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AML/CFT Consultation Team  
Ministry of Justice  
SX 10088  
WELLINGTON

E: [aml@justice.govt.nz](mailto:aml@justice.govt.nz)

## Ministry of Justice Consultation Paper on Phase Two of the AML/CFT Act

The Jewellers Association of New Zealand (JANZ), a specialist trade group within Retail NZ, is a not for profit organisation representing Manufacturers, Wholesalers and Merchants in all aspects of the New Zealand jewellery industry from “mine to market”. The JANZ Executive Committee is elected by members to voice their concerns on issues affecting the New Zealand jewellery industry and takes this opportunity to make a submission regarding the proposed changes to Anti-Money Laundering and Countering Financing of Terrorism Act regarding High Value Goods.

### Page 22/23 of The Consultation Paper states:

The ML/TF risks associated with high-value goods include:

- In New Zealand, valuable assets such as silver and gold, jewellery and precious stones, cars, boats, artwork and other items have been associated with offenders.
- NZ Police have identified purchases of high-value items, such as precious metals or gems and vehicles, as having a high inherent risk of being misused for ML/TF purposes.
- High-risk red flags include significant or frequent use of cash to purchase valuable commodities and assets, which can then be resold to disguise the origin of illicit funds.
- Criminals may also use cash to buy high-value goods such as jewellery or watches, then travel overseas with them to transfer value while avoiding detection by financial institutions.
- Organised crime groups may use cash to purchase high-value goods then sell them for cash, so they can disguise the origin of the funds and deposit the money into the financial system without raising red flags.

We noted that none of the Case Studies, relating to the above statements, identified jewellery or gem stones and it is therefore not evident that jewellery and precious stones have been associated with offenders or misused for ML/TF purposes.

## Question:

### 1. Should the Act apply to all dealers of high-value goods or just particular ones?

There are many small business owners, recognised as Jewellers, who would not carry a large inventory of high-value items but collectively their products and services may identify them as dealers of high-value goods.

While some Jewellers are also registered as Second-hand Dealers and therefore comply with their obligations under the Secondhand Dealers and Pawnbrokers Act 2004, the majority of bullion and precious stone suppliers trading in large amounts already gather and store transaction data as part of their normal business procedures. These suppliers generally deal with their customers 'on account' and don't encounter cash transactions. Therefore, the proposed changes to the Act will likely have a greater impact on the small business person who is already facing significant compliance meeting their other business obligations.

If the Act was to apply to all Jewellers, the added compliance costs to:

- gather and keep records
- maintain a risk and compliance programme
- conduct customer due diligence
- conduct enhanced customer due diligence to verify the source of funds
- monitor those customers and report suspicious activity
- maintain records for 5 years
- meet audit and reporting obligations
- upskill all staff etc.

for cash transactions over \$10,000 on any one item, or regular cash transactions with one customer, would be a huge burden and not be welcomed by the majority of small business owners we represent.

Those Jewellers, Manufacturers and Wholesalers that are current members of any of the recognised jewellery industry organisations in New Zealand are all bound by a Code of Ethics and, as well as abiding by The Fair Trading Act and laws governing the Consumer Guarantees Act, have all made a commitment to not bring the industry into disrepute.

To answer Question 1, JANZ recommends that the Act apply only to all dealers of high-value goods that are NOT members of a recognised jewellery industry or trade organisation and who therefore are under no obligation to abide by industry rules. JANZ will ensure the wording in its Code of Ethics adequately covers off anti-money laundering practises.

## Question:

### 2. What is the appropriate threshold for cash transactions that would trigger AML/CFT customer due diligence and reporting requirements? Please tell us why.

New Zealand Customs rules regarding physical currency require every person arriving in New Zealand with cash in excess of \$10,000, in any denomination, to complete a Border Cash Report. Therefore, an appropriate threshold for cash transactions triggering an alert should be no less than \$10,000 cash.

Ideally, JANZ members tend not to accept large cash transactions but there may well be instances where they believe their customer to be legitimately dealing in cash and, under the new regime, would not feel comfortable questioning the origin of the funds for fear of losing a sale and a valued customer.

In most cases our retail and gold buying members' cash payment threshold to signal a "red flag" would be reached at \$5,000 or more. On rare occasions a larger cash transaction may occur such as when a customer has been saving up to buy an engagement ring without the intended recipient's knowledge. Invariably this customer is known to the Jeweller so no "red flag" is signalled.

A customer may also wish to sell unwanted jewellery or use it to trade toward a new item. If paying out more than \$1,000 in cash on traded items, most Jewellers will do this via online banking which captures the details and sufficient private information required for financial transaction purposes.

JANZ would appreciate added consideration being given to alleviate concerns around the huge extra burden that will be placed on a large number of its members should any changes to the way they may legitimately continue to accept cash transactions be further regulated.

Please keep us informed on progress and should you wish to discuss concerns, please do not hesitate to contact us.

Brenda Chalmers  
RetailNZ-JANZ Trade Group Executive

On behalf of:

JANZ Executive Committee:

- Gregory C Winegar      Ellerslie Jewellers & Engravers
- Jane Bell                NZ Gem
- Helen Thompson-Carter      Fabuleux Vous
- Steven Haywood            Phoenix Jewellery
- Marc Bendall              Marc Bendall Jewellers
- Doug Erkkila              Nationwide Jewellers

Jewellers Association of NZ (JANZ) is a specialist trade group within Retail NZ

P O Box 12086, Wellington, 6144, New Zealand

E: [JANZ@retail.kiwi](mailto:JANZ@retail.kiwi)

Tel. 027 2651380

[www.retail.kiwi](http://www.retail.kiwi)