

NZ AML laws to cover sports betting, racing

New laws widening the scope of current legislation on money laundering and the financing of terrorist activity are currently before the New Zealand Parliament and similar moves are expected in Australia.

The new legislation takes in sectors that were previously exempt. Both Australia and New Zealand have previously passed laws requiring banks and non-bank financial institutions, including casinos, to comply with laws intended to counter money laundering and the financing of terrorism.

Known as AML/CFT laws these are now common in Western aligned Asian/Pacific countries following international agreements reached in the early 2000s.

The second round of legislation takes in sports betting, including racing.

New Zealand's Minister of Justice Amy Adams said: "By extending the (current) Act to lawyers, conveyancers, accountants, real estate agents, sports and racing betting, and businesses that deal in certain high-value goods, we can better prevent and detect money laundering and reduce the impact on victims and the wider community."

"Businesses that deal in certain high-value goods, including motor vehicles, jewellery and art, will also have obligations under the Act when they accept or make large cash transactions."

"The businesses that will have to comply with the Bill are at particular risk of being targeted by criminals. We have worked with the affected sectors to ensure that the changes strike the right balance between combating crime, minimizing costs to business, and meeting international obligations."

The value of transactions resulting from crime is thought to be substantial. Minister Adams told Parliament, "It is estimated that the reforms in this Bill could disrupt up to \$1.7 billion in fraud and drug crime over the next 10 years.

"Estimates also suggest they may prevent up to \$5 billion in broader criminal activity and reduce about \$800 million in social harm related to the illegal drug trade."

In New Zealand, the provisions of the new legislation have been widely discussed with affected parties such as the racing industry.

Substantial changes have already been made to the government's initial proposals, mainly to reduce compliance costs, says Ms Adams.

A report from international advisory firm, Ernst and Young, and adopted by the government, recommended changes which have "significantly reduced the predicted compliance costs – the initial estimate of up to \$1.6 billion over 10 years has been lowered to between \$800 million and \$1.1 billion."

While the new legislation takes in sectors previously exempt, it does little to change the position of the banking and financial services industry, or the operations of licensed casinos.

SkyCity Entertainment Group Ltd, which operates five of New Zealand's six licensed casinos, said the company had a comprehensive Anti-Money Laundering Programme together with supporting systems and processes which have been audited by the Department of Internal Affairs, and independently reviewed.

A spokesperson said it would continue to work closely



with the Department of Internal Affairs as its AML Supervisor and the Police Financial Intelligence Unit.

The New Zealand Racing Board's Chief Executive John Allen says the racing industry is facing significant costs, which he hopes will not "rip the guts out of the profitability of the industry."

"Significant costs are likely, although not yet fully quantified, but they are likely to run into millions of dollars. We have 650 outlets – about as many branches as the major banks."

"When we need to change out the technology in the outlets it will lead to better control over large cash bets, and we will need to train our staff to identify and report suspicious transactions."

"We support the intent of the legislation but we are very interested in making sure that costs are not loaded onto the industry and therefore affect our profitability."

Mr Allen ruled out seeking government subsidy or assistance to meet the costs preferring to seek changes to the reporting threshold and the timing of the legislation taking effect.

Specifically, he said the industry wanted the \$1,000 reporting threshold lifted to \$10,000 and the phase in period extended 18 months to four years.

"We have had discussions with officials who have indicated some flexibility on timing may be available."

"Our focus is on the regulations that will follow the passage of the legislation. A sensible timeframe is needed for us to get our people trained, the right processes in place and to get the appropriate technology installed."

Longer term, after the transition and its costs have been absorbed, Mr Allen is not expecting the racing industry's profitability to be affected.