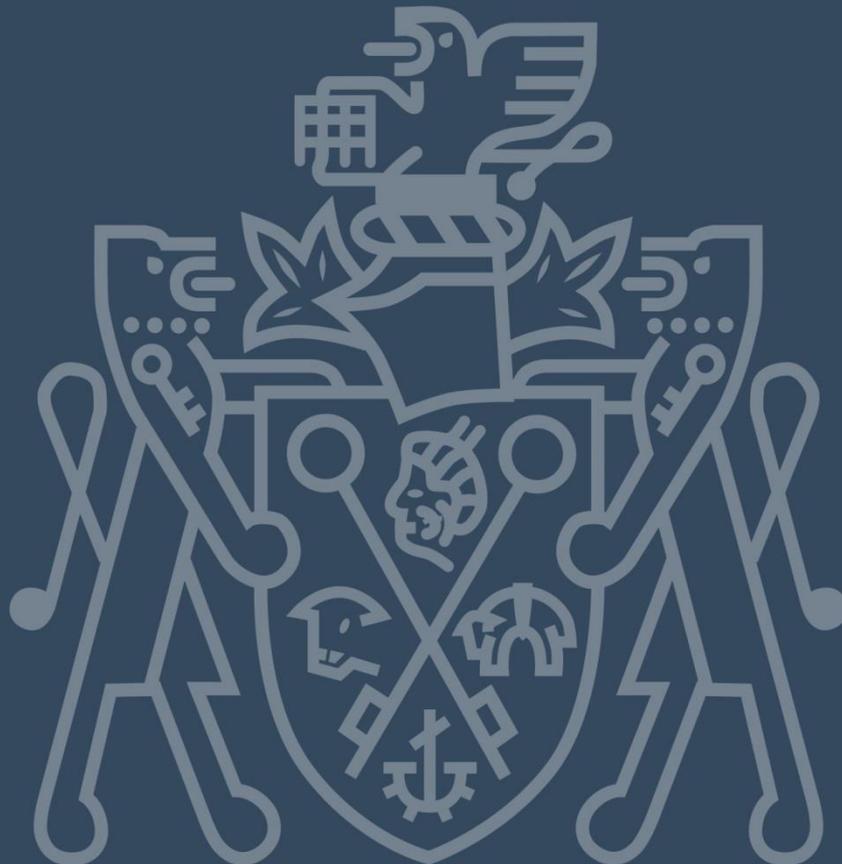


# On-site Visit Guideline

*January 2019*



# Background and Purpose

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1. The purpose of this guide is to help reporting entities understand the process of an Anti-Money Laundering/ Countering Financing of Terrorism ('**AML/CFT**') on-site visit conducted by the Reserve Bank of New Zealand ('**RBNZ**')<sup>1</sup>. It provides details on the planning stage, pre-visit requests, the actual on-site and the structure and timeframes of the on-site report to be issued to a reporting entity.
2. An on-site visit is used to monitor a reporting entity's level compliance with its AML/CFT obligations and assess the level of money laundering and terrorist financing ('**ML/TF**') risk. This also includes assessing the AML/CFT compliance culture within a reporting entity. It involves RBNZ AML/CFT supervisors reviewing documents and records, testing controls and meeting with the reporting entity's employees, including senior management.
3. On-site visits are generally carried out by two AML/CFT Supervisors from within RBNZ's Banking & AML/CFT Supervision team. On-site visits are usually one to three days in length, depending on size and complexity of the reporting entity.

# Planning and Pre-Visit Requests

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4. AML/CFT Supervisors will provide a reporting entity with as much notice as possible of the intention to conduct an on-site visit. A minimum of 12 weeks' notice will normally be provided to a reporting entity.
5. AML/CFT Supervisors will liaise with the reporting entity's AML/CFT Compliance Officer ('**AMLCO**') to ensure the timing of the on-site visit is appropriate and does not conflict with any other reviews and key AML/CFT personnel and senior management are available. If a reporting entity has an AML/CFT audit or a major review of its AML/CFT Programme scheduled, RBNZ's preference is to conduct the on-site visit after the audit or review has been completed.

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<sup>1</sup> Pursuant to s.132(2)(b) of the AML/CFT Act 2009

6. Following consultation with the reporting entity, a notification letter will be issued to the reporting entity confirming the dates of the on-site visit. The notification letter will also contain details of pre-visit information required by RBNZ. This information must be submitted to RBNZ via our secure upload facility. Below are some examples of pre-visit information that could be requested:
  - Structure of the reporting entity
  - AML/CFT Programme and supporting material
  - Risk Assessment
  - Details of any AML/CFT issues, incidents or breaches
  - Audit Reports
  - Forums or Committees relating to AML/CFT matters
  - Details on monitoring and testing of AML/CFT policies, procedures, systems and controls
  - Customer Due Diligence information on new and existing customers for a defined period
  - Enhanced Customer Due Diligence information on higher risk customers e.g. Politically Exposed Persons
  - Details on transaction monitoring and investigations conducted on unusual or suspicious activity for a defined period.
7. The pre-visit information is used to determine some of the discussion topics that will be covered during the on-site visit. Due to the dynamic nature of AML/CFT, other discussion topics may include specific ML/TF risk areas or topics that are currently relevant to the reporting entity's respective industry.
8. A reporting entity will be provided with an opportunity for an open session during the on-site. The purpose of the open session is to allow the reporting entity to ask the AML/CFT Supervisors any questions on any aspects of AML/CFT. The open session is not mandatory and is at the discretion of the reporting entity. Please inform the AML/CFT Supervisors when you submit the abovementioned information via our secure upload facility if you are interested in an open session.
9. Approximately three weeks prior to the on-site visit, RBNZ will send a letter confirming the discussion topics for the on-site visit and schedule of meetings. The letter may also contain a list of specific samples and further information that the AML/CFT Supervisors will review during the on-site. This additional information will need to be available to the AML/CFT Supervisors during the on-site visit.

# The On-site Visit

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10. RBNZ operates a relationship and outcomes focussed model in relation to AML/CFT supervision. This includes open and transparent discussions with a reporting entity during an on-site visit. During the on-site visit the AML/CFT Supervisors will seek further clarification on a reporting entity's policies, procedures and controls to ensure that these are well understood and the pre-visit material has not been misinterpreted by RBNZ.
11. RBNZ may require any employee, officer or agent of the reporting entity to answer questions relating to the reporting entity's records and documents and for that person to provide any other information that RBNZ may reasonably require for the purposes of the inspection. When such requests are made, RBNZ will require you to answer the questions and provide the information pursuant to section 133(2) of the Act.
12. However, pursuant to section 133(3) of the Act, a person is not required to answer a question asked by an AML/CFT supervisor if the answer would or could incriminate the person.
13. The on-site visit will commence with an opening meeting to introduce the AML/CFT Supervisors and staff from the reporting entity and confirm the schedule of meetings. RBNZ expects the reporting entity's AMLCO and relevant senior management to attend the opening and closing meeting.
14. During the on-site visit RBNZ expects the reporting entity's AMLCO to attend all meetings, but should be supported relevant staff and senior management where it is considered appropriate.
15. For a number of the areas to be discussed during the on-site visit RBNZ's general approach will be to assess whether the reporting entity has both adequate and effective AML/CFT procedures, policies and controls. RBNZ interprets the words "adequate and effective" as follows:
  - the adequacy of an AML/CFT programme is an assessment of whether or not the reporting entity's procedures, policies, and controls comply with the requirements of the AML/CFT Act and regulations; and
  - the effectiveness of an AML/CFT programme is an assessment of how those procedures, policies, and controls are operating in practice.
16. The on-site visit will conclude with a closing meeting with the reporting entity's AMLCO and relevant senior management expected to attend. The AML/CFT Supervisors will verbally provide initial observations from the various topics discussed during the on-site visit and key findings from any sample testing conducted.

17. A reporting entity is encouraged to ask any final questions or provide closing comments during the closing meeting.
18. In alignment with the RBNZ's relationship model, the key matters discussed during the closing meeting should also be reflective of the key matters contained within the on-site report.

## On-site Report

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19. Generally, RBNZ will provide a reporting entity with its on-site report within six weeks of the on-site visit being completed.
20. The structure of the on-site report will be based on the discussion topics covered during the on-site visit. For each discussion topic there will be the following sub-categories:
  - Breaches of the AML/CFT Act – The reporting entity has failed to meet the requirements of the AML/CFT Act. RBNZ considers the breach to be a material issue and/or a systemic issue that requires steps to be taken to achieve compliance. This may be referred to RBNZ's Enforcement team, who will conduct an independent investigation of the breach.
  - Deficiencies – The reporting entity has failed to meet all of the requirements of the relevant sections of the AML/CFT Act. RBNZ considers supervisory action is required to address the deficiencies and achieve compliance.
  - Recommendations – RBNZ considers it good practice for the reporting entity to consider and implement the appropriate changes in line with RBNZ's recommendations. These recommendations do not constitute regulatory action.
21. Where a reporting entity is required to complete certain actions, each action will have a specific due date and a clear description of the RBNZ's expectations. In some cases, RBNZ may request a regular progress update on the required action. It is likely that RBNZ will also seek further assurance that the required actions have been completed during future on-sites that may be conducted *e.g. additional sample testing*.
22. If you have any questions about on-site visits please do not hesitate to contact the RBNZ AML/CFT team via email on [amlcft@rbnz.govt.nz](mailto:amlcft@rbnz.govt.nz).