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BEST PRACTICE GUIDANCE NOTE

AMLCFT NEW REGULATIONS - JUNE 2024

VERSION 2, MAY 2024

AML/CFT Act (Regulations): Stage two of reforms

Background

Between July 2021 and June 2022, the Ministry of Justice (MoJ) reviewed how the Anti-Money Laundering and Countering Financing of Terrorism Act 2009 (AML/CFT Act) had performed since 2017 and whether any changes were necessary or desirable. Following that review, the Government introduced regulatory changes, which are being introduced in three stages from July 2023 to 1 June 2025.

We have previously issued a guidance note to provide an overview of the implementation of the first stage of the Changes to the AML/CFT regulations effective 31 July 2023.

The second stage introduces several changes, especially for virtual asset service providers (VASPs). To ensure compliance by the specified date, entities must promptly update their compliance documents, processes, and systems. Reporting entities should not underestimate the effort and resources required for this update.

There are a large number of new or amended Regulations, all of which can be viewed at https://www.justice.govt.nz/justice-sector-policy/key-initiatives/aml-cft/aml-cft-review/.

> The Ministry of Justice website is initially the 'horse's mouth' when it comes to these changes, so make sure you sign up to their notifications and check their website regularly. We also anticipate that all three supervisors will release guidance that will be specific to each change in due course.

This guidance note will primarily focus on stage two changes effective from 1 June 2024. However, it will also recap the changes since 2021 plus provide an overview of the additional changes effective from 1 June 2025. The AML/CFT supervisors issued several new and updated guideline documents in April and May 2024. See Appendix D. It is recommended these be read in detail when updating your Risk Assessment and AML/CFT Programme.

The table below provides a high-level summary of the three stages.

Stage 1 – 31 July 2023	These changes will provide regulatory relief to some businesses and clarify existing obligations.
Stage 2 – 1 June 2024	Introduces new obligations for existing reporting entities.
Stage 3 – 1 June 2025	Extends coverage of the regime introducing obligations on sectors that were not previously subject to AML/CFT obligations.

2021 Amendments to AML/CFT Regulations: A recap

The Anti-Money Laundering and Countering Financing of Terrorism Act 2009 (AML/CFT Act) sets up the AML/CFT framework in New Zealand. Alongside the Act are six supporting regulations related to its application. New Zealand's AML/CFT system is intended to adapt as money laundering (ML) and terrorism financing (FT) risks evolve. On 9 July 2021, new amendment regulations became effective and four of the six regulations were amended. These amendments are collectively referred to as the 'amendment regulations'.

Some of the changes introduced by the amendment regulations were technical, removing upcoming expiry dates and clarifying the existing regulations and exemptions. Others had a more substantial effect and changed how many reporting entities needed to implement their AML/CFT programmes. Although most of the amendment regulations reduced the AML/CFT compliance burden for reporting entities, some imposed additional AML/CFT obligations.

Reporting entities are expected to be aware of the 2021 changes and should have taken action to ensure they were operating compliantly from 9 July 2021. If you have any questions about these and how they should be applied to you as a reporting entity, please refer to our Guidance Note: Amendments to AML/CFT regulations - July 2021 or contact one of our AML/CFT experts at +64 9 414 1300 or email us at compliance@strategi.co.nz.

What changed in 2023?

Stage 1 of the latest regulatory changes was effective 31 July 2023. Appendix A provides a recap of those changes. If you have not already made changes to your AML/CFT risk assessment and programme to reflect the stage 1 changes, then it is essential that the changes you make now to reflect stage 2, also include the stage 1 changes.

If you need more information than what is in Appendix A, then refer to our 2023 guidance note.

Who do the stage 2 amended regulations apply to?

All reporting entities should pay attention to the AML/CFT regulatory changes which have occurred since 2021 and will be undergoing change again effective from 1 June 2024. Unlike the first stage, which was aimed at providing immediate relief, this second stage introduces new obligations for entities already bound by AML/CFT rules. The changes have been split into three phases to allow reporting entities 12 months to prepare for compliance. Reporting entities must stay informed and ensure they have the right systems and processes in place to stay compliant when these changes take effect on 1 June.

Entities that are likely to become reporting entities after 1 June 2025 will also need to be across these changes.

What do you need to do?

1

The first thing you must do is determine what is required of you and by when.

We urge all reporting entities, including those likely to become reporting entities, to promptly assess their new obligations and determine the necessary steps. For the changes that came into effect on 31 July 2023, use the list included in our guidance note: Changes to the AML/CFT regulations effective 31 July 2023 or see Appendix A as a starting point plus ensure you also read through the amendment regulations to ensure you have captured all of the changes that apply to your specific business. For the stage 2 changes effective from 1 June 2024, take the time to read this guidance note and the links so you can update your AML/CFT risk assessment and programme, implement training and check that your amended processes are effective.

2

Update relevant documentation and train staff.

Most reporting entities will need to modify their key compliance documents (Risk Assessment and AML/CFT Programme) and make a training plan for relevant staff members. Strategi can provide a 'mini' audit for anyone who is unsure of what changes they need to make to their documentation or would like a second opinion. See the end of the Guidance Note for more information on this service.

3

Have all this done before changes come into effect.

The AML/CFT supervisors will expect that you have implemented the relevant changes and have them working properly from 1 June 2024. Strategi will release further guidance on the final stage of changes in due course but for anyone who wants to tackle all of the changes in one go, this is something our team can help with now.

What are the changes effective from 1 June 2024?

Several important changes are happening regarding Virtual Asset Service Providers (VASPs), customer due diligence (CDD), and wire transfers, plus some smaller adjustments to the rules.

Below are links to the changes to the AML/CFT regulations that are in force from 1 June 2024. Not all of these changes apply across the board so check each one carefully to see what applies to your specific business and contact our team if you are unsure. We have also picked out the main ones we think will relate to our clients to help you work through them in terms of understanding what is changing and what you need to do. This is not an exhaustive list, so read through the amendment regulations.

The changes to regulations can be found here:

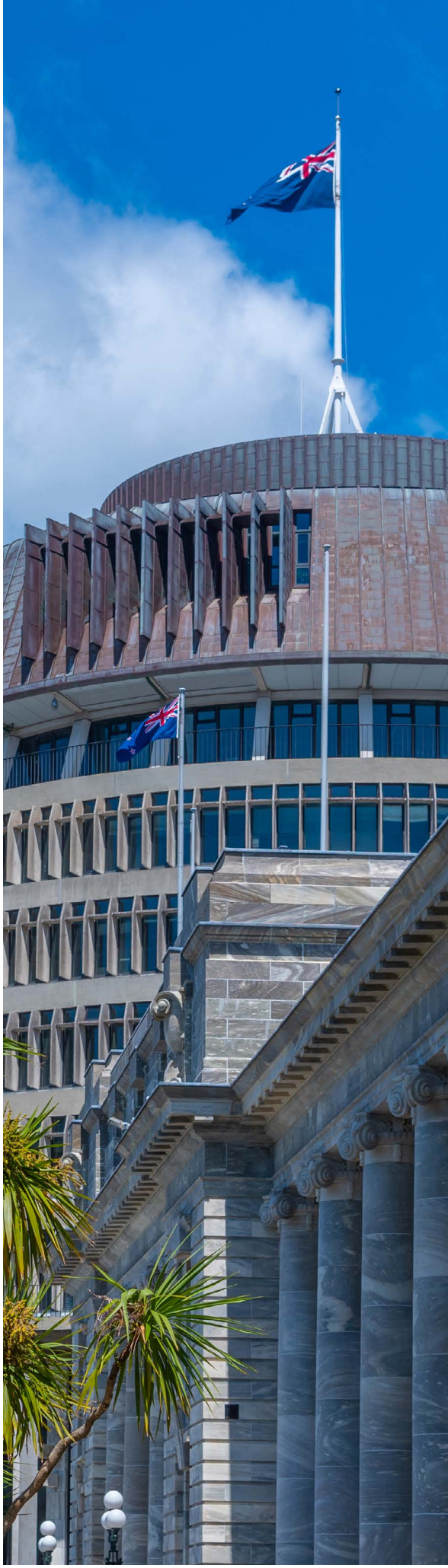
Cross-border transportation of cash (external link)

Definitions(external link)

Exemptions(external link)

Requirements and compliance (external link)

Prescribed Transactions Reporting (external link)



What's changed?	Link to reg	Strategi comment
Virtual Asset Service Providers (VASPs) The AML/CFT rules relating to VASPs are getting clearer. VASPs need to step up their compliance and reporting systems significantly. • Virtual asset transactions over $1,000 outside of a business relationship will be considered as occasional transactions. • Deposit, withdrawal, exchange, or transfer of virtual assets will be treated as transactions under the AML/CFT Act. • Virtual asset to virtual asset transfers and virtual asset to fiat currency (or vice versa) transfers will be considered wire transfers unless all parties are in New Zealand. This formalises the current supervisor expectation.	**Reg 15AA** (Definitions) **Reg 24AA** (Definitions) **Reg 24AB** (Definitions)	There are very few VASPs in New Zealand, so we will not concentrate on them in this guidance note. Instead, they should liaise directly with Strategi as the team will need to provide them with specific assistance.

Customer Due Diligence (CDD)	Link to reg	Strategi comment
In this second stage, there are changes to Customer Due Diligence (CDD) processes for all reporting entities. If the reporting entities have not already been collecting and verifying this information, especially for voluntary collection, it likely represents a significant shift in CDD procedures that must be reflected in AML/CFT compliance documents. *Standard CDD* Legal persons and legal arrangements need additional details about their legal form, proof of existence, ownership, control structure, and any powers that bind and regulate the customer.	**Reg 11-11A** (Requirements and Compliance)	Under this new change for standard CDD, reporting entities will now need to gather extra details about the legal structure of their clients/customers, like proof of their existence, who owns and controls them, and any rules they follow. In simple terms, the statement means that when dealing with companies, limited partnerships, partnerships and trusts, you will need more information beyond just their name. This additional information includes things that evidence that they. • exist and are legitimate, • who owns them, • who controls them, and • what rules or laws they operate under. This helps ensure transparency and understanding of how they operate. Reporting entities can obtain information to verify the existence, legitimacy, ownership, and control of legal entities through several channels. These include, but are not limited to: • **Companies Office:** The New Zealand Companies Office maintains the official register of companies, where information about registered companies is stored. This includes details such as company name, registration number, registered office address, directors, and shareholders. • **Company's Constitution:** Companies in New Zealand are required to have a constitution, which outlines the rules and regulations governing the company's operations. This document can provide insights into the structure and governance of the company. Some companies rely upon the Companies Act 1993 for their constitution whilst others have specifically drafted constitutions.

- **Shareholder Registry:** Companies are required to maintain a register of shareholders, which contains information about individuals or entities that own shares in the company. This register can help identify the owners and controllers of the company. This can be accessed via the Companies Register.
- **Annual Returns and Financial Statements:** Companies in New Zealand are required to file annual returns and other updates on the Companies Register. Some companies must also file their financial statements. These documents provide information about the company's financial performance, ownership structure, and governance.
- **Business Registers and Databases:** Apart from the Companies Register, there might be other business registers or databases maintained by government agencies or private organisations that contain information about companies operating in New Zealand.
- **Legal and Regulatory Compliance:** The level of regulatory oversight on a company (e.g.: publicly listed or licensed) helps prove legitimacy.
- **Publicly Available Information:** Some information about companies, such as news articles, press releases, and publicly available reports, can provide insights into their operations, reputation, and governance practices.

By accessing and analysing information from these sources, reporting entities can gather evidence to verify the existence and legitimacy of any legal entities they are onboarding, understand their ownership and control structures, and ensure transparency and compliance with relevant laws and regulations.

This means that when onboarding new companies and limited partnerships that are captured under the act you will be required to gather information like:

- If any named director or shareholders any general partners for any limited partnership are 'nominees' (e.g. Are they in this position in name only.
- Regarding trusts you will now be required to identify any settlor(s) and any protectors.

As part of standard CDD, a reporting entity must obtain information relating to the customer – • If a company, the existence and name of any nominee director or nominee shareholder. • If a limited partnership, the existence and name of any nominee general partner. • If a trust, the settlor (or settlors) and any protector (protectors) The reporting entity must have specific verification requirements for each type of customer mentioned above and must be according to the level of risk involved.		The supervisor's advice when it comes to what process should we follow has always been that this is your decision but must be risk based. When taking a risk-based approach to obtaining this information, Strategi recommends the following. **Companies and Limited Partnerships** - If after completing initial CDD action and after reviewing information gathered, the RE should consider the money laundering/terrorist financing risk of the company. If this is determined as low, we recommend that you simply ask the client or any person(s) representing the client if any director, shareholder, or general partner is a 'nominee'. The response should be recorded by way of file note. If the RE considers the company or limited partnership to be medium or high risk, then we recommend that the RE consider developing an attestation form that the person representing the company or limited partnership sign acknowledging that there are no nominee directors, shareholders or general partners involved.

Enhanced CDD If enhanced CDD is needed for a business relationship, "additional enhanced measures" must be taken if source of funds or wealth information is insufficient.	**Reg 12AB** (Requirements and Compliance)	This regulation means that if after following the standard ECDD rules of establishing source of wealth and/or source of funds isn't enough to adequately reduce the risks of money laundering and financing terrorism, then a reporting entity will be required to take extra steps to verify and monitor their customers. These additional measures may involve gathering more detailed information about the client/customer and their financial activities to ensure they are not involved in illegal activities like money laundering or funding terrorism. An example of measures to meet this requirement could include. • Requesting more detailed source of wealth/funds Documentation: Requesting detailed documentation to ascertain the legitimate sources of the client's/customer's funds, including bank statements, tax returns, business records, or investment portfolios. • Transaction Monitoring: Implementing processes and or systems to monitor and analyse the client's/customer's financial transactions for any suspicious activities, such as large or frequent cash deposits, withdrawals, or transfers to high-risk jurisdictions. • Risk-Based Approach: Tailoring the level of scrutiny and monitoring based on the assessed risk assigned to the client/customer, considering factors such as their geographical location, business activities, transaction patterns, and the nature of the products or services being provided.

Ongoing CDD and Account Monitoring Depending on risk levels, entities must update and verify customer information during regular reviews, considering the adequacy of information and when CDD was last conducted. Regular reviews of information about designated non-financial business or profession activities are also necessary.	**Reg 15J** (Requirements and Compliance)	There is no prescribed timeframe for undertaking ongoing CDD and account monitoring. The frequency of review would be determined by the risk rating of the client, the extent of due diligence undertaken when the client was onboarded and what sort of changes have occurred in the business or in the type of transactions undertaken with the RE. Things which might trigger the need to undertake ongoing CDD could include but are not limited to: • Change of trustees • Change of directors or senior managers in a business • Major shareholder change • Business sale, merger etc • Business introducing new products or services which increase the risk of ML/TF. It is important to document why you undertook ongoing CDD and account monitoring, what checks were undertaken and the result.
Wire transfers and reporting Wire transfers and the associated information and reporting requirements often pose challenges for reporting entities. The stage 2 regulatory changes capture additional entities that were not part of the system before.	**Reg 15A** (Requirements and Compliance)	

Ordering Institutions: When making international wire transfers of less than $1,000, ordering institutions must include specified identification information about the originator and beneficiary. Verification is only necessary if there are grounds to report suspicious activity.	**Reg 15E & Reg 15F** (Requirements and Compliance)	The ordering institution must ensure the following information accompanies each wire transfer: a) the originator's full name: b) the originator's account number or other identifying information that allows the transaction to be traced back to the originator: c) the name of the beneficiary: d) the beneficiary's account number or the beneficiary's unique transaction reference number.
Intermediary and Beneficiary Institutions Intermediary and beneficiary institutions that are reporting entities need to outline steps in their AML/CFT compliance programmes to identify international wire transfers lacking required originator or beneficiary information required by the Act or regulations and specify what risk-based policies and procedures to be taken.	**Reg 15** (Exemptions)	The wording required for the AML/CFT Programme will vary depending upon the way the Ordering Institution conducts business. Strategi can assist to review and Ordering Institution AML/CFT Programmes.

Changes for MVTS Operators Operators of money or value transfer services (MVTS) that are not registered banks will no longer be exempt from submitting prescribed transaction reports (PTRs), so must start doing so. MVTS operators involved in international wire transfers required to make a suspicious activity report must provide a copy to the relevant financial intelligence unit in affected countries.	**Reg 15D** (Requirements and Compliance)	MVTS stands for Money or Value Transfer Services. They are organisations which conduct bank transfers, wire transfers, specialist money remitters such as Western Union plus internet value transfer systems such as PayPal, Swipe etc.
Other changes Stage 2 amendment clarifies that enhanced CDD must be conducted if there are grounds to report suspicious activity, even if simplified CDD would typically suffice (a practice many already assumed).	**Reg 12AA** (Requirements and Compliance)	Ensure your AML/CFT Programme clearly states that in the event a suspicious activity is suspected, then enhanced CDD must be undertaken.
The enhanced CDD trigger for nominees concerning limited partnerships will now focus on when the customer is a limited partnership with a nominee general partner, rather than when the customer is the nominee general partner, which is more in line with common commercial practice.	**Reg 8** (Requirements and Compliance)	If you deal with customers who are limited partnerships, then ensure your AML/CFT Programme is updated to reflect this change.

If a reporting entity is a member of a designated business group and is relying on an overseas member for CDD, it must ensure that the overseas member meets comparable standards to the AML/CFT Act or consider the risk level of the relevant country appropriately.	**Reg 13D** (Requirements and Compliance)	If this applies to your RE, then you must amend the AML/CFT Programme to clearly state this requirement and have a file note confirming what check was undertaken to ensure the overseas DBG member meets comparable standards. This proof could be in the form of the overseas member being an RE in a jurisdiction that abides by FATCA.
Standard CDD is mandatory if a person seeks to conduct a transaction through a reporting entity outside of a business relationship, provided it is not an occasional transaction and there are grounds to report a suspicious activity.	**Reg 15K** (Requirements and Compliance)	Ensure you update your AML/CFT Programme to include this change plus build this into additional training.
Ordering institutions making international wire transfers must keep a record of beneficiary names and account numbers or unique transaction reference numbers. **Ordering institution** is any individual or organisation that has been told by someone (the payer) to electronically move money controlled by the payer to someone else (the payee), who might be the payer or someone else. This transfer is made with the understanding that the money will be accessible to the payee through another institution called the beneficiary institution.	**Reg 15C** (Requirements and Compliance)	If you are an Ordering Institution, then it is important to update your AML/CFT Programme to reflect this change.

The ordering institution must keep the record for at least 5 years: • if the wire transfer is from a customer with whom the reporting entity has a business relationship, after the end of that business relationship; or • if the wire transfer is an occasional transaction, after it is completed.		
Intermediary institutions handling international wire transfers, but unable to provide any information about the originator to the beneficiary institutions (**section 27(6)** of the Act) due to technological limitations, must still retain that information in their records.	**Reg 15B(2)** (Requirements and Compliance)	If you are an Ordering Institution, then it is important to update your AML/CFT Programme to reflect this change.
Money or value transfer services (MVTS) operators must comply with the requirements relating to wire transfers. If they use an agent or sub-agent for wire transfers, the customer will be considered the originator or beneficiary, not the agent or sub-agent. **MVTS operators** enable individuals or businesses to send money to recipients in different locations, often across borders. They may offer services such as wire transfers, electronic funds transfers, and online payment platforms. These services are crucial for individuals who need to send money to family members or friends in other countries, as well as for businesses engaged in international trade or transactions.	**Reg 15M** (Requirements and Compliance)	MVTS need to note this change when reviewing staff training and building processes. Also, MVTS should amend their AML/CFT Programme to reflect this change.

Money or value transfer services (MVTS) operators depositing physical cash into bank accounts for beneficiaries of international wire transfers must submit PTRs with the relevant information they hold in relation to the deposit.	**Reg 9** (Prescribed Transactions Reporting)	MVTS REs should update their AML/CFT Programme to reflect this change.
Reporting entities must set out in their AML/CFT compliance programmes adequate and effective procedures, policies, and controls for using agents. They must clearly distinguish when to obtain and verify the source of funds or source of wealth information of a customer, or both for enhanced CDD.	**Reg 15G & Reg 15H** (Requirements and Compliance)	Reporting entities must specify in their AML/CFT compliance programmes the following: (a) any functions carried out by an agent of the reporting entity as part of the programme: (b) vetting agents who carry out functions of the reporting entity: (c) training agents of the reporting entity on AML/CFT matters: (d) maintaining a list of agents of the reporting entity acting in the AML/CFT programme. When conducting enhanced CDD, reporting entities must be able to know when it is necessary to obtain and verify customer information regarding (a) the source of funds or the source of wealth; and (b) both the source of funds and the source of wealth.
Reporting entities must review their risk assessments to take into account any new or developing technologies or products, including new delivery mechanisms they used and risk assessments must be updated before using them.	**Reg 13E** (Requirements and Compliance)	All REs should review their risk assessments. If they are using new technology relating to things like PEP checks, electronic identity verification, moving from face to face client interaction to fully online interaction, then this should be documented and clearly show how this impacts upon the risk assessment.

Prescribed transaction reports submitted are considered records. The record-keeping requirements without defined retention periods will now have at least 5 years after the end of the reporting entity's business relationship with the relevant customer. These records are as follows: records relevant to the establishment of the business relationship and any other records (for example, account files, business correspondence, and written findings) relating to, and obtained during the course of, a business relationship that are reasonably necessary to establish the nature and purpose of, and activities relating to, the business relationship.[1]	**Reg 15N** (Requirements and Compliance)	Check your AML/CFT Programme to ensure you list PTRs as 'records' and note they must be retained for at least 5 years after the end of the REs business relationship with the relevant customer.
The exemption for certain record-keeping requirements for transactions that are not occasional transactions that occur outside of business relationships will be removed. A transaction that occurs outside of a business relationship but is not considered an occasional transaction typically refers to a financial exchange that occurs between parties who do not have an ongoing or established business relationship but occurs regularly or recurrently. For example, if two individuals frequently exchange large sums of money without a formal business arrangement, it may be considered a transaction outside of a business relationship. The exemption to keep records relating to the parties to the transaction is no longer applicable.[2]	**Reg 16** (Exemptions)	Amend your AML/CFT Programme to ensure it now includes these transactions as a business relationship.

[1] Section 51(1)(a) and (c), Anti-Money Laundering and Countering Financing of Terrorism Act 2009

[2] Section 49(2)(d), Anti-Money Laundering and Countering Financing of Terrorism Act 2009

Reporting entities that, in the ordinary course of business, carry out activities of other types of reporting entities must comply with the AML/CFT Act to the extent of these activities.	**Reg 15I** (Requirements and Compliance)	If this applies to your business, then ensure you review and update your Risk Assessment and Programme so you undertake the AML/CFT obligations applicable to your type of RE. For example, if you are a legal or accountancy practice plus you are also a financial advice provider, then you must comply with the obligations of all those types of REs.
Prescribed election process[3] relating to the formation of a designated business group will be replaced with the following: The election will come into force with the lapse of the first 30-day period if the AML/CFT supervisor has not requested further information and has not declined the formation of the designated business group. If the AML/CFT supervisor has requested further information during the first 30-day period, the lapse of any second or subsequent 30-day period, means the election will come into force if the AML/CFT supervisor has not indicated the entity is ineligible or that its eligibility cannot be determined and has not declined formation of the designated business group.	**Reg 16** (Definitions)	This only applies if the RE is wanting to create a designated business group.
The exemption for relevant services provided in respect of certain remittance card facilities will be removed.	**Reg 17** (Exemptions)	This change only applies if the RE provides remittance cards. If you provide remittance cards then contact Strategi for advice on what is required.

[3] Regulation 6(2)(a) and (b), Anti-Money Laundering and Countering Financing of Terrorism (Definitions) Regulations 2011

The time frame for providing cash reports to a Customs officer for cross-border transportation of unaccompanied cash will be set at least 72 hours before receipt or departure, as applicable.	**Reg 5** (Cross-border Transportation of Cash)	This is not normally something a RE would need to include in its AML/CFT Programme. However, if your business provides advice to clients who take cash in or out of New Zealand, then it is recommended you make them aware of this obligation.
Pawnbrokers that are high-value dealers will no longer be excluded from being reporting entities.	**Reg 18** (Definitions)	Pawnbrokers need to identify if they are deemed high-value dealers and if so, they will be captured as a RE and will need to comply with the AML/CFT Act and regulations.
Reporting entities cannot establish or continue correspondent banking relationships with banks registered in the Democratic People's Republic of Korea (North Korea).	**Reg 13A** (Requirements and Compliance)	A correspondent banking relationship is where one financial institution (usually a bank) provides services to another one. It acts as an intermediary or agent, facilitating wire transfers, conducting business transactions, accepting deposits, and gathering documents on behalf of another bank. If your business does this, then check your AML/CFT Risk Assessment and Programme and amend to reflect the regulatory change.

Next steps and recommendations

While this Guidance Note provides a good overview of the key changes in the second stage, it is still vital that you work through the regulatory amendments to make sure you understand what they are and how they will impact your business. Our expert team can help you with this, so let us know if you need assistance here.

Most of the reporting entities will need to ensure their AML/CFT Risk Assessment and Programme, process, and IT systems are up to date and effective to reflect the changes applicable to their businesses and meet their obligations. It is not practical to wait until just before you are due for your three yearly AML/CFT audit and then make the necessary changes. Adjusting to these changes can be time consuming especially for entities affected by the expanded wire transfer requirements like VASPs and non-bank intermediary institutions. Given the significant changes to the regulations, we recommend conducting an annual review including updating key documents and training to reflect each stage of changes as they come into force. Consider implementing all changes now to streamline the process, saving time and money in the long run. Alternatively, Strategi can assist with a 'mini' audit to ensure your AML/CFT programme reflects the changes and necessary training is in place.

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BEST PRACTICE GUIDANCE NOTE

AMLCFT NEW REGULATIONS - JUNE 2024

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Appendix A - Key changes: Stage 1 – 31 July 2023 (Recap)

The changes to the AML/CFT Act regulations that are in force from 31 July 2023 are summarised below. This is not an exhaustive list so make sure you read through the amendment regulations.

What's changed?	Link to reg	Who does it impact?	Strategi comment
Definition of "beneficial owner" extended. The definition of "beneficial owner" is being extended to include "a person with ultimate ownership or control of a customer or person, whether directly or indirectly." The change also clarifies that "a person on whose behalf a transaction is conducted" is a beneficial owner if the individual is "a person with ultimate ownership or control, whether directly or indirectly."	Reg 5AA	All reporting entities.	Under the original definition it could lead to a business identifying the wrong person as the beneficial owner and therefore not fully appreciating the risks associated with the transaction. The key changes to the definition are: • The introduction of the concepts of "ultimate ownership" and "indirectly." • Clarifies that in a scenario where your customer is making a transaction on behalf of another person, you will need to identify who that person is and potentially treat them as the beneficial owner. Next steps: Update your CDD policies and processes in your AML programme to incorporate this change. Ensure your documents reflect the new definition and that staff understand this means they may have to take extra steps when identifying the beneficial owner. Note: Currently, there is no requirement to apply this retrospectively.

Clarification of enhanced CDD requirements. Reg 12A clarifies CDD requirements for existing customers when the relevant service was not initially provided. Reg 12B clarifies CDD requirements where the relevant service is provided to a repeat customer outside of an ongoing business relationship.	Reg 12A and 12B	Designated non-financial business or profession (DNFBP)e.g. law, accounting and real estate firms.	Reg 12A clarifies that if an existing customer who has previously received a service not captured by the Act now requires a service that is captured by the Act, then CDD requirements apply. This means normal CDD should be provided **before** the transaction occurs. However, it does allow for delayed CDD. This means the CDD can occur **after** the reporting entity has been engaged to provide the captured service if: • it is essential not to interrupt normal business practice; and • money laundering and financing of terrorism risks are effectively managed through appropriate risk management procedures; and • verification of identity is completed as soon as practicable after the DNFBP is engaged to provide the relevant service. When a service that is captured by the Act is requested by a repeat customer who is outside of an ongoing business relationship, a DNFBP is not required to obtain or verify any documents, data, or information that it has previously obtained and verified relating to the customer. The DNFBP will not be required to conduct new CDD unless: • there are reasonable grounds to doubt the adequacy or veracity of the previously obtained information or documents; or • the level of risk involved otherwise requires new CDD.

Example: Real estate agent Tom is engaged to sell a property for Richard who is a repeat customer outside of an ongoing business relationship. Richard is a repeat customer as Tom sold a property for him two years earlier, but he is outside of an ongoing business relationship as Tom has not kept in touch with Richard since the first property sold. Under the new regulations (and because Tom conducted CDD on Richard at the time of the first property sale) Tom is not obliged to conduct new CDD.

Because there is no specific reference to time frames in the regulations Tom must make a judgment call based on the information he holds from the initial CDD and how comfortable he feels in the current circumstances. Richard has not experienced any significant life changes since Tom interacted with him last and there are no red flags raised during their initial meeting, so Tom decides that new CDD is not necessary in this situation.

Next steps: Update your CDD policies and processes in your AML programme to outline the scenarios covered in both of the new regs. We recommend including a higher level of sign-off when a decision is made to not conduct CDD for a repeat customer who is outside of an ongoing business relationship. Once the new process is embedded and you are comfortable with setting your own rules e.g. you may decide to seek fresh CDD if more than two years have elapsed regardless of the situation.

Updated "definition of customer". Regulation 5B which provided a "definition of customer" has been replaced with new regulations 5B – 5G that provides updated definitions and extend to cover specific types of services.	**Reg 5B - 5G**	All reporting entities.	Identifying who the person is that meets the definition of a customer was not always clear, particularly where the transaction or relationship was complex. In some circumstances, this may have led to businesses conducting CDD on multiple parties or on the wrong party leading to unnecessary work and potentially increased risk. Next steps: The regulations provide updated definitions so read through them and record / amend the definitions that are applicable to you in your AML programme. Click on the link and review the definition changes for different persons and situations. Staff will also need upskilling.
Definition of "legal arrangement" extended. The definition of "legal arrangement" has been extended to include an unincorporated society.	**Reg 10AAAC**	All reporting entities.	The previous definition of "legal arrangements" covered trusts, partnerships, and charitable entities only. It is now amended to cover unincorporated societies. Next steps: Update your AML programme to include unincorporated societies as a legal arrangement.
Clarification of the meaning of "countries with insufficient AML/CFT systems or measures." The definition of "A country that has insufficient anti-money laundering and countering financing of terrorism systems or measures in place" now includes "A country identified by the Financial Action Task Force as being a high-risk jurisdiction subject to a call for action."	**Reg 15**	All reporting entities.	Entities need to be aware of this change when they are conducting enhanced CDD on any customers originating from "countries with insufficient AML/CFT systems or measures." Checks now need to include countries that have been identified by the Financial Action Task Force as being a high-risk jurisdiction. Next steps: Update your CDD process document and your Country Risk Assessment section in your Risk Assessment doc to include an instruction to check the **FATF page**. Once you open the page, you just need to enter the name of the country of origin of your customer to see if it comes up as a high-risk jurisdiction.

Clarification of the definition of "stored value instruments". The definition of a "stored value instrument" (SVI) has been further clarified to now mean "an instrument (whether tangible or intangible), including a gift facility or voucher, that is capable of storing monetary value in a form that is not physical currency or giving access to monetary value stored in a form that is not physical currency, regardless of whether the instrument is reloadable or able to be redeemed for cash; and (b) includes— (i) a portable instrument (whether tangible or intangible) whose value, or associated value, is transferable to a third party or able to be remitted; and (ii) any account or other arrangement associated with the value stored on the instrument; but	Reg 15(4)	Because SVIs are commonly used in money laundering typologies we recommend that all reporting entities be aware of this risk and include it in their Risk Assessment.	With the Act recognising that stored value instruments (SVIs) can be both tangible and intangible, there will be a wider range of SVIs that fall under the Act. This means that existing reporting entities may have new obligations, or it may bring new service providers under the scope of the Act e.g. mobile apps that store value are now covered by the Act. Note: Under the Act (s15 (1)) some SVIs are exempt e.g., if they have a maximum possible value at any one time not exceeding $1,000-$10,000 (depending on the nature of the instrument) or is capable of being reloaded with $10,000 or more in any consecutive 12-month period. These limits will still apply but under the updated definition it will also apply to intangible SVIs. Next steps: Include SVIs in your Risk Assessment document and if they are already included make sure your description includes intangible SVIs. It is important that your staff understand what SVIs are as they are becoming more commonly used in money laundering typologies so we have included an explanation below that you can use for training purposes of put into your Risk Assessment and process documents. What is a stored value instrument? A stored value instrument is a type of payment method that stores a certain value of money for future use. It can be in the form of a physical card, a digital token, or even a mobile app. Stored value instruments are often used for convenient and quick transactions, allowing people to make purchases without using traditional cash or credit cards. It is important to note that stored value instruments can be intangible, meaning they may not have a physical form like a card or token. They can exist purely as electronic records or digital codes stored in a computer system.

(c) does not include— (i) a credit card or a debit card; or (ii) an instrument that stores a virtual asset.			However, it is worth clarifying that stored value instruments cannot be used to store or represent virtual assets. Virtual assets typically refer to cryptocurrencies or other digital currencies that exist solely in electronic form. Stored value instruments are primarily designed to store and facilitate the use of fiat currency (government-issued money like dollars or euros) or other traditional forms of payment, rather than virtual assets.
The Act will now apply to providers of virtual asset safekeeping and administration services. The definition of "financial institution" now also includes a person who in the ordinary course of business, provides safe keeping or administration of virtual assets on behalf of any person.	Reg 10AAA	Anyone who currently offers this service or is considering offering this service.	The Act does not currently apply to service providers that only provide the service of safekeeping or administration of virtual assets. The changes will bring providers of such services within the scope of the Act so if this applies to you please get in touch with our team for more information.

There will now be an exemption for corporate trustees and nominee companies that are subsidiaries of reporting entities. Corporate trustee or nominee company subsidiaries are no longer subject to the regime if their activities are already covered by their parents' AML/CFT compliance programmes.	Reg 24A	Law and accounting firms who are reporting entities and have set up a 'subsidiary' corporate trustee or a nominee company to provide services for clients.	This change reduces the administration and compliance costs associated with meeting AML/CFT obligations of 'subsidiary' corporate trustees and nominee companies. Note: Previously many law and accounting firms were setting up Designated Business Groups (DBGs) as a way to reduce the administration and compliance costs but this will no longer be necessary under the new regulations. DBGs allowed for two or more reporting entities to join together to share administration obligations. Next steps: Create a new section in your AML programme called 'Corporate Trustees and Nominee Companies' and list any that apply to your business making and describe how they follow the AML/CFT risk assessment and programme of the parent entity.

Appendix B - Overview of the changes commencing on 1 June 2025

The overview of the changes in Stage 3 commencing on 1 June 2025 is as follows:

What's changed?	Link to reg	Who does it impact?
Regulation 21A will be revoked. The exclusion of providers of Internet auctions will be removed from the definition of reporting entity.	Reg 21 (Definitions)	All reporting entities that are providers of Internet auctions.
New regulation that provides a new exemption on certain transactions between buyers or sellers and providers of an online marketplace.	Reg 18 (Exemptions)	All reporting entities that have certain transactions with online marketplace.
New regulation on further requirements relating to reporting entities risk-rating new customers when conducting CDD and keeping records of the customers' risk ratings and review and update these, as appropriate.	Reg 12 (Requirements and Compliance)	All reporting entities.

Appendix C - Definition of terms

In this guidance note, the following terms and expressions have, unless the context otherwise requires, the following meanings:

beneficiary institution	in relation to a wire transfer from an ordering institution, means any person who receives those funds and then makes those funds available to a person (the **payee**) by— (a) crediting it to an account held by the payee; or (b) paying it to the payee
business relationship	means a business, professional, or commercial relationship between a reporting entity and a customer that has an element of duration or that is expected by the reporting entity, at the time when contact is established, to have an element of duration
correspondent banking relationship	means a relationship that involves the provision of banking services by a financial institution (the **correspondent**) to another financial institution (the **respondent**) if— (a) the correspondent carries on an activity or business at or through a permanent establishment of the correspondent in a particular country; and (b) the respondent carries on an activity or business at or through a permanent establishment of the respondent in another country; and (c) the correspondent banking relationship relates, in whole or in part, to those permanent establishments; and (d) the relationship is not of a kind specified in regulations; and (e) the banking services are not of a kind specified in regulations.

high-value dealer	(a)	means a person who is in trade and in the ordinary course of business, buys or sells all or any of the following articles by way of a cash transaction or a series of related cash transactions, if the total value of that transaction or those transactions is equal to or above the applicable threshold value: (i) jewellery: (ii) watches: (iii) gold, silver, or other precious metals: (iv) diamonds, sapphires, or other precious stones: (v) paintings: (vi) prints: (vii) protected foreign objects (within the meaning of **section 2(1)** of the Protected Objects Act 1975): (viii) protected New Zealand objects (within the meaning of **section 2(1)** of the Protected Objects Act 1975): (ix) sculptures: (x) photographs: (xi) carvings in any medium: (xii) other artistic or cultural artefacts: (xiii) motor vehicles (within the meaning of **section 6(1)** of the Motor Vehicle Sales Act 2003): (xiv) ships (within the meaning of **section 2(1)** of the Maritime Transport Act 1994); and
	(b)	includes any person who carries out the activities referred to in paragraph (a) as a registered auctioneer (within the meaning of **section 4(1)** of the Auctioneers Act 2013); but

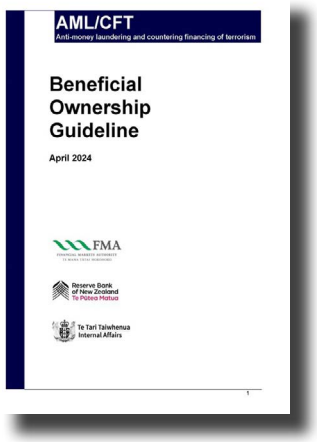
high-value dealer	(c) does not include any person, to the extent that the person is engaged in providing services other than the buying or selling of articles referred to in paragraph (a), including the following services: (i) mining precious metals or precious stones: (ii) manufacturing jewellery: (iii) crafting or polishing precious stones; and (d) does not include any person to the extent that the person is engaged in the buying or selling of precious metals or precious stones for industrial purposes
intermediary institution	in relation to a wire transfer, is a person that participates in a transfer of funds that takes place through more than 1 institution but is not an ordering institution or a beneficiary institution
international wire transfer	means a wire transfer where— (a) at least 1 of the following institutions is in New Zealand: i. the ordering institution: ii. the intermediary institution: iii. the beneficiary institution; and (b) at least 1 of the following institutions is outside New Zealand: i. the ordering institution: ii. the intermediary institution: iii. the beneficiary institution

occasional transaction	(a) means a cash transaction that occurs outside of a business relationship and is equal to or above the applicable threshold value (whether the transaction is carried out in a single operation or several operations that appear to be linked); and (b) includes a transaction or class of transactions declared by regulations to be an occasional transaction for the purposes of this Act; but (c) excludes— i. cheque deposits; and ii. a transaction or class of transactions declared by regulations not to be an occasional transaction for the purposes of this Act
ordering institution	(a) means any person who has been instructed by a person (the **payer**) to electronically transfer funds controlled by the payer to a person (**the payee**) who may or may not be the payer on the basis that the transferred funds will be made available to the payee by a beneficiary institution; and (b) includes a person declared by regulations to be an ordering institution for the purposes of this Act; but (c) excludes a person or class of persons declared by regulations not to be an ordering institution for the purposes of this Act
prescribed transaction	in relation to a reporting entity, means a transaction conducted through the reporting entity in respect of— (a) an international wire transfer of a value equal to or above the applicable threshold value; or (b) a domestic physical cash transaction of a value equal to or above the applicable threshold value

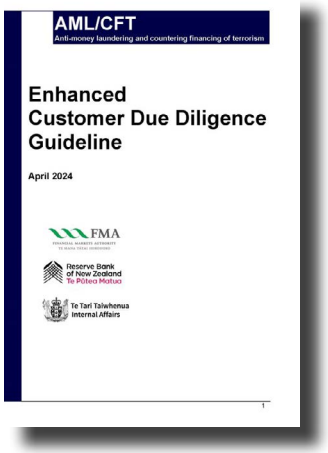
Appendix D - AML/CFT supervisor's guidelines/guidance

The following updated guidelines and guidance were released by the AML/CFT supervisors (FMA, RBNZ and DIA) in April and May 2024 to support and assist reporting entities in meeting the requirements to conduct customer due diligence (CDD) on the beneficial owner(s) of their customers under the AML/CFT Act. The guidelines below focus on the CDD requirements for customers who are companies, partnerships or limited partnerships, sole traders, and trusts.

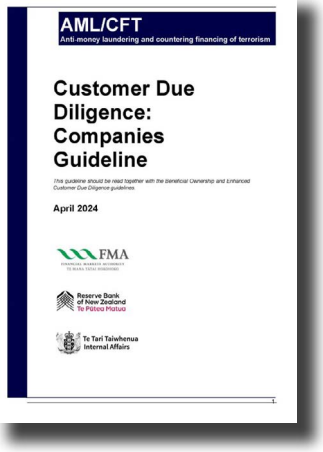
Click the thumbnails to view the documents.



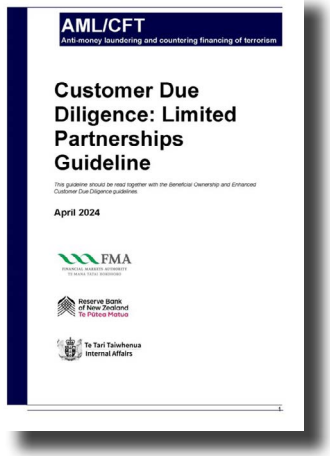
Beneficial Ownership Guideline



Enhanced Customer Due Diligence Guideline

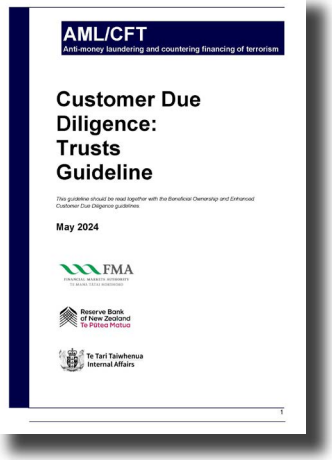


Customer Due Diligence: Companies Guideline



Customer Due Diligence: Limited Partnerships Guideline

Guidance: Customer Due Diligence – Sole traders and partnerships



Customer Due Diligence: Trusts Guideline