Law change: Anti-money laundering and countering financing of terrorism

If you provide certain financial services as a part of doing business, you have to safeguard yourself against money laundering and financing terrorism. This might include changing how you ID customers.

This law change applies to real estate agents, conveyancers, many lawyers and accountants, and others.

AML/CFT - what's new

What: The Anti-Money Laundering and Countering Financing of Terrorism (AML/CFT) Act is being expanded to cover a lot more New Zealand businesses.

Financial institutions have had to comply with the AML/CFT Act since 2013 — now other businesses will also need to comply, including real estate agents and many lawyers and accountants.

When: When you must comply varies depending on your business activity:

- 1 July 2018 for lawyers, conveyancers, and some trust and company services
- 1 October 2018 for accountants and bookkeepers
- 1 January 2019 for real estate agents.

Why: This will help to detect and prevent criminals laundering money or financing terrorism through New Zealand businesses. It also makes sure New Zealand meets international standards and protects our reputation as a good place to do business.

What you need to do: Check if the law applies to you.

If it does, you will need to:

- meet new reporting requirements
- meet new requirements for identifying your customers
• keep good records.

Who's affected?

You’ll need to meet new requirements if you manage money or assets for clients, provide trust or company services, sell property or provide conveyancing services, or handle large amounts of cash.

This includes:

• all conveyancers
• some lawyers
• some accountants and bookkeepers
• other businesses that provide trust and company formation services
• all real estate agents.

Find out if your business is affected (external link) (https://www.justice.govt.nz/justice-sector-policy/key-initiatives/aml-cft/info-for-businesses/) — Ministry of Justice

If you deal in high-value items, eg cars, yachts, jewellery, precious metals or antiques, new rules will apply to you from 1 August 2019.

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Case study

Doing the books

Theresa works from home as a bookkeeper, doing general accounting for four local businesses.

To check if she needs to do anything to meet the new requirements, she reads the list of activities that mean accountants are subject to the AML/CFT Act.


As she doesn’t manage client funds — she only records transactions — Theresa decides she doesn’t have to comply with the Act unless a client asks her to authorise financial transactions on their behalf in the future.

What you need to do

If the new laws apply to you, what you need to do depends on your business activities...
and your customers. If you’re confused or not sure what to do, contact the government agency that supervises your industry for help. Supervisors are responsible for helping businesses meet their obligations. You can go to them with questions or problems.

The Department of Internal Affairs supervises lawyers, conveyancers, trust and company service providers, accountants, and real estate agents. It also supervises other businesses that handle large amounts of money, eg payroll remitters, casinos and debt collectors.

The Reserve Bank supervises banks, life insurers and non-bank deposit takers.

The Financial Markets Authority (FMA) supervises businesses like financial advisers, derivatives issuers, brokers and managed investment scheme managers.


Things to do to get set up

Put someone in charge of AML/CFT

You’ll need to identify an AML compliance officer, who’ll be responsible for making sure your obligations are met. The compliance officer can be anyone (including you), as long as they have a direct reporting line to senior management.

Identify your risks and create a compliance programme

You understand your business better than anyone else — so you’re in the best position to identify the risks your business might face from money laundering and terrorism financing, and to develop effective ways to manage and control these risks. If a criminal was to try and use your services, what would they do? How could they exploit you?

Your compliance officer will do a risk assessment and put together a compliance programme for your business. These will need to be available if your supervisor asks to see them.

You might want to get help with putting together your risk assessment and compliance programme.

But make sure you use a reputable company and pay a fair price
Things to do ongoing

Use and update your risk assessment and compliance programme

You’ll need to:

- Monitor clients’ accounts for potentially suspicious activity.
- Regularly review your risk assessment and compliance programme.
- Have your risk assessment and compliance programme audited every 2 years.
- Submit an annual report to your supervisor.

Identify customers

You may need to change the way you ID clients. You’ll also need to verify the identity of customers who pay cash deposits of $10,000 or more — and you may need to ask for information about where the money came from too.

There are rules on which forms of ID you can accept. You can either:

- Follow the identity verification code of practice.
- Adopt your own policy that’s equally as effective.

If you choose to create your own policy, you must tell your supervisor. They’ll check your policy meets the requirements of the law.


Report large cash transactions, wire transfers and suspicious activities

You’ll need to submit a Prescribed Transaction Report to the Police Financial Intelligence Unit (FIU) if a client wants to make a transaction of $10,000 or more in cash, or an international wire transfer of $1,000 or more.

You’ll also need to report any suspicious activities to the Police Financial Intelligence Unit.


Compliance costs
There’s no way around it: yes, this will probably cost you some time and money. But there are things you can do to reduce your costs, especially if you’re a low-risk business.

One option is to form a designated business group with other similar businesses to share your compliance obligations.

Working with others to reduce your costs (external link) (https://www.justice.govt.nz/justice-sector-policy/key-initiatives/aml-cft/info-for-businesses/working-with-others/) — Ministry of Justice

Case study

Getting sorted

Tom is a chartered accountant. He owns a small practice in Levin where he has three full-time staff. From time to time, Tom makes investments and payments on behalf of his clients, so he knows his business will have to comply with the new rules.

Tom often delegates authority to his senior accountant Camilla, so he decides to make her the company’s compliance officer.


Camilla determines that the business could be vulnerable to exploitation by money launderers when they send money overseas on behalf of their clients.

So she recommends they include a new escalation process for those transactions as part of their compliance programme.

Know your risks — your best defence is to make sure criminals can’t hide dirty money behind your good reputation.

If you don’t meet your obligations

It’s up to individual businesses to identify what they need to do and to do it — but if your business doesn’t meet its obligations, you could be given a warning or fined.

If you’re found to have deliberately avoided your obligations, you can personally be charged with a crime or even face jail time.

If you think you shouldn’t have to meet the AML/CFT requirements, you can apply for an exemption — but talk to a supervisor first to check you’ve got all the rules straight.

Do you have questions about the new laws?

Contact the government agency that supervises your industry. If you’re newly affected by this law change, it’s probably the Department of Internal Affairs.

Contact the Department of Internal Affairs AML team by freephone at 0800 257 887 (NZ only) or +64 4 495 7200 or by email at amlcft@dia.govt.nz.
Avoiding scams and fraud

Protect your business, know the risks, and make prevention a priority.

Assess performance in a role

Prepare for a performance conversation with an employee. Identify strengths and weaknesses, achievements and goals.

Get started [PDF, 165 KB]