

**Financial Intelligence Unit**  
New Zealand Police

# **NATIONAL RISK ASSESSMENT 2010**

## **SUPPORT DOCUMENT**

### **ANNEX 1 - 9**

Anti-Money Laundering/Countering Financing of Terrorism

# Annex 1- Risk Assessment

The risk assessment matrix below is based on the Joint Australian and New Zealand International Standard Risk Management – Principles and Guidelines AS/NZS ISO 4360:2004 <sup>1</sup> which assesses risk in terms of ‘likelihood’ and ‘consequence’ and is currently used by New Zealand Police Intelligence units.

Risk is determined by cross referencing the assessed likelihood of an event with its assessed consequence in the matrix below:

Levels of Risk Matrix		Consequence				
		Negligible	Minor	Moderate	Major	Severe
Likelihood	Rare	Low 1	Low 2	Medium 3	Medium 4	High 5
	Unlikely	Low 2	Low 4	Medium 6	Medium 8	High 10
	Possible	Low 3	Medium 6	High 9	High 12	High 15
	Likely	Medium 4	Medium 8	High 12	High 16	Very High 20
	Almost certain	Medium 5	High 10	High 15	Very High 20	Very High 25

**Likelihood** - The likelihood of an event occurring is influenced by a number of factors, including an organisation/s capability to address the issue and takes into account the successful implementation of control strategies and legislative provisions. Likelihood also considers factors such as trends, available intelligence, offender characteristics and opportunity.

**Consequence** - Consequences take into consideration the effect of an event occurring including the impact on an organisation/s and mitigation strategies. Other possible factors taken into account are; financial loss, media response, available resources, impact on the community and risk to reputation.

**Risk Levels** - Definitions of each level are as follows:

Very High	The level of impact indicates action required now.
High	The level of impact indicates action should be initiated as soon as possible. Monitor for any change.
Medium	The level of impact indicates action should be initiated when resources are no longer required to address Very High of High levels. Monitor for any change
Low	The level of impact is considered acceptable at this point in time. Initiate action if resources no longer required to address Very High, High or Medium levels. Monitor for change.

**Steps of risk assessment** - Risk assessment can be broken down into five steps against a backdrop of ongoing monitoring and reviewing of risk, communication and consultation. This ensures management plans remain relevant to objectives, progress can be reviewed, analysts and decision makers can exchange ideas and any uncertainty or bias can be accepted and recorded in a transparent manner. While risk can be mitigated and managed zero risk is unobtainable. Not only would zero risk be impossible it would be undesirable as measures to achieve it would be disproportionate, intrusive, unwieldy and expensive. In short, the assessment and management of risk has to be tempered by common sense.

- Step 1. Establish context - define the parameters within which risks must be managed, consider the operating environment and existing control measures
- Step 2. Identify the risk - what, where, why, when, who and how
- Step 3. Analyse the risk - develop an understanding of risks, take into account existing control measures, determine likelihood and consequences, use quantitative or qualitative methods of analysis
- Step 4. Evaluate the risk - which risks need treatment, prioritise, consider risk vs. opportunity
- Step 5. Treat the risk - avoidance (where practicable), change likelihood, change consequence, transfer risk, manage risk and retain the risk

# Annex 2 - Nature, scale and supervision of the financial sector

## FINANCIAL INSTITUTIONS

According to the FATF Mutual Evaluation Report (2009) New Zealand has a small open economy and can be described as a mixed economy that operates on free market principles. New Zealand has sizeable manufacturing and service sectors complementing a highly efficient agricultural sector. Exports of goods and services account for around one-third of real expenditure gross domestic product which was approximately NZ\$116.6 billion in 2008. New Zealand's main trading partners are Australia, the United States, Japan, the European Union and the Peoples' Republic of China. It also has significant exports to other countries in Asia that have risen significantly in recent years. New Zealand is not considered a major financial centre with the majority of financial activities being domestic. The registered banks, which had a total of NZ\$ 373 billion in assets as at 30 June 2010, are the dominant participants in the sector. The share of the sector held by finance companies, building societies cooperatives and credit unions that provide deposit taking and lending services is NZ\$ 13.2 billion in assets held<sup>2</sup>.

In terms of corruption New Zealand has consistently ranked equal top in the Transparency International's Corruption Perception Index.

## NON-FINANCIAL BUSINESSES AND PROFESSIONS

Non-financial businesses and professions (NFBPs) in New Zealand include real estate agents, legal practitioners (depositing/investing/conveyancing), chartered accountants (depositing/investing/ conveyancing), trust and company service providers, dealers in precious metals and stones, casinos and the New Zealand Racing Board.

Some non-financial businesses and professions, including casinos are currently subject to reporting requirements under the Financial Transactions Reporting Act 1996. Of these, only casinos are subject to the AML/CFT Act at present. It is planned to include the remainder, and possibly other NFBPs in the Act under the second phase of AML reforms<sup>3</sup>.

A brief description of the NFBPs that are not included in the first phase of the legislation follows.

### *Real estate agents*

There are over 1,600 real estate offices operating throughout New Zealand. The Real Estate Agents Authority reports that there are 3,500 licensees and branch managers, with over 16,000 sales people<sup>4</sup> [Aug-2010].

### *Legal practitioners*

The New Zealand Law Society has 10,552 practising members. These members form part of over 1,500 law firms<sup>5</sup> [Aug-2010].

### *Chartered accountants*

The New Zealand Institute of Chartered Accountants consists of almost 29,000 members internationally<sup>6</sup>. Approximately 1% act as company auditors<sup>7</sup> [Aug-2010].

### *Trust and company service providers*

The exact number of trust and company service providers currently operating in New Zealand is unknown<sup>8</sup> [Oct-2009]. However, it is estimated that there are 50-60 in operation<sup>9</sup>. There is a proposal to include trust and company service providers by regulation as reporting entities under the AML/CFT Act. If this occurs, the Department of Internal Affairs will be the responsible AML/CFT supervisor

### *Dealers in precious metals and stones*

There are four bullion dealers in New Zealand<sup>10</sup>. However, the exact number of dealers in precious metals and stones currently operating in New Zealand is unknown<sup>11</sup> [Oct-2009].

### *New Zealand Racing Board*

The New Zealand Racing Board has 1,200 tote (betting) terminals and 800 on-course tote terminals<sup>12</sup> [Aug-2010]. This organisation is also subject to the provisions of the Gambling Act 2003, as well as the Minimum Operating Standards issued by Internal Affairs<sup>13</sup>.

## SUPERVISION

Under the AML/CFT Act, New Zealand's financial sector will be divided into three sectors; supervised by the Reserve Bank of New Zealand, Department of Internal Affairs and Securities Commission of New Zealand as shown in Table 1.1 below

*Table 1.1: AML/CFT Sector Supervisors and areas of responsibility*

Reserve Bank	Internal Affairs	Securities Commission
Registered Banks Non-Bank Deposit Takers Life Insurers	Casinos Non deposit taking lenders Money changers Entities not covered by other supervisors	Brokers Futures Dealers Trustee Companies Collective Investment Schemes Financial Advisors Issuers of Securities

Only entities covered by the first phase of AML/CFT Act requirements will be reporting entities. Entities covered by the proposed second phase are more accurately described as Designated Non-Financial Businesses and Professions and do not fall within the financial sector.

Although most entities within New Zealand's financial sector are subject to the requirements of the Financial Transactions Reporting Act 1996, there is currently little or no AML supervision (except to a limited extent for banks and casinos) as there is no provision for it in this legislation. Under the AML/CFT Act only financial institutions and casinos will be subject to supervisions until implementation of the second tranche of the AML/CFT Act. As such Suspicious Transaction Reporting from Designated Non Financial Businesses and Professions is likely to remain low for some time. However, such entities will still be covered by the Financial Transaction Reporting Act 1996 and still have an obligation to report. Subsequently, the possibility that money laundering and/or terrorist financing will occur undetected is a challenge for New Zealand in the current legislative environment.

Greater awareness of AML/CFT standards and technological innovation, plus limited regulation and/or supervision has exacerbated intelligence gaps in relation to money laundering and terrorist financing techniques. This creates difficulties in determining the scope of these offences in New Zealand.

## RESERVE BANK OF NEW ZEALAND

Registered banks, non-bank deposit takers and life insurance companies are currently subject to reporting requirements under the Financial Transactions Reporting Act 1996. Registered banks are also monitored by the Reserve Bank in relation to systems, policies and procedures for detecting and deterring money laundering and terrorist financing. This is given effect by the Reserve Bank of New Zealand (Registration and Supervision of Banks) Regulations 2008<sup>14</sup>. The AML/CFT Act will introduce an AML supervisory regime for registered banks, non-bank deposit takers and life insurance companies, to be administered by the Reserve Bank.

### Registered banks

Registered banks are the dominant participants in New Zealand's financial sector and are predominantly foreign-owned<sup>15</sup>. There are 19 registered banks and of these, only three are New Zealand-owned. The 16 foreign-owned banks include ten that operate as branches of banks incorporated overseas; six of which are local subsidiaries of foreign parent banks<sup>16</sup>. The four largest banking groups are subsidiaries of Australian banks<sup>17</sup> [Aug-2010].

### Non-bank deposit takers

It is estimated<sup>18</sup> that there are around 60 non-bank deposit takers operating in New Zealand; approximately 20 deposit-taking finance companies, 11 building societies and 30 credit unions<sup>19</sup> [Aug-2010]. Building societies and credit unions generally provide financial services that are similar to those provided by registered banks, although services mainly consist of deposit taking, personal lending and residential mortgage lending<sup>20</sup>.

### Life insurance companies

New Zealand had 43 life insurance companies and 135 non-life insurance companies<sup>21</sup>, including unit trusts and the superannuation sector<sup>22</sup> [Oct-2009]. Life insurance companies in New Zealand generally limit activities to underwriting life insurance, as well as investment-related insurance<sup>23</sup>.

## DEPARTMENT OF INTERNAL AFFAIRS

### Casinos

There are six casinos operating in New Zealand located in Auckland (1), Hamilton (1), Christchurch (1), Queenstown (2) and Dunedin (1) [Aug-2010]. Internal Affairs is authorised to enforce the provisions of the Gambling Act 2003, as well as issue Minimum Operating Standards to casinos. These standards include AML/CFT measures, such as reporting suspicious transactions and retaining transaction records. The Department can apply to the Gambling Commission to suspend or cancel the licence of any casino that breaches Minimum Operating Standards<sup>24</sup>.

### Non-deposit taking lenders

Non-deposit taking lenders include approximately 190 companies, some of which have numerous branches nationwide<sup>25</sup> [Nov-2008]. The exact number of non-bank non-deposit taking lenders currently operating in New Zealand is unknown<sup>26</sup> [Oct-2009].

### Money remitters/currency exchange

New Zealand's financial sector also includes money remitters and currency exchange agencies. There are approximately 66 entities in this sector - 17 of these provide both currency exchange and remittance services; 30 provide remittance only; and 19 provide currency exchange only. The largest currency exchange firm is Travelex with over 36 branches nationwide<sup>27</sup> [Nov-2008].

The money remittance sector is largely dominated by Western Union, which has over 600 outlets nationwide, often based in local businesses and post offices<sup>28</sup>. There are also a number of small money remitting companies, some of which are ethnically-based and the majority of which operate in Auckland. Informal remittance providers are also evident, however, the number currently operating in New Zealand is unknown<sup>29</sup> [Oct-2009].

## SECURITIES COMMISSION OF NEW ZEALAND

Market participants of the New Zealand Exchange (also known as brokers), trustee corporations, trustees or managers of unit trusts or superannuation schemes are currently subject to reporting requirements under the Financial Transactions Reporting Act 1996. The AML/CFT Act will introduce a comprehensive supervisory regime for issuers of securities, brokers, futures dealers, trustee companies, collective investment schemes and financial advisors, to be administered by the Securities Commission.

### New Zealand Exchange Brokers

The NZX is the only registered exchange in New Zealand. It provides three markets for entities wishing to raise capital in New Zealand – NZ stock market, NZ debt market and NZ alternative market. NZX Listed Issuers or Listed Companies are entities whose securities are listed on these markets. There are approximately 230 listed issuers<sup>30</sup> [Oct-2009]. Trading in NZX listed securities is provided by NZX Market Participants (also known as brokers). These are market professionals that also provide investment advising to investors and securities issuance and underwriting to issuers.

The type of service that a NZX Market Participant may provide depends on its participant type. There are 18 Market Participants which are supervised by NZX with oversight by the Securities Commission (nine that are accredited by NZX as Trading and Advising Participants and nine accredited by NZX as Advising Participants). NZX Market Participants are subject to the NZX Participant Rules which contain anti-money laundering obligations in addition to those in the FTRA. Presently, six trustee corporations can act as trustee for debt issuers and statutory supervisor for issuers of participatory securities without the prior approval of the Securities Commission. This will change when the Securities Trustees and Statutory Supervisors Bill becomes law.

### Futures and options dealers

Individuals or entities that carry on a business of dealing in futures contracts must be authorised by the Securities Commission or approved by an authorised exchange. The NZX is such an exchange and has authorised five futures and options firms and five introducing brokers.

The Securities Commission has authorised 11 retail futures dealers and 28 wholesale futures dealers. The majority of retail futures dealers trade in “over-the-counter” or “off-exchange” products. The wholesale futures dealers are mainly fund managers.

### Collective Investment Schemes (CIS)

CIS include KiwiSaver schemes, superannuation schemes, unit trusts and participatory securities (such as bloodstock interests, property syndicates and forestry partnerships). The exact number of CIS operating in New Zealand is not

known. These schemes are typically run by managers who make the investment decisions and trustees who have custody of the scheme's assets.

#### Financial advisers

The exact number of financial advisers is unknown but as of late 2010 it was estimated that about 15,000 financial advisers operating throughout New Zealand<sup>31</sup>. Approximately half of these are employed by banks and insurance companies.

The sector is largely regulated by the Financial Service Providers (Registration and Dispute Resolution) Act 2008 and the Financial Advisers Act 2008. It is estimated that 55% of the financial advisory industry is located in Auckland, Waikato and the Bay of Plenty<sup>32</sup>.

## Annex 3 - Asset Recovery Units

**Data taken from a sample of 88 analysed cases during the reporting period of 1 December 2001 to 31 May 2010.**

### **AUCKLAND**

From the 25 cases, 18 (72%) were drug-related. Of this, 16 cases (89%) involved the purchase of valuable assets as the primary method of money laundering. One case involved mingling (business investment) and in one case, the method of money laundering was not specified. Four of the 25 cases (16%) related to money laundering offences. Two cases involved currency exchange/cash conversion, one gaming activities and the other use of credit cards/cheques. The forgery case involved the use of wire transfers and the receiving case involved the purchase of valuable assets. The fraud case also involved the purchase of valuable assets as the primary method of money laundering.

### **HAMILTON**

From the 25 cases, 24 (96%) were drug-related. Of this, 20 cases (83%) involved the purchase of valuable assets as the primary method of money laundering. In addition to the purchase of valuable assets, four cases involved secondary and tertiary methods of money laundering; specifically, gaming activities, use of gatekeepers, use of offshore banks/businesses, use of credit cards/cheques etc, use of nominees and mingling (business investment). In two cases, the method of money laundering was not specified. The money laundering case involved the purchase of valuable assets as the primary method of money laundering.

### **WELLINGTON**

From the 22 cases, 21 (95%) were drug-related. Of this, 10 cases (48%) involved the purchase of valuable assets as the primary method of money laundering. In addition to the purchase of valuable assets, four cases involved secondary and tertiary methods of money laundering; specifically, use of nominees and use of gatekeepers. In five cases (23%), the method of money laundering was not specified. The fraud case involved the use of shell companies and use of foreign bank accounts.

### **CHRISTCHURCH**

From the 16 cases, 14 (88%) were drug-related. Of this, nine cases (64%) involved the purchase of valuable assets as the primary method of money laundering. In addition to the purchase of valuable assets, three cases involved secondary and tertiary methods of money laundering; specifically, use of wire transfers, mingling (business investment), use of gatekeepers and use of nominees. One case involved use of wire transfers and one involved investment in capital markets as the primary method of money laundering. In two cases (13%), the method of money laundering was not specified, including the fraud case.

# Annex 4 - Case Studies: International

## INDONESIA

PRIMARY TYPOLOGIES ..... ASSOCIATION WITH CORRUPTION  
 ..... PURCHASE OF VALUABLE COMMODITIES

A high rank officer of district forestry services, Mr X, was receiving transfers from several forestry companies for amounts between IDR 30 - 100 million (NZ\$4,500-NZ\$15,000). It was indicated that those companies operated illegal logging activities. To obtain papers to conceal illegal activities and protect their businesses they would bribe Mr X. Investigation into Mr X's credit card transactions showed that funds were laundered by the purchasing of portable valuable commodities, namely jewellery [Asia Pacific Group Typology Workshop, 2004-2005].

## AUSTRALIA

PRIMARY TYPOLOGIES ..... IDENTITY FRAUD/FALSE IDENTIFICATION  
 ..... ASSOCIATION WITH CORRUPTION  
 ..... USE OF CREDIT CARDS/CHEQUES

Mr Y was involved in the importation of cocaine into Australia. He was deliberately avoiding reporting requirements in an attempt to smuggle drug money out of the country. In one instance, Mr Y purchased large amounts of travellers' cheques from a currency exchange outlet. He used AU\$14,000 to bribe the currency exchange employee to complete the significant cash transaction report, so the transaction appeared to have been conducted by the employee. He visited at least three currency exchanges, and during each transaction Mr Y refused to fill in any forms or sign for the travellers' cheques, which enabled other recipients to cash them. He also used a false name to sign the purchase record. A total of AU\$96,000 was purchased in travellers' cheques. He divided the cheques into 16 batches, wrapped each batch in carbon paper and placed them inside a greeting card. He attempted to mail them to various destinations around the United States. Mr Y was sentenced to 13½ years in prison on charges of importing cocaine, money laundering and conspiracy to import cocaine [Asia Pacific Group Member Status Report, AUSTRAC 2009].

## AUSTRALIA

PRIMARY TYPOLOGIES ..... CASH COURIERS/CURRENCY SMUGGLING  
 ..... ASSOCIATION WITH CORRUPTION

A money laundering syndicate was suspected of using airline pilots and crew to smuggle cash from Australia to Vietnam. The funds were suspected of being the proceeds of drug sales in Australia. The cash was given to the pilots by owners of several remittance service businesses. It is suspected that more than AU\$10 million was smuggled to Vietnam over an 18-month period. One pilot was arrested after attempting to smuggle AU\$500,000 without declaring it. The pilot pleaded guilty to money laundering and was sentenced to 4½ years in prison. He had smuggled a total of AU\$6.5 million to Vietnam [Asia Pacific Group Member Status Report, AUSTRAC 2009].

## UNITED STATES

PRIMARY TYPOLOGIES ..... INVESTMENT IN CAPITAL MARKETS  
 ..... ASSOCIATION WITH CORRUPTION

Mr H was a securities attorney who was a partner of a Denver law firm and served as corporate counsel for Business A. He admitted his involvement in securities and wire fraud schemes involving stocks of Business A and Business B, both publicly traded companies. From 1996-2001 Mr H and others operated a scheme that used deceptive and manipulative practices in connection with the fraudulent issuance, purchase and resale of stock shares, which were publicly traded over a bulletin board. After apprehension, Mr H admitted he had obtained control of nearly 100 million free trade shares of Business A stock and sold shares in a public marketplace to unsuspecting investors. He was charged with two counts of conspiracy to commit securities and wire fraud and two counts of conspiracy to commit money laundering. Mr H was sentenced to 7 years in prison and over US\$13 million in restitution [Asia Pacific Group Member Status Report, USA 2009].



## ANNEX 5 - Probability Statements

Probability statements - Likelihood of activity currently occurring

Descriptor	Description of the likelihood
ALMOST CERTAIN	Credible and current information/intelligence exists indicating that activity of this type is almost certainly occurring.
LIKELY	Credible and current information/intelligence exists indicating that activity of this type is likely occurring.
POSSIBLE	Credible and current information/intelligence or information of varying credibility and/or currency exists that activity of this type is possibly occurring.
UNLIKELY	Credible and current information/intelligence or information of varying credibility and/or currency indicates it is unlikely activity of this type is occurring.
RARE	There is no current information/intelligence available to indicate that activity of this type is occurring.

Probability statements - Likelihood of the activity increasing (present day looking forward 12 months)

Descriptor	Description of the likelihood
ALMOST CERTAIN	Credible and current information/intelligence exists indicating that activity of this type is almost certain to increase in the future unless disrupted.
LIKELY	Credible and current information/intelligence exists indicating that activity of this type is likely to increase in the future unless disrupted.
POSSIBLE	Credible and current information/intelligence or information of varying credibility and/or currency exists that activity of this type will possibly increase in the future unless disrupted.
UNLIKELY	Credible and current information/intelligence or information of varying credibility and/or currency indicates it is unlikely activity of this type will increase in the future.
RARE	There is no current information/intelligence available to indicate that activity of this type will increase in the future.

## ANNEX 6 - Consequence Definitions

**Consequence statements and definitions** - NOTE: If the controls applied to otherwise Severe or Major consequence impacts are considered adequate to address that impact, **without** the need for any additional control recommendations - the level of impact shall be deemed Minor for the purposes of this assessment.

**Descriptions of consequence in the table relate to national interests. Modified definitions were used to provide context for consequence in terms of the money laundering environment.**

Descriptor	Description of the consequences indicators
Negligible	<ul style="list-style-type: none"> <li>o No National Interests impacted and</li> <li>o Minor impact on Community Interests, including indirect violence, or potential for it and</li> <li>o Current controls judged adequate</li> <li>o No organisational risk</li> </ul>
Minor	<ul style="list-style-type: none"> <li>o Some National Interests impacted (1-2) and/or</li> <li>o Some impact on Community Interests, including indirect violence, or potential for it. (1-2) and/or</li> <li>o Current controls judged adequate (or judged adequate, but additional elements may be considered useful in addressing this area</li> <li>o Some organisational risks noted</li> </ul>
Moderate	<ul style="list-style-type: none"> <li>o Multiple National Interests impacted (3-4) and/or</li> <li>o Multiple impacts on Community Interests, including the presence of direct and indirect violence, or potential for it. (3-4) and/or</li> <li>o Current controls judged mostly adequate (or -but additional elements are recommended to better address this area)</li> <li>o Multiple organisational risks noted</li> </ul>
Major	<ul style="list-style-type: none"> <li>o Most National Interests impacted (at least 4) and/or</li> <li>o Most Community Interests impacted, including the presence of direct and indirect violence (at least 4) and/or</li> <li>o Current controls judged to be under pressure in addressing this area and additional elements are recommended</li> <li>o Most organisational risks noted</li> </ul>
Severe	<ul style="list-style-type: none"> <li>o All (or most) National Interests impacted and</li> <li>o All (or most) Community Interests impacted, including the presence of direct and indirect violence and</li> <li>o Current controls judged not able to be adequately addressing this area and additional elements are recommended</li> <li>o All organisational risks noted</li> </ul>

# ANNEX 7 - Asset Recovery Unit data (1 December 2009 to 31 May 2010)

## AUCKLAND

Case	Typology	Predicate offence	Assets restrained/identified	Estimated value (NZ\$)
1	Mingling (business investment)	Methamphetamine manufacture	Residential property Cash/bank accounts	1,003,850
2	Purchase of valuable assets	Methamphetamine manufacture	Cash/bank accounts Motorcycles	72,061
3	Currency exchange/cash conversion	Money laundering	Cash/bank accounts Commercial property Residential property	3,545,154
4	Purchase of valuable assets	Cannabis cultivation/supply	Yet to identify	–
5	Purchase of valuable assets	Cannabis cultivation/supply	Residential property	470,000
6	Purchase of valuable assets	Methamphetamine manufacture	Residential property	780,000
7	Not specified	Methamphetamine manufacture	Commercial property	720,000
8	Use of wire transfers	Forgery	Cash/bank accounts	79,873
9	Purchase of valuable assets	Cannabis cultivation/supply	Cash/bank accounts Residential property	420,340
10	Purchase of valuable assets	Cannabis cultivation/supply	Yet to identify	–
11	Currency exchange/cash conversion	Money laundering	Yet to identify	–
12	Gaming activities	Money laundering	Yet to identify	–
13	Purchase of valuable assets	Cannabis cultivation/supply	Yet to identify	–
14	Use of credit cards/cheques	Money laundering	Yet to identify	–
15	Purchase of valuable assets	Methamphetamine manufacture	Jewelry (including precious metals) Cash/bank accounts	85,191
16	Purchase of valuable assets	Receiving	Yet to identify	–
17	Purchase of valuable assets	Methamphetamine dealing	Cars/vans/four wheel drives Jewelry (including precious metals) Cash/bank accounts	108,600
18	Purchase of valuable assets	Methamphetamine manufacture	Yet to identify	–
19	Purchase of valuable assets	Methamphetamine dealing	Yet to identify	–
20	Purchase of valuable assets	Cannabis cultivation/supply	Yet to identify	–
21	Purchase of valuable assets	Fraud	Yet to identify	–

22	Purchase of valuable assets	Methamphetamine dealing	Yet to identify	–
23	Purchase of valuable assets	Methamphetamine manufacture	Yet to identify	–
24	Purchase of valuable assets	Methamphetamine manufacture	Yet to identify	–
25	Purchase of valuable assets	Methamphetamine manufacture	Cash/bank accounts	100,000

**HAMILTON**

Case	Typology	Predicate offence	Assets restrained/identified	Estimated value (NZ\$)
1	Purchase of valuable assets Gaming activities Use of nominees	Methamphetamine dealing	Motorcycles	962,000
2	Purchase of valuable assets Use of gatekeepers Use of offshore banks/businesses	Methamphetamine manufacture	Farms/orchards	5,870,500
3	Purchase of valuable assets	Methamphetamine manufacture	Plant/equipment	300,000
4	Purchase of valuable assets	Cannabis cultivation/supply	Residential property	185,000
5	Purchase of valuable assets Mingling (business investment)	Methamphetamine dealing	Cash/bank accounts Cars/vans/four wheel drives	255,734
6	Purchase of valuable assets	Cannabis cultivation/supply	Yet to identify	–
7	Purchase of valuable assets	Cannabis cultivation/supply	Yet to identify	–
8	Use of nominees/relatives etc	Cannabis cultivation/supply	Yet to identify	–
9	Purchase of valuable assets	Methamphetamine dealing	Yet to identify	–
10	Use of nominees/relatives etc	Methamphetamine dealing	Yet to identify	–
11	Purchase of valuable assets	Money laundering	Yet to identify	–
12	Purchase of valuable assets	Cannabis cultivation/supply	Yet to identify	–
13	Purchase of valuable assets	Cannabis cultivation/supply	Yet to identify	–
14	Purchase of valuable assets	Methamphetamine dealing	Yet to identify	–
15	Not specified	Cannabis cultivation/supply	Yet to identify	–
16	Purchase of valuable assets	Methamphetamine manufacture	Yet to identify	–
17	Not specified	Cannabis cultivation/supply	Yet to identify	–
18	Purchase of valuable assets	Cannabis cultivation/supply	Residential property	580,000
19	Purchase of valuable assets	Cannabis cultivation/supply	Cash/bank accounts	78,910
20	Purchase of valuable assets	Cannabis cultivation/supply	Yet to identify	–
21	Purchase of valuable assets	Methamphetamine dealing	Yet to identify	–

22	Purchase of valuable assets Use of gatekeepers	Methamphetamine manufacture	Yet to identify	–
23	Purchase of valuable assets	Cannabis cultivation/supply	Yet to identify	–
24	Purchase of valuable assets	Cannabis cultivation/supply	Yet to identify	–
25	Purchase of valuable assets Use of credit cards/cheques etc	Methamphetamine manufacture	Residential property Commercial property Lifestyle blocks Cars/vans/four wheel drives Bonus bonds/shares Cash/bank accounts	750,000

**WELLINGTON**

Case	Typology	Predicate offence	Assets restrained/identified	Estimated value (NZ\$)
1	Use of nominees/relatives etc	Cannabis cultivation/supply	Yet to identify	–
2	Purchase of valuable assets	Methamphetamine dealing	Yet to identify	–
3	Use of nominees/relatives etc Use of credit cards/cheques etc	Cannabis cultivation/supply	Residential property Motorcycles	600,000
4	Not specified	Cannabis cultivation/supply	Yet to identify	–
5	Purchase of valuable assets	Methamphetamine manufacture	Yet to identify	–
6	Use of shell companies Use of foreign bank accounts	Fraud	Cash/bank accounts	7,500,000
7	Use of nominees/relatives etc	Methamphetamine dealing	Residential property Cash/bank accounts	238,860
8	Purchase of valuable assets Use of gatekeepers	Cannabis cultivation/supply	Yet to identify	–
9	Not specified	Cannabis cultivation/supply	Yet to identify	–
10	Purchase of valuable assets	Methamphetamine dealing	Yet to identify	–
11	Not specified	Cannabis cultivation/supply	Yet to identify	–
12	Not specified	Cannabis cultivation/supply	Yet to identify	–
13	Not specified	Cannabis cultivation/supply	Yet to identify	–
14	Purchase of valuable assets Use of nominees Use of gatekeepers	Drugs (other)	Yet to identify	–
15	Use of wire transfers	Cannabis cultivation/supply	Yet to identify	–

16	Purchase of valuable assets Use of nominees	Cannabis cultivation/supply	Yet to identify	–
17	Purchase of valuable assets Use of nominees Use of gatekeepers	Cannabis cultivation/supply	Yet to identify	–
18	Mingling (business investment)	Cannabis cultivation/supply	Yet to identify	–
19	Use of credit card/cheques etc	Cannabis cultivation/supply	Yet to identify	–
20	Purchase of valuable assets	Cannabis cultivation/supply	Yet to identify	–
21	Purchase of valuable assets	Cannabis cultivation/supply	Yet to identify	–
22	Purchase of valuable assets	Cannabis cultivation/supply	Yet to identify	–

**CHRISTCHURCH**

Case	Typology	Predicate offence	Assets restrained/identified	Estimated value (NZ\$)
1	Purchase of valuable assets	Cannabis cultivation/supply	Yet to identify	–
2	Not specified	Fraud	Yet to identify	–
3	Purchase of valuable assets	Methamphetamine manufacture	Residential property	205,000
4	Purchase of valuable assets	Cannabis cultivation/supply	Lifestyle block	590,000
5	Purchase of valuable assets	Cannabis cultivation/supply	Yet to identify	–
6	Purchase of valuable assets	Cannabis cultivation/supply	Yet to identify	–
7	Mingling (business investment) Use of wire transfers	Cannabis cultivation/supply	Yet to identify	–
8	Mingling (business investment) Use of wire transfers	Methamphetamine manufacture	Yet to identify	–
9	Purchase of valuable assets Mingling (business investment) Use of gatekeepers	Cannabis cultivation/supply	Yet to identify	–
10	Purchase of valuable assets	Cannabis cultivation/supply	Yet to identify	–
11	Use of wire transfers	Drugs (other)	Yet to identify	–
12	Purchase of valuable assets Use of nominees	Cannabis cultivation/supply	Yet to identify	–
13	Mingling (business investment)	Cannabis cultivation/supply	Yet to identify	–
14	Investment in capital markets	Cannabis cultivation/supply	Yet to identify	–
15	Not specified	Methamphetamine dealing	Yet to identify	–
16	Purchase of valuable assets Mingling (business investment)	Organised crime	Yet to identify	–

Possible money laundering/terrorist financing typologies observed from Suspicious Transaction Reports (1 December 2009 - 31 May 2010)

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# ANNEX 9 - Multiple Typologies from STRs

Suspicious Transaction Reports categorised into multiple typologies (1 December 2009 - 31 May 2010)

	Association with corruption	Use of foreign bank accounts	Purchase of valuable commodities	Abuse of Non-Profit Organisations	Underground banking/alternative remittance	Investment in capital markets	New payment technologies	Trade-based money laundering/terrorist financing	Use of gatekeepers/professional services	Cash couriers/currency smuggling	Identity fraud/false identification	Use of shell companies	Use of offshore banks/businesses	Mingling (business investment)	Purchase of valuable assets	Structuring/smurfing	Use of credit cards/cheques	Gaming activities	Currency exchange/cash conversion	Use of nominees	Use of wire transfers
Association with corruption											1										
Use of foreign accounts																					1
Purchase of valuable commodities																					2
Abuse of Non-Profit Organisations														1							1
Underground banking/alternative remittance																					1
Investment in capital markets													1				1			1	1
New payment technologies													2						2		1
Trade-based money laundering/terrorist financing								1							2						9
Use of gatekeepers/professional services															1		1			5	3
Cash couriers/currency smuggling													1	3	2				7	6	
Identity fraud/false identification														2	1		7	1	5	1	5
Use of shell companies													2								42
Use of offshore banks/businesses														1	1		2	1	2	7	41
Mingling (business investment)															1	4				7	5
Purchase of valuable assets																2	5		5	11	9
Structuring/smurfing																	4	3	1	17	24
Use of credit cards/cheques																		3	5	13	6
Gaming activities																			12	8	3
Currency exchange/cash conversion																				10	26
Use of nominees																					47
Use of wire transfers																					



# ENDNOTES

<sup>1</sup> The 2004 standard has been superseded by the Joint Australian and New Zealand International Standard Risk Management – Principles and Guidelines AS/NZS ISO 31000:2009. It is envisaged this version will be used for the next National Risk Assessment.

<sup>2</sup> Update from Reserve Bank, formal email feedback dated 19 November 2011. Also available from Reserve bank website (not accessed).

<sup>3</sup> There has been no decision on who will supervise the remaining NFBPs. It will not necessarily be DIA.

<sup>4</sup> Real Estate Agents Authority website: <http://www.reaa.govt.nz/>.

<sup>5</sup> New Zealand Law Society Annual Report 2009.

<sup>6</sup> New Zealand Institute of Chartered Accountants website: <http://www.nzicaar.com/>.

<sup>7</sup> Mutual Evaluation Report of New Zealand, October 2009.

<sup>8</sup> Ibid.

<sup>9</sup> Personnel communication with FIU Lead Analyst Fiona Milne - 7 October 2010

<sup>10</sup> <sup>10</sup> Mutual Evaluation Report of New Zealand, October 2009.

<sup>11</sup> Ibid.

<sup>12</sup> New Zealand Racing Board website: <http://www.nzracingboard.co.nz/index.html>.

<sup>13</sup> New Zealand AML/CFT Gap Analysis 2008.

<sup>14</sup> New Zealand AML/CFT Gap Analysis 2008.

<sup>15</sup> Mutual Evaluation Report of New Zealand, October 2009.

<sup>16</sup> Reserve Bank of New Zealand website: <http://www.rbnz.govt.nz/index.html>.

<sup>17</sup> Ibid.

<sup>18</sup> These figures exclude NBDTs in moratorium, receivership or liquidation. There are 11 building societies although only eight are deposit-taking. This figure excludes cooperatives.

<sup>19</sup> Ibid.

<sup>20</sup> Mutual Evaluation Report of New Zealand, October 2009.

<sup>21</sup> General insurance is not supervised by the RB for AML.

<sup>22</sup> Mutual Evaluation Report of New Zealand, October 2009.

<sup>23</sup> Ibid.

<sup>24</sup> New Zealand AML/CFT Gap Analysis 2008.

<sup>25</sup> Ibid.

<sup>26</sup> Mutual Evaluation Report of New Zealand, October 2009.

<sup>27</sup> New Zealand AML/CFT Gap Analysis 2008.

<sup>28</sup> Mutual Evaluation Report of New Zealand, October 2009.

<sup>29</sup> Ibid.

<sup>30</sup> Ibid.

<sup>31</sup> New Zealand AML/CFT Gap Analysis 2008.

<sup>32</sup> Ibid.