



IMPORTED MOTOR VEHICLE INDUSTRY ASSOCIATION (INC).

Submission to:
New Zealand Ministry of Justice

on:
**Improving New Zealand's ability to tackle money
laundering and terrorist financing**

EMAIL: aml@justice.govt.nz

Prepared: 15th September 2016

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1. Background

The Imported Motor Vehicle Industry Association Incorporated (“IMVIA”) is the business association that represents the interests of the wider trade involved in importing, preparing, wholesaling and retailing the majority of used vehicles imported from Japan, Singapore and other jurisdictions.

Our members include importers, wholesalers, Japanese auction companies and exporters, shipping companies, inspection agencies, TSDAs, ports companies, compliance shops and service providers to the trade, as well as retailers.

We provide legal and technical advice to the trade, and liaise closely with the relevant government departments, including New Zealand Transport Agency, Ministry of Transport, NZ Customs Service, MAF, Ministry of Consumer Affairs, Commerce Commission, EECA, MfE etc.

2. Official Information Act 1982

The IMVIA has no objection to the release of any part of this statement of support under the Official Information Act 1992.

3. Privacy Act 1993

The IMVIA has no objection to being identified as the submitter.

4. Contact

For further contact in relation to this statement:

Kit Wilkerson
Policy Analyst and Advisor
Imported Motor Vehicle Industry Association (Inc.)
PO Box 14-143
Panmure
Auckland

Phone: 09 573 3058
Direct: 09 573 3244
Mobile: 021 040 3780
Email: kit@imvia.co.nz
Web: www.imvia.co.nz

5. Introduction

IMVIA thanks the Ministry of Justice for the opportunity to submit on the consultation paper on Phase Two of the AML/CFL Act. We are making this submission after consultation with our membership as well as other experts on trading in motor vehicles and the New Zealand fleet.

6. Scope

The scope of this submission is limited to our expertise with motor vehicles and the importation thereof. We have limited our comments to the sections of relevance as noted.

7. Submission

IMVIA agrees with making necessary changes to improve New Zealand's ability to tackle money laundering and terrorist financing.

Our general position is such that we prefer to utilise established channels and procedures to meet the stated aims.

To achieve this, government should work closely with industry associations to implement a relevant programme focusing on education, encouraging compliance.

Following are IMVIA's responses to specific questions we found relevant from the consultation paper.

High Value Goods

1. The Act should apply to all dealers of high-value goods and services.
2. Although we recommend a range from \$10,000 to \$25,000, IMVIA is agnostic about the exact threshold. Whatever threshold is chosen should be consistent and reasonable, independent of the nature of the good or service. All rules should be industry-neutral, and applied consistently and fairly.

Supervision

1. IMVIA recommends the government explore a third alternative. We would prefer that a single agency provides oversight and supervision. That single agency should work to ensure that compliance is simple and universal, regardless of the nature of specific goods or services being supervised. We also recommend that

this single agency work closely with reputable industry associations to ensure that it has access to industry-specific expertise.

2. The benefit of the system proposed by IMVIA is that it is simple and universal. Compliance will result from a basic understanding of the nature of business as opposed to requiring understanding of esoteric industry-specific processes. The suggestion also includes the benefits of both alternative systems, ie the simplicity of the single supervisor system combined with having access to expertise on specific industries.

It is likely that most industry associations will assist in providing information and educational services to their members.

Implementation period & costs

1. IMVIA recommends a staged implementation that coincides with stages of legislation. Our preference is a focus on education and encouragement prior to enforcement, based on the “Willing Compliance” model of enforcement.

When the legislation is passed, the government should start a period of education. The goal should be to reach and educate as much of relevant industries and parties as possible. This would include the use of industry associations, trade media, direct informational packages, and officials who are able to visit businesses or conduct seminars with the purpose of providing education and addressing questions and concerns.

Following this stage of initial education, there should be a period of a year of probationary enforcement. Violators should be identified with the goal of targeted further education and encouraging compliance, with only the most deliberate and egregious examples of breaches prosecuted.

After this year, the penalties should start being enforced.

The benefit of this system is that it gives both industry and government a period to refine processes, as well as build relationships. It allows government time for gathering information that can be used as a baseline moving forward.

2. This suggestion is based upon a best practice process. Our two decades of experience in assisting the government to implement new programmes and regulations related to our industry has helped us identify processes that accomplish stated goals with the least burden on government and industry. The

latest example (and so far, best implemented case) is EECA's requirement for fuel economy labels at the point of sale.

How we expect this to apply to the Motor Vehicle Industry

We suspect that Registered Motor Vehicle Traders (RMVT) will avoid these the requirements to register under the new Act by concerns by utilising channels and procedures already in place. RMVT offered cash for a major purchase will likely take a deposit which is below the given threshold and then send the customer to a bank to exchange the balance of the cash for a bank cheque. This allows the RMVT to secure the business by taking the deposit and then utilises the bank's already AML/CFT compliance processes to manage the rest of the transaction.

IMVIA thinks that, because of the likely requirements for registration, very few RMVT will individually register. We recommend that this option remains available to businesses that decide to avail themselves of well-established existing systems related to AML/CFT, as opposed to having to assume the costs of compliance of individual registration.

We do not think this behaviour will be limited to RMVT.

In fact, the government might consider a policy that encourages all large sum transactions, for goods or services, to go through banks, as their systems are already in place and evidently well managed.

Risks identified

We also want to take this opportunity to briefly share some risks we have identified.

Discussions with our members have identified the burden on the retail customer as one of our industry's greatest concerns. It is very important to remember that these restrictions are likely not just onerous for businesses, they are inconvenient for the customer and can become barriers to trade. Customers will use the path of least resistance...or potentially not buy at all.

Once again, we emphasise that education is the key. Anecdotally, many retail customers currently go to their bank and withdraw large sums of cash in preparation for making a major purchase; this behaviour could easily be discouraged by proper information and education.

While we appreciate and agree with the intent of this regulation, we must warn that being too stringent or onerous might simply encourage people to use alternative forms of trade, both legitimate and not. Examples of this might be the increased use of alternate forms of currency such as bitcoin or direct barter such as exchanging drugs or stolen property for a good or service.