



# How to complete your annual AML/CFT report

01 July 2015

A quick guide to help small financial adviser businesses

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[www.fma.govt.nz](https://www.fma.govt.nz)

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# Introduction

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## About this guide

This user guide is designed to help financial advisers to complete their annual AML/CFT report more quickly and easily. It clarifies the questions in the report template that may be open to interpretation and identifies questions that are unlikely to be relevant to small financial adviser businesses. It does not include the questions that don't need explanation.

This guide is current for 2015. It will be updated as needed to reflect legislative changes, changes to the annual AML/CFT report form, and the questions.

This guide has been prepared for authorised financial advisers and small financial adviser businesses that come under [Regulation 16](#) of the Anti-Money Laundering and Countering Financing of Terrorism (Definitions) Regulations 2011 (regulations). If you are a reporting entity because of your other financial activities (for example, managing individual or collective portfolios) you should also read the [standard user guide](#).

# Questions unlikely to be relevant

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The following AML/CFT report questions are unlikely to be relevant to small financial adviser businesses.

## Part 3 (questions 6-8)

### Domestic

Question 1 Domestic account and deposit-taking services

Question 2 Domestic lending

It is unlikely that small financial adviser businesses will earn revenue from providing their own term deposits and lending products.

Question 3 Residential mortgage lending

It is unlikely that small financial adviser businesses will earn revenue from providing their own mortgage lending products.

Financial advisers may earn revenue from giving advice on and acting as an intermediary for residential mortgage lending, however this revenue need not be included in the annual AML/CFT report as it is not in scope.

Questions 4-8

### International

Question 9-16

### Trust and Company Service Providers (TCSPs)

Questions 17-21

### Providing general services

Questions 23-28

### Cash and card services

Questions 29-33

### Providing general services

Questions 23-28

### Cash and card services

Questions 29-33

### Investing

Question 43 Registry services (registry services are generally exempt from the [Act](#))

Question 44 Estate administration (estate administration is an exempt service from the [Act](#))

Question 45 Treasury functions

Question 50 Reinsurance associated with life insurance

### Casinos

Questions 51-70

### Other

Questions 71-73

## Part 4 Questions from the FMA

Trustee Corporation

Futures dealer

Collective investment scheme manager

## Part 1 (questions 1–3)

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Adviser businesses must answer all questions in this section

### 2.1 FSPR number

To complete the annual AML/CFT report on our portal you will need an [FSPR number](#).

If you have two FSPR numbers (one for your business and one for your AFA status) you may be unsure about which number to use for your annual AML/CFT report.

If in doubt, you should use the number relating to the individual or entity you use to provide financial services. This is the one most likely to be considered the 'trading entity' and the 'reporting entity'.

If the reporting entity does not have an FSPR number, please consider whether this entity needs to be registered on the FSPR or [contact the FMA](#).

## Part 3 (questions 6-8)

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6 Products and services: Where we have not provided any comments, this product/service is less likely to be relevant for an adviser business.

### 6.1 Value and number of transactions

While not all business facilitated by an adviser business needs to be counted, a 'zero' response is unlikely to be correct. This question must be answered in full.

Please read and familiarise yourself with the relevant [FAQs](#) published on the FMA website as a first step.

Appendix 1 of this guide provides a scenario to help you with the gross number and gross value of transactions.

### 6.2

You will have covered the dollar value of concluded business or premium income in your response to question 6.1. This next question is about in-scope authorised adviser income or gross revenue of your financial adviser business.

Only revenue from activities captured by the Act and its regulations need to be reported in your annual AML/CFT report.

Appendix 2 of this guide provides an example of typical services offered by a small financial adviser business and explains:

- which of these services need to be captured in the form
- where in the form these services should be captured.

While you may expect to complete only questions 40 and/or 41 (financial planning and financial advice), you should consider also providing information on all other products and services.

**6 Products and services: Where we have not provided any comments, this product/service is less likely to be relevant for an adviser business.**

Leave products and services not relevant for your business blank.

**Note:** Relevant services (including financial advice) provided on risk-based insurance policies are exempt from all of the provisions of the Act under exemption 12 of the Anti-Money Laundering and Countering Financing of Terrorism (Exemptions) Regulations 2011.

**Your total should add up to 100%.**

**Trust and Company Service Providers (TCSPs)**

**22 Professional trustee services**

This question is only relevant for financial advisers providing professional trustee services. Revenue earned from acting as a professional trustee must be included, but revenue from providing advice on trusts does not.

**Investing – We believe this section is the most significant to the majority of adviser businesses.**

**34 Share broking**

This is where you report revenue from trading transferable securities, either as principal or on behalf of clients - for example as an NZX participant firm. It is not revenue from providing advice on the purchase of equity or debt securities.

**35 Futures and options**

This is where you report revenue from dealing in any futures contracts, forward agreements or options.

**36 Other derivatives**

This is where you report revenue from dealing in other derivatives, such as swaps, contracts for difference, forward exchange contracts, margin foreign exchange contracts, or rolling spot foreign exchange contracts.

**37 Brokers’ cash mgmt. accounts**

This is where you report revenue - including fees and margin on interest earned - from providing a cash management account to clients, either in-house or by outsourcing to their wrap platform provider or custodian.

Do not include income earned by the wrap provider itself.

**37b Other broking services**

This is where you report other revenue/fees earned by advisers who are providing broking services.

Financial advisers likely to have broker obligations include those who:

- receive, hold, pay or transfer client money or property
- contract with their client to provide broking services, but outsource them (for example contract out the broking services)
- are insurance intermediaries who handle client premiums (for example where you invoice a client for an insurance premium, the client pays into the intermediary’s premium account, who in turn sends the payment on to the insurance provider).

Financial advisers unlikely to have broker obligations include those who:

- are insurance intermediaries who do not handle client money or property (including insurance premiums) are not brokers under the FAA

<p><b>6 Products and services: Where we have not provided any comments, this product/service is less likely to be relevant for an adviser business.</b></p>	
	<p>Custodians also provide broking services under the FAA, but revenue earned from these activities should be included in your response to question 42.</p> <p>Please refer to <a href="#">Section 77B</a> of the FAA for the definition of a broking service.</p>
<p><b>38 - 39</b> <b>Funds management related activities</b></p>	<p>Although it is rare, we are aware that certain small financial adviser businesses sometimes act as a trustee or investment manager for managed investment schemes, or provide fund administration services such as fund accounting and reporting services, unit pricing services, and tax services among others.</p> <p>Revenue from these financial activities should be reported here.</p>
<p><b>40</b> <b>Financial planning</b></p>	<p>This is where you report fees or other revenue associated with an ‘investment planning service’ as defined in <a href="#">section 11 of the FAA</a>.</p> <p>On the basis that most of your in-scope revenue is likely to be generated from financial planning services (question 40) or financial advisory services (question 41), we expect that most adviser businesses will enter responses (and perhaps 100% of their responses) to question 6.2 in either question 40 and/or 41.</p>
<p><b>41</b> <b>Financial advice</b></p>	<p>This is where you report fees or other revenue associated with ‘financial advice’ as defined in <a href="#">section 10 of the FAA</a>.</p>
<p><b>42</b> <b>Custodian services</b></p>	<p>This is where you report fees or other revenue associated with:</p> <ul style="list-style-type: none"> <li>– providing custodial services (as defined in section 77B of the FAA); or</li> <li>– acting as a custodian of MIS under the FMCA (retail or wholesale).</li> </ul> <p>You should include revenue earned from maintaining physical possession or legal ownership of securities on behalf of another.</p> <p>Please separate revenue earned from acting as a custodian from that earned from broking services. This will help you to avoid duplication with service 37b ‘other broking services’, which also includes custodial services under the FAA. Please do not double count.</p> <p>We expect few small financial adviser businesses provide custodial services themselves. However, if you do have outsourced custodial services to a third party and earn revenue from this (for example a wrap platform), please include that revenue in this section.</p>
<p><b>46</b> <b>Issuer of securities</b></p>	<p>This is where you report fees or other revenue from the issue of securities or from providing financial services of securities issues.</p> <p>It is unlikely that a small financial adviser business is also an issuer of securities to the public.</p> <p>Please read our <a href="#">issuer guideline</a> if you are unsure whether this category applies to you.</p>
<p><b>46b</b> <b>Participating in an issue of securities</b></p>	<p>This is where you report fees or other revenue from financial services offered in a securities issue.</p> <p>Revenue from these activities should be included here if, in the ordinary course of</p>



<b>6 Products and services: Where we have not provided any comments, this product/service is less likely to be relevant for an adviser business.</b>	
	<p>your business, you are:</p> <ul style="list-style-type: none"> <li>– providing a financial service to the issuer or another person participating in the issue, or</li> <li>– promoting the issue of those securities.</li> </ul> <p>This does not include revenue you earn from providing advice and arranging for your customers to participate in the issue of securities, for example buying shares in an initial public offer.</p> <p>Revenue earned from providing advice and arranging for your customers to participate in the issue of securities should be included under question 41.</p>
<b>Insurance</b>	
<b>47</b> <b>Term life insurance</b>	We recognise that many adviser businesses derive significant revenue from providing advice and acting as an intermediary for pure risk-based insurance policies, but it does not need to be included in your AML/CFT report.
<b>48 - 49</b> <b>Permanent life, other life or other related products and services</b>	<p>If an insurance contract has a value on its cancellation or surrender, then revenue earned from providing advice and acting as an intermediary on these contracts is in scope for AML/CFT.</p> <p>Revenue earned from providing financial advice related to such products should be included under question 41.</p>
<b>74</b> <b>Other relevant products/services</b>	<p>This is where you report fees or other revenue from any other products/services covered by the Act, but not easily recorded under any of the questions above.</p> <p>For example if you are earning revenue from:</p> <ul style="list-style-type: none"> <li>– a discretionary investment management services (DIMS), including class and/or personalised service. This applies to both DIMS licensees under FMCA and DIMS services covered under section 12 of the FAA</li> <li>– other licensed market services</li> <li>– operating financial product markets such as equity crowd funding and peer-to-peer lending.</li> </ul>
<b>7 Customers and members</b>	
<b>7.1 - 7.5</b>	Only include customers related to the financial activities that are in scope for your business.
<b>8 Channels</b>	
<b>8.1</b>	<p>Only include the methods your adviser business uses for accepting in-scope customers.</p> <p>Only include new customers for the period of this report.</p> <p>Exclude repeat annual business for an existing customer.</p>

6 Products and services: Where we have not provided any comments, this product/service is less likely to be relevant for an adviser business.

<b>Channel 3 (domestic intermediaries)</b>	Intermediaries include all third parties making referrals and introductions of business. Please include accountants, solicitors, brokers and agents, whether independent or advisers related to the reporting entity.
<b>Channel 4 (overseas intermediaries)</b>	
<b>Channel 5 (other)</b>	If you have had no new customers, please write 100% against 'other' and make a comment in the notes.

## Part 4: Questions from the FMA

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<b>Sub-sector per the current form</b>	You can select more than one option.
<b>Broker</b>	Some small financial adviser businesses may offer a broking service. Includes brokers and custodians (per FAA) and custodians (per FMCA).
<b>Financial advisers</b>	Those providing a financial adviser service (excluding DIMS). Includes advisers brought into the scope of the Act by <a href="#">Regulation 16</a> .
<b>Issuer of securities</b>	Some financial advisers may be participating in an FMC offer by providing financial services related to an issue of equity or debt securities, or promoting the issue of those securities.
<b>Other</b>	Check this category if you are a provider of a personalised and/or class DIMS or any other sector not listed above.

## Part 6: Additional notes, declaration and signature

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You are welcome to use this free text field to provide any additional comments relevant to the FMA annual AML/CFT report.

## Definitions:

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AML/CFT	Anti-Money Laundering and Countering Financing of Terrorism
FSPR	Financial Services Provider Register
The Act	Anti-Money Laundering and Countering Financing of Terrorism Act 2009
In scope	Anyone conducting a business that comes within the scope of section 5 of the Act or Regulations.
Regulation 16	Regulation 16 of the Anti-Money Laundering and Countering Financing of Terrorism (Definitions) Regulations 2011.
Securities	Financial products, defined in <a href="#">section 7</a> of the Financial Markets Conduct Act 2013
FAA	Financial Advisers Act 2008
FMCA	Financial Markets Conduct Act 2013

## Appendix 1 – Answering question 6.1

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Please read and familiarise yourself with the [FAQs published on the FMA website](#) relevant for advisers and adviser businesses. Our views on how to provide proper answers to question 6.1 have not changed from 2014.

There have been different interpretations of the wording in the annual AML/CFT report on how to calculate the answers to question [6.1](#). We do not believe a ‘zero’ response is likely to be correct.

Estimate	In determining the value and number of transactions during the year, you only need to provide an estimate. We expect submissions to be based on an approximate calculation or judgement of the value or number, rather than an exact count of transactions and values.
Transactions	For any advisory business covered under Regulation 16, their ‘transactions’ refer to instances where they arrange for other reporting entities/third parties to supply a relevant product or service. Not all businesses facilitated by a reporting entity must be counted. Only include transactions that fall within the scope of Regulation 16. In this context, the ‘transactions’ refer to each time an adviser ‘arranges’ such a transaction.
Settled by	‘Settled by’ in this context should be interpreted as when the adviser business has concluded the arrangement for another reporting entity to provide a relevant service to their client. ‘Settled by’ does not mean the entity must have physically handled client money or client property.

Reporting entities are also reminded of their record-keeping obligations under [section 49 of the Act](#). Reporting entities should put in place a repeatable system or process so that the information requested can be provided easily for each year's annual AML/CFT report.

When completing the annual AML/CFT report, adviser businesses will note that the total number and value of transactions may be reported multiple times (such as, by the adviser business, the product provider and possibly the custodian). This is because we are trying to understand the money laundering/terrorist financing risk (not compliance risk) at an individual reporting entity level. When it comes to annual AML/CFT reports, we look at reporting entities in isolation to understand that risk.

We have provided a scenario below to help illustrate how to interpret our requirements.

### Scenario parameters

Between 1 July 2014 and 30 June 2015, an adviser undertook the following financial activity:

Four new ‘lump sum’ investment clients in the year 1 July 2014 through 30 June 2015:

1. \$100,000 and, as per statement of advice (SOA)/financial plan, the client will invest a further \$1,500 per month, starting 1 January 2015
2. \$400,000
3. \$1 million, and as per SOA/financial plan this new retiree will have a standing order withdrawal of \$2,000 per month beginning 1 April 2015

4. \$500,000.

Two new 'regular monthly-saver' clients (no lump sums), each contributing \$1,000 per month (one started 15 November 2014 and the other 4 February 2015).

One existing client received a raise and starts a regular savings programme on 1 October 2014 for \$500 per month.

Over the period, seven clients have withdrawn a total of \$150,000 over 15 withdrawal transactions (ie, existing clients who withdraw capital/cash for personal spend such as a car, a holiday or other non-recurring reason).

Two clients terminated during the year, closing their respective investment portfolios with a value of \$200,000 and \$75,000.

A report from the adviser's wrap platform provider shows 300 total direct buys, maturity cash and sale by redemption transactions (ignoring corporate actions, investment earnings, switches done at fund manager level). The dollar value of these transactions equals \$4m. Of that \$2m represents the four new 'lump sum' investment clients.

#### **Part I: Counting transactions**

To estimate the number of transactions:

- a) Estimate the total number of new lump sum business transactions arranged in the year (4).
- b) Estimate the total number of new regular payment arrangements (or other non-lump sum deposits) set up in the year (4).
- c) Estimate the total number of new withdrawals arranged for clients (either lump sum withdrawals or new regular withdrawal arrangements) in the year (15 lump sum withdrawals plus one new standing order withdrawal for the new retiree plus two terminating account withdrawals, or 18).

#### **Guidelines**

- Interpret 'withdrawals' to mean withdrawals from the client's investment portfolio, into his or her own bank account.
- Count the number of instances for non-recurring, lump sum cash withdrawals. This could be from an existing client, or a client terminating adviser/client engagement.
- Count the number of instances where a new regular withdrawal programme has been established during the year. Do not count existing clients (pre-1 July 2014) who have standing order withdrawals.
- (d) Estimate the total number of times the adviser has arranged for clients to transfer between financial products (296) – excluding the four lump sum transactions.
- The estimates for (a), (b), (c) and (d) should be added together to get the estimate of the total number of transactions.
- Answer for 6.1 on number of transactions = a + b + c + d or '322'

#### **Part II: Counting the value of transactions**

- a) Estimate the total value of new lump sum business transactions arranged in the year ( $\$100,000 + \$400,000 + \$1m + \$500,000 = \$2m$ ).
- b) Estimate the total annual value of new regular payment arrangements (or other non-lump sum deposits) set up in the year ( $\$1,500*12 + \$1,000*12 + \$1,000*12 + 500*12 = \$48,000$ ). You do not

need to count regular payments set up in a previous reporting period unless you have arranged for the payments to be changed within the reporting period. Where new regular payments have been set up in the reporting period, please estimate the annual value of the regular payments (even if the regular payments were only effective for a part of the year).

- c) Estimate the total annual value of new withdrawals arranged for clients (either lump sum withdrawals or the annual value of new regular withdrawal arrangements) in the year ( $\$2,000 \times 12 + \$150,000 + \$200,000 + \$75,000 = \$449,000$ ).
- d) Estimate the total value of transfers of financial products arranged for clients during the year. For example, a transfer of \$1000 from ABC Limited to XYZ Limited arranged by the adviser would count as \$1,000 ( $\$4m - \$2m = \$2m$ ).

The estimates for (a), (b), (c) and (d) should be added together to get the estimate of the total value of transactions.

Answer for 6.1 on value of transactions =  $a + b + c + d = \$4.497$

## Appendix 2 – Question 6.2 example

Consider the activities performed by our example of a small financial adviser business below. We have explained which activities are likely to be ‘in scope’ for AML/CFT and where they should be populated in the products and services offered in 6.2.

#	Category	Sources of revenue / fees for our example adviser business	% of total adviser revenue	In scope for AML/CFT?	% of total in scope revenue	Where to report in 6.2
1	Mortgage ‘broking’	Providing advice on and arranging mortgages	15%	No	nil	
2	Insurance related	Providing advice on and arranging medical insurance	4%	No	nil	
3		Providing advice on and arranging insurance (with no surrender value) including: total and permanent disablement trauma term life	15%	No	nil	
4		Arranging life insurance (with a surrender value)	2%	Yes	5% (2/40)	41
5		Providing advice on and arranging key person and rural cover insurance fire and general; house insurance income protection	17%	No	nil	
6	Investment related	Arranging KiwiSaver placements, transfers or withdrawals	8%	Yes	20% (8/40)	41
7		Providing personalised DIMS	4%	Yes	10% (4/40)	74
8		Arranging investment portfolios	15%	Yes	37.5% (15/40)	41
9		Providing advice on investment portfolios only (not arranging or acting as an intermediary)	2%	No	nil	
10		Providing a broking service	6%	Yes	15% (6/40)	37B

#	Category	Sources of revenue / fees for our example adviser business	% of total adviser revenue	In scope for AML/CFT?	% of total in scope revenue	Where to report in 6.2
		per FAA				
11		Acting as a promoter in a securities issue	5%	Yes	12.5% (5/40)	46B
12	Business services	Tax advice, providing a tax return service and other taxation services	1%	No	nil	
13		Provision of accounting services	2%	No	nil	
14		Rental income from premises, interest on business accounts	4%	No	nil	
		<b>Total</b>	100%	No	100%	

For the example above, write:

62.5% (5+20+37.5) against question 41 (financial advice)

10% against question 74 (other relevant products and services)

15% against question 37b (other broking services)

12.5% against question 46b (participating in an issue of securities).

When we review the responses above, it will be clear to us that 62.5% of your revenue comes from providing financial advice within the scope of Regulation 16.

In question 6.1, only include transactions related to activities within the scope of Regulation 16. So in our example above, all the transactions for activities numbers 1, 2, 3, 5, 9, 12 - 14, for example, will not be included in the calculation.