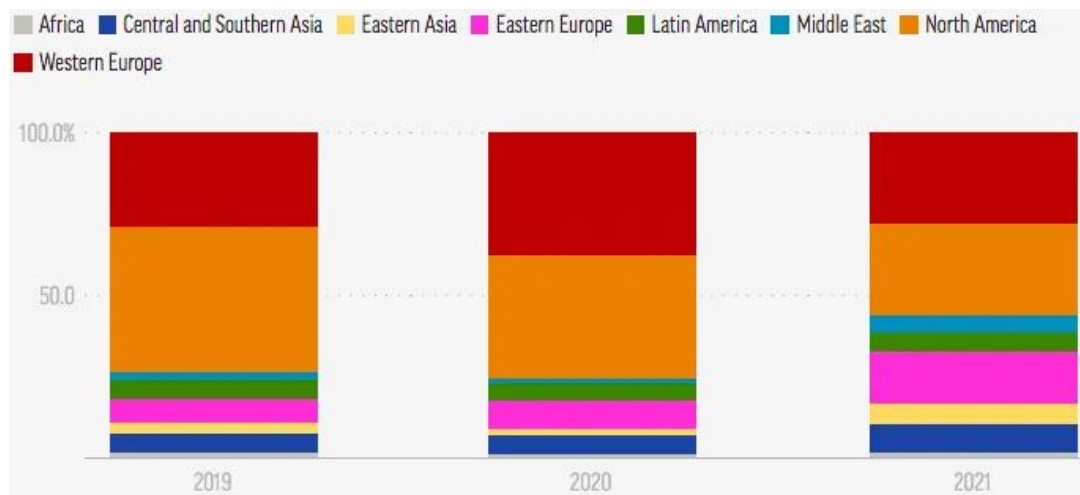


Estimated Regional Source of Funds by Organisation

Source: Chainalysis | AP

The founder of The Daily Stormer website, Andrew Anglin, has received at least 112 Bitcoin – currently worth NZ\$9.5 million - from followers since January 2017, according to data shared by Chainalysis with the Associated Press. In a publication published in April 2020, Anglin claimed to have funded The Daily Stormer exclusively through Bitcoin for four years.

In June, the Financial Action Tax Force (FATF) released a report on [Ethnically or Racially Motivated Terrorism Financing](#). The report highlighted how far-right groups utilise cryptocurrencies and warned that transnational links among such actors are increasing.



Estimated Regional Source of Funding for 12 Far-Right Groups.

Source: Chainalysis /AP

However, Bitcoin was built for transparency, enabling companies like Chainalysis to monitor activity. Due to this public footprint, some right-wing ideologists have moved away from Bitcoin to Monero, a 'privacy coin'. In November 2020, Anglin asked supporters to donate to him only using Monero, saying "every Bitcoin transfer is visible publicly...with Monero, the transactions are hidden". Australian neo-Nazi Thomas Sewell and The Global Minority Initiative also moved to receiving donations exclusively in Monero.

Human Trafficking

[ACAMS Fighting Modern Slavery & Human Trafficking Course](#)

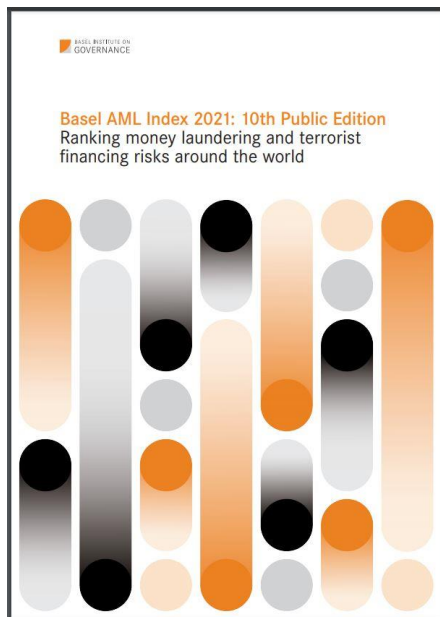
ACAMS (USA) and the Liechtenstein Initiative for Finance Against Slavery and Trafficking (FAST Initiative) at the United Nations University Centre for Policy Research have launched a second free, self-paced training certificate for compliance professionals.

The course was developed with the support of the social justice organisation [Polaris](#), and is aimed at helping compliance professionals identify and report financial activity tied to human traffickers, with a focus on sexual exploitation. It builds on the foundational training in [Part One](#) of the Fighting Modern Slavery and Human Trafficking Certificate programme established in June 2020, by retroactively analysing the financial networks of five human trafficking syndicates that have been successfully prosecuted in US courts.

The course provides insights into the products, transactional patterns, red flags and internal controls linked to sex trafficking activity, including real-life examples of the exploitation of retail and commercial bank accounts, residential and commercial real estate, credit card accounts, crowdfunding platforms, money services businesses and cryptocurrency exchanges.

Basel AML Index

[Basel AML Index 2021: Ranking money laundering and terrorist financing risks around the world](#)



The Basel Anti-Money Laundering Index is an independent annual ranking that assesses money laundering and terrorist financing (ML/TF) risk around the world. Risk scores are based on data from publicly available sources including the Financial Action Task Force (FATF), Transparency International, the World Bank, and the World Economic Forum. The Index is not meant to be a measure of the actual amount of ML/TF activity in a given jurisdiction; instead it measures the risk of a jurisdiction's vulnerability to ML/TF and its capacities to counter it.

In 2021, the four key risk trends observed were: virtual assets, ineffective AML/CFT systems, beneficial ownership, and non-financial professions.

The Index noted that cryptocurrencies are commonly used to launder money, and criminals can choose to operate in jurisdictions where regulations are weak and not enforced. In regard to beneficial ownership, the report stated, "slow and ineffective implementation of beneficial ownership registries continues to provide safe havens for dirty money", noting that no jurisdiction has an effective beneficial ownership system.

The report states that "lawyers, accountants, real estate agents and other non-financial businesses and professions continue to underperform on compliance with AML/CFT standards", noting there is also a need for increased customer due diligence.

Basel encourages users to look at regional and global trends, and developments over time, and at what the Basel AML Index says about remaining weaknesses in the global response to ML/TF. There is more in-depth analysis of individual countries or regions or risk factors using more comprehensive data in the (paid) Expert Edition.

Council of the European Union

[Panama to stay on EU tax-haven blacklist](#)

The European Union's list of non-cooperative jurisdictions, otherwise known as a tax-haven blacklist, was established in 2017 to fight tax fraud and money laundering. The blacklist is based on three criteria: transparency of information, fair tax competition, and implementation of the OECD's Base Erosion and Profit Shifting ([BEPS](#)) minimum standards.

Despite the Seychelles being named in the Pandora Papers as one of the primary destinations for offshore companies, the European Union (EU) has decided to remove it from its official

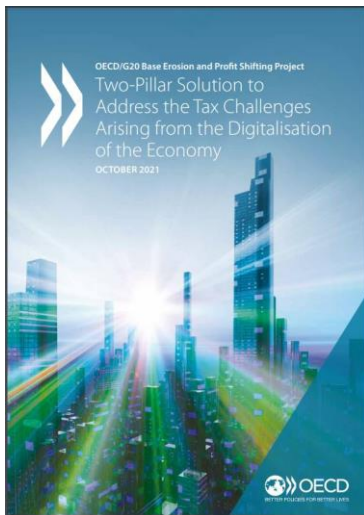
blacklist of tax havens. The EU updates its list of ‘non cooperative jurisdictions’ twice each year; the review had already been decided before the ICIJ published the Pandora Papers.

The Caribbean islands of Anguilla and Dominica have also been removed from the list. Included on the [list as of 5 October 2021](#), are: American Samoa, Fiji, Guam, Palau, Samoa, Trinidad and Tobago, US Virgin Islands, and Vanuatu.

The EU also publishes a separate list of ‘high-risk’ jurisdictions for money laundering and terrorist financing.

Organisation for Economic Cooperation and Development (OECD)

[International community strikes a ground-breaking tax deal for the digital age](#)



A large majority of the 140 members of the OECD, representing more than 90% of the global GDP, have agreed to major reform of the international tax system. The agreement – [Statement on a Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy](#) – updates and finalises a July political agreement by members to fundamentally reform international tax rules. Countries currently abstaining from the agreement are Kenya, Nigeria, Pakistan, and Sri Lanka.

Finance leaders from the G20 major economies endorsed the deal on 13 October and called for swift development of guidance to help countries implement the deal and ensure the new rules come into effect at a global level in 2023.

Pillar One will ensure a fairer distribution of profits and taxing rights among countries with respect to the largest and most profitable MNEs. It will re-allocate some taxing rights over MNEs from their home countries to the markets where they have business activity and earn profits, regardless of whether firms have a physical presence there. Pillar two introduces a global minimum corporate tax rate set at 15%. The new minimum tax rate will apply to companies with revenue above €750 million (NZ\$1.2bn) and will be effective from 2023.

The two-pillar solution will be delivered to the G20 Leaders’ Summit in Rome at the end of October. Countries are aiming to sign a multilateral convention during 2022, with effective implementation in 2023.

MONTHLY STATISTICS*

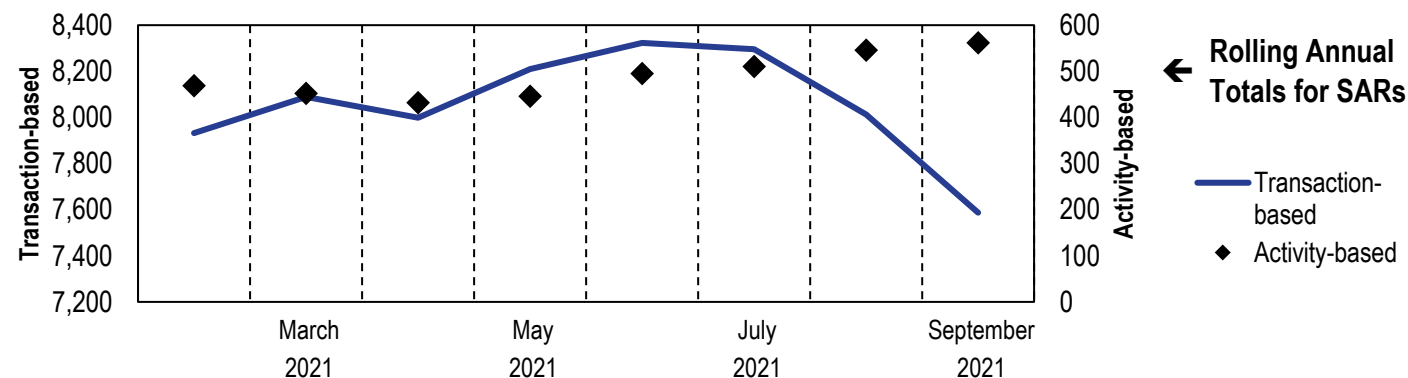
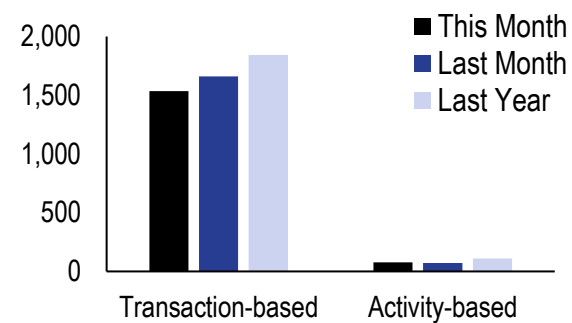
NEW ZEALAND POLICE FINANCIAL INTELLIGENCE UNIT

September | 2021

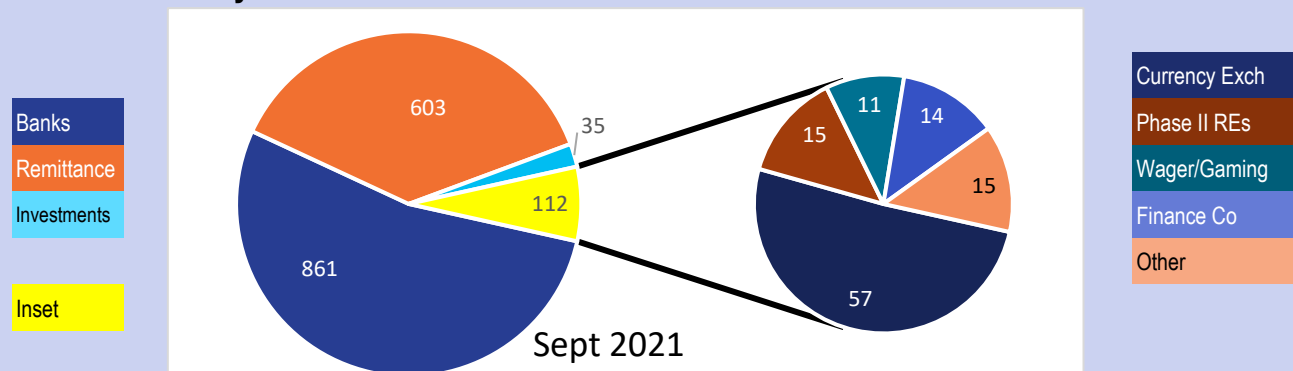
SUBMITTED REPORTS to the FIU*

Processed Suspicious Activity Reports (SARs)

	This Month	Last Month	Last Year
	September	August	September
	2021	2021	2020
Transaction-based	1,536	1,660	1,842
Activity-based	78	72	109
Total	1,614	1,732	1,951

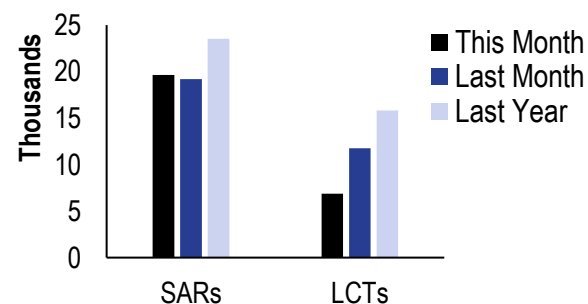


Processed SARs by Sector



Transaction Volumes within SARs and PTRs

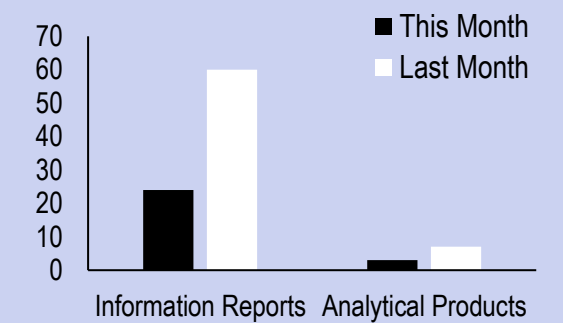
	This Month	Last Month	Last Year
	September	August	September
	2021	2021	2020
SARs	19,653	19,207	23,544
IFTs	424,206	439,623	418,771
LCTs	6,867	11,770	15,806



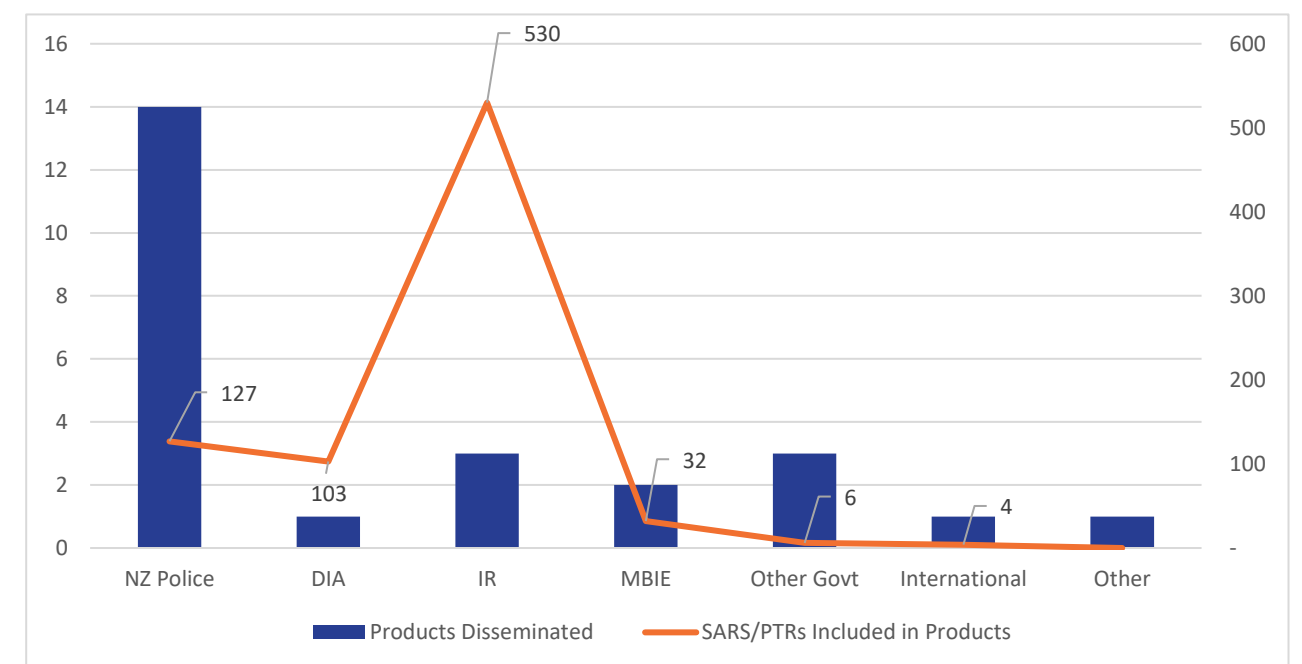
FINANCIAL INTELLIGENCE PRODUCTS

Disseminations of Products by Type

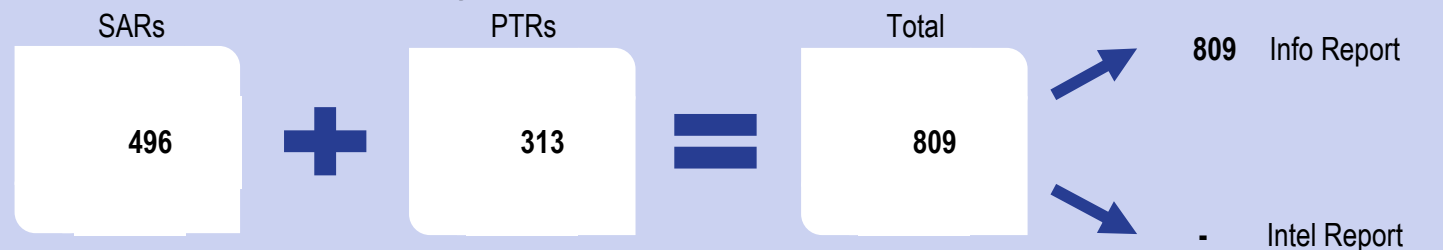
	This Month	Last Month
	September	August
	2021	2021
Information Reports	24	60
Analytical Products	3	7
Total Products	27	67



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*

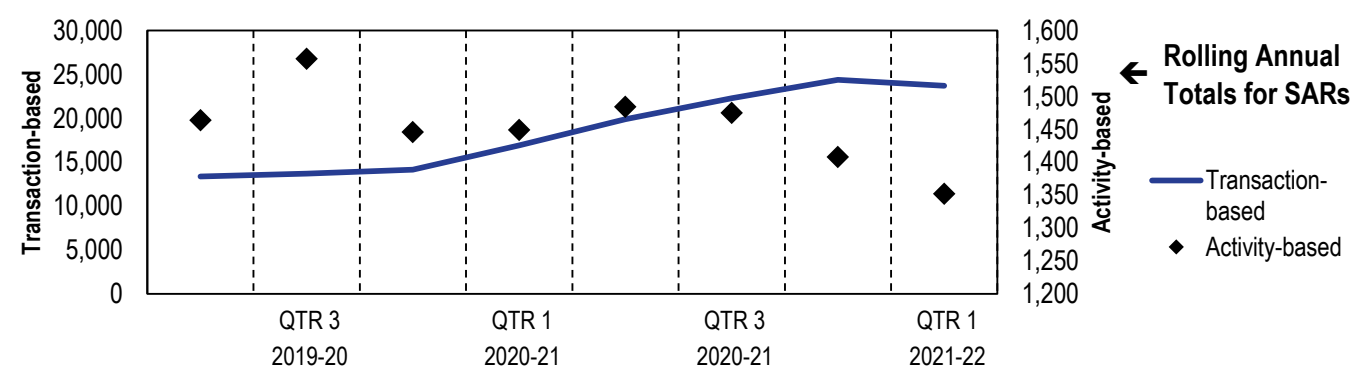
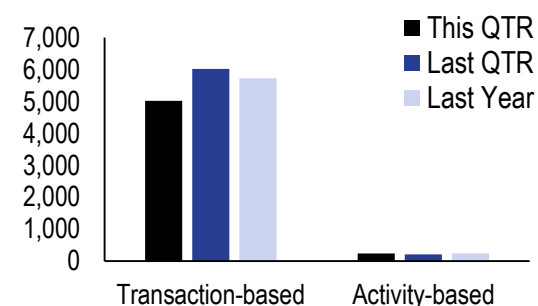
NEW ZEALAND POLICE FINANCIAL INTELLIGENCE UNIT

QTR 1 | 2021-22

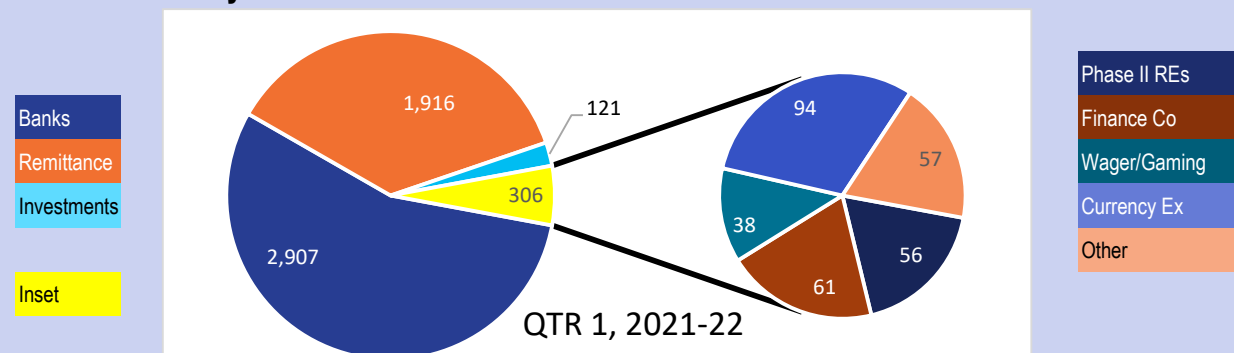
SUBMITTED REPORTS to the FIU*

Processed Suspicious Activity Reports (SARs)

	This QTR	Last QTR	Last Year
	QTR 1	QTR 4	QTR 1
	2021-22	2020-21	2020-21
Transaction-based	5,015	6,015	5,722
Activity-based	240	212	240
Total	5,255	6,227	5,962

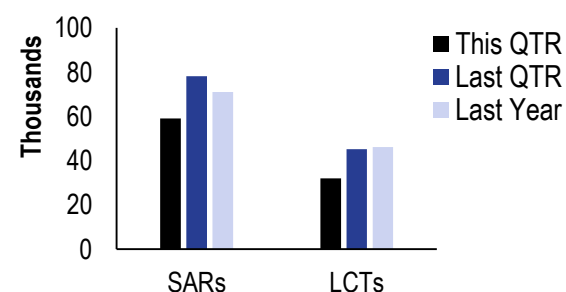


Processed SARs by Sector



Transaction Volumes within SARs and PTRs

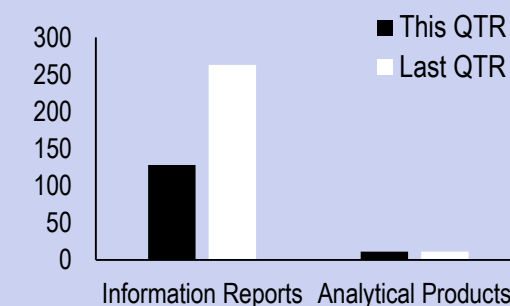
	This QTR	Last QTR	Last Year
	QTR 1	QTR 4	QTR 1
	2021-22	2020-21	2020-21
SARs	59,050	78,115	70,986
IFTs	1,308,474	1,261,466	1,290,544
LCTs	31,925	45,208	46,150



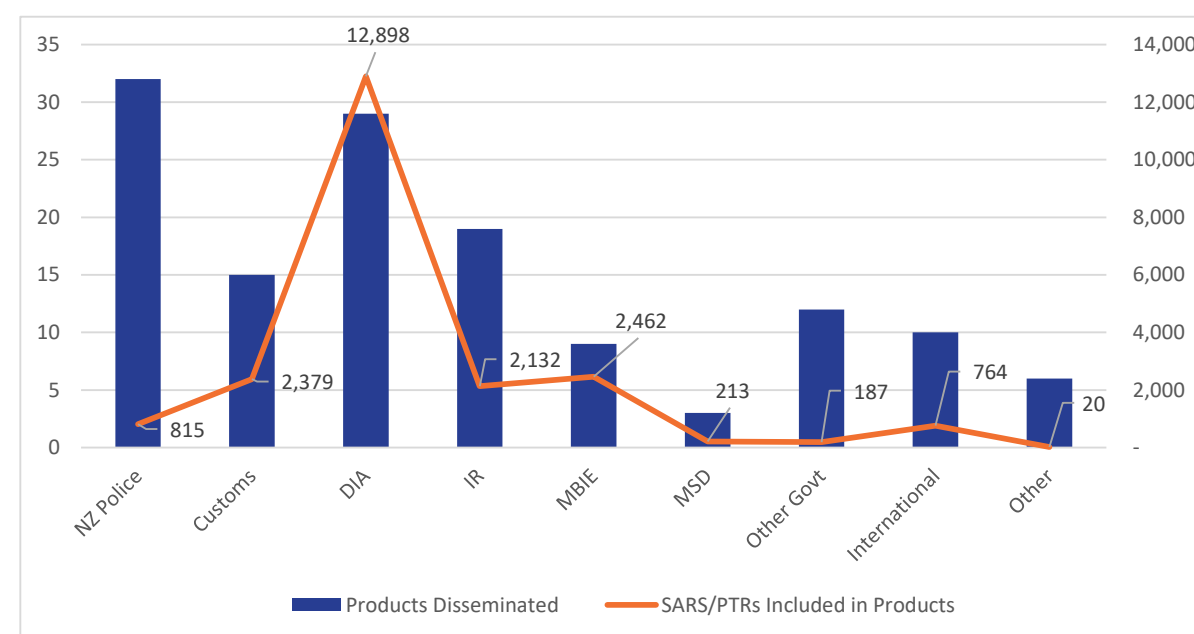
FINANCIAL INTELLIGENCE PRODUCTS

Disseminations of Products by Type

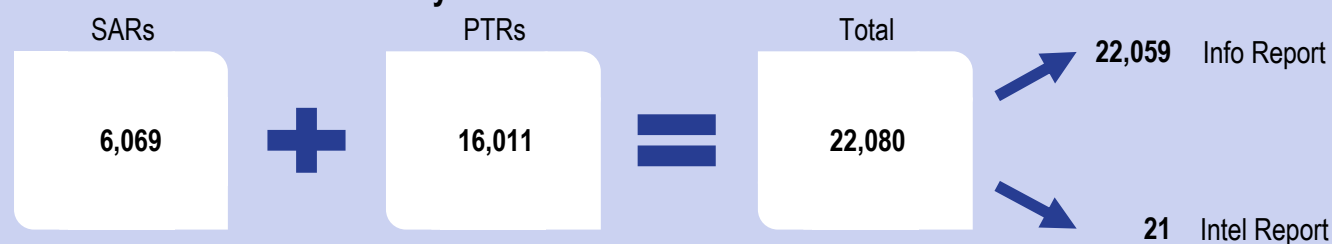
	This QTR	Last QTR
	QTR 1	QTR 4
	2021-22	2020-21
Information Reports	128	263
Analytical Products	11	11
Total Products	139	274



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.

