

## Know your why: moving beyond anti-money laundering compliance

**For accountants and lawyers, being included in New Zealand's anti-money laundering/countering financing of terrorism (AML/CFT) regime was initially received as warmly as a compulsory visit to your Nana's – a little bit of kicking and screaming, searching for excuses and reluctantly realising you have no choice but to smile sweetly and grin and bear it.**



It would be fair to say that there was a degree of inertia, or burying of heads in the sand, with some phase 2 reporting entities (including accountants, lawyers, conveyancers and real estate agents) reluctant to be part of a regime that they saw little need for, or benefit in being part of.

A number of bodies playing their part in trying to address this initial reaction, including:

- The Ministry of Justice (charged with overseeing New Zealand's AML regime), who ran a public awareness campaign 'Keeping our Money Clean' ;
- The Financial Investigation Unit of the New Zealand Police who have started producing monthly 'Suspicious Activity Reports' to keep us all up-to-date on money laundering activity in New Zealand and further afield;

- The Department of Internal Affairs (charged with supervising the phase 2 reporting entities as well as a selection of phase 1 entities) who ran roadshows and produced guidance documents and sector risk assessments; and
- The professional bodies, including Chartered Accountants Australia and New Zealand and the Law Society, who ran training sessions and developed illustrative documents and information sheets.

What we are seeing now, after two years of being in the AML/CFT regime, is a growing level of maturity – greater awareness that family time is something to be treasured and that our grandparents have some fascinating stories we could learn from. In terms of AML, accountants are now realising the value that can be gained from obtaining a deeper understanding of our clients, what services they are asking for (and why) and what their expectations and long-term goals are.

We have seen a shift from a compliance focus (ensuring we ticked all the boxes required by the AML/CFT Act in documenting our Risk Assessments and Compliance Programmes, appointing a Compliance Officer and AML auditor, developing systems and processes for undertaking Customer Due Diligence (CDD) and training staff to detect any 'red flags') to focussing more on the why – why we are doing these things, the broader benefits that can be obtained from having a better, richer understanding of our clients, their related entities, beneficial owners and business relationships.

**Now, for tomorrow**



The Panama Papers, illustrated beautifully by the recent Laundromat movie, highlighted the role that phase 2 reporting entities have historically played in aiding and abetting criminals. A number of high-profile cases, including the recent Comanchero case, made us realise that, as with the Panama Papers, New Zealand is not immune to money laundering activity.

New Zealand has a strong reputation for the quality of its AML/CFT framework. Paradoxically, this makes us an attractive place for money launderers to enter the global economy.

Phase 2 reporting entities are commonly referred to as 'gatekeepers', given the key role we play in protecting the money laundering/financing of terrorism 'gates' by setting up companies, providing directorships, enabling the transfer of property and other high-value assets and through the operation of trust accounts amongst other things. Criminal entities seek us out as highly-regarded professional service providers, such as accountants and lawyers, who can provide the veneer of credibility they are seeking.

After two years of being in the AML regime, phase 2 reporting entities' understanding of the risks associated with being involved with less than reputable clients and customers has matured. The conversation has moved from a reluctant 'why do I have to go' to one of curiosity and understanding the many benefits that can be gained from hopping on board the AML bus or jumping into the car to go to Nana's house.



**Nicola Hankinson**

Specialist Services, National Technical Manager  
nicola.hankinson@bakertillysr.nz | + 64 4 496 9075

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