AML / CFT

Anti-money laundering and countering financing of terrorism

Identity Verification Code of Practice - 2013 Explanatory Note

FMA
FINANCIAL MARKETS AUTHORITY
TE MANA TATAI HOKOHOKO - NEW ZEALAND

RESERVE BANK
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TE PŪTEA MATUA

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Te Tari Taiwhenua

Explanatory Note

This Explanatory Note should be read in conjunction with the Identity Verification Code of Practice 2011 (the code).

The revision of the code is to clarify requirements for electronic identity verification following the implementation of the Electronic Identity Verification Act 2012 and the Identity Information Confirmation Act 2012. It also reflects recent improvements in identification practice.

About codes of practice
Codes of practice are intended to provide a statement of practice to assist reporting entities to comply with certain Anti-Money Laundering and Countering Financing of Terrorism Act 2009 (AML/CFT Act) obligations. Codes of practice are dealt with in subpart 5 of the AML/CFT Act. Codes of practice set out the suggested best practice for meeting obligations. Some codes will cover all sectors, while others will be applicable to specific sectors or sub-sectors.

Complying with a code of practice is not mandatory. The AML/CFT regime allows for flexibility and scope for innovation because reporting entities can opt out of a code of practice. However, if fully complied with, codes of practice operate as a 'safe harbour'. The legal effect of a code of practice is described in section 67 of the AML/CFT Act.

If a reporting entity opts out of the code of practice it does not receive the benefit of the safe harbour. In these circumstances, the reporting entity must comply with the relevant statutory obligation by some other equally effective means. In order for this to be a defence to any act or omission by the reporting entity, the reporting entity must have provided written notification to its AML/CFT supervisor that it has opted out of compliance with the code and intends to satisfy its obligations by some other equally effective means.

Recent updates to the code of practice
To be kept up to date featuring recent amendments or developments

The code reflects that reporting entities can satisfy identity requirements by meeting one source of identification that incorporates biometric information. Biometric information includes measurements of an individual's physiological or behavioural characteristics that can be recorded and used for comparison and automated recognition of that individual (e.g. photographs, iris structure or fingerprint information such as arch, whorl and loop types).

Part 3 of the original code made reference to a requirement for address verification when conducting electronic identity verification. Section 15(d) of the AML/CFT Act specifies that for standard customer due diligence a reporting entity must obtain the persons address. It is still required to meet the obligations under the Act but is no longer included in the code.

Resources for the Identification Verification Code of Practice:

- Evidence of Identity Standard available on the Department of Internal Affairs' website
- Te Kāhui Māngai, a directory of Iwi and Māori organisations available on Te Puni Kokiri website.