

FINANCIAL MARKETS AUTHORITY

WealthTechNZ

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Agenda

Topic

1. Introduction
2. AML/CFT Risk Assessment
3. AML/CFT Programme
4. Electronic Identity Verification (EV) – AML/CFT Programme
5. Databases Used



AML/CTT Risk Assessment

AML/CFT Risk Assessments - Our Expectations

REs **to assess the risk of ML/TF** that they could expect to experience during the course of business.

RAs **must be kept up to date and reviewed** as and when changes in business occur

REs must consider:

- nature, size and complexity of your business
- types of products and services you provide
- **methods of delivery of products and services**
- types of customers you deal with
- countries you do business in
- institutions dealt with
- guidance material produced by AML/CFT supervisors and the FIU

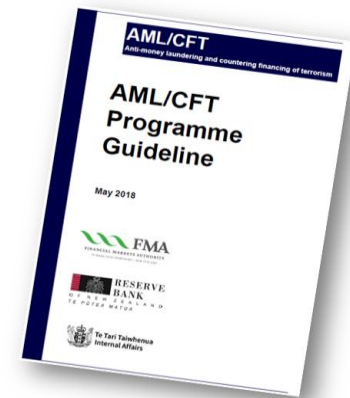


AML/CFT Programme

AML/CFT Programme – Our Expectations

We expect REs to have **appropriately mature practices** that meet the minimum requirements for:

- **vetting and training** of senior managers, AML/CFT compliance officers and any other staff with AML/CFT duties
- **complying with CDD requirements**, including **ongoing CDD and account monitoring**
- **reporting suspicious activities (SARs)** to the FIU
- **reporting PTRs** to the FIU
- **record-keeping**
- **managing and mitigating** the risk of ML/TF
- identifying when **EDD** is required



AML/CFT Programme – Our Findings

REs to have **adequate and effective** policies, procedures and controls in place
31% of our findings related to the AML/CFT programmes (18% in 2017)

Our review of AML/CFT programmes where REs indicated that they are using **Electronic Identity Verification (EV)** revealed the following:

- **REs not describing** how all relevant required criteria are satisfied
- **Using two electronic sources in EV process**, but process not described in AML/CFT Programme
- **EV process described in AML/CFT Programme not aligned with both Part 3 of IVCOP and IVCOP – Exploratory Note**

Electronic Identity Verification (EV) description in AML/CFT Programme

Service provider & Electronic sources

We expect that REs include in AML/CFT Programme:

- **name of service provider and product used**
- **databases** used by service providers to verify information against



Two Key Components

EV include the following **two key components** which both must be satisfied:

- **Confirmation of identity information** via an electronic source(s), and
- **Matching the customer** (person) **with identity** they are claiming (are the same person).

REs **must describe** in AML/CFT Programme how both components have been satisfied

Verify Customer's Name and Date of Birth

When using EV REs must:

- Verify customer name from either:
 - **Single independent database** which **incorporates biometric information**
 - At least **two independent** and **reliable matching databases**
- Verify customer Date of Birth with at least **one reliable and independent database**

REs must clearly describe this in AML/CFT Programme

- **If biometrics** used in EV process, a **description of:**
 - biometrics used
 - how determined that it meets high level of confidencemust be included in your AML/CFT Programme

Reliability & Independence of Databases

REs to explain how they gave regard to following when considering if **databases used are reliable and independent**:

- Accuracy
- Security
- Privacy
- Method of information collection
- Incorporated a mechanism (e.g. biometrics, etc.) to link customer to claimed identity
- Information maintained by government body or pursuant to legislation
- Information additionally verified from another reliable and independent source

Additional Methods Used to Supplement EV

Any **additional methods used** to supplement EV and or to mitigate any deficiencies in verification process must be described in AML/CFT Programme

This can include:

- Require **first credit into customer account or facility** to come from an account or facility in customer name held by another NZ RE
- **Send a letter with unique reference or identifier** to customers' verified address
- **Phone customer on a verified number**

Other Matters

AML/CFT Programme must include processes used for:

- **Checking against RE records** to confirm that a prospective customer's **details have not previously been used**
- **Exception handling**
- **Record keeping** of information submitted during EV process and outcome of EV conducted

Databases Used

Databases Used

- Generally EV service providers **use same databases in NZ**
- **More difficult and complex** to identify databases used by EV services providers from **other countries**
- Therefore **important** that REs include **which databases used** by your EV service providers

Selection of databases

- REs in some instances can **select databases to use for verification**, which is **cost driven** and could result in REs **selecting cheapest option that might not meet all requirements.**

Generally Used NZ Databases

- NZ Passport (DIA) Primary photographic identification
- NZ Birth Certificate (DIA) Primary non- photographic identification
- NZ Citizenship Certificate (DIA) Primary non- photographic identification
- NZ Driver License (NZTA) Secondary or support form of photographic identification
- Car registration (NZTA)
- Companies Office
- Land Registry (LINZ)
- Credit Bureaus
- White pages

FMA – Contacts

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