



# Guidelines on Anti-Money Laundering and Countering Financing of Terrorism

Prudential Supervision Department  
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## 1. Introduction

- (1) This document sets out guidelines issued under section 78(3) of the Reserve Bank of New Zealand Act 1989 (“the Reserve Bank Act”) for the purpose of interpreting the phrase “the policies, systems, and procedures, or proposed policies, systems, and procedures, to detect and deter money laundering and the financing of terrorism” in regulation 3(2) of the Reserve Bank of New Zealand (Registration and Supervision of Banks) Regulations 2008 (“the Regulations”).
- (2) Under section 1A and section 68 of the Reserve Bank Act, the Reserve Bank of New Zealand (“the Reserve Bank”) is responsible for promoting the maintenance of a sound and efficient financial system. To achieve these purposes the Reserve Bank registers and supervises banks. Applicants for registration are assessed for the ability to carry on business in a prudent manner and registered banks are supervised to ensure they are carrying on business in a prudent manner.
- (3) The Reserve Bank considers that to achieve its statutory purposes it must ensure that registered banks have the necessary and effective procedures to deter and detect money laundering and that adherence to the Anti-Money Laundering and Countering Financing of Terrorism Act 2009 (“the AML/CFT Act”) is an important aspect to the carrying on of business in a prudent manner by a registered bank.

## 2. Background

- (1) Section 78 of the Reserve Bank Act prescribes the matters the Reserve Bank can consider in relation to a bank’s ability to carry on business in a prudent manner. Sections 78(1)(c) to (g) list the matters to which the Reserve Bank must confine its consideration in:
  - (a) having regard, under section 73(2)(c) of the Reserve Bank Act, to the ability of an applicant for registration as a registered bank to carry on its business in a prudent manner; or
  - (b) determining under section 77(2)(f) or section 113(1)(e) of the Reserve Bank Act that a registered bank has not carried on its business in a prudent manner.
- (2) Section 78(1)(g) provides for other matters to be prescribed in regulation. Matters in relation to anti-money laundering and countering financing of terrorism are prescribed in the Regulations, which came into effect on 30 October 2008.
- (3) The Regulations set out additional matters that the Reserve Bank may consider, under section 78(1) of the Reserve Bank Act, in determining whether a registered bank has carried on its business in a prudent manner or an applicant for bank registration will be able to carry on its proposed business in a prudent manner. The additional matters are “the policies, systems, and procedures, or proposed policies, systems and procedures, to detect and deter money laundering and the financing of terrorism”.
- (4) Section 78(3) of the Reserve Bank Act permits the Governor of the Reserve Bank to issue guidelines for the purpose of interpreting any of the matters referred to in sections 78(1)(c) to (g).
- (5) Section 3 of this document sets out guidelines for the purposes of interpreting the phrase “the policies, systems, and procedures, or proposed policies, systems, and procedures, to detect and deter money laundering and the financing of terrorism”. These guidelines apply to all registered banks in New Zealand.

- (6) Section 4 of this document refers banks to external material that may be useful for informing their anti-money laundering and countering financing of terrorism policies.

### 3. Guidelines

- (1) Registered banks in New Zealand are “reporting entities” under the AML/CFT Act. As such they are obligated to comply with the AML/CFT Act and related regulations. The Reserve Bank is AML/CFT supervisor of registered banks for the purposes of the AML/CFT Act. The Reserve Bank expects that:
- (a) each registered bank will at all times post-registration have policies, systems and procedures to detect and deter money laundering and the financing of terrorism;
  - (b) those policies, systems and procedures will comply with the AML/CFT Act and related regulations, including (without limitation) satisfying:
    - (i) the minimum requirements for AML/CFT programmes contained in section 57 of the AML/CFT Act;
    - (ii) the requirements to undertake a risk assessment pursuant to section 58 of the AML/CFT Act; and
    - (iii) the requirements to review and audit the risk assessment and AML/CFT programme pursuant to section 59 of the AML/CFT Act;
  - (c) each registered bank will implement those policies, systems and procedures in an effective manner, so as to maximise the likelihood that the bank will at all times comply with its obligations under the AML/CFT Act and related regulations.
- (2) Prior to registration as a bank in New Zealand, the Reserve Bank expects each applicant:
- (a) to demonstrate that its proposed policies, systems and procedures to detect and deter money laundering and the financing of terrorism are reasonably likely to satisfy the requirements in (1)(b) above, post-registration; and
  - (b) to make appropriate attestations or give appropriate undertakings to the Reserve Bank in relation to the intended implementation of those policies, systems and procedures in a manner consistent with the requirements in (1)(c) above.

### 4. Additional guidance

- (1) When a registered bank is creating, revising or refreshing its policies, systems and procedures to detect and deter money laundering and the financing of terrorism, the Reserve Bank recommends that the bank has regard to:
- (a) guidance from the Basel Committee on Banking Supervision on risk related to money laundering and the financing of terrorism; and
  - (b) guidelines and other non-binding technical information from the New Zealand Police Financial Intelligence Unit.