

aml

From: [REDACTED]@fcdo.gov.uk>
Sent: Friday, 10 December 2021 12:14 pm
To: aml
Cc: [REDACTED]
Subject: RE: AML/CFT Act review -extension request
Attachments: 20211210 HE Laura Clarke to Hon Kris Faafoi AML Consultation.pdf

Kia ora Nick

Many thanks again for the extension!

Please find attached submission, and do let us know if we can help any further comparative information.

Have a great weekend.

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From: aml <aml@justice.govt.nz>
Sent: 02 December 2021 09:49
To: [REDACTED]@fco.gov.uk>
Cc: [REDACTED]@fco.gov.uk>
Subject: RE: AML/CFT Act review -extension request

Kia ora Wendy,

Many thanks for your email. Happy to accommodate a one week extension until 10 December.

Please let me know if you need anything further!

Ngā mihi,

Nick



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Kaitohu Tōmua | Senior Policy Advisor
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From: [Redacted] <[\[Redacted\]@fcdo.gov.uk](mailto:[Redacted]@fcdo.gov.uk)>
Sent: Thursday, 2 December 2021 9:37 am
To: aml <aml@justice.govt.nz>
Cc: [Redacted] <[\[Redacted\]@fcdo.gov.uk](mailto:[Redacted]@fcdo.gov.uk)>
Subject: AML/CFT Act review -extension request

Kia ora AML/CFT consultation team

Thank you for the opportunity to input into the consultation. We are currently assisting with a submission, however awaiting some comparative information from London.

I would like to ask if a one-week extension would be possible (to 10th December?)

Many thanks for your consideration.

[Redacted]

[Redacted] | Senior Political Adviser |
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High Commission
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Hon Kris Faafoi
Minister of Justice
New Zealand

10 December 2021

Tēnā koe Minister Faafoi,

RE: Ministry of Justice Review of the Anti-Money Laundering and Counter-Terrorism Financing Act 2009 (the AML/CFT Act)

I write to you in relation to the Ministry of Justice's Review into the Anti-Money Laundering and Countering Financing of Terrorism Act 2009 (the AML/CFT Act) that is currently underway.

As set out in the UK Government's Economic Crime Plan, closer bilateral and regional cooperation with international partners to tackle illicit financial flows is considered a top priority for the UK.¹ This combined with the UK Government's Integrated Review which places an emphasis on deepening economic and security ties in the Indo-Pacific, means the UK-New Zealand partnership is critical to effectively promoting raised AML/CFT standards in the region.²

In this context, I welcome the opportunity to share the UK experience on a number of areas under consideration as part of your review, whilst recognising that officials in both our countries continue to have valued and ongoing dialogue on these issues.

The UK is eager to maintain an active dialogue with international partners to exchange learnings as it enters the final stages of its Transformation Programme, and would welcome a follow up discussion on this issue in the New Year.

I hope the information we have provided will be helpful to the Ministry of Justice's Review. My team stand ready to follow up on questions you may have, or discuss other aspects of the Review not covered in this note.

[Redacted]

[Redacted]

[Redacted]

British High Commissioner to New Zealand | Te Māngai Kāwanatanga o Peretania
Governor, Pitcairn Islands

¹ UK Government Economic Crime Plan <https://www.gov.uk/government/publications/economic-crime-plan-2019-to-2022>

² UK Government Integrated Review <https://www.gov.uk/government/publications/global-britain-in-a-competitive-age-the-integrated-review-of-security-defence-development-and-foreign-policy>

Ministry of Justice Review of the Anti-Money Laundering and Counter-Terrorism Financing Act 2009 (the AML/CFT Act)

AML/CTF Supervision

The UK Government recognises the important role the vast majority of law-abiding professionals play in supporting businesses and individuals to navigate our legal framework, contributing significantly to the UK's economic growth. However, it is also clear that accounting and legal professionals are particularly vulnerable to enabling IFFs, with the UK's Money Laundering and Terrorist Financing Risk Assessment pointing to 'the credibility and respectability they can convey, helping to distance funds from their illicit source' and 'gain legitimacy'.³ With lawyers, accountants and estate agents collectively filing 6519 Suspicious Activity Reports linked to suspected money laundering or terrorist financing in 2019-2020, it is clear these sectors presents a significant vulnerability to IFFs.⁴

The UK has 22 Professional Body Supervisors (PBS) responsible for the AML/CTF supervision of the legal and accountancy sectors. In order to increase the standards and consistency of AML compliance and supervision in these sectors, the Office for Professional Body Anti-Money Laundering Supervision (OPBAS) was set up in 2018 to monitor PBS compliance with the UK Money Laundering Regulations 2017 (MLR).

OPBAS is tasked with improving the standards and consistency of AML/CTF supervision amongst the 22 PBSs as well as improving the flow of intelligence and information sharing between the PBSs and law enforcement. OPBAS enforcement tools range from issuing Directions to comply and restricting the acceptance of new members to recommending to Her Majesty's Treasury (HMT) that they be removed from the list of PBSs included in the MLRs.

OPBAS was welcomed by the Financial Action Taskforce (FATF) and is having a positive impact on AML compliance by PBSs and their underlying sectors. This has been illustrated by a significant improvement in governance procedures within PBSs; the amount of on-site AML inspections has increased, with the quality of AML guidance issued to the legal and accountancy sector and sanctions for money laundering breaches also seeing a rise.

Alongside OPBAS, the UK monitors the quality and effectiveness of supervision by other mechanisms. This includes an HMT Annual Supervision Report, which captures a consolidated review of supervisory activity. To inform this, HMT commission an annual return from supervisors, requesting data on: their AML-supervised population; what supervisory activity has been undertaken; what enforcement action has been taken, and intelligence and information sharing practices. PBSs are also required to publish annual AML reports.⁵

³ UK National Risk Assessment of Money Laundering and Terrorist Financing 2017 <https://www.gov.uk/government/publications/national-risk-assessment-of-money-laundering-and-terrorist-financing-2017>

⁴ UKFIU Suspicious Activity Reports Annual Report 2020 <https://www.nationalcrimeagency.gov.uk/who-we-are/publications/480-sars-annual-report-2020/file>

⁵ Law Society of Scotland: Anti-Money Laundering Supervisory Report 2021 <https://www.lawscot.org.uk/media/370491/aml-annual-report-2020-february-2021.pdf>

The UK's supervisory framework continues to evolve to ensure supervisors are rigorous in adopting a risk-based approach to their supervisory functions, informed by the risk assessments they are required to carry out.

Transparency of Ownership

Having the ability to shine a light on those who seek to use complex corporate structures to launder their ill-gotten gains is critical to effectively combatting IFFs. That is why, in 2016, the UK introduced a freely accessible public register of people with significant control (PSC) over companies (also known as 'beneficial owners'). The feedback from law enforcement agencies is that the UK company register plays a vital role in protecting national security. In instances where law enforcement require information that is not publicly available (e.g. information provided by individuals to verify identity) requests for information to Companies House (CH), who administer the PSC register, have increased from 11 to 200 per month over the last five years. In many cases, multiple pieces of intelligence have been shared each time, proving critical in support of ongoing investigations.

The study also found that complying with these requirements imposes minimal cost and bureaucracy on business. Of companies interviewed, 95% thought the cost of collecting information had no impact on business, and 66% already collected the requisite information before the register was operational. Critically, the median annual cost of maintaining the information was just £2 (circa NZD \$3.93) per firm, as most businesses did not change their beneficial owners frequently, and the median initial cost of collecting and submitting the information initially was only £115 (circa NZD \$225.81) too.⁶

Whilst the FATF assessed the UK to have a substantially effective framework for transparency over corporate entities, further improvements were recommended to enhance the quality of information. In light of this, the Government is pursuing a number of avenues to ensure the accuracy of information. This includes continuing to invest in and develop technological solutions to improve automated checks on information received, as well as ensuring closer cooperation between CH and UK law enforcement bodies.⁷

However, the UK recognises strengthening its own PSC register is not enough, and we are committed to supporting efforts by New Zealand and other international partners to improve the accessibility of company beneficial ownership information. This is with the firm conviction that a globally adopted beneficial ownership standard will ensure those who attempt to launder and conceal dirty money using complex corporate structures will have no place to hide.

⁶ 10 People of Significant Control (PSC) Register: Review of Implementation <https://www.gov.uk/government/publications/people-of-significant-control-psc-register-review-of-implementation>

⁷ UK Government: Corporate Transparency and Register Reform https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/925059/corporate-transparency-register-reform-government-response.pdf

Suspicious Activity Reporting

The implementation of a comprehensive and streamlined Suspicious Activity Report (SAR) regime is central to any country's response to tackling financial crime. That is why the UK Government's Economic Crime Plan committed the UK to undertake a multi-year SARs Transformation Programme to better support the disruption of money laundering and terrorist financing offences.

The UK Transformation Programme is focused on ensuring a more efficient and flexible IT platform for both reporters and law enforcement to improve operational effectiveness. This includes an upgraded SAR submission process for reporters bespoke to all different reporting sectors' needs, improved law enforcement tools to access and analyse SARs and a better system workflow to support the UK Financial Intelligence Unit in managing SARs. The Programme also commits to delivering training, outreach and awareness within law enforcement across the UK to boost engagement and exploitation of SAR intelligence in the prevention, detection and investigation of crime.⁸

⁸ NCA SARs in Action Issue 11 <https://www.nationalcrimeagency.gov.uk/who-we-are/publications/534-sars-in-action-issue-5-june-2021>