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Sanctions on Russia – we’ve already got a tool for that

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By James Greig, FMA Director of Supervision

Russia’s invasion of Ukraine is into its fourth month, and many countries continue to review and tighten economic and financial sanctions on Russia and its leaders.



New Zealand is doing its part, with the Russia Sanctions Act. Passed unanimously by Parliament on 9 March, the Act provided us with the proper legislative tools to join the international community to “limit Russia’s ability to finance and equip the war in Ukraine, and to influence Russia away from war.”

Sanctions under the Act target individuals and companies that are economically or strategically important to Russia.

While our sanctions legislation was new, we already had an effective and mature toolkit in place, ready to support our sectors to make the new sanctions effective – namely our existing Anti-Money Laundering / Countering Terrorism Financing (AML/CFT) regime.

The AML/CFT regime has been in place for more than ten years for financial institutions and its coverage has expanded to include the activities lawyers, accountants and real estate agents.

How does the regime help us enforce sanctions against Russia? By focusing on customer due diligence, which asks the core question: who are you really doing business with?

Could that person or entity you’re doing business possibly be a front for a Russian oligarch?

Proper risk assessment, record keeping and reporting suspicious transactions are also essential in any successful anti-money laundering programme. Keeping an eye on the MFAT and FIU websites can also help to keep track of the Russian Sanctions.

At the FMA we’re doing more than just reviewing AML risk assessments and checking procedures, policies and controls.

Over the past few years, we’ve issued warnings where entities have failed to maintain adequate systems to meet the obligations of the AML/CFT legislation.

Court action was taken against CLSA Premium New Zealand Limited (CLSAP NZ), which provided various financial services, including broking, financial advice and derivatives, after it failed on numerous occasions to:

- conduct proper customer due diligence and enhanced customer due diligence
- terminate business relationships where required
- report suspicious transactions and to keep adequate records.

In September last year the firm was ordered to pay a total pecuniary penalty of \$770,000.

We welcomed the ruling, saying it “sent a strong message that there are serious consequences for firms that choose to prioritise profit over requirements under the AML/CFT regime. It’s crucial that firms take their compliance obligations seriously, ensuring that they not only have the right programmes in place, but that these programmes are followed by staff.”

Also last year, online share trading platform Sharesies was issued a formal warning for failing to have sufficient anti-money laundering procedures, policies, and controls in place.

In the FMA's view, Sharesies had failed to get information about the nature and purpose of the proposed business relationship from most customers, and hadn't obtained sufficient information to determine whether certain customers should be subject to enhanced customer due diligence.

The FMA expects businesses to be fully aware of their AML/CFT obligations and how important they are to the integrity of our financial system.

We must constantly be looking to the future to keep ahead of those trying to exploit weaker points in the system.

New Zealand's AML regime received good marks in a recent review by the international Financial Action Task Force, a body set up by the G7 to fight global money laundering.

However, its report said New Zealand needs to "focus more on improving the availability of beneficial ownership information, strengthening supervision and implementation of targeted financial sanctions."

"New Zealand also needs to improve transparency about the true 'beneficial' owners of companies and trusts, to prevent shell companies being used for illicit finance".

While it's nice to get international recognition for our AML regime and to know we have the agility to leverage the AML regime to support enforcement of the Russian sanctions, there's still plenty to do to ensure we all keep doing our part.

- [More about the Russian Sanctions Act](#)
- [More information on the Russian Sanctions Regulations from New Zealand Police website](#)
- [More about the AML/CFT regime on the FMA website](#)
- [See more from the FATF evaluation into New Zealand's measures to combat money laundering and terrorist financing.](#)

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