

The CASH Report

conversations around suspicious happenings

September 2024

New Zealand Financial Intelligence Unit



NEW ZEALAND
POLICE
Ngā Pirihimana o Aotearoa

Hello from the Supervisor, Strategic Intelligence

Zane Verran

Kia ora koutou,

I have the honour and the privilege of opening the second edition of the still evolving CASH Report.

When it comes to papers we publish, my philosophy is simple, the reader should find the experience engaging and come away with relevant material in support of their decision making. Whether they lead a team, or they are the team.

To this end, following our next edition in November, we'll be sharing a link to a survey to give you the chance to tell us how we're going with this new approach. What have you liked? What could we look to tweak? Or even, what might be a useful introduction?

Given our third edition will include a revised and refreshed statistics section, I'm hopeful we'll get a good volume of responses to the survey.

My wero to you then is to take a good critical look at this, our second edition. Compare it to the first edition and then compare them both with the third edition when it comes out. Help us shape up a solid report for 2025, one that's engaging to read and supports you.

Having read your feedback about our first edition, I can assure you, you'll find what you liked before. And a little more. Our managing editor may not like the limelight, but I'd like to say their efforts are greatly appreciated as they juggle their various commitments and still manage to write compelling papers. Thanks.

In this edition of the report, you'll find each story's heading links to a relevant article or report. The aim is for these to act as a stepping off point for readers who would like to learn more about a topic. I'd encourage you to give it a go and let us know what you think about it.

As the release of this edition follows Te Wiki o Te Reo Māori, I thought I'd end with a whakatuakī:

Āta tirohia te ngaru nui, te ngaru roa, te ngaru pae whenua.

Notice carefully the great wave, the long wave, the shoreward wave.

To me this speaks to the three lens of intelligence analysis: strategic, operational, and tactical. The three lens the FIU works diligently to support in its daily activity. So, how can we support you?

Ngā mihi nui.

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Conversations Around Suspicious Happenings

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 the financing of terrorism, contributing to public confidence in the financial system.

The CASH Report is produced by the Financial Intelligence Unit (FIU) as part of its obligations under section 142(b)(i) of the AML/CFT Act 2009. The *Report* comprises FIU holdings and open-source reporting collected since the last edition.

The FIU is part of the New Zealand Police Financial Crime Group (FCG), and comprises the FIU, Asset Recovery Units (ARUs), the Money Laundering Team (MLT), and Virtual Assets Team (VAT).

NEW ZEALAND AML/CFT NEWS

New Zealand Police restrain tainted assets



Cash seized in the underground gambling investigation.
Source: New Zealand Police

On 29 July, Thomas Mackay Taniwha was ordered to forfeit nearly \$620,000 under the Criminal Proceeds (Recovery) Act. Taniwha was fined earlier in the year after a joint investigation by Police and the Department of Internal Affairs (DIA) revealed his involvement with underground gambling and money laundering. Taniwha ran underground poker games through both 'in-person' and online platforms. Detective Sergeant Sam Buckley's team from the Central Asset Recovery Unit led the Police component of the investigation.

Relevance: *Underground in-person gambling operations are highly risky for the organisers due to the large number of 'clients' required to be profitable. This increases the chances of a disclosure. While online gambling may appear to offer better anonymity, the digital trail cannot be deleted.*

The high-cash volumes generated in underground gambling activities are likely to draw attention when 'placement' is attempted. At this point, reporting entities should initiate Enhanced Customer Due Diligence (ECDD) processes for determining Source of Funds (in accordance with [s 23\(1\)\(a\)](#) of the Anti-Money Laundering and Countering the Financing of Terrorism Act 2009).

NZ NEWS: HIGHLIGHTS

Three Columbians sentenced

for drug importation and money laundering
(page 3)

Questions raised

over money laundering referrals
(page 3)

Comancheros decimated

in targeted operations
(page 4)

NZ\$15 million forfeiture order

against the Head Hunters
(page 5)

Individuals linked to Colombian Cartel sentenced

In July, three Colombian nationals were sentenced for a combination of importing a Class A controlled drug, attempting to import cocaine, participation in an organised crime group, and money laundering.

The individuals used, or attempted to use, various methods to launder the proceeds of cocaine. This included depositing large cash amounts into personal bank accounts ('placement') for conversion into cryptocurrency ('layering').

Although not stated in the court documents, it is presumed the virtual assets were funnelled offshore to ledgers linked to the cartel for eventual mainstream 'integration'. While court documents do not reveal the identity of the organised crime group behind the scheme, [The Press](#) speculated it was likely the Medellín Cartel.



*One of the criminals inadvertently handed \$200,000 cash to an undercover agent from the Drug Enforcement Administration.
Source: New Zealand Police*

Relevance: This case highlights the need for conducting customer due diligence (CDD) and ECDD on individuals from high-risk jurisdictions, as well as those involved in cryptocurrency, which is a risk sector. Virtual Asset Service Providers must consider new [guidance material](#) from DIA setting out recording and reporting requirements for crypto wire transfers.

Few prosecutions for white-collar crimes?

Lisa Marriott, Professor of Taxation at Victoria University Wellington, revealed very few complaints to the Serious Fraud Office (SFO) result in prosecutions or referral to Police for investigation. Police reported just five referrals have been made to them by the SFO over the last three years.

Contextualising this, Marriott noted “[t]he key obstacles for both agencies are limited funding and resources...” The SFO has a broad remit covering serious and complex financial fraud across private and public sectors; it has a budget of \$17 million. While Police’s budget is far larger, it must also spread its resources across a much wider spectrum of criminal activities.

Relevance: The article demonstrates why adherence to established rules for Suspicious Activity Reports (SARs) and other Prescribed Transaction Reports (PTRs) are important. The FIU (and other agencies) often rely on these as a basis for further action as detection of white-collar crimes is complicated.¹ With limited funding and resources, reports that provide the most detail are one way to assist both the efficiency and effectiveness of investigations.

¹ For a discussion of detection issues see the book by Petter Gottschalk, and Lars Gunnesdal, *White-Collar crime in the Shadow Economy: Lack of Detection, Investigation and Conviction Compared to Social Security Fraud* (Cham, Switzerland: Palgrave Pivot, 2018).

Operations Avon and Embargo decimate Comancheros

Police announced the termination of two operations—[Avon](#) and [Embargo](#)—leading to numerous arrests. Class A drugs, cannabis, cash, ammunition, firearms, mobile phones, and other electronic devices were seized. The Police ARU also restrained property and vehicles valued in the millions of dollars.

Police worked alongside partner agencies, including the New Zealand Customs Service and Inland Revenue, highlighting the transnational aspects of the Comancheros' activities and the economic harm they bring to the country.



Motorcycles seized in Operation Avon
Source: New Zealand Police

Avon and Embargo are part of a multi-pronged investigation targeting alleged serious organised crime by the Comancheros, including money laundering activities. Earlier operations as part of this investigation are Scuba (2021) and Brewer (2023).

Relevance: *As this is an active matter before the courts, details around it can only be released at a later date. However, the facts as they appear in the media can be assessed and inferences made as to their implications from a money laundering perspective.*

First, significant amounts of cash and valuable property have been seized from a group who apparently have no, or very limited, legitimate means to support the acquisition or possession of those assets.

Second, turning towards the motorcycles in the image; due to the nature of the charges and alleged offending, it is likely they have been purchased in cash or by using intermediaries' bank accounts. Presuming they were purchased from dealers prior to 11 May 2023 for \$10,000 or more, use of cash would have triggered a requirement to submit a PTR to the FIU. If this was not done, then the dealership—classified as a High-Value Dealer supervised by the DIA—would have been in breach of AML/CFT regulations.² Due to this requirement, it is attractive for criminals to have connections with High Value Dealers in the hope such purchases will not be reported.³

An alternative would be the use of intermediaries, either legal persons or natural persons. Family members, friends, and even business associates are often chosen for this purpose. Unless, the High Value Dealer suspects nefarious motivations, detection of this activity would be rare, and possibly only detected in an audit (usually long after the transaction).

While auditors may report, upon reasonable grounds, suspicious activities to the FIU, only a select range of entities must undergo regular audits. This includes registered charities (see story

² Motorcycles with total cylindrical capacity not exceeding 60 cubic centimetres are exempt under [6\(1\)](#) of the Motor Vehicle Sales Act 2003.

³ Only eight High Value Dealer suspicious transaction reports have been processed by the FIU since 1 January 2023, while no SARs were processed during that time. Changes under the AML/CFT Act 2009, mean cash transactions of \$10,000 or more for motor vehicles from High-Value Dealers are now prohibited.

on page 5). However, if a company purchases the motorcycles, most auditors will likely not report this transaction so long as the assets have been correctly treated in the accounts.

Third, the process for purchasing real estate is similar but more complicated. Discounting the potential for negligence on behalf of a real estate agent, this would require professionals—mostly lawyers and/or accountants—to be directly, or indirectly, complicit in money laundering. They could do this through layers of legal entities so as to obscure the ultimate beneficial owner, rendering CDD/ECDD ineffective due to the inability of other reporting entities, such as real estate agents, to actually discover something suspicious.

Head Hunters must forfeit tainted assets

In a landmark High Court [judgment](#) Justice Andrew ordered de facto president of the Head Hunters, Wayne Doyle, to profit forfeiture of over \$15 million.

The judgment contains detailed information about how Doyle and his accomplices established a network of companies and trusts to hide their criminal activities.

These functioned as vehicles to hold assets and receive dirty money, sometimes under the pretence of charitable events.

One trust had between 10–19 (or more) bank accounts, with no logical reason for their existence. Another account received “rent” payments from Head Hunters members and associates who did not reside at the relevant address. Monies were also deposited under the guise of “koha,” or “donations.” In other cases, “loans” were received that would never be repaid. Justice Andrew found the chaotic nature of Doyle’s finances “to likely be deliberate...[and] [i]f not deliberate, it is at the very least wilfully reckless.”



*232 Marua Road—the Head Hunters’ beloved ‘pad’—now in the hands of Police. Two other properties were subject to the profit forfeiture order: 13 Russell Street, and 44 Seabrook Avenue, both in Auckland.
Source: Google Maps*

Relevance: *The judgment highlights money laundering methodologies of New Zealand organised crime groups and offers examples for reporting entities to include in their AML/CFT training programmes.*

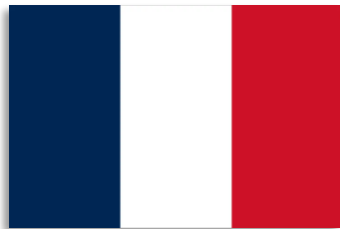
One scenario in the case touched on debt write off instructions by directors/trustees to their accountants, without any auditing or timely notification from the apparent creditor acknowledging the debt had been forgiven. This should be a clear red flag.

The use of a charity to launder funds is another, particularly disappointing, example. It abuses a structure designed to help those most in need, twisting it to support the worst kind of activities. With more than 29,000 incorporated charities in New Zealand, many of these will have business relationships with reporting entities. This case demonstrates why CDD must be applied to these business relationships and their captured activities, no matter how well-intentioned the customer may appear. It is the unfortunate cost of criminal behaviour in our communities.

INTERNATIONAL AML/CFT NEWS

France

Telegram co-founder and Chief Executive Officer, Pavel Durov, arrested



The CEO of Telegram, Pavel Durov, was detained by French authorities as he arrived at an airport outside Paris. He is [accused](#) of complicity in money laundering, enabling the distribution of child sexual abuse material, drug trafficking, fraud, and failing to cooperate with law enforcement.

Telegram has long-frustrated law enforcement agencies for failing to cooperate with local laws. Claims of free speech interference are challenging to reconcile with the reality the platform is used by a range of bad actors to further their criminal activities, including money laundering and financing terrorism.

Durov's murky acquisition of French, Emirati, and Kittian-Nevisian passports, in addition to retaining his Russian passport, raises the possibility of tax avoidance schemes and casts further doubts on the propriety of his business ventures.

Relevance: Reporting entities should consider canvassing social media platforms as part of their CDD programmes. Crucial information can be collected, leading to the discovery of risk indicators necessitating ECDD.

This may not require additional training (or time) as many employees will have experience using social media platforms in a private capacity.

INTERNATIONAL AML/CFT NEWS: HIGHLIGHTS

AU\$15.6 million in assets seized

from two Russian nationals
(page 7)

New public private partnership launched

in the UK
(page 8)

Beneficial ownership requirements

continue in the U.S.
(page 9)

Australia

Two Russian nationals linked to AU\$15.6 million in assets restrained by Australian authorities



Intelligence provided by the Australian Transaction Analysis Centre (AUSTRAC) kick-started a money laundering investigation by multiple Australian agencies. This resulted in the Australian Federal Police-led Criminal Asset Confiscation Taskforce restraining cryptocurrency, cash, and seven Queensland properties linked to a male and female, both Russian nationals.

The two “moved to Australia in 2015 and are alleged to have laundered funds into... [the country] using several methods.” They are alleged to have used the funds to purchase properties in wealthy suburbs along the Gold Coast.

These same individuals were [earlier arrested](#) after a search warrant on their home on Hope Island revealed nearly AU\$2 million in cash, and AU\$425,000 in cryptocurrency. A solicitor’s office in Surfers Paradise was also searched in relation to the case.

Based on media releases, it’s not yet clear if the Russian nationals were connected with a state-actor or were acting as part of an organised crime syndicate, although the latter seems more likely.

The case has generated interest in Australia as it relates to [proposed changes](#) of Australia’s AML/CFT regime. According to Attorney-General of Australia, Mark Dreyfuss, the country “is one of only five jurisdictions, out of more than 200, that does not regulate real estate agents, lawyers and accountants.”⁴

Relevance: *Should the proposed AML/CFT changes be adopted, many New Zealand reporting entities with business links to Australia will be affected. However, as the professions under consideration are already captured by the New Zealand AML/CFT regime, adapting to the changes should be easier.*

Regardless, reporting entities should monitor the situation and take note of any subtle differences arising between the Australian and New Zealand regimes. Compliance officers of reporting entities should consider how the changes, when adopted, may impact their AML/CFT programme.

Lawyers and accountants, in particular, are encouraged to read the [2022 inquiry](#) by the Senate Legal and Constitutional Affairs References Committee about the adequacy and efficacy of Australia’s current AML/CFT regime. It contextualises the issues and indicates the mindset of Australian lawmakers.⁵

⁴ Tom McIlroy, “Dirty money reforms loom as Russians charged over \$2m deposits,” *Financial Review*, 6 March 2024, <https://www.afr.com/politics/federal/dirty-money-reforms-loom-as-russians-charged-over-2m-deposits-20240305-p5fa3k>.

⁵ The Official Committee Hansard for the inquiry can be found [here](#) and [here](#).

Canada

Massive operation results in 32 arrests and 158 charges

A complex joint-operation—Operation Foxxx—led by the Toronto Police Service, in conjunction with three other regional and provincial police forces, executed 35 search warrants across seven cities, netting kilograms of drugs, firearms, and hundreds of thousands of dollars.

In total, the operation involved 15 agencies, including the Financial Transactions & Reports Analysis Centre of Canada (FINTRAC), showing just how complex operations against organised crime groups can be.

Only 14 of the suspects have been charged with possession of proceeds of crime under the Canadian Criminal Code, despite the probability nearly all had, or would have, received payment for their criminal activities that would have required laundering.



Relevance: *The case highlights the complexities of money laundering charges being laid concurrently with drug possession/trafficking, firearm offences, and other charges. It also raises questions around the practicality and scope of money laundering legislation in various jurisdictions given so few money laundering charges are laid, despite the almost certain existence of the activity.*

On the other hand, it also reveals the differing evidentiary requirements for white-collar vis-a-vis blue collar offending. The former requires far more investigative work, because unlike drug possession, mere possession of property is not necessarily prima facie a criminal offence (unless it relates to receiving stolen property). As such, there remains a possibility money laundering charges may be laid at a later date, but the practicality of doing so will have to be carefully assessed.

United Kingdom

Public Private Partnership (PPP) launched

The National Crime Agency (NCA) and seven (unnamed) banks have banded together in a major effort against organised crime.⁶ The banks provide “account data indicative of potential criminality,” which is then compared with crime related data from the NCA. Joint teams of investigators and analysts from both sides then assess it. The resulting intelligence outputs inform NCA’s investigative work and the banks’ risk-based approaches.

Despite only being launched in May, the PPP has already delivered 90 intelligence packages in support of operations against organised immigration crime, fraud and money laundering.



⁶ The participating banks are likely to comprise the largest, or most exposed, institutions. One source states the [Starling Bank](#) is a member. NatWest and Lloyds are likely two other members, based on their participation with the NCA in an earlier pilot model PPP.

Relevance: *Intelligence professionals and AML/CFT experts from financial institutions may find interesting contrasts and comparisons between the language used to describe the work of this PPP and the New Zealand version—[Financial Crime Prevention Network](#) (FCPN). In particular, the extent to which they can be seen as either an intelligence sharing platform, information sharing platform, or a combination of the two.*

United States

Beneficial ownership reporting gathers pace

The Financial Crimes Enforcement Network (FinCEN) released its monthly roundup of outreach activities relating to the new beneficial ownership legislation. Since 1 January, FinCEN has participated in over 145 beneficial ownership information (BOI) events and engagements involving individuals and groups from across government and private sectors. This is part of an overall effort targeting small business and key stakeholders.



In one such event held in Colorado, FinCEN Deputy Director Jimmy Kirby reiterated the new beneficial ownership requirements level the playing field for legitimate businesses, emphasising small business owners “should not lose sleep over these...”⁷ To that end, FinCen has ensured filing a report is easy and free of charge, taking around 20 minutes for companies with simple ownership structures.

At another event held in Ohio, Treasury Under Secretary for Terrorism and Financial Intelligence Brian Nelson noted the detrimental effects shell and front companies have on American businesses. He couched beneficial ownership reporting as part of a wider prioritisation of “important national security imperatives...,” while still acknowledging the need to avoid unnecessary red tape.

Relevance: *Shell and front companies are often used to obscure the real ownership and control structures of entities. This can disrupt fair business competition by distorting markets, having significant consequences for acquisitions or tender processes. New Zealand is not immune from these threats.*

It is important to note the timing, and language used, regarding the introduction of BOI requirements in the U.S. and UK. In the latter, the introduction of the overseas property register—a BO register for land ownership—was greatly accelerated by Russia’s full-scale invasion of Ukraine. It is likely this has also accelerated U.S. efforts.

⁷ Jimmy Kirby, Deputy Director FinCen, “Prepared Remarks of FinCEN Deputy Director Jimmy Kirby During Beneficial Ownership Information Reporting Event in Lakewood, Colorado,” 12 July 2024, <https://fincen.gov/news/speeches/prepared-remarks-fincen-deputy-director-jimmy-kirby-during-beneficial-ownership>. [Note: there is a one-month delay on the FinCen monthly roundups releases].

NEWS FROM OUR PARTNERS

New Zealand Government

Du Val Group placed into statutory management



Te Kāwanatanga o Aotearoa
New Zealand Government

On 21 August, the Minister of Commerce and Consumer Affairs, the Honourable Andrew Bayly, released a statement about the decision to place the Duval Group into statutory management. Placing an entity into statutory management is a serious matter indicating complex corporate failure. The collapse of the Du Val Group, which has a labyrinthian network of about 70 entities, impacts 120–150 investors, home buyers and commercial lenders.

Te Mana Tātai Hokohoko | Financial Markets Authority

Speech by FMA Chief Executive to Financial Services Council



Samantha Barrass delivered a speech at the recent Financial Services Council conference. Among the points Barras raised, understanding regulation as both a burden and enabler to markets was fitting due to recent events and trends. While some people may see regulation as hindering business activities, it plays an active role in protecting consumers and investors, while also enabling economic growth.

Te Tari Hara Tāware | Serious Fraud Office (SFO)

Former Auckland Council building inspector pleads guilty to bribery and corruption charges



Nicholas Bright, a former building inspector, pled guilty to 21 charges of corruption and bribery of an official in the Manukau District Court. According to the SFO, “Mr Bright received bribes in the form of cash and home renovations in connection with his work as a building inspector.”

Mr Bright was charged in March 2024 alongside an unnamed director of a construction company, who faces similar charges. As a serious crime, corruption is a predicate offence for money laundering, and the two are intrinsically linked (see the FATF *Corruption Reference Guide*, [here](#)).

NEW ZEALAND AML/CFT GUIDANCE

Te Tari Taiwhenua | Department of Internal Affairs

Terrorism Financing Risk Summary



Te Tari Taiwhenua
Internal Affairs

On 30 July, the DIA released its latest *Terrorism Financing Risk Summary*, setting out the basic framework of terrorism financing in New Zealand for that sector.

It includes a brief description of the three-step process—raising, moving, and using—of terrorism financing, common vulnerabilities, key AML/CFT requirements, and red flag indicators for reporting entities.

The *Summary* explains how the terrorism financing risk is not equivalent with the national terrorism risk, which relates to terrorist attacks. The two concepts are frequently conflated by the public, and it is important reporting entities understand the difference.

Relevance: *Two points within the Summary deserve further explanation/clarification. Terrorism financing and money laundering have a dynamic relationship, and they are not mutually exclusive. Individuals or groups involved in terrorism financing can, and are, involved in money laundering activities. Reporting entities should be aware of this.*

Second, money laundering does not require the source of funds to be “illegitimate sources” in the sense the generating activity must be wholly illegal. Funds can be derived from legitimate sources, such as commercial sales, where part of the profits have been derived illegally and then reinvested. Thus, tax-saving proceeds derived from tax evasion/fraud in a legitimate business, and subsequently used to purchase assets, are deemed to have been laundered. This can also be a matter of timing, such that the tax proceeds only become illegitimate once they are overdue. This interpretation is supported by [academic publications](#), international governmental organisations—such as the [Financial Action Task Force](#)—the [European Union](#), the [Egmont Group](#) of Financial Intelligence Units, reputable [industry experts](#), and most importantly by [Inland Revenue](#).



INTERNATIONAL AML/CFT GUIDANCE, TYPOLOGIES, AND CASE STUDIES

Organisations and Initiatives

Egmont Group

2022/2023 Annual Report

The Egmont Group of Financial Intelligence Units released its [2022/2023 Annual Report](#). It contains information on the structure and role of the Egmont Group, as well as highlighting its achievements. This includes the publication of nine reports, and the completion of 19 projects, with a further 18 in progress.



Some of the more relevant publications address:

- Abuse of virtual assets for terrorism purposes
- Detecting trade-based money laundering
- Countering the financing right-wing terrorism

Relevance: *The Report references published reports, international AML/CFT programmes, and methodologies used by international FIUs. Of interest to reporting entities will be information on the role of Open-Source Intelligence (OSINT) on page 19. Many OSINT tools and techniques are available to the public, and for that reason they can be integrated into reporting entities' AML/CFT programmes.*

In the age of misinformation, cross-checking facts is crucial for information collection and verification. As part of a reporting entity's CDD obligations, collecting information from multiple sources assists in reaching an informed decision about your customer. Good OSINT plays a central role in achieving this.

Royal United Services Institute

Conference report on money laundering in Croatia

The Royal United Services Institute and Croatian Platform for International Citizen

Solidarity recently released a [conference report](#) from a roundtable held in June. The event focussed on money laundering in Croatia; a country placed on the Financial Action Task Force's



grey list in 2023, due to significant deficiencies in its AML/CFT regime.⁸ Countries on the grey list face significant economic obstacles, as it becomes increasingly costly to do business with entities located in those jurisdictions facing enhanced customer due diligence and AML/CFT reporting requirements (see **Relevance** section below).

The conference reiterated many previously identified issues, including the continued existence of high levels of corruption, lack of judicial independence, and money laundering in the real estate sector.

Similar to findings in Canada, participants noted the significant rise in real estate prices in Croatia—a core driver of which is the influx of foreign investment. According to the report, “[i]n some of these cases, it may be that illicit funds from other countries are laundered through investment in properties in Croatia using cash.”⁹

The existence of this typology was supported by the FATF, which found “one of the key money laundering issues as foreign criminals funnelling funds into the Croatian financial system through real estate investments.”¹⁰ In countering this problem, participants noted they face challenges due to lack of beneficial ownership information, “complicating efforts to identify the true owners of real estate.”¹¹

The report lists three key challenges that contribute to this:

- 1) Lack of pressure mechanisms (on the government to change legislation and policy)
- 2) Lack of data accessibility (for those with a qualified interest)
- 3) Lack of media independence (due to insufficient financial resources and external pressure)

Relevance: *Grey listed countries undergo increased monitoring, with research showing this has significant negative effects. On average, capital inflows decline by 7.6% of GDP, foreign direct investment inflows decline by 3% of GDP, portfolio inflows decline by 2.9% of GDP, and other investments by 3.6% of GDP.¹² Grey listing also restricts border transactions and frustrates state credit approval.¹³ In order to be removed from the list, countries must deliver a high-level political commitment and undertake ongoing remedial work.*

Keen-eyed readers will notice comparisons with beneficial ownership issues. Currently, New Zealand does not have beneficial ownership registration in legislation. Croatia offers a useful case study of the consequences a small country faces should it fail to adopt FATF recommendations.

⁸ Croatia, along with Bulgaria, remain the only countries from the European Union on the FATF’s grey list.

⁹ Arzu Abbasova, *Tackling Money Laundering in Croatia*, RUSI Conference Report (London: Royal United Services Institute for Defence and Security Studies, 2024), p. 3.

¹⁰ Ibid., p. 3.

¹¹ Ibid., p. 3.

¹² Mizuho Kida, and Simon Paetzold, *The Impact of Grey-Listing on Capital Flows: An Analysis Using Machine Learning*, IMF Working Paper, WP/21/153, Finance Department, International Monetary Fund, May 2021, pp. 5, 9, <https://www.imf.org/en/Publications/WP/Issues/2021/05/27/The-Impact-of-Gray-Listing-on-Capital-Flows-An-Analysis-Using-Machine-Learning-50289>

¹³ John Everington, “Assessing the impact of FATF’s grey list,” *The Banker*, <https://www.thebanker.com/Assessing-the-impact-of-FATF-s-grey-list-1707734050>.

University of Sussex

Research reveals shift in global illicit financial flows



Findings by a team at the University of Sussex has revealed trends in the flow of illicit finance. Utilising multiple economic data going back decades, their research focussed on the location of bank accounts, shell companies, and intermediaries linked to bribery cases under the U.S. Foreign Corrupt Practices Act.

It showed an increased use of U.S. bank accounts linked to corruption cases, with a corresponding decrease in the use of Swiss bank accounts.

It also exposed the role of the British Virgin Islands and the U.S. states of Delaware and Florida, in hosting shell companies—perhaps, not surprising for some.

The geographic location of intermediaries (who effectively act as professional money launderers) is decentralising. Following the release of the 'Panama Papers', Panama has declined as a leading hub for criminal networks and there has been a shift away from the UK towards a 'Dubai-Kong' axis.

The report found that, "While London's dominance as a corruption intermediary centre has waned, other global financial centres, particularly in the Middle East and Asia, are rising in prominence."¹⁴ The authors point out these two locations are attractive because they "offer access to English common law... while falling outside of Western political jurisdiction."¹⁵

Nonetheless, the authors make clear, "The UK and its overseas territories and dependencies, remain disproportionately important in corruption-linked [networks...]"

Relevance: *Reporting entities, as well as some government agencies, will find this report useful. It contains informative diagrams showing the role of key financial hubs, such as the United Arab Emirates and Hong Kong, in facilitating "U.S. sanctioned cross-border entities formed in jurisdictions other than the country of underlying sanctioned actors."¹⁶ This demonstrates sanction evasion risks will most likely be encountered from entities domiciled in third-party countries.*

Reporting entities commencing a business relationship with persons domiciled in, or linked to, jurisdictions mentioned in the report should include it as a risk indicator when initiating CDD. In particular, New Zealand-based brokers should be mindful of the risks, especially as there may be a tendency to downplay them due to the indirect nature of brokering.

¹⁴ D. Haberly, G. Garrod, and R. Barrington, *From Secrecy to Scrutiny: A New Map of Illicit Global Financial Networks and Regulation*, Governance & Integrity, Anti-Corruption Evidence Research Programme, Working Paper 1 (Sussex: Anti-Corruption Evidence Research Programme, and Centre for the Study of Corruption, 2024), p. 9, <https://ace.globalintegrity.org/wp-content/uploads/2024/08/Download-PDF.pdf>.

¹⁵ Ibid., p. 11.

¹⁶ Ibid., p. 11.

Canada

Laundering the proceeds of tax evasion in real estate



The real estate sector is coming under greater scrutiny after the Canadian Revenue Agency [identified CA\\$2.7 billion in unpaid taxes](#) from non-compliance in British Columbia and Ontario between 2015–2023.

A FINTRAC Operational Alert states any funds generated from tax evasion, and subsequently used to purchase real estate, are deemed to have been laundered. This raises the possibility of separate criminal and civil charges, in addition to the predicate offence(s) committed.

The release provides descriptions of tax evasion methods in the real estate sector including:

- Exploiting assignment contracts—developers and/or builders generate unreported income on forfeited deposits from buyers, the penalties imposed on that, and the profit made by reselling the property.
- Shadow flipping—investors using an assignment clause allowing them to transfer or sell their interest in the property before closing date.
- Networks—an industry group collectively, and systematically, misrepresenting the cost of goods and services they provide, and underreporting their profits, capital gains, and commissions. These have been observed to include “family members who control different services linked to the industry, such as construction companies, real estate brokers and sales representatives, accountant, lawyers, and/or notaries.”

The Alert also lists a range of red flag indicators for real estate. Examples include:

- 1) Transactions passing through mortgage broker, immigration consultant, and/or tax havens.
- 2) Excessively high or low price attached to the transfer.
- 3) Different members of the same family control the main services linked to the real estate industry.
- 4) Straw buyers
- 5) Involvement of real estate broker or sales representative with past disciplinary issues and now engaged in real estate development.
- 6) Cryptocurrencies.

Relevance: *Many of the issues raised in the Alert are applicable to New Zealand. Real estate agents are strongly encouraged to review the red flag indicators contained within as they offer advice about contextualising information obtained during the CDD/ECDD process.*

The Alert’s recommendation to assess familial networks linked to services within the real estate sector as a red flag indicator, is especially relevant. New Zealand’s small population, and by extension the real estate sector, should raise rather than reduce concerns about familial connections because the opportunities for a conflict of interest and/or collusion are greater (see Transparency International’s [‘corruption dictionary’](#) for further information).

Canadian Securities Administrators 2023–2024 Year in Review



The Canadian Securities Administrators (CSA) is the umbrella organisation for the 13 provincial and territorial securities regulators and is “primarily responsible for developing a harmonised approach to securities regulation across the country.”¹⁷

Some of the highlights of this year’s review include:

- Banning 39 individuals and companies from participating in capital markets
- Issuing over 1,000 investor alerts, cautions, and warnings
- Fifteen crypto-related matters requiring enforcement action by CSA members
- One-hundred-and-twenty-six instances where CSA members formally assisted one another in enforcement-related matters.

[The Review](#) lists six strategic goals, of which Strategic Goals 4 and 5 are relevant for *The CASH Report’s* purposes.¹⁸ The CSA’s building of regulatory capacity for emerging digital business models is particularly welcomed as the sector has seen significant growth and adaptation in recent years. Without regulation it risks turning into a virtual ‘Wild West’ where the ‘bad’ and the ‘ugly’ are likely to overwhelm the ‘good’.

For this reason, the CSA has focussed on a regulatory, compliance and enforcement regime for crypto asset trading platforms—analogous with virtual asset service providers in New Zealand. The main intent behind this is the need to protect investors.

Relevance: *Many requirements within the Canadian regime for crypto asset trading platforms appear within its New Zealand counterpart. This is relevant for reporting entities because it contextualises the adoption of regulatory and compliance components. Thus, while reporting entities may claim certain behaviours are not observed in New Zealand, that does not recuse sector supervisors from implementing changes to counter them because New Zealand operates in the global financial system.*

True, there may be delays in new techniques, mechanisms, and instruments reaching New Zealand, but, ultimately, countries must ensure they remain abreast of international best practices and standards—no matter how geographically remote they may be.

¹⁷ “Who we are,” Canadian Securities Administrators, <https://www.securities-administrators.ca/about/who-we-are/>.

¹⁸ Strategic Goal 4 relates to addressing emerging market issues and trends, while Strategic Goal 5 concerns the delivery of smart and responsive regulation protecting investors while reducing regulatory burden.

Germany

Organised crime in Germany

The *Bundeskriminalamt* (Federal Criminal Office) released its [Organised Crime National Situation Report 2022](#). It reveals money laundering activities reached approximately €998 million for the year. Financial losses—understood as a decrease in an asset’s value—as a result of organised crime (OC) totalled €1,285 billion, while criminals and their associates obtained €1,089 billion in assets through criminal proceeds.



Meanwhile, provisional seizure of assets totalled €228 million, resulting in asset seizure for 29.1% of OC cases. [**FIU comment:** *This figure shows a high correlation between cases where money laundering activities are identified and the subsequent seizure of assets, meaning an effective overall response was achieved.*]

In 89% of OC cases, financial investigations were conducted concurrently with predicate offence(s) investigations. However, only 19 money laundering investigations were identified, representing three per cent of all organised crime investigations—an increase over the 2021 figure.¹⁹ Despite this, money laundering activities were identified in 31.8% (203) of OC investigations, representing 245 distinct money laundering activities.

Type of Assets Seized (excerpt)	Total (as a percentage of overall asset seizures) ²⁰
Real estate	57.3%
Crypto	10.4%
Cash	8.6%
Claims/titles	7.9%
Movable items	1.5%
Vehicles	1.3%

Relevance: *International reports offer comparisons in the financial aspects of OC. They show the techniques, mechanisms, and instruments used by different OC groups to launder funds. This raises useful points of inquiry for the New Zealand context, especially where certain activities may not be recorded here.*

Of note, the German authorities record a far higher percentage of cryptocurrency as a proportion of overall asset seizure values compared with the New Zealand Police. This is probably due to the delay in new methodologies reaching New Zealand; however, it is also likely to be indicative of future trends. This provides New Zealand agencies and reporting entities an opportunity to prepare.

¹⁹ As a comparison, drug trafficking/smuggling included 46.2% of investigations. In addition, 72% of all investigations involved ‘international commission of crimes,’ which means an organised crime group also committed offences outside of Germany. See Bundeskriminalamt, *Organised Crime National Situation Report 2022* (Wisebaden: Bundeskriminalamt, 2023), p. 55.

²⁰ Figures do not add up to 100.

United Kingdom

New Russian sanctions regulations adopted

As part of the UK response to Russian sanctions evasion efforts, the Foreign, Commonwealth and Development Office submitted to Parliament an amendment to the Russian Sanctions Regulations that came into force on 31 July.



Foreign, Commonwealth
& Development Office

The amendment targets ships within Russia's 'Shadow Fleet'. It expands the range of actions that could result in a ship's designation, including those carrying oil originating in Russia. It also restricts their access to UK ports and provides further abilities to detain them.

Additionally, it expands powers to designate persons involved in obtaining a benefit from or supporting the Government of Russia, as well as persons involved in destabilising Ukraine or undermining or threatening the territorial integrity, sovereignty, or independence of Ukraine.

Relevance: *Relevant reporting entities should closely monitor Russian sanctions updates from international partners. They usually provide an indication of future New Zealand amendments. As early warning indicators, they can be used by reporting entities to prepare authorised supply chain or value chain alternatives to offset potential financial impacts on their business.*

An explanatory memorandum to the Russia (Sanctions) (EU Exit) (Amendment) (no. 3) Regulations 2024, can be found [here](#). The full statutory instrument can be found [here](#).

Guidance on the UK's sanctions regime relating to Russia is available [here](#).

United States

Final rules for investment adviser sector and residential real estate

In August, FinCEN issued two final rules:

- [Anti-Money Laundering Regulations for Residential Real Estate Transfers](#); and
- [Anti-Money Laundering/Countering the Financing of Terrorism Program and Suspicious Activity Report Filing Requirements for Registered Investment Advisers and Exempt Reporting Advisers](#)



These are lengthy documents, with the *Investment Adviser Sector* and *Residential Real Estate Transfer* versions running to 123 and 37 three-column pages, respectively. Nonetheless, they offer insights into the regulatory arrangements of other jurisdictions, and as such provide valuable perspective. Fortunately, more digestible versions are available in the form of Fact Sheets—[Increase Transparency in Residential Real Estate Transfers](#), and [Combat Illicit Finance and National Security Threats in the Investment Adviser Sector](#). [FIU comment: *The [AML Conversations](#) podcast also covered these in a recent episode*].

Investment Advisor Sector

This final rule aims to address identified illicit finance risks documented in a February 2024 U.S. Department of the Treasury [risk assessment](#). That assessment identified four main categories of illicit finance activity involving the investment advisor sector:

- 1) Laundering of illicit proceeds through investment advisors and private funds.²¹
- 2) Russian political and economic elites' access to U.S. investments through offshore wealth management firms or consulting firms.²²
- 3) Foreign state actors, such as the People's Republic of China, that could use investment funds to access critical infrastructure or sensitive technologies.²³
- 4) Investment advisors defrauding their clients by promising "high returns and then steal[ing] their money, often following a Ponzi or Ponzi-like scheme."²⁴

These four threat categories collectively exploit three vulnerabilities:

- 1) Regulatory weaknesses created by the absence of comprehensive and uniform AML/CFT obligations.
- 2) Advisory activities built on segmentation and cross-border activity with an inability to identify the ultimate beneficial owner or client through use of shell companies and nominees.
- 3) Business practices that promote secrecy of client information because withholding it "helps them maintain market share and competitiveness."²⁵

The final rule adds certain investment advisors to the definition of 'financial institution' under the Banking Secrecy Act. Relevant registered investment advisors and exempt reporting advisors must comply with AML/CFT requirements, including implementing a risk-based AML/CFT programme, the filing of certain reports, such as SARs, enhanced record keeping, and special information sharing procedures. The date for compliance is 1 January 2026.

²¹ Examples include the US\$150 million 1Malaysia Development Berhad scandal, which had strong connections to New Zealand-based trusts. U.S. Department of the Treasury, *2024 Investment Adviser Risk Assessment* (February 2024), p. 19, <https://home.treasury.gov/system/files/136/US-Sectoral-Illicit-Finance-Risk-Assessment-Investment-Advisers.pdf>.

²² One example involved a U.S. limited liability company acting as an unregistered investment advisor to a wealthy (and sanctioned) Russian national by managing US\$7.2 billion of investments across 112 different private accounts. *Ibid.*, p. 20.

²³ The PRC officially endorses "the use of overseas venture capital funds to invest in 'seed-based and start-up technology.'" See PRC State Council, "National 13th Five-Year Plan for the Development of Strategic Emerging Industries," 29 November, 2016, translated 9 December 2019, Center for Security and Emerging Technology, <https://cset.georgetown.edu/publication/national-13th-five-year-plan-for-the-development-of-strategic-emerging-industries/>, as quoted in U.S. Department of the Treasury, *2024 Investment Adviser Risk Assessment* (February 2024), p. 21, <https://home.treasury.gov/system/files/136/US-Sectoral-Illicit-Finance-Risk-Assessment-Investment-Advisers.pdf>.

²⁴ U.S. Department of the Treasury, *2024 Investment Adviser Risk Assessment* (February 2024), p. 22, <https://home.treasury.gov/system/files/136/US-Sectoral-Illicit-Finance-Risk-Assessment-Investment-Advisers.pdf>. This is the most common form of investment advisor illicit activity observed by U.S. authorities, and, arguably, in other jurisdictions as well.

²⁵ *Ibid.*, p. 28.

Relevance: *FinCEN's final rules are similar to regulatory rules made through the Governor General's Orders in Council by New Zealand sector supervisors. However, they follow a narrative structure, making them akin to guidance material with legislative attribution.*

They also contain comments received by FinCEN from reporting entities during the proposal stage—similar to public submissions to Select Committees in New Zealand. This makes them a 'one-stop-shop' for both domestic and foreign reporting entities.

All applicable reporting entities must comply with this final rule. New Zealand financial service providers either managing or advising clients with interests in the U.S. market must ensure they are prepared for the 1 January 2026 compliance date. Moreover, there are certain important exemptions FinCEN will allow under the rule, and this could be material to how reporting entities fulfil their obligations.

The requirement for investment advisors to submit SARs to FinCEN should act as a reminder that these are also required under New Zealand the Anti-Money Laundering and Countering Financing of Terrorism Act 2009 (the Act). The FIU receives few SARs from financial service providers, with only 10 processed between 1 January 2023 and 13 September 2024 from six distinct entities, despite over 2,500 licensed financial advice providers in the country.²⁶ This suggests similar obstacles, and therefore risks, could exist in New Zealand.

Accordingly, FinCEN's final rule imparts a critical lens on New Zealand's treatment of financial service providers, especially as many wealth and asset management and investment services are exempt from certain provisions of the Act.²⁷

Residential Real Estate Transfers

The final rule relating to residential real estate requires "certain persons involved in real estate closings and settlements to report information to FinCEN..."²⁸ This includes reportable transfers of residential real property when "(1) the property is residential real property; (2) the transfer is non-financed; (3) the property is transferred to a legal entity or trust; and (4) an exemption does not apply."²⁹ Real estate transfers to individuals are excluded.

According to the ruling:

The reporting person is required to identify herself, the legal entity or trust to which the residential real property is transferred, the beneficial owner(s) of that transferee entity or

²⁶ Number of financial service providers taken from Financial Markets Authority, "Financial advice regulatory regime – now in full effect," Media Release no. 2023 – 12, 17 March 2023, <https://www.fma.govt.nz/news/all-releases/media-releases/financial-advice-regulatory-regime-now-in-full-effect/>.

²⁷ This includes designated businesses groups, both specified and licensed managing intermediaries, and their customers, and specified securities investment schemes. See Anti-Money Laundering and Countering Financing of Terrorism (Class Exemptions) Amendment Notice 2023, <https://www.legislation.govt.nz/regulation/public/2023/0109/latest/LMS843714.html>.

²⁸ FinCEN, "Fact Sheet: FinCEN Issues Final Rule to Increase Transparency in Residential Real Estate Transfers," August 2024, <https://www.fincen.gov/sites/default/files/shared/RREFactSheet.pdf>.

²⁹ Ibid.

transferee trust, the person(s) transferring the residential real property, and the property being transferred, along with certain transactional information about the transfer.³⁰

FinCEN believes this new reporting requirement will improve national security. The rule will become effective on 1 December 2025.

Relevance: *The requirement to identify the beneficial owner of the transferee entity or trust could be linked to recent efforts to strengthen U.S. compliance with FATF recommendations 24 and 25, relating to transparency of legal arrangements and persons. This speaks volumes about the role and influence of the FATF, when the world's economic powerhouse changes its regulations to better align with that body's recommendations.*

The U.S. Treasury's concern around illicit actors favouring non-financed transfers for real estate is a pertinent point of comparison because this is not listed as a 'red flag' in the DIA's Risk Summary for real estate agents.³¹

The new U.S. rule exceeds reporting requirements under the New Zealand AML/CFT regime for real estate agents. In particular, the only reporting required from these under the AML/CFT Act 2009, pertain to prescribed transactions, suspicious activities, and terrorism-related topics. None of the criteria for reporting present within the U.S. rule would, in themselves, meet the reporting threshold for real estate agents in New Zealand.

New sanctions target Russia's international supply chain

The U.S. Department of the Treasury in conjunction with the [U.S. Department of State](#) announced targeted sanctions against nearly 400 individuals and entities “whose products and services enable Russia to sustain its war effort and evade sanctions.”³²



The sanctions target four key supplier sectors and networks: (1) sanctions evasion networks and supply chains; (2) dual-use technology, including robotics, artificial intelligence telecommunications; (3) strategic metals and mining; and (4) financial technology, mostly related to software.

Similar to previous announcements, it focusses on Russian efforts to evade sanctions using third parties domiciled in other jurisdictions, especially the People's Republic of China. However, this announcement also names entities based across 15 other jurisdictions including Italy,

³⁰ Federal Register 89, no. 89, Thursday 29 August, 2024, Rules and Regulations, <https://www.govinfo.gov/content/pkg/FR-2024-08-29/pdf/2024-19198.pdf>.

³¹ Department of Internal Affairs, *Real Estate Agents: Money Laundering and Terrorism Financing Risk Summary* (n.d.), p. 4, [https://www.dia.govt.nz/vwluResources/AML-CFT%20Real-Estate-Agents-Money-Laundering-and-Terrorism-Financing-Risk-Summary/\\$file/AML-CFT-Real-Estate-Agents-Money-Laundering-and-Terrorism-Financing-Risk-Summary.pdf](https://www.dia.govt.nz/vwluResources/AML-CFT%20Real-Estate-Agents-Money-Laundering-and-Terrorism-Financing-Risk-Summary/$file/AML-CFT-Real-Estate-Agents-Money-Laundering-and-Terrorism-Financing-Risk-Summary.pdf).

³² U.S. Department of the Treasury, “As Russia Feels Effects of Multilateral Sanctions Campaign, Treasury Takes Further Action Against Russia’s International Supply Chains,” Press Release, 23 August 2024, <https://home.treasury.gov/news/press-releases/jy2546>.

France, and Turkey. The role of Swiss and Liechtensteiner trust and corporate service providers, as well as those involved in the Russian illicit gold trade, are also revealed.

FIU Comment: *Owing to identified Russian efforts to evade sanctions, the U.S. Commerce Department's Bureau of Industry and Security also introduced new export controls for U.S. goods procured by entities not domiciled in Russia or Belarus (see press release [here](#)).*

Further sanctions were also applied to Belarus (see press release [here](#)).

Relevance: *New Zealand financial institutions that conduct or facilitate significant transactions or provide any service involving Russia's military-industrial base run the risk of sanctioning by Office of Foreign Assets and Control (OFAC, see their sanctions advisory for foreign financial institutions [here](#)).*

For that reason, sector supervisors and reporting entities are advised to review the new list of sanctioned persons, noting any potential connections between those named and New Zealand.

It is highly likely most reporting entities are not aware of the complexity and size of Russia's sanction evasion efforts. These are often cleverly disguised and require lateral scanning during the CDD process to identify possible relationships. Reporting entities are also encouraged to reinitialise CDD on existing customers with possible, rather than 'identified', connections to persons named on the updated list.

Alert raises risks of associating with Russian financial institutions

In September, OFAC issued an alert warning "foreign jurisdictions and financial institutions about Russia's attempts to evade sanctions by opening new overseas branches and subsidiaries of Russian financial institutions."³³ The alert emphasises engagement with any Russian financial institution should be carefully considered, acknowledging that sanctioned Russian banks may use non-sanctioned Russian financial institutions as a means to evade sanctions.



Relevance: *While this behaviour is well-known within security circles, it is likely New Zealand reporting entities are not fully aware of the risks created by engaging with non-sanctioned Russian financial institutions. While such relationships may not breach legislation, they could create vulnerabilities in the broader sanctions regime.*

³³ Office of Foreign Assets Control, "Russian Attempts to Evade Sanctions Using New Overseas Branches and Subsidiaries," U.S. Department of the Treasury, 4 September 2024, <https://ofac.treasury.gov/media/933146/download?inline>.

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Journals

- Arsitodemou, Marina. “Are beneficial ownership laws important? Exploring the impact of Panama, FinCEN, and Pandora Papers on beneficial ownership laws in the UK and the US.” *Journal of Economic Criminology* 5 (September 2024): 1-14. <https://doi.org/10.1016/j.jeconc.2024.100082>.



Revelations uncovered in the Panama Papers, FinCEN Files, and Pandora Papers by the International Consortium of Investigative Journalists, have led to global regulatory changes in beneficial ownership reporting. It is the practical implementation of these changes in the U.S. and UK that the author assesses.

The article’s main vehicle of inquiry is the shell company, and the role it plays in money laundering and terrorism financing. It reiterates how shell companies pose a threat by virtue of their ability to “conceal transactions and make them appear more legitimate than they are.”³⁴ The author draws upon existing categories for distinguishing shell companies, these being ‘anonymous’, ‘letterbox’, ‘special purpose entities’.

The article clearly articulates the crucial role played by the media in uplifting beneficial ownership within the public discourse due to the release of the Panama and Pandora Papers. This led to greater scrutiny by agencies, resulting in an organised response to revise the FATF’s Recommendation 24, relating to the transparency of legal persons, “towards a central register containing beneficial ownership information.”³⁵

While the article appears to conflate ‘summary’ for ‘conclusion’—the latter unusually does not contain abundant references as it should be the apex of an article’s original thought—its arguments are valid. It determines beneficial ownership information laws remove the primary attractiveness of shell companies for illicit purposes, thereby making them effective for that purpose. This improvement “does not imply that additional loopholes [vulnerabilities] will not be created, however, it is a major step towards minimising the effect of anonymity.”³⁶

Relevance: *Beneficial ownership has been hotly debated among reporting entities across the globe, with jurisdictions like the U.S., Canada, and Australia either introducing or developing beneficial ownership reporting requirements. The matter of beneficial ownership has also appeared in New Zealand news, most recently due to it being dropped from a list of proposed*

³⁴ Marina Arsitodemou, “Are beneficial ownership laws important? Exploring the impact of Panama, FinCEN, and Pandora Papers on beneficial ownership laws in the UK and the US,” *Journal of Economic Criminology* 5 (September 2024): p. 1.

³⁵ *Ibid.*, p. 4.

³⁶ *Ibid.*, p. 12.

changes to the Companies Act, with [Transparency International labelling](#) this “alarming.”³⁷ The article reveals further reasons why complying with FATF recommendations is highly encouraged.

Within the New Zealand context, use of ‘letterbox’ and ‘special purpose entities’ are usually, but not exclusively, related to complex transnational professional money laundering networks, such as those mentioned in the various ‘paper’ releases. The ‘anonymous’ category, meanwhile, is frequently encountered in nearly all cases involving shell companies irrespective of their size or type.

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- Riccardi, Michele, and Reuter, Peter. “The Varieties of Money Laundering and the Determinants of Offender Choices.” *European Journal of Criminal Policy and Research* (August 2024): 1-26. <https://doi.org/10.1007/s10610-024-09603-y>.



This article examines divergence in money laundering methodologies between white-collar offenders, and ‘traditional’ violent and drug-offending criminals. According to the authors, the former is usually stressed by investigative journalists—such as the International Consortium of Investigative Journalists—and politicians, while the latter by academic literature (due to its reliance on criminal proceedings and police sources).

The authors speculate this “may reflect the incapacity of police to detect sophisticated money laundering but it may also represent the reality; different groups of offenders choose different methods.”³⁸

They propose a conceptual framework to explain how offenders choose to launder their illicit proceeds according to four influencing variables:

- 1) the type of predicate crime and crime proceeds
- 2) socio-economic and demographic elements of offenders
- 3) motivations (of the offender)
- 4) the AML regime

These variables are distributed across three dimensions: crime; nature of the offenders; and environment. By considering the interaction of these, the authors contend that employing an offender’s perspective—contextualising their characteristics, attitudes, and choices—will improve financial investigations and asset recovery through better detection. Applying this framework against case studies, the authors demonstrate its possible viability. Primarily, it shows the limits of AML when applied to certain offenders. This has potential operational significance.

³⁷ See “The Decision of the Government to put a hold on progressing a Register of Beneficial Ownership for Companies and Limited Partnerships is alarming,” *Transparency International New Zealand*, 4 September 2024, <https://www.transparency.org.nz/blog/whaat-beneficial-ownership-register-on-ice>.

³⁸ Michele Riccardi, and Peter Reuter. “The Varieties of Money Laundering and the Determinants of Offender Choices.” *European Journal of Criminal Policy and Research* (August 2024): 1-26

Relevance: *Despite this article’s argument being the presentation of a conceptual framework for determining offender choices, its discussion on the contrasting images of money laundering methodologies—the first by drug dealers that almost ensures assets will be “easily recovered” by law enforcement, and the other presenting “an expensive and arduous challenge to law enforcement”—is equally intriguing, if not compelling.*

If there is truth behind this, it may well raise awareness for reporting entities about the challenges faced by sector supervisors and FIUs around the world. In the least, it can spur discussion about the matter in New Zealand.

For AML/CFT practitioners, the author’s operationalisation of the definition of ‘sophistication’ in money laundering is useful. While five features are presented for this, they essentially relate to the types of obfuscation strategies present simultaneously in a single case. They include: (1) Extent of ‘layering’; (2) Use of multiple methods; (3) Use of highly technical schemes; (4) Extent of transnationality; and (5) Extent of professionalism. This can be helpful in categorising SARs and STRs for further analysis by ensuring adequate resourcing and tasking based on a case’s predicted complexities.

The effectiveness of such an approach relies on the quality of reports submitted, placing a premium on reporting entities’ awareness of, and knowledge in, AML/CFT. This does not change the existing underlying conditions for FIUs that must rely on such reports, but it could influence how they interpret them.

Podcasts

The Suspicious Transaction Report

[Episode 20](#) released by the Centre for Finance and Security at the Royal United Services Institute, discusses recent and future trends of cybercrime, money laundering, crypto hacking by North Korea, criminal syndicates' use of multiple jurisdictions, and more. The main guest is investigative journalist and author Geoff White who specialises in cybercrime. White goes on to explain that hackers, after gaining access and possession of data (money), often do not know how, or what, to do with it. This requires money laundering knowledge.



Relevance: *White makes an interesting admission by stating few people care about money laundering, and instead are concerned with predicate offences of a case. This is important because, as White explains, hackers and those conducting cybercrime are often financially unsophisticated or inexperienced. As such, despite the lack of predicate offending, targeting professional money laundering networks would arguably lead to demonstrably better results as it damages the predicate offenders' ability to profit from their victims. Privacy issues aside, the consequences of someone hacking a bank account are reduced for the account owner, their financial institution, and the Police, if the hacker does not know how to successfully launder the funds. The financial motivation to commit the crime almost evaporates because the ability to use the funds is diminished.*

AML Conversations

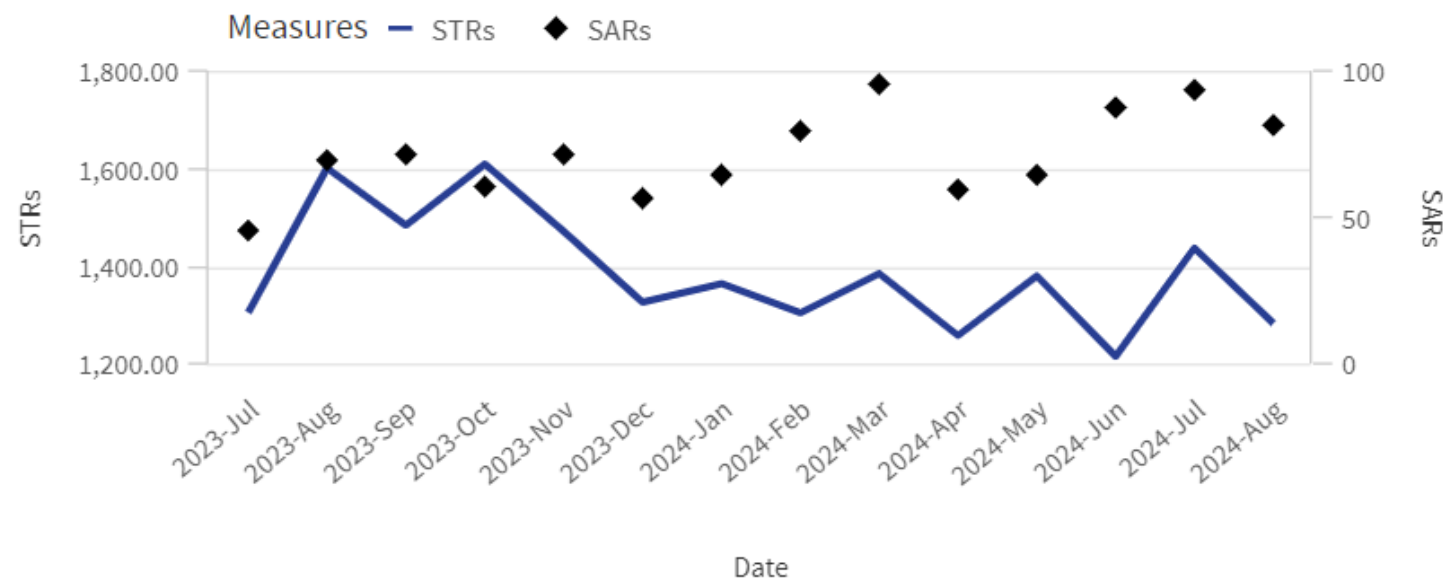
Reporting entities are encouraged to peruse recent episodes of this podcast, as they discuss AML/CFT news and current affairs. Some of the more recent topics include:

- Terrorism financing, cryptocurrency fraud reports, bitcoin ATMs
- AML compliance challenges in the UK and EU
- The role of media monitoring in risk management and AML/CFT compliance



Relevance: *Recent episodes of the AML Conversations podcast have had a more global perspective, and as such, contain more useful information for New Zealand reporting entities. Their generally shorter duration also makes them attractive for those with a busy schedule.*

SAR/STR Volumes



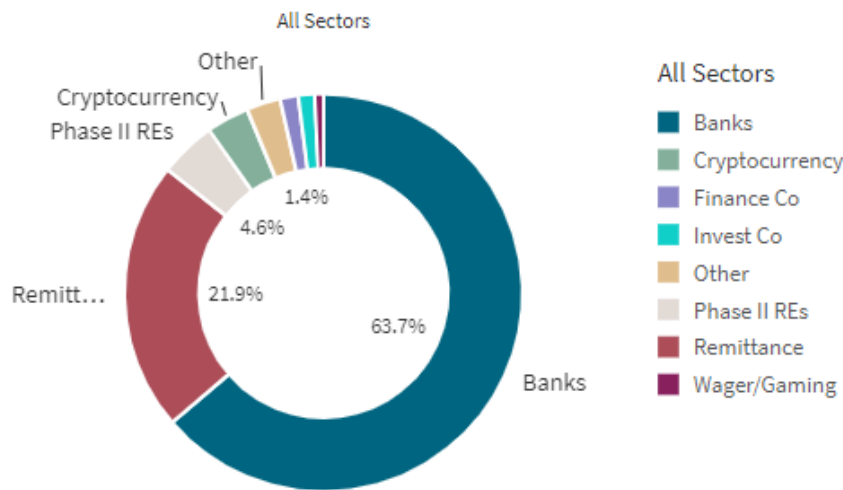
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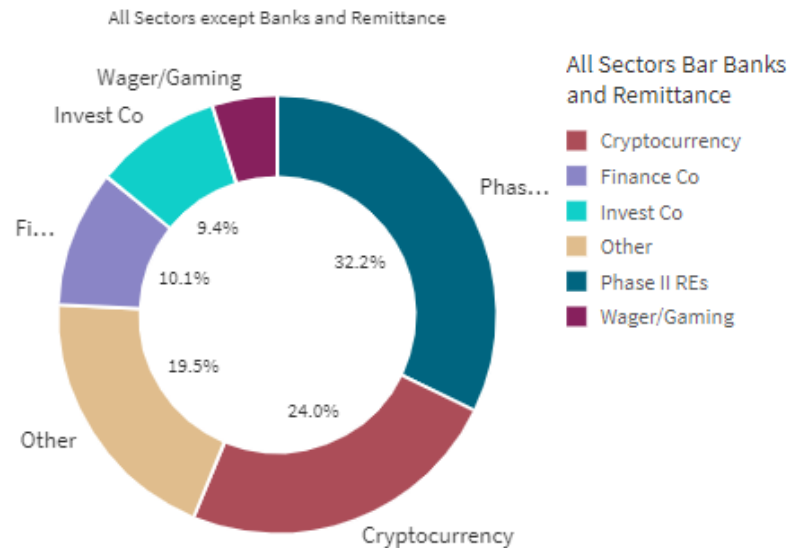
Jul-Aug-2024 Transactions

1.45M

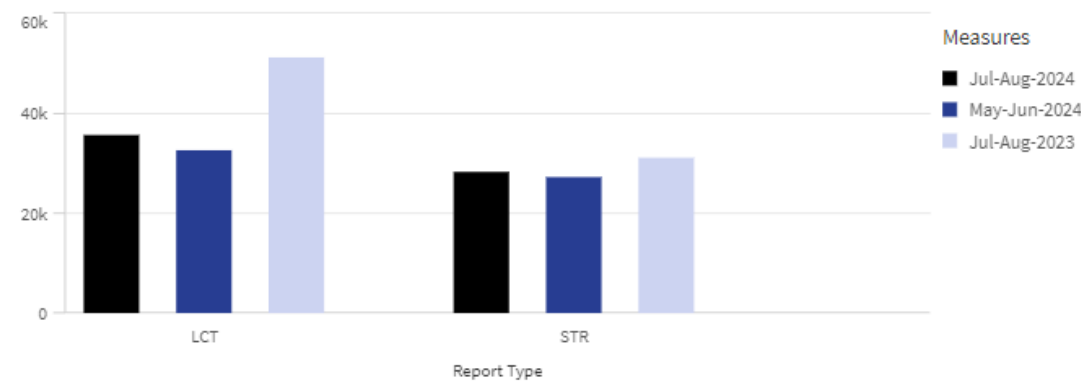
Processed STRs & SARs



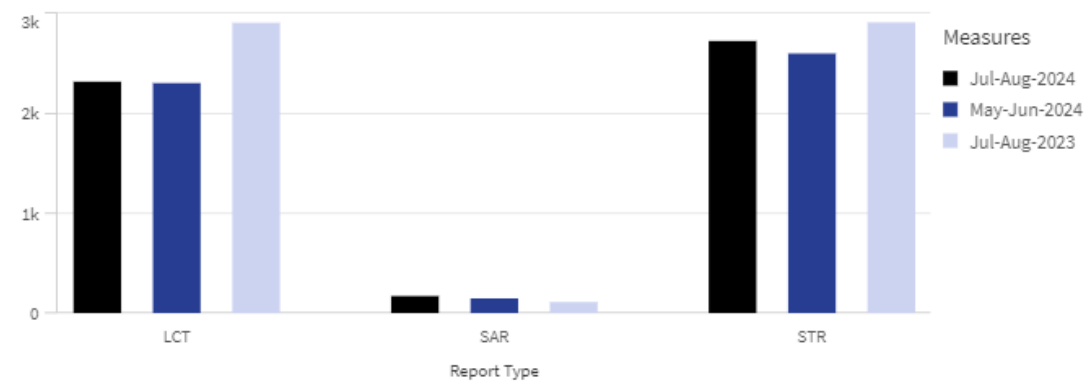
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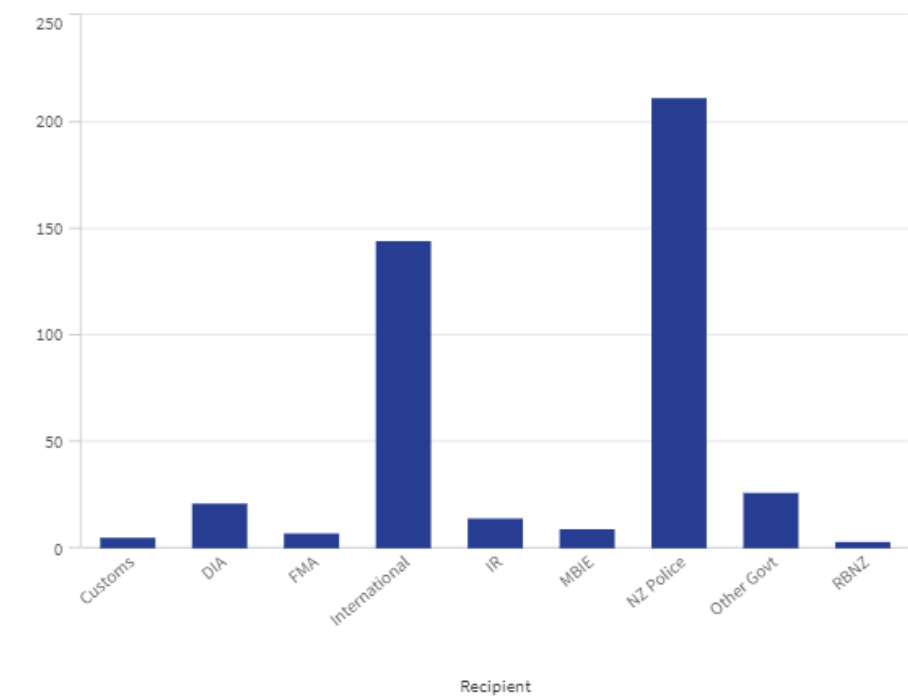
Processed Transaction Volumes



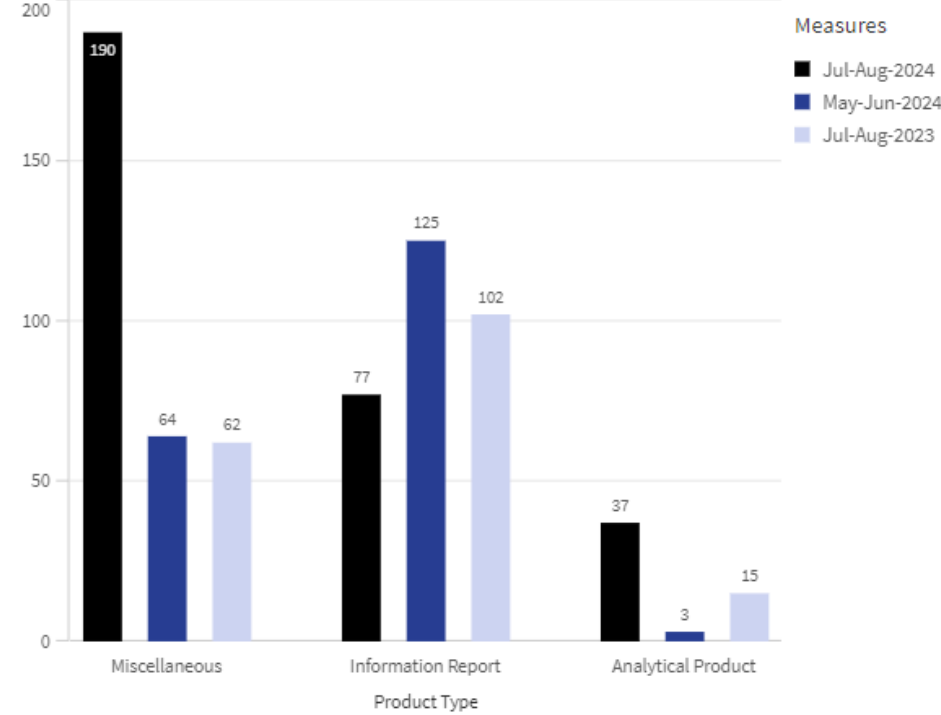
Processed Report Volumes



Disseminations of Products by Recipient



Disseminations of Products by Type





NEW ZEALAND
POLICE
Ngā Pirihimana o Aotearoa

