

Kia Ora there,

AML/CFT Amendment Regulations:

Stage 2 comes into effect on 1 June 2024

We wanted to remind you that the second stage of the AML/CFT changes will come into effect on the 1st of June and to point out some areas that you may need to consider.

We also want to let you know that all the changes are able to be handled in 2Shakes as-is.

You will still need to update your AML Programme and your processes to ensure you meet the changes in obligations.

If you are a customer who is not an AML Reporting Entity, you are not affected by these changes.

Also, we have included a reminder below on requirements under the ID Verification Code of Practice, and why Biometric is our Default (as well as what you need to consider if you choose to change the default to Electronic IDV).

AML/CFT Changes

Following a review by the Ministry of Justice, a number of changes to AML/CFT obligations are being made. The changes are being made through the Amendment Regulations listed below, and Reporting Entities should familiarise themselves with these as well as keeping up to date with guidance on your Supervisor's website:

- [AML/CFT \(Requirements and Compliance\) Amendment Regulations 2023](#)
- [AML/CFT \(Prescribed Transaction Reporting\) Amendment Regulations 2023](#)
- [AML/CFT \(Exemptions\) Amendment Regulations 2023](#)
- [AML/CFT \(Definitions\) Amendment Regulations 2023](#)
- [AML/CFT \(Cross-border Transportation of Cash\) Amendment Regulations 2023](#)

The Amendments are split into three stages: Stage 1 that came in on 31 July 2023, Stage 2 that comes into effect on 1 June 2024, and Stage 3 on 1 June 2025.

Here we focus on the upcoming Stage 2, which comes in on 1 June 2024 - i.e. soon!

Stage 2 includes new obligations for existing Reporting Entities. The changes to obligations and how they affect different sectors are too broad and complex for us to cover everything here, **so we strongly recommend you review the changes and how they relate to your specific circumstances.**

There are significant changes for VASPs (dealing with Virtual Assets), and to businesses conducting Wire Transfers. If that is you there is a lot to be done.

For most of our customers we have covered the main changes that stood out to us below. These are mostly changes related to Standard (CDD) and Enhanced (EDD) Due Diligence and will need to be reviewed so you can update your AML/CFT Programme and processes to ensure you stay compliant.

Changes to CDD

For Standard Due Diligence, there are additional requirements where the client is a Legal Person (such as a company) or Legal Arrangement (such as a Trust).

This is in the [Requirements and Compliance Amendment](#) above, and includes areas like obtaining information on:

- the customer's legal form
- ownership and control
- powers that bind or regulate them
- nominee shareholders or nominee directors

For companies, legal form and ownership and control information is automatically pulled down in 2Shakes from Companies Office using the NZBN. The other information can be added to Notes & Files, and if nominees are involved, Enhanced Due Diligence (EDD) will be triggered as it does now in 2Shakes.

For a Trust in a Legal Arrangement, as well the above bullet-points, information must be obtained on Settlor(s) and any Protector(s) (as well as on the Trustees). Trusts also trigger Enhanced Due Diligence in 2Shakes.

NB: In a Trust, a Protector is someone the settlor can appoint independent of the Trustees, usually to oversee or monitor the governance or administration of the Trust.

Changes to EDD

There are a number of changes coming for Enhanced Due Diligence (EDD) too.

These include additional measures that should be taken where the normal EDD measures (e.g. Source of Wealth/Proof of Funds) are insufficient at managing the AML/CFT risk. The additional measures include:

- obtaining more information about the transaction
- examining the purpose of the business transaction
- use of enhanced monitoring throughout the business relationship

- escalating to and receiving approval from senior management to proceed with the transaction or business relationship.

Other Notable Changes

We have listed below some other changes that we wanted to point out to customers. But remember there are **lots** of changes, so please read the amendments.

- there is a blanket minimum 5 years to keep all records from the end of a transaction or business relationship.
- you should review your risk assessment for new or developing technologies that can be used for ML/FT before you implement them.
- there is a clarification that EDD is required where there are potential grounds for submitting a suspicious activity report.
- for EDD, information has been provided to differentiate between Source of Wealth and Proof of Funds, and when each (or both) should be used.
- for Limited Partnerships, EDD will be triggered if the customer has a nominee general partner.

Again, these are areas that stood out given what we regularly discuss with you, our customers. But you really need to go through the changes and see how they apply to you.

We are always available to discuss situations and help you - no problem! And you can ask your Supervisor (DIA, FMA or Reserve Bank) too.

NB: Stage 3 comes in on 1 June 2025 to extend the AML regime to sectors not already covered.

Why Biometric is our Default IDV

For most AML Reporting Entities, ID Verification needs to meet the requirements of the ID Verification Code of Practice (IDVCOP).

The IDVCOP describes verification by Documentary means - either in person or through certified copies - both of which are the 2Shakes Manual IDV option.

The IDVCOP also describes **Electronic IDV**.

At the start of AML Phase 2, the 2Shakes Electronic IDV option was totally fine to meet the IDVCOP requirements. That is where we are verifying the identity and address **data** against trusted sources, after sending an email to the person.

However, when the AML Supervisors released an [Update to the IDVCOP Explanatory Note](#), new requirements were introduced including:

- **robust methods** to verify the document's authenticity.
- **robust methods** to link between the person and the identity document they were presenting.

By itself, the Electronic IDV option in 2Shakes verifies the data, but does not provide the robust methods required by the Updated Explanatory Note.

The Biometric option in 2Shakes does meet the updated requirements. The explanatory note gives examples of what is and isn't acceptable, and our Biometric option aligns with Example 2.

Our Biometric option has the necessary robust methods to check the document and link it to the person, as well as including all the data verification checks in our Electronic option.

That is why our Biometric IDV has been the 2Shakes default since the Supervisors released the Updated Explanatory Note in July 2021.

If you are doing AML Due Diligence and changing from Biometric to Electronic, you need to take **Additional Measures** to meet the requirements. Or save time and effort and leave the Biometric IDV as default.

So why leave the Electronic as an option at all? We have a very wide range of customers, and many are doing IDV for other reasons, many of which do not need the same level as AML.

Tip: If you are an AML Reporting Entity and have been choosing Electronic IDV, you can either take and record Additional Measures, or upgrade to a Biometric IDV as part of your Ongoing CDD.

And if you are unsure, please just email us at support@2shakes.co.nz and our friendly staff with help!

As always, if there's anything we can help with please reach out to the support team at support@2shakes.co.nz or use our [Contact page](#).

Ngā mihi nui,
The 2Shakes Team



2Shakes Limited

W: www.2shakes.co.nz

Client Onboarding Automation | AML Due Diligence.

This message, its ideas and any files transmitted with it are sent in confidence and solely for the use of the intended recipient. If you are not the intended recipient or the person responsible for delivery to the intended recipient, be advised that you have received this message in error and that any use is strictly prohibited. Please contact the sender and delete the message and any attachment from your computer.

2Shakes Limited, Level 4, 85 Ghuznee Street, Te Aro, Wellington, New Zealand 6011

[Unsubscribe](#) [Manage preferences](#)