

aml

From: [REDACTED]@mcre.co.nz>
Sent: Friday, 3 December 2021 4:29 pm
To: aml
Subject: AML/CFT Act Statutory review - Feedback

Good day

Thank you for opportunity to provide some feedback on current review.

The paragraph below, Part 4, Page 49 I would like to forward my comment:

"The current requirements for real estate agents when conducting CDD are not in line with the FATF standards. The FATF requires real estate agents to conduct CDD on both the vendors and **purchasers** of the property.

We can amend the regulation which defines a real estate agent's customer to require CDD **on both the purchaser and the vendor**. This change would better recognise the risks associated with real estate transactions and align with FATF requirements. However, requiring real estate agents to conduct CDD on both parties potentially doubles the compliance costs associated with CDD. Time at which real estate agents must conduct CDD"

My comment:

Q - Should we amend the existing regulations to require real estate agents to conduct CDD on both the purchaser and vendor? Is this manageable?

A - For the Real Estate agent to also perform CDD on the purchaser creates an unbearable interruption of business practice at a hugely significant cost. The set up of AML process within Real Estate to perform CDD on vendor, has already presented its increased challenges and costs, but to now include purchaser CDD by the Real Estate agent, does not just increase compliance costs but escalate them by a multiplying factor of up to 20 or 30 times, depending at what stage purchaser CDD needs to be performed. With vendor CDD, its one (Individual, Company, Trust, Society, Partnershipso it grows) but when Purchaser CDD, where does it stop, considering multiple prospective buyers e.g. Multi-offers, Tenders and Auctions maybe 10 – 30 (Individuals, Companies, Trusts, Societies, Partnershipsso it grows) for one listing / property, all that work, then only to have one Purchaser succeed? Does the risk justify this measure of cost? Particularly, how do small office / agents deal with this overhead? Who gains in all this?

Q - How might the challenges provided in Question 1 be addressed? Do you have any solutions?


A - Generally if a Purchaser of a property is to convert dirty money to "clean", the sale of the property needs to follow, thus CDD will be performed when the Purchaser becomes a vendor. Is this not adequate to mitigate level of risk, to prevent further burden of Purchaser CDD on Real Estate? If Purchaser CDD ever becomes a requirement, at the most should only be a requirement of the one successful Purchaser, not the prospective purchasers. This Purchaser CDD would then fit more conveniently within the Conveyancers current client CDD process and not Real Estate agent.

Q - What is the appropriate time for CDD on the vendor or purchaser to be conducted in Real Estate transaction?

A - The current process of Vendor CDD (Listing agreement) works quite well, with the agent being responsible, since the Real Estate Office is most often located within the vicinity of the listed properties, thus the agent would have a reasonable knowledge of local activity and resident network, plus better opportunity of "face to face" engagement, therefore lending itself to easier identification of any suspicious activity. When it comes to Purchaser CDD, this is would fit best with the conveyancer, since by the time documentation hits conveyancers office, there is no raft of prospective purchasers, but the one succesful Purchaser. This is the time to conduct CDD on the Purchaser.

Thank you for hearing and your labours to prevent Money Laundering:)

Kind regards


Mackenzie Country Real Estate LJ Hooker
AML Compliance Officer

IMPORTANT: This e-mail (and any attachment) is confidential and may contain copyright and/or legally privileged information. It is intended solely for the use of the individual or entity to whom it is addressed. If you are not the intended recipient please do not copy, use or disclose this e-mail; please notify the sender immediately by return e-mail and then delete this e-mail. Any views or opinions are solely those of the sender and do not necessarily represent those of Mackenzie Country Real Estate Ltd. Mackenzie Country Real Estate Ltd does not guarantee that this email or any attachments are free from viruses or completely secure. We are committed to the security and protection of the personal information that we hold and use. If you have any questions relating to our compliance with Privacy Act 2020, please read our Privacy Statement on our website.