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Submission to the Foreign Affairs, Defence and Trade Committee on the Anti-Money Laundering and Countering Financing of Terrorism Bill

Introduction

The National Council of Women of New Zealand (NCWNZ) is an umbrella organisation representing 50 nationally organised societies and national members. It has 26 branches spread throughout the country to which women from some 150 societies are affiliated, as well as individual members. The Council's function is to serve women, families and the community through research, study, discussion and action.

This submission has been prepared by the Public Issues Standing Committee and the Economics Standing Committee and is based on NCWNZ policy. One of the targeted foci for 2009 is financial sustainability. Consequently the Anti-money Laundering and Countering Financing of Terrorism Bill is very relevant to NCWNZ interests.

General Comments in Support of Bill

Part 1 Clause 3. Purpose

NCWNZ supports the aim of this Bill to prevent organised crime from profiting from criminal activities, especially the proceeds of drug trafficking the effects of which have such a devastating effect in our society. We understand that most money laundering in New Zealand takes place in relation to drug crime, organised crime and fraud. This Bill will give added protection to the public.

The Bill will place New Zealand in line with the international standards of the Financial Action Task Force on Money Laundering, as well as equipping the New Zealand Police with financial intelligence about our domestic organised criminal organisations.

Part 2 AML/CFT requirements and compliance

NCWNZ is aware that there is cross-party support for this Bill to ensure that New Zealand is in compliance with the Financial Action Task Force (FATF) of which it has been a member since 1991. New Zealand's compliance is to be reassessed later this year.

There appears to be general agreement by Members of Parliament that this Bill should be passed not only because of the need for compliance with the FATF but also to strengthen the ways available for dealing with the laundering of drug money.

Part 2 appears to deal very thoroughly with the many issues associated with the issue of Money Laundering and Financing of Terrorism such as: due diligence, risk assessment, establishing

identity, new technologies and monitoring, protections, prohibitions and reporting especially about the moving of cash into or out of New Zealand.

Part 3 deals with enforcement, offences and penalties.

Part 4 deals with supervision of the wide variety of people and organizations which handle money.

NCWNZ Concerns

One of the concerns expressed by a number of Members of Parliament at the first reading of the Bill, a concern which NCWNZ shares, is that it will place additional costs on New Zealand businesses at a time when many are coming under strain. There seems to be little clarity about what these costs will be. Undoubtedly it will cost many millions of dollars of which the banking sector would bear the majority of the start up costs. In the Explanatory Note under "Costs and Benefits outlined" the costs are explored eg Banks are expected to meet 84% of start-up costs.

NCWNZ would be very concerned if all of these costs were passed on to the banks customers, especially as the banks, in spite of the recession, and according to media reports, still seem to be making a healthy profit.

In the climate of the most recent recession, which has seen the failure of many investment companies and financial institutions, there has been a call for tighter regulation of the financial industry. The lack of such rigorous attention may have contributed to fraudulent banking and investment practice, robbing many small and retired investors of their savings.

Credit Unions and other member-owned entities that offer banking services are already hedged round with multi-tiered regulation bodies and codes of practice, as well as restrictions on levels of deposits and forms of lending allowed. As these restrictions are far more stringent than the large commercial banks operate under, it seems unfair that a code of practice really meant for deposit takers that work in the millions of dollars should be applied to entities whose deposit levels are kept so low that they would not attract money laundering practices. It is hoped that the option for the Minister to grant exemptions will be employed in this case.

The claim under Purpose, Clause 3 (c) that this Bill will contribute to public confidence in the financial system seems contrived. In the absence of hard evidence that our banking system is threatened by money laundering or terrorism, it is difficult to know how 'the public' will feel more confident if this Bill is passed. For the most part, this is legislation which the Government is obligated to pass to maintain the viability of our economy. And so, indirectly, the public interest lies there.

NCWNZ supports the time that will be taken to implement the proposed regulations in the Bill so that there are appropriate supervisory and monitoring mechanisms in place.

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National President

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