

Financial Intelligence Unit

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Financial Intelligence Unit

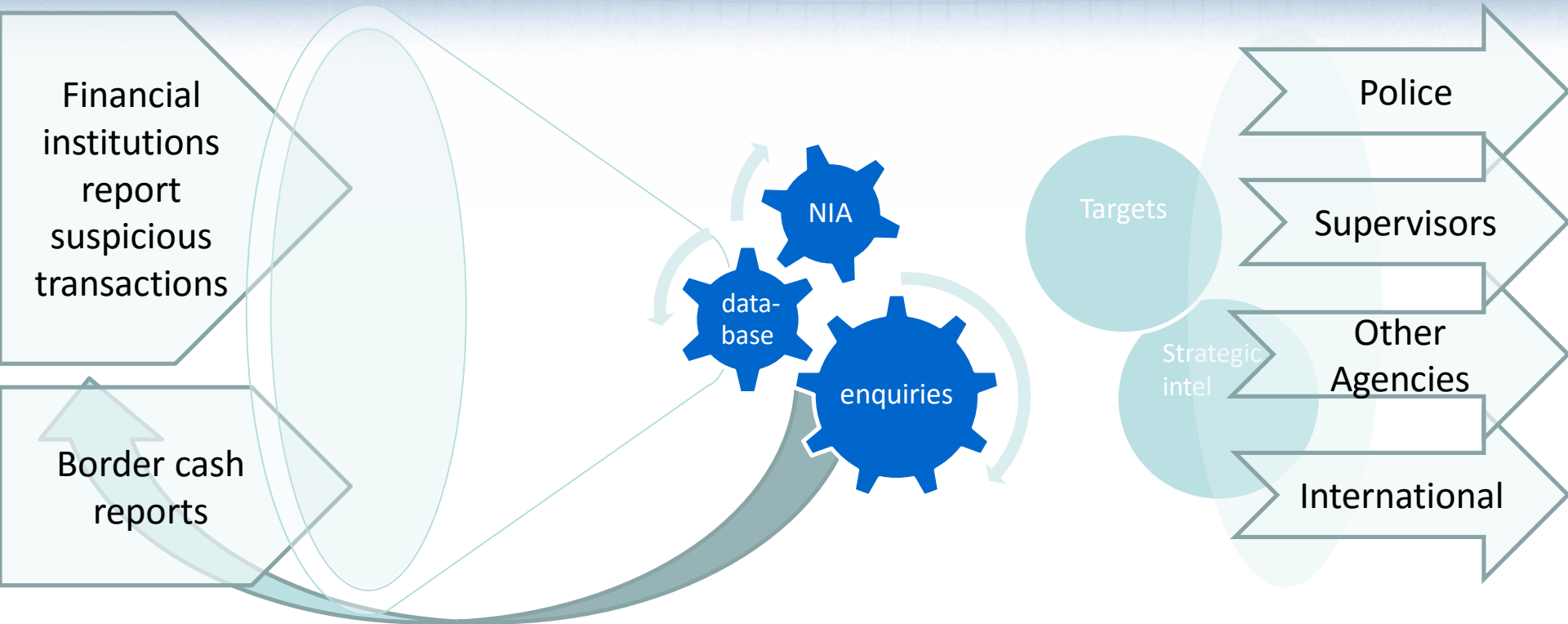
Financial Crime Group



Learning Objectives

- Money Laundering Typologies.
- Large amounts of Cash
- Role you have in reporting
- Contact details and links

Reports in Intelligence out



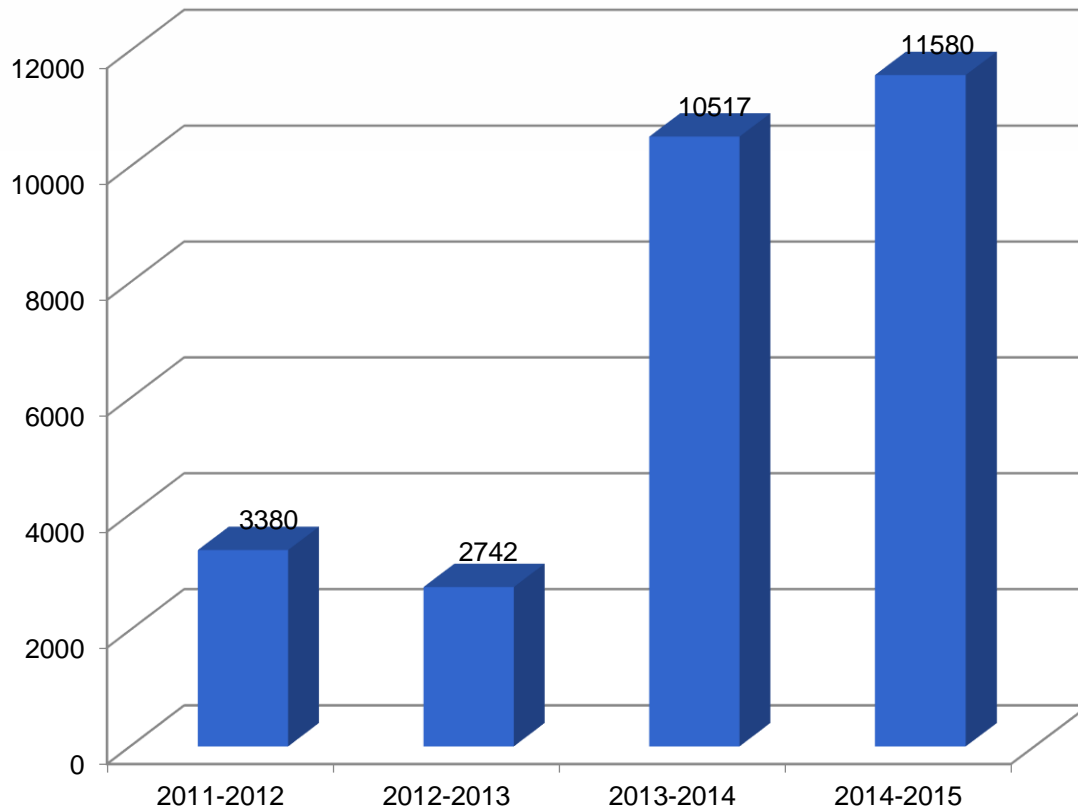
Some of our Partners



Plus our international FIU's and Law Enforcement Agencies



Trends – STR Reporting



2013-14 STR transactions worth \$3.5bn



2014-15 STR transactions worth \$8.6bn

FTRA 1996

S3 Definition of Financial Institution.

- (l) a lawyer or an incorporated law firm, but only to the extent that the lawyer or incorporated law firm receives funds in the course of his, her, or its business—
 - (i) for the purposes of deposit or investment; or
 - (ii) for the purpose of settling real estate transactions:

- (la) a conveyancing practitioner or incorporated conveyancing firm, but only to the extent that the conveyancing practitioner or incorporated conveyancing firm receives funds in the course of his, her, or its business—
 - (i) for the purposes of deposit or investment; or
 - (ii) for the purpose of settling real estate transactions:

LEGISLATIVE CHANGE

AML/CFT 2009

**Proposes to introduce
Gatekeepers/professionals to the
reporting regime:**

What is suspicious?

- **What is unusual?**
 - In your industry
 - In your business
 - For your client

- **How do you know what is unusual?**
 - Know your industry
 - Know your business

 - Know **your customer**

Typologies and trend

- Large unexplained cash deposits
 - Casino Activity
 - Beneficiaries/Child accounts
 - Wire transfers involving online child exploitation – Philippines.
 - Thailand – precursors, drugs, exploitation
 - Increased real estate involvement.
 - Financial activity through high risk jurisdictions.

NZ Payments to Philippines

From one reporting entity

- Law Enforcement in the Philippines identified online sex trafficking ring victimising young children.
- Investigation led to the arrest of 5 offenders
- Led to the rescue of 12 female victims (7 – 19 years old)
- Paid using money transfer services
- 1,420 transactions to Philippines over 8 year period
- Total = \$56,407.74
- 260 senders
- 25 countries

Outward Payments

- **Outward International Money Transfer of \$20,000 from a solicitors account to an individual off shore. The IMT gets stopped by the Bank due a sanctions fuzzy match to an individual on the United Nations terrorist list located in that country.**
- **If approached by the Bank for further details on the recipient, the Solicitor should be in a position to have or be able to obtain that. If not, the transaction is not likely to go through.**

Cash Deposits

- A client presents with a large cash deposit (\$40K) and rather than making the deposit at the Bank himself, asks his lawyer to complete the transaction on his behalf.
- Banking regulations for any cash deposit over \$10k require identification to be produced and recorded.
- Why did the client not want to complete the transaction?
- Where did all the cash come from? Other than the boot of his car!
- So – in an STR – who are the parties to this transaction? Where does the client fit in?
- What is the correct internal process for such circumstances?

High Risk Jurisdictions

A Law firm is the contact in New Zealand for:

- Companies based overseas in Panama, Seychelles, Vanuatu
- Accounts set up in under various Trust names in NZ by solicitor.
- \$\$\$ deposited to account and solicitor remits under email instruction.

- Do you know your customer/client?
- What is the risk here?

Shell Companies

- 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

Cash and Real Estate

- NZ\$400k cash banked by lawyer into his Trust account
- Given to him by 2 clients
- Banked in 4 x \$100k deposits
- Clients instructions were that cash was being held on behalf of their company registered in Gibraltar.
- This alleged company was a shell company that 'lent' one of the offenders the NZD400,000 in order to purchase a property in Auckland.
- A second lawyer was engaged by the offenders to facilitate this 'loan' and the purchase of the house in the offender's name.
- The funds for the purchase of the house therefore looked legitimate (a loan from a company).
- Two lawyers from different law firms involved in the money laundering process.
- Importation of Ecstasy

RISK AREAS

- buying and selling of real estate;
- managing of client money, securities or other assets;
- management of bank, savings or securities accounts;
- organisation of contributions for the creation, operation or management of companies;
- creation, operation or management of legal persons or arrangements, and buying and selling of business entities.

Helpful Hints

- **Identify the client and their beneficial owner**

Use reliable, independent source documents, data or information. If dealing with a corporate, request structure chart and details of beneficial ownership

- **Understand the business relationship**

Understand, and if appropriate, obtain information about the purpose and intended outcome of the transaction for which your services are being engaged

- **Maintain CDD activities**

Conduct due diligence about the business relationship and services on an ongoing basis to ensure they accord with your knowledge of the client, its source of funds and risk profile

- **If you cannot carry out satisfactory CDD**

Do not establish a business relationship or continue acting for the client. Consider whether you are required to file an STR

Red Flags – examples from FATF

1. Activity that is inconsistent with business activity or profile of customer
2. Customer does not fit the normal profile for your business
3. Customer avoids Customer Due Diligence, acts through an intermediary or obscures beneficial owner
4. Customer is unconcerned by loss or makes uneconomical trades

Red Flags – examples from FATF

5. Structured payments
6. Account appears to be used as a depository or conduit
7. Unusual international transactions
8. Unusually complex transactions
9. Companies involved with obscure business purposes
10. Uneconomic – quick buy and sell

■ PROSECUTION V ASSETS

Restraint and Forfeiture

At the end of December 2015:

- Forfeiture Orders in place = NZD84.8 m
- Restraining Orders = NZD262.7m

Since Criminal Proceeds Act 2009, 3045 assets worth est NZD475.5m:

- 564 residential properties worth an estimated NZD273 million
- 1,124 cash sums/bank accounts worth NZD78 million
- 71 farms/orchards/lifestyle blocks worth an estimated NZD49 million
- 20 commercial properties worth an estimated NZD20 million

Decision to report

- Via goAML
- Registration
- Training and guidance



Contact Details

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