

**18 March 2022**

## **Impact of Russia Sanctions on AML/CFT reporting entities**

Tēnā koutou,

This morning the Ministry of Foreign Affairs and Trade (MFAT) detailed the individuals, entities, and classes of persons impacted by the Russia Sanctions Act 2022 (the Sanctions Act) that was passed by Parliament on 9 March in response to Russia's illegal invasion of Ukraine.

This is the first tranche of sanctions to be announced under the new legislation and focuses on prioritising political and military individuals and entities. It extends existing sanctions on President Putin and 12 members of his Security Council to include asset freezes and prohibitions on their vessels and aircraft entering New Zealand. The sanctions are intended to prevent these individuals and entities from moving assets here, dealing with assets already here, or using our financial system to circumvent sanctions that may be imposed by other countries in the future. Further tranches of sanctions will be announced in due course.

The sanctions also prevent New Zealand individuals, entities and financial institutions from having dealings with designated persons, assets and services. This ensures that New Zealand individuals or entities doing business with those sanctioned do not support, whether inadvertently or not, Russia's illegal invasion of Ukraine.

The intention of the Sanctions Act is to join the international community in applying tough sanctions that will severely limit Russia's (and any country assisting them) ability to finance and equip the war on Ukraine, and to influence people with power in Russia to break their support for the invasion. The recently announced regulations are the first step.

A full list of the individuals and entities impacted by the Sanctions Act 2022 are detailed on [MFAT's website](#). MFAT have also published [Q&As on the sanctions](#).

### **Russia Sanctions Act:**

All reporting entities are advised that along with the asset freeze and dealings prohibition, [section 15](#) of the Sanctions Act imposes a further and specific obligation on all AML/CFT reporting entities (known as 'duty holders' under the Sanctions Act). This is the requirement to report to the New Zealand Police Financial Intelligence Unit (FIU) any assets, or service being provided to a person, where there are reasonable grounds to suspect involvement, ownership or control, direct or indirect, by a designated person or entity (as a Suspicious Activity Report (SAR) via the goAML portal).

The FIU has published guidance for reporting entities regarding requirements: [FIU Sanctions Alert](#).

### **AML/CFT Act:**

Reporting entities are reminded that under the AML/CFT Act, they are required to undertake customer due diligence (CDD), ongoing CDD and account monitoring to identify grounds for

reporting suspicious activity (s31(2)). Enhanced CDD is required if the level of risk and the particular situation requires it (s22(1)(d)).

The circumstances in which a SAR must be submitted include where there are reasonable grounds to suspect a transaction or activity is or may be relevant to the investigation or prosecution of a sanctions related offence (s39A(b)(v)). In practice, the requirement under the AML/CFT Act to report a SAR in relation to a suspected sanctions offence is very similar to the reporting obligation of duty holders under the Sanctions Act.

Understanding beneficial ownership of legal persons or legal arrangements, and undertaking enhanced CDD where required, are key parts to determining whether you may be providing services to persons or entities that are subject to the Russia Sanctions. If you suspect involvement of a sanctioned person, you should immediately submit a SAR to the FIU and seek legal advice before proceeding with any activity.

If you require any further information, please contact your AML/CFT Supervisor.