



We see your money differently

The three stylised people signify that through our Members, their members and the community working together cooperatively, we all grow.

12 September 2016

Improving New Zealand's Ability to Tackle Money Laundering and Terrorist Financing
Consultation on Phase Two of the AML/CFT Act
Ministry of Justice
aml@justice.govt.nz

RE: Anti-Money Laundering and Countering Financing of Terrorism Act 2009

About Co-op Money NZ

Thank you for the opportunity to comment on Phase Two of the Anti-Money Laundering and Countering Financing of Terrorism Act 2009 (AML/CFT Act). We make this submission as Co-op Money NZ, the industry association for credit unions and mutual building societies. We exist to represent, promote and support our 18 Member credit unions and mutual building societies, and to provide cost effective business services and products.

Credit unions and mutual building societies are co-operatively owned financial service providers, providing their members with a similar range of services to a retail bank. Credit unions and mutual building societies are all independently owned and operated by their members for their members, and any profits are returned to their members/owners in a combination of ways i.e. fairer fees, interest rates and community involvement.

Co-op Money NZ's Members employ over 500 staff, represent approximately 190,000 members, with nearly 90 branches, assets of over \$1.5 billion and collectively are the sixth largest financial transactor by volume in New Zealand. Co-op Money NZ also wholly owns Co-op Insurance NZ (www.coopinsurancenz.co.nz), a fully licensed insurance provider, under the Insurance (Prudential Supervision) Act 2010, with over 67,000 lives covered. Additionally, our ATM network is the largest outside of the major banks with over 500 ATMs managed by Co-op Money NZ.

Co-op Money NZ is a member of global trade association (the World Council of Credit Unions) which represents over 223 million people in 109 countries across the globe. This international network operates under the vision: "Improving people's lives through credit unions" and promotes the sustainable development of credit unions and other financial co-operatives around the world.

Co-op Money NZ is also a member of Cooperative Business New Zealand (www.nz.coop), the industry body whose mission is "bringing together the country's cooperative and mutual businesses to promote, encourage and support the co-operative and mutual business model, and act as the advocate for those engaged in co-operatives and mutuals."

Co-op Money NZ

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Collectively the wider customer-owned banking sector represents 10% of the economically active population in New Zealand and represents more than \$600 million in revenue per year. A number of these organisations are represented on Cooperative Business New Zealand's Top 40 co-operative and mutual businesses (by revenue). Co-op Money NZ is ranked number 28 on the list.

General Support

Co-op Money NZ is generally supportive of Phase Two of the AML/CFT Act. Co-op Money NZ believes a robust AML/CFT regime plays an important role in building trust in the financial markets and, consequently, a prosperous New Zealand. By extending the AML/CFT obligations as envisioned in Phase 2, all persons can have confidence that New Zealand is complying with international norms in fighting money laundering and financing of terrorism.

Reporting "Activity" Creates Uncertainty

While Co-op Money NZ understands the intent behind the Ministry of Justice's proposal to require Reporting Entities to report "suspicious activities", Co-op Money NZ believes that the term "activity" is too wide and will create uncertainty. It would appear that the Ministry cannot be prescriptive in this area as it is not possible to prescribe "suspicious activities" in the myriad of potential situations.

However, our Members will need parameters to understand what a suspicious activity is and what is not. There is a danger that Reporting Entities will be relying upon stereotypes and pre-conceived notions of persons and their activity which may be problematic to say the least. This seems to be counter to the intention of the Ministry of Justice and will create distrust between Reporting Entities and their customers.

In addition, "activity" is very wide and will generate significantly more reports to the Financial Intelligence Unit (FIU) to investigate. There is a danger that the FIU will waste time and resources investigating activities that are not actually an issue rather than focusing on actual incidents of money laundering and/or financing of terrorism. It is considered that Reporting Entities will over-report as there is no risk of being non-compliant with the AML/CFT regime in filing an unnecessary report.

Consistency of Regulators

With the inclusion of lawyers, accountants, real estate agents, and high value dealers into the AML/CFT regime it is necessary to consider the role of the Regulators. Co-op Money NZ considers it is important that Regulators are consistent in administering the AML/CFT regime. Currently with three Regulators this has worked reasonably well but if the situation in New Zealand was to follow the UK then it is hard to see how 20+ Regulators could be consistent.

If some industries self-regulated then the question arises as to why those industries and not others. Currently, our Members are considered low risk for money laundering and/or financing of terrorism yet are regulated by the Reserve Bank of New Zealand. We are surprised that self-regulation for real-estate agents being considered is when the risk of money laundering through real estate has been highlighted many times as a global risk. In addition, the expertise in regulating AML/CFT may not be present in self-regulating bodies to begin with and the learning curve for such bodies will mean gaps in the regulatory space.

Co-op Money NZ would prefer to see the status quo in regards to the number of Regulators with the Financial Markets Authority and/or Department of Internal Affairs taking on the new Reporting Entities or a single Regulator covering the entire AML/CFT sector. It is noted that there will be costs associated with establishing a single Regulator, however, there will be costs if a number of regulators are created.

Protections in Sharing of Information

As previously stated Co-op Money NZ is supportive of a robust AML/CFT regime and understands the need for different government agencies to share information. However, Co-op Money is concerned how the information of the customers of our Members is treated and what protections will be in place that protects the privacy of individuals.

Conclusion

Thank you for the opportunity to provide a submission on this consultation. If you have any questions regarding our comments please feel free to contact me on (09) 539 5426 or steve.friis@coopmoneynz.org.nz.

Yours sincerely,



Steve Friis

Manager, Risk & Compliance