

aml

From: [REDACTED] admin@agk.co.nz>
Sent: Friday, 3 December 2021 1:10 pm
To: aml
Subject: Submission AML/CFT DIA Review
Attachments: Submission AML CFT Statutory Review Dec 2021.pdf

AML/CFT Review

Please find attached my submission.

Kind regards

[REDACTED]
PO BOX 88

HUNTLY

TELEPHONE [REDACTED]

EMAIL : admin@agk.co.nz

AG KOSOOF + CO



CHARTERED ACCOUNTANTS
AUSTRALIA + NEW ZEALAND

I am a sole practitioner of an accountancy practice who feels seriously disadvantaged by this Act. It is far too cumbersome and ineffective.

I don't have a raft of staff at my disposal to deploy to 'AML' duties so have taken the role on myself. The cost has been huge to myself and my practice. And after three + years I can honestly say there is not one case of Money Laundering or Terrorism that I have encountered nor do I envisage there will be. I am a member of the Society of Chartered Accountants of Australia and New Zealand and am bound by their rules, regulations and ethics. I am audited for these. AML/CFT has added yet another layer of very expensive auditing and compliance to my business. I am most aggrieved. In my case this Act serves no purpose but to cost me in time and productivity to no worthwhile end.

An IRD number in this country should serve to prove a person's identity. Then there is the 'real me' system implemented by DIA, which was supposed to facilitate due diligence.

YET IRD numbers are never requested and REAL ME is not rated.

Everything we do and everywhere we go, we are required to prove who we are MULTIPLE times over and requiring MULTIPLE documents. Due Diligence Documents are not retained by agencies yet you have provided them multiple times. Going about your daily business has become a very frustrating and debilitating exercise.

DOES THE ACT CAUSE YOU PROBLEMS ? Here is my response :

The Act began on the basis that every person in NZ is a criminal. It has seriously alienated sections of our community.

The elderly have been particularly disadvantaged by the act in conjunction with the Banks closing their branches which has caused extreme hardship for this section of society. By way of example my father (now deceased) wished to open a term deposit at a Bank he held a business bank account with but not a personal bank account. He had banked at the same branch for 70+ years and had visited the branch three times weekly. On the day in question because he could not produce a drivers licence (no longer able to drive), a passport (expired as no

longer travelled) he was denied. The bank officer dealing with him apologized as he had dealt with him on a regular basis for many years and knew him well. He contacted the Bank's head office and was given the answer that he could not be helped because he didn't comply with the AML regulations.

Without documentation you are screwed. He walked out in disgust.

PROBLEMS : These are the problems we want to tell you about.

1. Every organization has its own due diligence process. They are all different. You have to do them multiple times within the same organization. The forms of ID you would expect to be 'rated' aren't ! I.E. 'Real Me' and IRD number – no-one asks for them. With regard to the IRD number- this is the most important number the GOVT can ever give to an individual or entity. It remains with the entity for its life and it is the way the GOVT collects its revenue. You would think this would be the most important number anybody could possess and yet AML regulations are not linked to this – it was the most obvious starting point. Instead they did 'real me' which has 'authentication' and links photographic evidence to your identity yet no-one recognizes it.

2. Every organization that is dragged in as a 'reporting entity' is treated the same yet we are vastly different, i.e. being an Accountant I deal with historical data, processing financials that HAVE ALREADY BEEN PROCESSED BY THE BANK, why then do I have to 'report' again ?

This would be the case for a lot of the third tranche of AML/CFT Reporting Entities.

There is an unnecessary amount of doubling up at huge cost and loss of productive working hours to absolutely no effect.

By way of example :

- a. We do not have clients walk in off the street with a suitcase of money to purchase assets.
- b. We do not act for clients who are criminals. We have our own vetting practices before we take them on and do not do 'one-off' transactions.

- c. We have personal relationships with all our clients and know their businesses in great detail. That is why they come to us as opposed to big firms.
- d. We do not set up business entities as fronts for clients to use.
- e. We do not hold money on client's accounts or make transactions for them.

YET we are expected to 'report' at the same level as a business that is conducting live transactions.

- 3. I would like to see the statistics as to how many terrorists and money launderers have been captured by reporting entities outside of Banks, i.e. by the 3rd tranche of organisations.
- 4. It has created a whole new industry which has added a significant cost to doing business in New Zealand. As this industry in-beds itself it will cause us to become uncompetitive. We are already seeing this in costs coming through to complete transactions and how parts of society are being denied services i.e. banking.
On a productivity level business focus has moved to compliance RATHER than innovation and more time is spent on ticking boxes as opposed to creating wealth and jobs that are productive.
- 5. The legislative rules are SO complex that they are difficult to understand and not written for the average lay person. It is clearly a programme purchased from overseas with very little thought given to what actually happens in this country. I would refer you to publications issued by the DIA headed 'guidelines for Accountants', March 2018 page 4. It has a written disclaimer saying the 'information in the book cannot be relied upon and you should seek legal advice.' Yet DIA is the body that owns the legislation ? and it is that complicated that DIA aren't confident in their own publications ?.
- 6. From a professional point of view the Society of Accountants denies 'auditing' without an 'auditors licence', yet here we have a GOVT organization imposing that upon our business an audit function where

we have no experience, no training and no WISH to do. Our Society, long ago, recognized, that auditing is a specialized field.

7. We are a small rural practice operating in a very small town. Our clients are small. We provide a service which no-one else is interested in (the larger accounting firms). This legislation makes small firms uneconomic and I am considering shutting it down. The clients I currently serve will have nowhere to go and again you will isolate a section of the business community who can't afford large compliance costs.

SUMMARY :

In my 35 years as a practicing Chartered Accountant I have never been involved in legislation which has been so poorly thought out and is such a detriment to business. I would like you to take this in the context that we deal with tax legislation and its constant changes and here we have legislation which is even worse than that.

A complete review of the legislation needs to be undertaken with regards to its effectiveness and weighed up against the cost to business productivity and people's lives. There is a huge cost here and a lot of organisations have been made unwilling 'policeman' on top of their already BUSY day jobs.

RECOMMENDATIONS :

Scale it right back. The focus should be on high-risk transactions rather than the business community in general.

Give the funds allocated to DIA to administer this monstrosity, to the Police. It will be better served there. Let the Police do their job, and let US get on with ours. Most of the legislation just leads to box ticking and compliance costs and goes nowhere near catching the criminals it was designed to catch. The purpose of 'deterring' is ALSO a deterrent to doing HONEST business in this country.

██████████
Rimu House
40 Main Street
HUNTLY

Telephone ██████████