

**aml**

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**From:** [REDACTED]@snowballeffect.co.nz>  
**Sent:** Tuesday, 16 November 2021 11:11 am  
**To:** aml  
**Subject:** [SUSPECT SPAM]AML/CFT review - public consultation feedback

To whom it may concern,

In response to the request for public feedback on the AML/CFT Statutory review, please see our thoughts below.

### **Purpose of the Act**

We agree that the goal should be about stopping money laundering rather than putting people off.

Based on our business operations, the current legislation causes legitimate investors not to invest with us due to the paperwork we are forced to collect. This has a detrimental impact on productive economic activity when the AML/CFT risk is extremely low for our particular businesses operations. Our business operations facilitate investors buying shares in private businesses where there is no liquid market for the shares making it incredibly difficult and high risk to try and launder money through a passive investment in a private business.

In 7 years we have processed over 22k investments with no clear signs that anyone has attempted to launder money.

### **Unintended consequences - intermediaries / agents**

An unintended consequence of the Act is intermediaries popping up that allow businesses to outsource their AML obligations. This has an unintended consequence of transferring the value of holding the documentation from the person being checked to the intermediary, who then sells the use of the documentation to other reporting entities that need a customer's information.

The use of outsourced AML providers and intermediaries furthermore goes against the point of AML and understanding who your customers are and where their funds have come from. Third party outsource providers do not align with the intent of the Act and create further destruction of value beyond the value stringent AML rules already destroy. Any outsource agent should be monitored closely to ensure they are completing the required obligations to the highest standard and not presenting a risk to the reporting entity being serviced.

At the moment, private enterprises are capitalising on this issue, by taking in AML documentation and then reselling it for an exorbitant price to other reporting entities, lowering the AML standards across the entire country as more businesses outsource their obligations, and thereby increasing the AML/CFT risk across the board. An immediate fix would be to restrict the price payable to recycle AML information to only allow reasonable cost recovery for the time incurred sending the information to a different reporting entity.

Another alternative would be for a govt database to house the information, with an ability for reporting entities to retrieve confirmation of up to date and compliant AML information being held in the government database.

### **Bare trustees**

The act currently doesn't cater to nominee arrangements as we use them. We operate a nominee company which holds the beneficial interest (shares) in a company on an investors behalf. This nominee vehicle often represents a shareholding block above 25% of the company, but has no ability to control the rights of the underlying shares. An exemption from the need to collect AML/CFT documentation from bare trustees when they have no ability to control an activity should be applied.

## Access to government databases via APIs

It makes sense to lower the cost and open up the availability of government databases for reporting entities to utilise. These are the most trustworthy sources and reporting entities need to be able to rely on them to be able to comply with their obligations under the Act.

## Improved guidance material

At present, guidance material comes from multiple sources and is not clear as it is intended for the widest audience possible. Guidance needs to be provided at a more granular level based on industries, and industry subsets, so that language makes sense and is easy for reporting entities to follow and implement adequate regimes.

An unintended consequence of this ambiguity is more advisors and intermediaries profiting off the confusion.

## Address verification

This is a pain point in our experience and appears to add little value. People change addresses a lot, and collecting this information does little to prevent money-laundering.

A very common example is trusts that do not have an address or mail sent to the address that can be used. Exceptions are therefore required on a regular basis, which makes the legislation redundant in these circumstances.

## Other

- Digital identity services make sense as long as they are robust.
- Transtasman AML alignment makes sense.

I would be happy to discuss these points further.

Regards



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