

13 August 2021

To: Sharesies Limited (FSP550746) and Sharesies Nominee Limited (FSP1000878), (together referred to as “**Sharesies**”), level 6 111 Customhouse Quay, Wellington 6011

Formal warning for purposes of section 80 of Anti-Money Laundering and Countering Financing of Terrorism Act 2009

We have reasonable grounds to believe that you have engaged in conduct that constitutes a civil liability act under the [Anti-Money Laundering and Countering Financing of Terrorism Act 2009](#) (the **Act**). You are required to comply with your obligations under the Act at all times.

Details of the conduct are as follows:

Failure to comply with section 16 of the Act We have identified that Sharesies had not completed identity verification for up to 7,815 Sharesies customers (with an account balance of more than \$1000) before establishing a business relationship in accordance with the Identity Verification Code of Practice (IVCOP). Sharesies had not opted out of the IVCOP in respect of these customers at the relevant time.

Failure to comply with section 17 of the Act We have identified that Sharesies had failed to obtain:

- information on the nature and purpose of the proposed business relationship from most customers; and
- sufficient information to determine whether certain customers had opened an account on behalf of a trust and should be subject to enhanced customer due diligence.

The following action(s) are required to ensure compliance with the Act:

Section 16 (1) Develop and implement an effective process to complete identity verification at the time of onboarding customers and provide training to staff on the process.

 (2) Complete adequate customer identity verification on all customers, and either:

- restrict withdrawals or transfers of financial products from those customers’ accounts for which Sharesies has not completed adequate identity verification until such time as the identity verification has been completed; or
- comply with the requirements of [section 37](#) of the Act.

Section 17 (3) Obtain information on the nature and purpose of the business relationship from all customers, and not rely solely on contractual

terms and conditions for this information.

- (4) Obtain sufficient information from all customers that have used the word 'trust' in the account application process (including in the preferred account name) to determine if the individuals have opened an account as trustee of a trust or otherwise on behalf of a trust.
- (5) Include a question in the account application process asking prospective customers for information on the nature and purpose of the proposed business relationship.
- (6) Complete enhanced customer due diligence on all customer accounts that are trusts.

Sharesies must complete the third required action provided above by 20 May 2022, and Sharesies must complete the other required actions by 21 February 2022 (to the extent it has not already done so), or such other date as agreed to in writing by the FMA.

If you continue to engage in conduct that constitutes a civil liability act, or you do not take the actions required, civil or criminal enforcement action may be taken under the Act. This may result in (but is not limited to) the imposition of—

- civil penalties of up to \$200,000, in the case of an individual, and \$2 million, in the case of a body corporate; and
- criminal penalties of imprisonment for up to two years or a fine of up to \$300,000, in the case of an individual, and \$5 million, in the case of a body corporate.

Please note that issuing this formal warning to you does not affect the FMA's ability to consider or impose other appropriate sanctions under the Act.

If you believe the facts as stated in this notice are incorrect or incomplete, please contact us by NZT 12pm, 19 August 2021.

James Greig, Director of Supervision
Financial Markets Authority