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10 formal AML/CFT warnings issued by FMA

The Financial Markets Authority (FMA) has issued formal warnings to 10 reporting entities under Section 80 of the Anti-Money Laundering and Countering Financing of Terrorism Act (AML/CFT Act).

The FMA carried out a risk-based assessment of independent audit reports for reporting entities it supervises in February this year, targeting 69 reporting entities. The FMA supervises around 800 reporting entities, of whom roughly two-thirds define themselves as financial advisers.

Following this review, the FMA issued:

- Five formal warnings to reporting entities for failing to have their risk assessment and AML/CFT programme audited every two years
- Five formal warnings to reporting entities who had their risk assessment and AML/CFT programme audited, but where the audit was not done in a timely manner, occurring months after its due date
- 14 further desk based reviews and four monitoring visits will be carried out in response to this work.

The FMA also issued a compliance letter to one additional reporting entity requesting follow up action by the entity.

The entities involved are all either small businesses or individuals and naming the entities involved would be a disproportionate penalty given the nature of the issues involved.

The FMA has previously said it expects to see more robust AML/CFT policies and procedures in place, given that AML/CFT laws have been in force for more than five years.

Last month, the FMA highlighted that in future, there would be an increased focus on reviewing independent audit reports on AML/CTF processes.

Liam Mason, FMA Director of Regulation, said: "The FMA is now requiring more entities to take remedial action following our monitoring of their AML/CFT processes. Entities we supervise should understand that independent audit reports every two years are a legal requirement.

“The FMA carries out these assessments every year, looking at 64 files in 2018 and 77 in 2017. Entities we supervise should understand that if we didn’t examine your report this year, there is a strong possibility we will be looking at your report next year. Get ahead of this issue, and ensure you are meeting your AML/CFT responsibilities.”

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Notes to editors:

The Anti-Money Laundering and Countering Financing of Terrorism Act 2009 and associated regulated came into full effect on 30 June 2013. Its purpose is to deter and detect money laundering and terrorist financing.

The FMA is one of three supervisors under the Act, along with the Reserve Bank of New Zealand and Department of Internal Affairs. The FMA currently supervises around 800 reporting entities who are required to comply with the Act.

Roughly two-thirds of the reporting entities the FMA supervises define themselves as financial advisers, but reporting entities also include: issuers of securities, licensed supervisors, derivatives issuers, providers of discretionary management services, fund managers, brokers and custodians as well as equity crowdfunding and peer-to-peer lending platform providers.

The FMA expects every reporting entity that it supervises to have an audit of its AML/CFT risk assessment and programme completed every two years or on request. A copy of the audit report must also be provided to the FMA when specifically requested.

All reporting entities must also complete an annual AML/CFT report with a due date of the end of August.