



FINANCIAL SERVICES FEDERATION

14 February 2019

AML/CFT Consultation Team
Ministry of Justice
SX10088
WELLINGTON

By email to: consultations@justice.govt.nz

Thank you for the opportunity for the Financial Services Federation (“FSF”) to comment on the proposed regulations outlining how various anti-money laundering and countering financing of terrorism (“AML/CFT”) measures will work for high value dealers.

By way of background, the FSF is the industry body representing the responsible and ethical finance and leasing providers of New Zealand. We have nearly sixty members and associates providing financing, leasing, and credit-related insurance products to more than 2 million New Zealanders. Our affiliate members include internationally recognised legal and consulting partners. A list of our members is attached as Appendix A.

Although FSF members are not high value dealers as such in their own right, many are involved in the financing of motor vehicles. As such they have relationships with motor vehicle dealer networks that will be affected by the new regulations. Given that FSF members are already subject to the requirements of the AML/CFT Act 2009, many FSF members are providing or are planning to provide support and training to their dealer networks as to how they might meet their AML/CFT compliance obligations from 1 August 2019.

It is on this basis that the FSF provides the following answers to the questions raised in the Consultation Paper.

- 1. We would like to understand how businesses would respond to the applicable threshold being set at one of the three potential levels. Please outline what you anticipate would happen if the threshold was set at either \$5,000, \$10,000 or \$15,000.**

The FSF’s position is that the threshold should be set at \$10,000. The FSF takes this view because this would provide a common approach across all industries and because motor vehicle dealers who work with FSF finance company members already understand the requirement for the finance companies to report cash transactions over that value.

2. If you are a high value dealer, would you continue to transact in cash at or above the threshold? Why?

As previously stated, the FSF's members are not high value dealers in themselves so on that basis the FSF is unable to comment as to what decision their dealer networks might make in regard to continuing to transact in cash. However, the FSF is aware that some motor vehicle dealers receive no transactions in cash at all (or if they do, they refer the person concerned to their bank to make the deposit and then transact with them electronically) whilst some receive some transactions in cash.

Should dealers elect to "opt out" of the AML/CFT regime altogether by not accepting cash transactions, they may elect to do this not just to avoid having to comply with their AML/CFT obligations but also because holding and banking large cash amounts represents a significant risk to their own and their staff's safety.

3. Given the above, what is the appropriate threshold for high value dealers, and why?

Please refer to the answer provided to question 1 above.

4. Should a regulation be issued which clarifies that only registered auctioneers of high value goods or real estate have obligations under the AML/CFT Act?

Some FSF members auction motor vehicles or are part of a group of companies that auction motor vehicles. As such they are already complying with their AML/CFT obligations as a "financial institution" and would continue to do so. Therefore, the FSF does not believe that any such regulation is required to be issued.

Thank you again for the opportunity to respond to this Consultation Document. If you require any further information, please do not hesitate to contact me.



Lyn McMorran
EXECUTIVE DIRECTOR

Appendix A
FSF Membership List as at 31 December 2018

Debenture Issuers - (NBDT) Non-Bank Deposit Takers	Vehicle Lenders	Finance Company Diversified Lenders	Credit Reporting Other	Insurance	Affiliate Members
<u>Rated</u> Asset Finance (B)	BMW Financial Services ➤ Mini ➤ Alphaera Financial Services Branded Financial Services Community Financial Services European Financial Services Go Car Finance Ltd Honda Financial Services Mercedes-Benz Financial Motor Trade Finance Nissan Financial Services NZ Ltd ➤ Mitsubishi Motors Financial Services ➤ Skyline Car Finance Onyx Finance Limited Toyota Finance NZ Yamaha Motor Finance <u>Leasing Providers</u> Custom Fleet Fleet Partners NZ Ltd ORIX NZ SG Fleet Lease Plan	L & F Ltd ➤ Speirs Finance ➤ YooGo Avanti Finance Caterpillar Financial Services NZ Ltd CentraCorp Finance 2000 Finance Now ➤ The Warehouse Financial Services Flexi Cards Future Finance Geneva Finance Home Direct Instant Finance ➤ Fair City ➤ My Finance John Deere Financial Latitude Financial Pioneer Finance ➤ Personal Finance South Pacific Loans Thorn Group Financial Services Ltd Turners Automotive Group	Equifax (prev Veda) Centrix <u>Debt Collection Agencies</u> Baycorp (NZ) Illion (prev Dun & Bradstreet (NZ) Limited)	Autosure Protecta Insurance Provident Insurance Corporation Ltd Southsure Assurance	AML Solutions Buddle Findlay Chapman Tripp EY Finzsoft KPMG Paul Davies Law Ltd PWC Simpson Western FinTech NZ HPD Software Ltd Receivables Management Experian Total : 57 members