

Submission

to the

Law and Order Select Committee

on the

Anti-Money Laundering and Countering Financing of Terrorism Amendment Bill

21 April 2017

About NZBA

1. NZBA works on behalf of the New Zealand banking industry in conjunction with its member banks. NZBA develops and promotes policy outcomes that contribute to a strong and stable banking system that benefits New Zealanders and the New Zealand economy.
2. The following fifteen registered banks in New Zealand are members of NZBA:
 - ANZ Bank New Zealand Limited
 - ASB Bank Limited
 - Bank of China (NZ) Limited
 - Bank of New Zealand
 - Bank of Tokyo-Mitsubishi, UFJ
 - Citibank, N.A.
 - The Co-operative Bank Limited
 - Heartland Bank Limited
 - The Hongkong and Shanghai Banking Corporation Limited
 - Industrial and Commercial Bank of China (New Zealand) Limited
 - JPMorgan Chase Bank, N.A.
 - Kiwibank Limited
 - Rabobank New Zealand Limited
 - SBS Bank
 - TSB Bank Limited
 - Westpac New Zealand Limited.

Background

3. NZBA welcomes the opportunity to provide feedback on the Anti-Money Laundering and Countering Financing of Terrorism Amendment Bill (**the Bill**), and commends the work that has gone into developing it.
4. NZBA would appreciate the opportunity to make an oral submission to the Committee on this Bill. NZBA has previously submitted in relation to this Bill, namely:
 - a. to the Ministry of Justice (**MOJ**) on its Consultation Paper: Improving New Zealand's ability to tackle money laundering and terrorist financing; and
 - b. to MOJ on the Exposure Draft of the Bill
5. If you would like to discuss any aspect of the submission further, please contact:

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Information sharing between reporting entities

6. NZBA is supportive of the expanded information sharing powers contained within the Bill.
7. However, NZBA submits that the Anti-Money Laundering and Countering Financing of Terrorism (**AML/CFT**) regime would benefit significantly if reporting entities were able to share financial intelligence/customer information with other reporting entities in appropriate and tightly defined circumstances. It would also enhance the ability of reporting entities to rule out activity that might otherwise appear suspicious in the absence of additional information that the reporting entity doesn't have access to, thereby improving the quality of suspicious transaction reporting to the New Zealand Police Financial Intelligence Unit (**FIU**).
8. In support of this submission, NZBA notes section 314(b) of the USA Patriot Act provides US financial institutions with the ability to share information with one another in order to better identify and report potential money laundering and terrorist activities. Financial institutions must establish and maintain procedures to safeguard the security and confidentiality of shared information, and must only use shared information for strictly limited purposes.¹
9. NZBA submits that provisions equivalent to section 314(b) of the USA Patriot Act should be incorporated into the Bill, enhancing the ability for reporting entities to better detect and deter money laundering and terrorism financing activities.
10. Furthermore, NZBA submits that reporting entities should also be allowed to share suspicious transaction report related information with their parent companies and other internal transaction monitoring teams. NZBA submits the benefits of allowing such information sharing include:
 - a. Enabling a holistic view to be formed across the organisation of the behavioural patterns of a customer and any money laundering/terrorism finance risk they may pose.
 - b. Enabling a greater understanding of the way products and services could be used for money laundering/terrorism finance activities across different jurisdictions and regions.
 - c. The ability to leverage knowledge and expertise from other subject matter experts within the organisation to assist in decision making and potential filing of reports.
 - d. Assistance in providing further examples of red flags to staff across the organisation for training purposes.
 - e. Assistance in the prosecution of criminal activity in other jurisdictions.

¹ A useful factsheet relating to section 314(b) can be found at the following link:
https://www.fincen.gov/statutes_regs/patriot/pdf/314bfactsheet.pdf

- f. Examples (d) and (e) above could lead to more focused control questions being asked of customers at the account opening stage, and targeted transaction monitoring of certain types of activities.