

**Financial Intelligence Unit**

New Zealand Police

# **Quarterly Typology Report**

## **Second Quarter (Q3)**

### **2014/2015**

(Issued April 2015)

# INTRODUCTION

This report is the third Quarterly Typology Report of 2014/15 produced by the Financial Intelligence Unit (FIU), part of the New Zealand Police Financial Crime Group. As the Quarterly Typology Report dissemination goes beyond law enforcement, the basics of money laundering, typologies and indicators will continue to be included to provide context to those new to the topic. **A list of typologies is contained in Annex 1.** This publication is comprised of open source media reporting observed within the last quarter. **Readers are strongly advised to note the caveat below.**

- **The open source nature of the material that this document is based on means that the veracity of the reports within this document may vary**
- **Views expressed within this document may not necessarily be those of the New Zealand Police or of any of its employees**
- **Reports within this document have been préciséd; additional information can be obtained via the hyperlinks if available**
- **The information contained within this document should NOT be taken out of context**

## Background

The Anti-Money Laundering and Countering Financing of Terrorism (AML/CFT) Act became law in October 2009. It is the result of a review of AML/CFT legislation and aims to assist in detecting and deterring money laundering, contributing to public confidence in the financial system and achieving compliance with the Financial Action Task Force (FATF) recommendations. The Financial Intelligence Unit produces the Quarterly Typology Report as part of its obligations under s.142 (b) (i) and s.143 (b) of the AML/CFT Act 2009.<sup>1</sup>

## Purpose

The purpose of the Quarterly Typology Report is to provide an accurate picture of current, emerging and longer term factors impacting on the AML/CFT environment. The Quarterly Typology Report is intended to do the following:

- ♦ Examine money laundering and terrorist financing methods used in New Zealand and overseas
- ♦ Provide indicators of money laundering and terrorist financing techniques
- ♦ Highlight emerging trends and topics and share information in relation to AML/CFT and financial crime in general
- ♦ Provide typology case studies
- ♦ Update suspicious transaction reporting and Asset Recovery Unit activity

## Scope

The Quarterly Typology Report is a law enforcement document. However, it does not include sensitive reporting or restricted information and is published on the FIU website. The Quarterly Typology Report is produced using a variety of sources and qualitative/quantitative data.

## Definition of Money Laundering

Under New Zealand legislation the money laundering offence is defined in s.243 of the Crimes Act 1961 and s.12b of the Misuse of Drugs Act 1975. The key elements of a money laundering offence are:

- ♦ Dealing with, or assisting in dealing with, any property for the purpose of concealing it, and
- ♦ Knowing or believing that such property is the proceeds of a serious offence, or being reckless as to whether it is the proceeds of a serious offence

## Definition of Terrorist Financing

Terrorist financing is criminalised in New Zealand under the Terrorism Suppression Act 2002. Under this legislation it is an offence to:

- ♦ Collect funds intended to be used for a terrorist act or intended for an entity known to carry out terrorist acts
- ♦ Knowingly deal with any property owned or controlled by a designated terrorist entity
- ♦ Make financial services available to a designated terrorist entity

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<sup>1</sup> S.142 (b) Financial intelligence functions of Commissioner: The financial functions of the Commissioner are to - produce guidance material, including: (i) typologies of money laundering and financing of terrorism transactions

S.143 (b) Powers relating to financial intelligence functions of Commissioner: The Commissioner may - (b) share suspicious transaction reports, cash reports, suspicious property reports, and other financial information and intelligence with domestic and international authorities for the purposes of this Act and regulations.

# Financial Intelligence Unit and partner agencies - Updates

**NOTE: Information on the Financial Intelligence Unit is provided as a permanent annex (refer Annex 2).**

## FIU STATISTICS

Although the number of STRs reported to the FIU decreased slightly each month during the quarter, more STRs were received in February and March compared to the same month in 2014 (1135 in February 2015 compared to 922 in 2014 and 1074 in March 2015 compared to 988 in 2014, while January 2015's 1214 reports were slightly down on the 1289 reports accepted in January 2014). The number of transactions in accepted reports followed a similar pattern with fewer transactions reported in January 2015 compared to 2014 but slightly more in February and March.

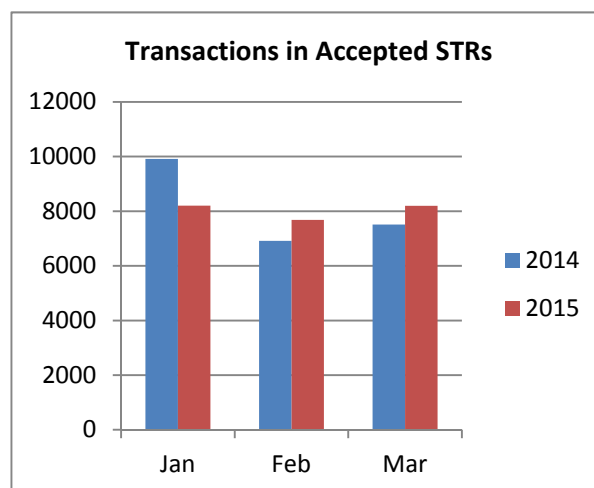
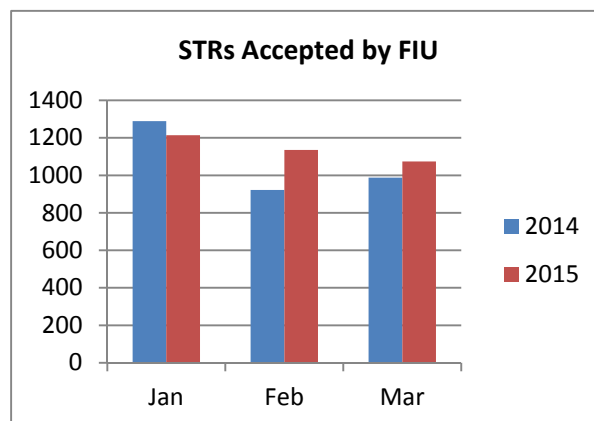
## FIU CONFERENCE

The 2015 FIU-ACAMS conference will be held at Te Papa, Wellington on 9-10 July. The focus of this year's conference is: 'The Crime Prevention Value of AML' – presentations will focus on criminal enterprises, their modes of financing, and AML/CFT compliance's role in preventing crime. International and domestic speakers will include law enforcement, government and international financial institution experts who will discuss major and emerging methods of moving proceeds of crime and the major compliance issues for reporting entities. Breakout and panel discussions will consider who specific sectors' threats are, how we deal with them, and the impact of legislative changes on reporting (specifically international and large cash transaction reporting).

The FIU is finalising pricing for registration and information on registration will be sent out through the goAML message board in coming week. For more information, please contact the FIU at [FCG.Seminar@police.govt.nz](mailto:FCG.Seminar@police.govt.nz)

## ORGANISED CRIME BILL

The Organised Crime and Anti-Corruption Legislation Bill is currently being considered by the Law and Order Select Committee. The Bill is an omnibus Bill and includes amendments to the AML/CFT Act to introduce reporting for international transactions (with a threshold of \$1,000) and for large cash transactions (with a threshold of \$10,000). The Select Committee is due to report back on 5 May 2015.



# Asset Recovery Units

The New Zealand Police Asset Recovery Units were established in December 2009 to coincide with the implementation of the Criminal Proceeds (Recovery) Act 2009 (CPRA). The CPRA established a regime for the forfeiture of property that has been directly or indirectly acquired or derived from significant criminal behaviour. It is intended to reduce the possibilities for individuals or groups to profit from criminal behaviour, to reduce the opportunities they have to expand their criminal enterprises, and act as a deterrent for criminal activity. There are four Asset Recovery Units (ARUs), based in Auckland, Hamilton, Wellington, Christchurch.

## ASSET RECOVERY UNITS: UPDATE - CORRECT AS AT 31 MARCH 2015

Since the CPRA came into effect the ARUs have investigated assets worth an estimated NZ\$466 million. At the end of March 2015:

- Forfeiture Orders for assets worth an estimated NZ\$57.9 million were in place (see key terms below).
- Restraining Orders were in place over assets worth an estimated NZ\$212 million pending further investigation and court action (see key terms below).

## NEW ZEALAND: OPERATION GEMINI

More than NZ\$1 million of assets were restrained in March from four people accused of importing and supplying several kilos of the drug Alpha PVP from China<sup>2</sup>. Alpha PVP, which is commonly referred to as “Niff” or “Bath Salts”, is a recently emerging drug threat. It is a stimulant that can produce many of the same psychoactive effects as methamphetamines or ecstasy, and is usually sold for around NZ\$40 per capsule. Operation GEMINI began in November 2014 after Customs officials intercepted imports of the drug in excess of three kilograms. Search warrants were executed at several addresses in the Wellington area and assets including two residential properties, three cars, two boats, and more than NZ\$100,000 of bonus bonds were seized. These assets will be held while financial investigations take place. Enquiries indicate that significant illicit income has been generated from the importations and it is likely that further charges and asset seizures will follow<sup>3</sup>.

## UNITED KINGDOM: KETAMINE DEALER SURRENDERS LUXURIES OBTAINED FROM OFFENDING

A fugitive Ketamine dealer, known as ‘Don Car-leone’ has been ordered to surrender a fleet of luxury cars and a number of prestigious properties in London, after a five and a half year investigation by the National Crime Agency (NCA)<sup>4</sup>. Alexander Surin (formerly known as Michael Boparan) is currently on the run in Dubai after being convicted of drug trafficking in France<sup>5</sup>. He and his wife, Jasbinder Boparan, were investigated by the NCA in relation to money laundering, fraud, tax evasion, and drug importation. While Surin disputes the NCA’s case, he and his wife chose not to contest the evidence at trial and accepted that the assets were acquired through criminal offending. Civil proceedings were brought against the couple on the grounds that they were using the proceeds of crime to fund their lifestyle.

In total, property worth an estimated £4.5 million (NZ\$8.7 million) will be handed to the NCA. This includes three Ferraris, a Rolls Royce Phantom, which was found with more than £800,000 (NZ\$1.5 million) in the boot, two houses and three apartments in the exclusive London suburbs of Kensington, Knightsbridge, and St John’s Wood, and the proceeds of the sale of a Bugatti Veyron.

## UNITED KINGDOM: HEALTH SERVICE FRAUDSTER TO RETURN FUNDS STOLEN FROM THE TAX PAYER

A senior National Health Service (NHS) finance manager has been ordered to return more than £2 million (NZ\$3.9 million) that he stole from the tax-payer<sup>6</sup>. Trevor Cosson manipulated the internal payment systems of Primary Care Trusts (PCTs) in two UK regions by setting up standing orders in the name of suppliers but crediting payments to accounts that he controlled instead. His offending came to light when the PCTs he had worked for were disbanded and the amalgamated Commissioning Support Unit carried out an in-depth audit. Cosson is currently serving a five year sentence following the fraud investigation and has been ordered to return all of the money he stole back to the NHS.

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<sup>2</sup> <https://nz.news.yahoo.com/local/a/27177898/four-arrested-for-importing-class-c-drugs-1m-assets-seized/>

<sup>3</sup> <http://www.odt.co.nz/news/national/339526/assets-seized-big-bath-salts-bust>

<sup>4</sup> <http://www.ibtimes.co.uk/ketamine-dealer-hand-over-ferrari-rolls-royce-london-property-empire-totalling-4-5m-1489174>

<sup>5</sup> <http://www.standard.co.uk/news/crime/london-crime-boss-don-carleone-forced-to-hand-back-fleet-of-supercars-and-assets-10058902.html>

<sup>6</sup> <http://www.eastbourneherald.co.uk/news/local/former-finance-chief-who-stole-2-million-from-the-nhs-ordered-to-pay-back-the-money-1-6659501>

## OVERSEAS POLITICAL CORRUPTION

The Sri Lankan government has established a presidential taskforce to recover billions of state assets stolen by the previous regime<sup>7</sup>. More than US\$1 billion (NZ\$1.3 billion) has, so far, been traced to accounts in Dubai that are controlled by key personnel from the last government. The Sri Lankan government is seeking assistance from the International Monetary Fund, the World Bank, and the Reserve Bank of India to track down and return all of the stolen funds to Sri Lanka.

In the United States, the Department of Justice has assisted the Republic of Korea in recovering US\$27.5 million (NZ\$35.7 million) in satisfaction of a criminal restitution order against former President Chun. Chun was convicted in 1997 of receiving more than US\$200 million (NZ\$260 million) in bribes from Korean companies. These funds were then laundered through nominees, trusts, and shell companies in Korea and the US. Assistant Attorney General Caldwell said that “fighting corruption is a global imperative that demands a coordinated global response”.

### Key terms

**Investigated assets:** These are...“assets that have been investigated since the Criminal Proceeds (Recovery) Act 2009 came into effect on December 1st 2009”. Figures reported in this category include subsequently abandoned cases and should not be confused with **restrained** assets.

**Restrained assets:** These are...“assets that have been taken from the control of alleged offenders and placed in the hands of the Official Assignee whilst further investigations take place”.

**Forfeited assets:** These are...“assets that, following their initial restraint, have been forfeited to the Crown”. The NZ\$ value of these orders does not represent the sum that will be returned to government accounts. Forfeiture Orders are subject to appeals and costs and third party interests must be paid out of the asset value.

**Profit Forfeiture Order:** This is an order made as a result of civil proceedings instituted by the Crown against a person in order to recover a debt due to it. The maximum recoverable amount, which is determined by calculating the value of any benefit received by criminal offending minus the value of any assets forfeited to the crime, is recovered by the Official Assignee on behalf of the Crown.

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<sup>7</sup> [http://www.colombopage.com/archive\\_15A/Mar19\\_1426776168CH.php](http://www.colombopage.com/archive_15A/Mar19_1426776168CH.php)

# High Value Assets

Buying and selling high value assets presents money launderers and terrorist financiers with a wide variety of options at the placement and layering stages. Transactions involving high value assets can be an attractive option that effectively bypasses direct interaction with the regulated financial sector that would otherwise arouse suspicion. Money laundering through high value assets additionally allows launderers to target businesses that are unlikely to reject sale transactions.

No special knowledge, skills, tools or resources are required for launderers to use high value assets—making this method of laundering simple and highly attractive to all criminal types. High value assets do not routinely attract the same attention as cash of the same value, and, while the techniques involved may be simple, the effect on detection and investigation of money laundering (or for asset recovery) is significant. High value assets can be easily hidden, distributed among third parties—including family members, disguised, or not recognised by law enforcement.

Dispersal of high value assets allows criminals to place wealth beyond the reach or detection of law enforcement, particularly criminal proceeds recovery. The sale of high value assets will ideally be in exchange for payment in a form capable of establishing a distinguishable aura of legitimacy. Similarly, use of assets to effect criminal transactions may avoid detection through avoiding AML/CFT controls.

Integration of proceeds contained within high value assets allows criminals to enjoy the fruits of offending or invest in further criminal behaviour. Laundering through high value assets similarly offers offenders status, either by displaying wealth or from perceived largess in transferring assets to associates. The status gained by offenders in laundering through high value assets may also motivate potential offenders to emulate criminal role models.

## OPPORTUNITIES TO LAUNDER

The wide variety of high value assets available for laundering offers numerous opportunities through which to launder illicitly derived funds. The selected approach, however, typically depends on the particular high value asset and its particular market. Of particular note are opportunities presented to:

- place proceeds of crime by purchasing valuable goods, particularly in the case of cash proceeds which may be used to purchase assets without the need to interact with a AML/CFT reporting entity;
- smurf, for example by dispersing placement through multiple cash purchases of assets;
- structure payments, for example through financing plans;
- create a source of wealth through sale of assets;
- transfer value between parties, either in layering or in illicit transactions;
- store value outside of the financial sector;
- hide beneficial ownership by having intermediaries hold assets; and
- integrate proceeds through enjoyment of the assets.

In New Zealand, motor vehicles have emerged as a popular choice for the integration and layering of illicitly derived funds.

Traditionally, New Zealand's international exposure of high value assets has been low. However, the growth of e-commerce is facilitating transnational purchases of various high value asset types online, including very high value assets such as gemstones. This development continues to expose New Zealand to international markets associated with high value assets. This level of international exposure is likely to remain dynamic for the foreseeable future. Increased travel and trade may also create further opportunities for criminal groups to use high value goods in transnational schemes, as has been the experience in jurisdictions such as the UK with higher integration into regional economies (see the discussion of UK research below).

## DETECTION THROUGH AML/CFT CONTROLS

To date, only a small number of STRs relating to dealers of high value assets or the purchase of high value assets have been received by the FIU. This may indicate reporting entities are not fully aware of the risks related to high value assets or are unable to identify 'unusual transactions' relating to high value assets. STR reporting has occurred incidentally where a facilitating financial institution or DNFBP's suspicion has been aroused, however, unusual transactions may still be difficult for a reporting entity to detect as high value asset dealers may form a layer between individual transactors and the reporting entity.

Transactions involving assets or through dealers of high value assets can circumvent AML/CFT controls and do not require CDD, KYC or STR reporting. For instance, criminal smurfing involving spreading transactions across many different dealers and/or intermediaries may be effective in avoiding reporting entities' controls.

Nevertheless, reporting entities may be able to detect unusual transactions that may indicate placement using high value asset dealers, for example by detecting unusually high cash deposits that may indicate the dealer illicitly derived funds.

## NEW ZEALAND CASE STUDIES

### Operation Morph

Police Operation Morph related to gang supply of methamphetamine in the Wellington region. Three of the offenders involved, including the principal offender used purchases of high value goods to launder the cash proceeds of their drug offending.

Paul, "Porky Rimene", Rodgers was captain of the Wellington chapter of the Nomads gang and was the principal offender in an enterprise dealing methamphetamine. During 2009-2011 Rodgers and his two associates, Cole and Laurenson, were receiving benefits, which were their only sources of income. However, their financial activity did not match their legitimate income. Rodgers' legitimate benefit income, for example, amounted to \$10,000 per annum. However, during the period July 2009-February 2011 \$129,000 in cash could be traced through Rodgers' accounts and cash spending. \$16,000 was also traced through Rodgers' online gambling account although he only made one \$40 bet.

Rodgers, Cole and Laurenson all made several significant cash purchases between 2009 and 2011 to dispose of cash proceeds of crime. In particular, vehicles were purchased and placed in third parties' names to disguise the true ownership. Placement would be achieved by purchasing the vehicle with a credit card that would then be paid off in structured cash payments.

### Operation Wigram

High value goods such as vehicles can also be used as an effective means of layering. In Operation Wigram buying and selling vehicles was used in a simple scheme to effect all three stages of money laundering.

In the placement stage, the offenders used the proceeds of commercial burglaries and methamphetamine dealing to purchase less expensive vehicles in cash. Layering and integration were achieved when these less expensive vehicles were soon after traded in for a single more expensive vehicle.

Although simple, this structure allowed the offenders to structure the effective cash purchase of the final high value vehicle and establishes an origin of funds for the final transaction (the trade ins).

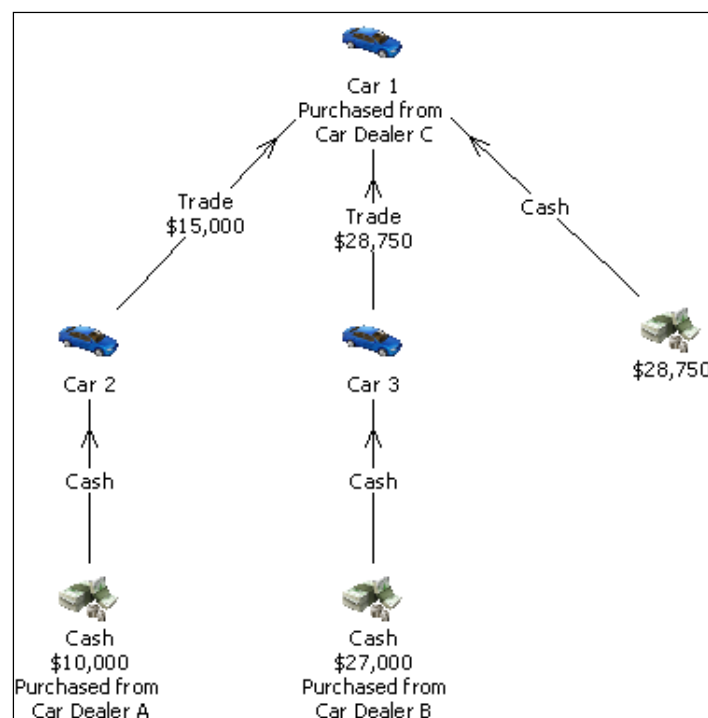


Figure 1 – Structured layering cash proceeds through vehicle purchases

### UK CASE STUDIES<sup>8</sup>:

- UK border officials during a routine screening approached two travellers travelling from the United Kingdom to Spain. On initial inspection, both travellers were found to be in possession of a number of high value watches and other high value items of jewellery. No formal explanation was initially offered. Further enquiries identified similar items had been sold by one of the travellers in Spain.
- Members of a criminal gang involved in the supply of drugs were found to be in possession of gold, diamonds, and cash following an investigation that resulted in the identification of several safe deposit boxes.
- An individual was identified by police in the UK to be involved in laundering the proceeds of 'cash in transit robberies'. The individual was found to be purchasing with cash Rolex watches from several high street jewellers. The individual was also purchasing stolen watches for cash payment well below the true value. The individual would then travel to Miami, Geneva, and Marbella, ensuring the items were on sale within 48 hours. Local payment would then be traded for other commodities or exchanged via a bureau de change on return to the UK.

### PREVIOUS RESEARCH

A recent research study in the United Kingdom (by Dr Nicholas Gilmour – New Zealand Police Teaching Fellow at Massey University), which sought to understand the purchasing of high value assets for the purposes of money laundering, identified the following characteristics related to this method:

- It enables direct control over the whole laundering process, despite several variables existing during transportation and the point of sale. Furthermore, vulnerabilities associated with detection can be reduced when assisted by known and trusted third parties at both the time of purchase and point of sale;
- No clear evidence exists to suggest a short or long-term approach to facilitate the cleansing of illicit funds through this method. The opportunity to facilitate laundering is easily facilitated with little effort from the criminal/ launderer;
- Items purchased tend not to attract adverse attention, although there are exceptions;
- It represents normality in many cases, unless the process encourages attention from authorities through which high value assets normally pass through.

During the research the following were identified as the most commonly used high value assets:

- Lottery tickets
- Bearer negotiable instruments
- Other precious metals
- Antiques
- Artwork
- Diamonds
- Jewellery
- Gold

From the research data collected, the following crime script was identified in relation to laundering using high value assets. The crime script clearly depicts the basic process supporting this method of money laundering—illustrated by the direct straightforward process of purchasing and selling any number of widely available high value assets. The five stages in process are identified as:

- Stage 1 - the identification of a suitable business from which to purchase the high value portable commodity or commodities.
- Stage 2 - the **placement stage** within which the commodity or commodities are purchased using illicit cash.

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<sup>8</sup> Source: Gilmour, N., 2014. Understanding money laundering - a crime script approach. European Review of Organised Crime 1(2), 35-56



- Stage 3 - further preparatory work that, although not necessary in every circumstance, can facilitate a more effective process, particularly on occasions involving large items shipped overseas. This stage is, however, not compulsory.
- Stage 4 - the **layering stage** in which the illicit commodity or commodities sell legitimately, in, for example, a business transaction in which a receipt is provided or the commodity is sold secretly and there are no records while still facilitating a legitimate financial transaction capable of impeding suspicion.
- Stage 5 - the **integration stage** when money (which can legitimately be accounted for) is used to make purchases.

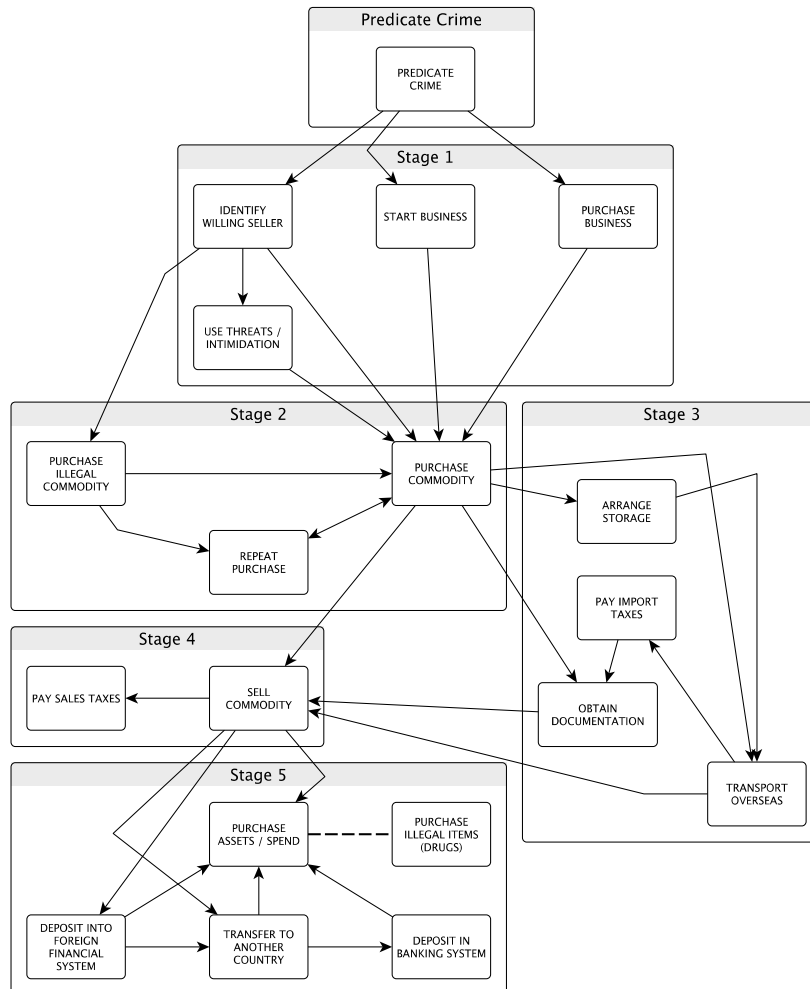


Figure 2 – Crime script: money laundering through the purchasing of high value assets<sup>9</sup>

The research also determined how high value assets exposed several characteristics directly coinciding with opportunities to facilitate this approach, whilst also complying with the necessities of the criminals involved: efficiency, discretion, profitability, and evasion of AML controls. Gold, diamonds, jewellery, and artwork surfaced as key high value assets as they continue to be:

- **Easily purchased:** opportunities to purchase these items exist extensively, essentially allowing criminals to spread the risk of suspicion and detection. Many businesses selling such items have procedures that by their very nature enable purchases to remain simple as well as deficient of adequate regulatory obligations. The possibility to purchase high value portable commodities in cash supports anonymity. Similarly, business owners are unlikely to reject customers.

<sup>9</sup> Source: Gilmour, N., 2014. Understanding money laundering - a crime script approach. *European Review of Organised Crime* 1(2), 35-56

- **Easily transported:** high value assets tend to be simple to disguise. The convenience of using 'mules' to minimise transportation risks can lead to the prioritization of certain commodities. However, a lack of inspection capabilities and requests relating to proof of purchase present situational factors that enable unassuming passage.
- **Undefined:** commodities are chosen because they are capable of secretion but also because they are difficult to authenticate. The absence of specialised law enforcement resources alongside insufficient AML expertise and knowledge concerning particular methods of laundering implies that certain items may appear less valuable than is actually the case or fail to be recognised as items used to launder illicitly derived funds.
- **Resale opportunities:** while smaller commodities can hold the greatest value, in contrast art work and antiques and the ongoing obsession with wildlife products suggests items are in fact chosen for their resale value, both in licit as well as illicit markets. As such, easily sold items accelerate the laundering process.

# Annex 1

## THE THREE INTERNATIONALLY ACCEPTED PHASES FOR THE MONEY LAUNDERING PROCESS:

Phase	Description	Example
Placement	Cash enters the financial system.	Proceeds of selling cannabis deposited into a bank account.
Layering	Money is involved in a number of transactions.	Money is transferred into other bank accounts that have been set up and international travel tickets are purchased.
Integration	Money is mixed with lawful funds or integrated back into the economy, with the appearance of legitimacy.	International travel tickets are cancelled, which results in a reimbursement cheque being issued to the suspect, minus cancellation fees. Money is used to buy goods, services, property or investments.

## TYPOLOGIES - BASED ON THE ASIA PACIFIC GROUP ON MONEY LAUNDERING DEFINITIONS

- ♦ **WIRE TRANSFERS** — transferring proceeds of crime from one person to another via money remittance services.
- ♦ **PURCHASE OF VALUABLE COMMODITIES** — laundering proceeds of crime by purchasing valuable commodities, for example, precious metals or gems.
- ♦ **PURCHASE OF VALUABLE ASSETS** — laundering proceeds of crime by purchasing valuable assets, for example, property or vehicles.
- ♦ **SHELL COMPANIES** — registering companies which have no actual business activity. Internationally based directors/shareholders and offshore bank accounts are used to facilitate money laundering and/or terrorist financing by unverified beneficiaries. In addition, there is also the risk of exploitation of other corporate forms, particularly limited partnerships.
- ♦ **NOMINEES, TRUSTS, FAMILY MEMBERS OR THIRD PARTIES** — utilising other people to carry out transactions in order to conceal the true identity of persons controlling proceeds of crime.
- ♦ **TRADE-BASED MONEY LAUNDERING** — manipulating invoices, often in connection with international trade, by overstating the value of a shipment providing criminal entities with a paper justification to either launder proceeds of crime and/or send funds overseas to finance terrorism.
- ♦ **CANCEL CREDITS OR OVERPAYMENTS** — laundering proceeds of crime by overpaying, then requesting refund cheques for the balance.
- ♦ **ELECTRONIC TRANSFERS** — transferring proceeds of crime from one bank account to another via financial institutions.
- ♦ **CO-MINGLING** — combining proceeds of crime with legitimate business takings.
- ♦ **GATEKEEPERS/PROFESSIONAL SERVICES** — utilising "professionals" to establish seemingly legitimate business activities, for example, lawyers, accountants, brokers, company formation agents.
- ♦ **CASH DEPOSITS** — placement of cash into the financial system.
- ♦ **SMURFING** — utilising third parties or groups of people to carry out structuring.
- ♦ **CREDIT CARDS, CHEQUES, PROMISSORY NOTES** — instruments used to access funds held in a financial institution, often in another jurisdiction.

- ♦ **CASH COURIERS** — concealing the movement of currency from one jurisdiction to another using people, luggage, mail or any other mode of shipment, without declaration.
- ♦ **STRUCTURING** — separating large transactions into small transactions to avoid scrutiny and detection from financial institutions.
- ♦ **ABUSE OF NON-PROFIT ORGANISATIONS** — raising funds to finance terrorism using non-profit organisations (charities) to conceal the source and nature of funds, as well as to facilitate distribution.
- ♦ **INVESTMENT IN CAPITAL MARKETS** — laundering proceeds of crime by using any market in which securities are traded, for example, the stock and bond markets, as well as futures trading and currency speculation.
- ♦ **OTHER PAYMENT TECHNOLOGIES** — utilising emerging or new payment technologies to facilitate money laundering and/or terrorist financing.
- ♦ **UNDERGROUND BANKING/ALTERNATIVE REMITTANCE SERVICES** — transferring proceeds of crime from one person to another via informal banking mechanisms.
- ♦ **TRUSTED INSIDERS/CORRUPTION** — collusion, coercion or bribery of financial institution staff by customers, particularly high-profile individuals, for instance, government officials, business executives, celebrities or individuals known or suspected of being involved in serious crime.
- ♦ **CASH EXCHANGES** — exchanging low denomination notes for high (also known as refining) as a means to launder proceeds of crime, as well as reduce large volumes of cash obtained from serious crime.
- ♦ **CURRENCY CONVERSION** — converting one currency into another as a means to launder proceeds of crime, as well as reduce large volumes of cash obtained from serious crime.

## Annex 2

### Financial Intelligence Unit

The Financial Intelligence Unit is part of the Financial Crime Group, which is made up of four Asset Recovery Units, a core administrative/analytical team and the Financial Intelligence Unit. The Financial Intelligence Unit has been operational since 1996 and part of its core functions is to receive, collate, analyse and disseminate information contained in Suspicious Transaction Reports, Suspicious Property Reports and Border Cash Reports. It also develops and produces a number of financial intelligence products, training packages and policy advice. The Financial Intelligence Unit also participates in the AML/CFT National Co-ordination Committee chaired by the Ministry of Justice. It is also a contributing member to international bodies such as the Egmont Group of international financial intelligence units and the Asia Pacific Group. The FIU can be contacted at: [fiu@police.govt.nz](mailto:fiu@police.govt.nz)

## Annex 3

### Typology indicators

#### GENERAL INDICATORS

These indicators are present in many of the typologies used in money laundering and terrorist financing.

- ♦ Transactions involving locations with poor AML/CFT regimes or high exposure to corruption
- ♦ Significant and/or frequent transactions in contrast to known or expected business activity
- ♦ Significant and/or frequent transactions in contrast to known employment status
- ♦ Ambiguous or inconsistent explanations as to the source and/or purpose of funds
- ♦ Where relevant, money presented in unusual condition, for example, damp, odorous or coated with substance
- ♦ Where relevant, nervous or uncooperative behaviour exhibited by employees and/or customers

**WIRE TRANSFERS** — transferring proceeds of crime from one person to another via money remittance services.

*Possible indicators (specific)*

- ♦ Significant and/or frequent cash payments for transfers
- ♦ Transfers to or from locations that have poor AML/CFT regimes or high exposure to corruption
- ♦ Transfers to high-risk countries or known tax havens
- ♦ Transfers to numerous offshore jurisdictions with no business rationale
- ♦ Multiple transfers sent to same person overseas by different people
- ♦ Same home address provided by multiple remitters
- ♦ Departure from New Zealand shortly after transferring funds
- ♦ Reluctant to provide retailer with identification details

**PURCHASE OF VALUABLE COMMODITIES** — laundering proceeds of crime by purchasing valuable commodities, for example, precious metals or gems.

*Possible indicators (specific)*

- ♦ Customers requiring safe custody arrangements with financial institution
- ♦ Significant and/or frequent cash purchases of valuable commodities
- ♦ Regular buying and selling of valuable commodities that does not make economic sense

**PURCHASE OF VALUABLE ASSETS** — laundering proceeds of crime by purchasing valuable assets, for example, property or vehicles.

*Possible indicators (specific)*

- ♦ Purchase/sale of real estate above/below market value irrespective of economic disadvantage
- ♦ Cash purchases of valuable assets with cash and/or cash deposits for valuable assets
- ♦ Low value property purchased with improvements paid for in cash before reselling
- ♦ Rapid repayment of loans/mortgages with cash or funds from an unlikely source

**SHELL COMPANIES** — registering New Zealand companies with internationally based directors and/or shareholders in order to open bank accounts to facilitate money laundering and/or terrorist financing by unverified beneficiaries.

*Possible indicators (specific)*

- ♦ Large numbers of companies registered with the same office address
- ♦ Address supplied is a "virtual office"
- ♦ Accounts/facilities opened/operated by company formation agents
- ♦ Lack of information regarding overseas directors/beneficiaries
- ♦ Complex ownership structures
- ♦ Structures where there is no apparent legitimate economic or other rational

*Additional Indicators:*

- ♦ The same natural person is the director of a large number of single director companies
- ♦ The same person (natural or corporate) is the shareholder of a large number of single-shareholder companies
- ♦ Use of one of a small number of New Zealand 'agents' who undertake transactions with the companies register

**NOMINEES, TRUSTS, FAMILY MEMBERS OR THIRD PARTIES** – utilising other people to carry out transactions in order to conceal the true identity of persons controlling proceeds of crime.

*Possible indicators (specific)*

- ♦ Customers using family members or third parties, including the use of children's accounts
- ♦ Transactions where third parties seem to be retaining a portion of funds, for example, "mules"
- ♦ Accounts operated by someone other than the account holder
- ♦ Many transactions conducted at various financial institutions and/or branches, in one day
- ♦ Significant and/or frequent transactions made over a short period of time

**TRADE-BASED MONEY LAUNDERING** – manipulating invoices, often in connection with international trade, by overstating the value of a shipment providing criminal entities with a paper justification to either launder proceeds of crime and/or send funds overseas to finance terrorism.

*Possible indicators (specific)*

- ♦ Invoice value greater than value of goods
- ♦ Discrepancies in domestic and foreign import/export data
- ♦ Suspicious cargo movements
- ♦ Suspicious domestic import data
- ♦ Discrepancies in information regarding the origin, description and value of the goods
- ♦ Discrepancies with tax declarations on export declarations
- ♦ Sudden increase in online auction sales by particular vendors (online auction sites)
- ♦ Unusually frequent purchases between same buyers and vendors (online auction sites)

**CANCEL CREDITS OR OVERPAYMENTS** – laundering proceeds of crime by overpaying, then requesting refund cheques for the balance.

*Possible indicators (specific)*

- ♦ Casino gaming machines loaded with cash, credits cancelled and a refund cheque requested
- ♦ Casino chips purchased, followed by limited or no gambling, then a refund cheque requested
- ♦ Frequent cheque deposits issued by casinos
- ♦ Significant and/or frequent payments to utility companies, for example, electricity providers
- ♦ Frequent cheque deposits issued by utility companies, for example, electricity providers
- ♦ Significant and/or frequent payments for purchases from online auction sites
- ♦ Frequent personal cheque deposits issued by third parties

**ELECTRONIC TRANSFERS** – transferring proceeds of crime from one bank account to another via financial institutions.

*Possible indicators (specific)*

- ♦ Transfers to or from locations that have poor AML/CFT regimes or high exposure to corruption
- ♦ Transfers involving accounts located in high-risk countries or known tax havens
- ♦ Transfers to offshore jurisdictions with no business rationale
- ♦ Multiple transfers sent to same person overseas by different people

- ♦ Departure from New Zealand shortly after transferring funds
- ♦ Transfers of funds between various accounts that show no economic sense (i.e. multiple transfers incurring bank fees where one single transfer would have been sufficient)

**CO-MINGLING** — combining proceeds of crime with legitimate business takings.

*Possible indicators (specific)*

- ♦ Significant and/or frequent cash deposits when business has EFTPOS facilities
- ♦ Large number of accounts held by a customer with the same financial institution
- ♦ Accounts operated by someone other than the account holder
- ♦ Merging businesses to create layers
- ♦ Complex ownership structures
- ♦ Regular use of third party accounts

**GATEKEEPERS/PROFESSIONAL SERVICES** — utilising "professionals" to establish seemingly legitimate business activities, for example, lawyers, accountants, brokers, company formation agents.

*Possible indicators (specific)*

- ♦ Accounts and/or facilities opened and/or operated by company formation agents
- ♦ Gatekeepers that appear to have full control
- ♦ Known or suspected corrupt professionals offering services to criminal entities
- ♦ Accounts operated by someone other than the account holder

**CASH DEPOSITS** — placement of cash into the financial system.

*Possible indicators (specific)*

- ♦ Large cash deposits followed immediately by withdrawals or electronic transfers

**SMURFING** — utilising third parties or groups of people to carry out structuring.

*Possible indicators (specific)*

- ♦ Third parties conducting numerous transactions on behalf of other people
- ♦ Many transactions conducted at various financial institutions and/or branches, in one day
- ♦ Accounts operated by someone other than the account holder

**CREDIT CARDS, CHEQUES, PROMISSORY NOTES** — instruments used to access funds held in a financial institution, often in another jurisdiction.

*Possible indicators (specific)*

- ♦ Frequent cheque deposits in contrast to known or expected business activity
- ♦ Multiple cash advances on credit card facilities
- ♦ Credit cards with large credit balances
- ♦ Transactions inconsistent with intended purpose of facility

**CASH COURIERS** — concealing the movement of currency from one jurisdiction to another using people, luggage, mail or any other mode of shipment, without declaration.

*Possible indicators (specific)*

- ♦ Transactions involving locations with poor AML/CFT regimes or high exposure to corruption
- ♦ Customers originating from locations with poor AML/CFT regimes/high exposure to corruption
- ♦ Significant and/or frequent cash deposits made over a short period of time
- ♦ Significant and/or frequent currency exchanges made over a short period of time

**STRUCTURING** — separating large transactions into small transactions to avoid scrutiny and detection from financial institutions.

*Possible indicators (specific)*

- ♦ Many transactions conducted at various financial institutions and/or branches, in one day
- ♦ Small/frequent cash deposits, withdrawals, electronic transfers made over a short time period
- ♦ Multiple low value domestic or international transfers

**ABUSE OF NON-PROFIT ORGANISATIONS** — raising funds to finance terrorism using non-profit organisations (charities) to conceal the source and nature of funds, as well as to facilitate distribution.

*Possible indicators (specific)*

- ♦ Known or suspected criminal entities establishing trust or bank accounts under charity names
- ♦ Transfers to or from locations that have poor AML/CFT regimes or high exposure to corruption
- ♦ Transfers involving accounts located in high-risk countries or known tax havens
- ♦ Transfers to numerous offshore jurisdictions with no business rationale
- ♦ Entities that use third parties to distribute funds or have weak financial governance mechanisms

**INVESTMENT IN CAPITAL MARKETS** — laundering proceeds of crime by using any market in which securities are traded, for example, the stock and bond markets, as well as futures trading and currency speculation.

*Possible indicators (specific)*

- ♦ Securities accounts opened to trade in shares of only one listed company
- ♦ Transaction patterns resemble a form of market manipulation, for example, insider trading
- ♦ Unusual settlements, for example, cheques requested for no apparent reason, to third parties
- ♦ Funds deposited into stockbroker's account followed immediately by requests for repayment
- ♦ Limited or no securities transactions recorded before settlement requested

**OTHER PAYMENT TECHNOLOGIES** — utilising emerging or new payment technologies to facilitate money laundering and/or terrorist financing.

*Possible indicators (specific)*

- ♦ Excessive use of stored value cards
- ♦ Significant and/or frequent transactions using mobile telephone services

**UNDERGROUND BANKING/ALTERNATIVE REMITTANCE SERVICES** — transferring proceeds of crime from one person to another via informal banking mechanisms.



*Possible indicators (specific)*

- ♦ Significant and/or frequent cash payments for transfers
- ♦ Cash volumes and transfers in excess of average income of migrant account holders
- ♦ Transfers to or from locations that have poor AML/CFT regimes or high exposure to corruption
- ♦ Transfers involving accounts located in high-risk countries or known tax havens
- ♦ Transfers to countries that are not destination countries or usual remittance corridors
- ♦ Large transfers from accounts to potential cash pooling accounts
- ♦ Significant and/or frequent transfers recorded informally using unconventional book-keeping
- ♦ Significant and/or frequent transfers requested by unknown or intermittent customers
- ♦ Numerous deposits to one account followed by numerous payments made to various people

**TRUSTED INSIDERS/CORRUPTION** — collusion, coercion or bribery of financial institution staff by customers, particularly high-profile individuals, for instance, government officials, business executives, celebrities or individuals known or suspected of being involved in serious crime.

*Possible indicators (specific)*

- ♦ Customers regularly targeting the same employees
- ♦ Employees relaxing standard AML/CFT procedures to facilitate transactions
- ♦ Employees exhibiting sudden wealth and/or assets in contrast to remuneration
- ♦ Employees avoiding taking annual leave
- ♦ Sudden improvement in employee's sales performance
- ♦ Employees adopting undue levels of secrecy with transactions
- ♦ Customers regularly targeting young and/or inexperienced employees

**CASH EXCHANGES** — exchanging low denomination notes for high (also known as refining) as a means to launder proceeds of crime, as well as reduce large volumes of cash obtained from serious crime.

*Possible indicators (specific)*

- ♦ Significant and/or frequent cash exchanges from small to large denominations (refining)

**CURRENCY CONVERSION** — converting one currency into another as a means to launder proceeds of crime, as well as reduce large volumes of cash obtained from serious crime.

Current impact on New Zealand assessed as:

*Possible indicators (specific)*

- ♦ Significant and/or frequent New Zealand or foreign currency exchanges
- ♦ Opening of foreign currency accounts with no apparent business or economic purpose