

Russian Sanctions



What is the Russia Sanctions Act?

Did you know that NZ Parliament **passed the Russia Sanctions Act** in response to Russia's war on Ukraine? The Act targets those who are linked to the war, or are of economic or strategic importance to Putin's regime. It is not about targeting any old person who is Russian. It is about targeting the key players, their family members, Russian Banks, and those in countries like Belarus who actively support Russia's war.

How do Sanctions help?

The Act means that NZ can better help stop things that supports this war. Like the purchase or sale of property, the movement of ships and planes in New Zealand's waters or airspace, stop imports and exports, lending of money, or the movement of money that supports this war.

Sanctioned entities that are reported to the Financial Intelligence Unit (FIU) can be followed up by law enforcement. Under the Act, New Zealand can impose economic sanctions targeting specific people, and companies, assets and services involved with Russia's aggression.

What does this mean for me?

It is now illegal for anyone in New Zealand to deal with a sanctioned individual, entity, asset, or service listed in the Russia Sanctions Regulations. You do not want to provide financial, accounting, legal or real estate related services to someone sanctioned. If you do then you could face 7 years imprisonment or large (\$100,000 or \$1 million) fines!

If you are an AML/CFT reporting entity (duty holder) make sure you review your AML programme and risk assessment. You need to have procedures and controls in place to make sure you manage Russian Sanctions.

How do I check for Russian Sanctions?

You can check your client is not on the Russian Sanctions list by looking at the [Russia Sanctions Regulation Schedule](#). If you are a 2Shakes customer then running a [2Shakes PEP](#) (Politically Exposed Person) check includes Russian Sanctions along with a range of international sanctions and watchlist checks across over 100,000 of sources and in over 40 different languages.

A 2Shakes PEP checks can be done as a stand-alone check, as well as always being automatically included in 2Shakes electronic or biometric ID verification. It's free to create a 2Shakes account and in 2Shakes you just enter a person's name and date of birth to run and pay for a PEP check as needed.

If you would like to find out more how you can include a 2Shakes PEP check in your AML programme then [Contact us](#), or [create an account](#) and we will be happy to explain the process or give you a demonstration.

[Sign up for a 2Shakes account](#)

What about my existing clients?

AML reporting entities should already be periodically reviewing clients as part of Ongoing Customer Due Diligence (OCDD) and this should include a PEP. If you use don't 2Shakes for AML, but you do use us to capture IR or ACC authority, then the good news is that the Biometric or electronic Identity verification still includes a PEP check.

Ongoing Customer Due Diligence needs to include checks against Russian Sanctions. With the 2Shakes OCDD report it is easy to identify if you carried out a PEP check or not, and if you did when it was last done. This makes it quick and easy to find PEPs you should redo. You can find out more here [Re-do a PEP check as part of Ongoing Customer Due Diligence](#).

Can you recheck all my clients (PEP wash)?

Instead of going through all your clients to look for those you should recheck it might be easier just to run all your clients through a PEP check again (a PEP wash). A spreadsheet of individuals can be PEP checked in bulk. Or if your clients are all on 2Shakes we can run all your existing clients through a PEP check for you to re-confirm that none are sanctioned.

What if a client is Sanctioned (PEP hit)?

What happens when you get a PEP hit? Well, the good news is that the vast majority of people 2Shakes runs PEP a check on are clear. We wrote a blog about what to do if you get a PEP hit on our website: [What to do to confirm a PEP hit](#). The PEP report will show if a Russian Sanction applies. The [Russia Sanctions Regulations 2022](#) outlines some additional obligations. These are outlined in the FIU's published [guidance](#) and include:

Freezing obligations: If you have control of sanctioned assets or you may provide services to a sanctioned person you must cease all activity by either freezing the assets and/or stopping any transactions or services.

Reporting obligations: You are required to report your suspicions to the Commissioner of Police within three working days. You can refer to what is considered a designated asset, a designated service and a designated person in the Regulations. But be aware they can be inside or outside of New Zealand and they do include cryptocurrency.

If you are a reporting entity under the AML/CFT Act your AML programme must include provisions to identify any grounds for reporting suspicious activity. You must submit a suspicious activity report to the FIU with "as much information as possible and context that can be reasonably be provided to inform next steps".

If you are not an AML reporting entity, then you can report using the prescribed form on the [NZ Police 105 website](#).

Due diligence and monitoring obligations: If you are an AML reporting entity you must ensure that your AML customer due diligence checks will ensure that no client, (or assets or services) are provided to anyone who is subject to sanctions.

[To get a demonstration sign up for 2Shakes](#)

2 Tips (to do now)



Review and update your AML Programme & Risk Assessment. Make sure that the AML Risk assessment of your practice includes how you deal with [Russia](#), [Belarus](#) along with other Sanctioned & [high risk countries](#) as per the [Countries Assessment guideline](#). As always, be wary of ever you need to be wary of shell companies, nominee structures and complex structures. In your AML programme's description of Customer Due Diligence make sure you are checking for Sanctions (PEPs), recording and reporting suspicious activities (SARs), and how you ensure you can NOT engage a sanctioned client.

2

Review CDD and SAR procedures & staff training

Make sure you and your staff are clear on any changes to your CDD procedures. Let your staff know that they should 'freeze assets & services' immediately for any suspected clients and report a SAR as soon as possible (within 3 days). It's a good idea to record this refresher and updates training in your AML training records too. You can of course store updated AML training log in 2Shakes. Check you clients to make sure that they don't have connections to Russia or Belarus through:

- operations or travel
- citizenship or nationality
- transfer of funds
- exporting or importing products

Contact us here at 2Shakes if you would like to find out how to review your existing clients or do a bulk check (PEP wash) of all your clients.

If you find a possible connect you should redo CDD (including a PEP check and risk assessment) and consider applying Enhanced Customer Due Diligence. If you get a hit then file a Suspicious Activity Report and stop all services for the client.

The 2Shakes team are here to help you. If you have more questions please **Contact Us** and a friendly and knowledgeable person will help.

Useful links

- [Sanctions-alert-fiu-2022-sanc02.pdf \(police.govt.nz\)](#)
- [Russia-Sanctions Act-AMLCFT-Supervisors-March-2022.pdf \(dia.govt.nz\)](#).
- [Russian Sanctions | New Zealand Ministry of Foreign Affairs and Trade \(mfat.govt.nz\)](#).