

AML/CFT

Anti-money laundering and countering financing of terrorism

Customer Due Diligence: Limited Partnerships Guideline

This guideline should be read together with the Beneficial Ownership and Enhanced Customer Due Diligence guidelines.

April 2024



Introduction

1. This guideline is intended to support reporting entities¹ to conduct customer due diligence (CDD) under the Anti-Money Laundering and Countering Financing of Terrorism (AML/CFT) Act 2009 (the Act) on their customers who are limited partnerships.
2. Both New Zealand based limited partnerships and overseas limited partnerships that carry on business in New Zealand are required to be registered on the New Zealand Limited Partnerships Register. Limited partnerships have some similar characteristics to companies which may make them attractive to criminals.
3. Knowing who the customer is, verifying information provided and establishing their risk profile assists in protecting reporting entities from misuse. Developing a clear understanding of the underlying persons that own or control a limited partnership is a key part of this.
4. This guideline is based on the requirements of the Act and has been produced by the AML/CFT supervisors under section 132(2) of the Act. This guideline does not constitute legal advice.
5. Examples provided in this guideline are suggestions to help you meet your obligations under the Act. They are not exhaustive and are illustrative in nature.
6. Section 57(2) of the Act requires you to have regard to this guideline, it is important that you have read and taken this guideline into account when developing your AML/CFT programme. After reading this guideline, if you still do not understand any of your obligations you should contact your AML/CFT supervisor or seek legal advice.

Customer due diligence

7. CDD is a cornerstone of your AML/CFT programme. CDD is the process through which you develop an understanding of your customers, and the money laundering and terrorism financing (ML/TF) risks they pose to your business.
8. You must conduct CDD when you establish a business relationship with a new customer requesting services that are captured by the Act, or when a customer seeks to conduct an occasional activity or an occasional transaction. You must also conduct CDD on an existing customer in certain circumstances.
9. The Act requires you to carry out CDD on:²
 - a. your customer
 - b. any “beneficial owner” of a customer
 - c. any person acting on behalf of a customer

¹ Within the meaning of section 5(1) of the Act.

² This guideline does not cover CDD requirements for wire transfers, politically exposed persons, new or developing technologies or correspondent banking relationships.

10. The CDD process you follow (standard or enhanced) for limited partnerships is determined by the level of risk posed by your customer.

Characteristics of limited partnerships

11. A limited partnership is a separate legal person and has two types of partners: limited and general partners. Limited and general partners have different functions and legal liability.

12. Being a limited partner in a limited partnership is somewhat like being a shareholder in a company in that limited partners are only liable to the extent of their financial contribution to the partnership. They also have restrictions on involvement in management and the activities that they can undertake within the partnership. In New Zealand, a limited partner must not take part in the management of the limited partnership. If a limited partner does so, they are liable to the same extent as a general partner at the time the debt or liability was incurred.³

13. In New Zealand, a general partner is responsible for the management of the limited partnership and may, but does not have to, make a capital contribution to the limited partnership.

14. The relationship between the general partners and limited partners can vary and will depend upon the terms of the governing document between them.

15. An important consideration about the ML/TF risks relating to New Zealand limited partnerships is that a limited partner's details are not publicly available on the Limited Partnerships Register (unlike companies for example where there are publicly available records of directors and shareholders). Only the general partners' details are publicly available on the Limited Partnerships Register. This characteristic of limited partnerships increases their inherent ML/TF risk profile.

Customers

Standard CDD

16. When standard CDD applies, you need to obtain the following identity information about a limited partnership:

- full legal name
- the limited partnership's address or registered office
- identity or registration number⁴

17. You must verify this information using documents, data or information issued by a reliable and independent source. You must take reasonable steps to verify the information.⁵

³ Refer section 30 Limited Partnerships Act 2008.

⁴ Section 15 of the Act.

⁵ Section 16(1)(a) of the Act.

18. You also need to obtain information on the nature and purpose of the proposed business relationship between you and the limited partnership, and sufficient information to determine whether the limited partnership should be subject to enhanced CDD.⁶

Any beneficial owner of a limited partnership

19. If you want to do business with a customer that is a limited partnership, you must identify and verify the identity of its beneficial owner(s).

20. A beneficial owner is the individual(s) (i.e. a natural person(s)) who ultimately owns or controls the limited partnership. It is crucial to know who the beneficial owner(s) is so that you can make appropriate decisions about the level of ML/TF risk presented by the limited partnership. Refer to the **Beneficial Ownership Guideline** for further information.

21. You must identify all beneficial owners. For each beneficial owner of a limited partnership, you must obtain the individual's full name, date of birth, address, and their relationship to the limited partnership (for example, general partner or limited partner). You must then take reasonable steps, according to the level of ML/TF risk, to verify this information, so that you are satisfied who the beneficial owner is. You must also take reasonable steps to determine if the beneficial owner of the limited partnership is a politically exposed person.⁷

22. To identify the beneficial owner(s), you should establish and understand the limited partnership's ownership and control structure. This includes identifying and examining any nominee general partner arrangements that are in place (see paragraphs [24] to [27] below). The individual's ownership or control may be indirect, for example through several layers of ownership. Where the general or limited partner or any other party holding a similar role is a legal person or arrangement, the beneficial owner(s) of that legal person or arrangement should be identified.

23. Where there are complex ownership structures with no reasonable explanation, you should consider the possibility that the structure is used to hide the beneficial owner(s), whether enhanced CDD should be conducted, and whether a suspicious activity report should be submitted.

Nominee general partners

24. The involvement (or otherwise) of a nominee general partner in a limited partnership is an important consideration when assessing the level of ML/TF risk.

25. A nominee general partner is a person who must follow, or is accustomed to follow, the instructions or directions of another person who is not a general partner when

⁶ Section 17 of the Act. Refer also to the **Enhanced Customer Due Diligence Guideline** for more information.

⁷ Section 26 of the Act.

carrying out their role.⁸ This other/instructing person is sometimes called a 'silent partner'. This relationship can be informal (such as acting on the verbal instructions of a family member or a business associate), or formal (such as setting up a nominee agreement with a professional intermediary such as a lawyer, accountant, or trust and company service provider).

26. Nominee general partner arrangements are sometimes used to protect or disguise a limited partnership's beneficial owner(s). For example, a nominee general partner could make all their decisions on the instructions of an underlying third party, who in practice is the natural person with effective ownership or control of the limited partnership. In this circumstance, the underlying third party would be considered a beneficial owner of the limited partnership.

27. While there are legitimate reasons for the use of nominee general partners, limited partnerships which have these arrangements also present a higher ML/TF risk. Nominee general partner arrangements can be misused to facilitate money laundering and other types of criminal offending. For example, criminals or terrorists can use nominees to obscure their involvement in a transaction or activity.

Additional standard CDD requirements for limited partnerships

28. Effective 1 June 2024, Regulation 11 of the AML/CFT (Requirements and Compliance) Regulations 2011 introduces additional requirements when conducting standard CDD for a limited partnership.⁹

29. This regulation formalises the information you are required to obtain and verify as part of standard CDD.¹⁰ This is intended to assist you to understand the limited partnership's legal structure(s), to accurately identify its beneficial owner(s) (refer paragraph [19] to [23] above) and in turn, assist to determine the level of risk associated with the limited partnership.

30. Under Regulation 11, you must obtain, and according to the level of risk verify, information relating to:

- the limited partnership's legal form and proof of existence;
- the limited partnership's ownership and control structure;
- any powers that bind and regulate the limited partnership; and
- the existence and name of any nominee general partner.¹¹

31. The AML/CFT supervisors consider that these requirements can be read in combination with each other. For example, information on the powers that bind and regulate the limited partnership can assist you to understand the limited partnership's

⁸ Note that 'nominee general partner' is not a recognised term under the Limited Partnerships Act 2008. However this term is defined for the purposes of the Act – refer Regulation 3 of the AML/CFT (Requirements and Compliance) Regulations 2011. Note also that this term is used in some other countries, which will be relevant if you establish a business relationship with a customer that is an overseas limited partnership.

⁹ Note while 'a partnership' is included in the definition of legal arrangement in s5(1) of the Act, a 'limited partnership' has its own legal identity and is therefore subject to Regulation 11.

¹⁰ Section 14(1) of the Act.

¹¹ Amended [Regulation 11 - AML/CFT \(Requirements and Compliance\) Regulations 2011](#) (effective 1 June 2024). This extends existing requirements to obtain information and verify the existence and name of a nominee general partner (for a limited partnership).

ownership and control structure. The powers that bind and regulate can also assist you to identify the beneficial owners and the basis on which they are a beneficial owner, whether through ownership and/or effective control (refer to paragraph [36] below).

32. The supervisors also consider that this regulation will assist you to meet the requirement in the Act to obtain sufficient information to determine whether the limited partnership should be subject to enhanced CDD (refer paragraph [18] above).

33. In practice, complying with the regulation can (and should) be aligned with your existing procedures, policies and controls (PPCs) in place to identify and verify the existence of a nominee general partner¹² and in turn, the identity of the beneficial owner(s).

34. It may be necessary to include some additional questions as part of your onboarding process to comply with Regulation 11. However, for limited partnership types you are familiar with and onboard regularly (e.g. New Zealand limited partnerships), this does not need to be extensive (unless the level of risk requires it).

35. **Obtaining required information** – The first step is to ask for the information from the limited partnership. This could include asking direct questions (verbally or in writing) or by using yes/no tick box questions (for example on an application form). You should record the limited partnership's responses in writing, including retaining any written correspondence you receive. You must obtain information on the following:

- the limited partnership's legal form and proof of existence:
- the limited partnership's ownership and control structure:
- the powers that bind and regulate, this could be the limited partnership agreement and any deeds of accession or amendment:
- the existence and name of any nominee general partner(s):
- the names, dates of birth and addresses of the beneficial owner(s) and their relationship to the limited partnership (refer paragraph [21] above):

36. You should also obtain information on the basis on which each person meets the definition of beneficial owner (i.e. their position/type of partner) and whether they meet the definition through ownership and/or effective control. Information relevant to this may include:

- the number and names of any general and limited partners, their capital contribution, partnership interest, distribution rights, voting rights, powers of management and/or powers to bind the limited partnership:
- the date on which the limited partnership agreement was entered and any subsequent amendment(s) to it:

¹² Required since 9 July 2021 under current Regulation 11 of the AML/CFT (Requirements and Compliance) Regulations 2011.

- (if applicable) whether there is a formal nominee agreement and the reasons for the nominee arrangement:

37. **Verification requirements** - You must take reasonable steps to verify the information you have obtained (as set out in paragraph [35] and [36] above) according to the level of risk involved.

38. Your PPCs for verifying the information should be based on the level of risk. For a limited partnership determined to be lower risk, the verification you undertake can be less extensive. However, if a limited partnership is higher risk, the extent of the verification you undertake must be robust.¹³

39. In relation to the limited partnership's legal form and proof of existence, ownership and control structure and any powers that bind and regulate the limited partnership, the verification must be on the basis of data, documents or information from a reliable and (where possible) independent source.¹⁴ In many circumstances, you may be able to utilise publicly available information, such as on a Limited Partnerships Register.

40. Note: For New Zealand registered limited partnerships, the limited partnership agreement is not available on the Limited Partnerships Register. Therefore, there may not be an independent source from which you can verify the information recorded on the limited partnership agreement. You can therefore use information or documents issued by the limited partnership itself, including its limited partnership agreement.

41. In relation to the existence and name of any nominee general partner, you are only required to verify this using information, documents or data issued by a reliable source. It does not need to be independent.¹⁵ You can therefore use information, documents or data issued by the limited partnership. This may include:

- written confirmation from another partner confirming the name of the nominee general partner
- written confirmation of any nominee relationship(s) (formal or informal).
- a copy of a written agreement in place between any nominees and the person whose instructions or directions the nominee follows or is accustomed to follow.

¹³ There should be controls in your AML/CFT programme to ensure this occurs. This could include escalating decisions to a higher management level for sign off.

¹⁴ Regulation 11(3)(a) of the AML/CFT (Requirements and Compliance) Regulations 2011.

¹⁵ Regulation 11(3)(b) of the AML/CFT (Requirements and Compliance) Regulations 2011.

When is enhanced CDD required?

42. When your customer is a limited partnership you must conduct enhanced CDD in specific circumstances:

- if you are establishing a business relationship with a limited partnership, or the limited partnership seeks to conduct an occasional transaction or activity, and the limited partnership:
 - is a vehicle for holding personal assets
 - is a non-resident customer from a country that has insufficient AML/CFT systems or measures in place.¹⁶
- if you are establishing a business relationship with a limited partnership that has one or more nominee general partners.¹⁷
- the limited partnership seeks to conduct a complex, unusually large or unusual pattern of transactions that have no apparent or visible economic or lawful purpose.¹⁸
- you assess the limited partnership (based on your risk assessment, the situation and your standard CDD) to present a higher ML/TF risk.¹⁹
- if the limited partnership is an existing customer or is conducting an occasional transaction or activity and a suspicious activity report (SAR) must be submitted, as soon as practicable after you become aware you must report a SAR.²⁰ In this circumstance, the supervisors' view is that conducting enhanced CDD prior to submitting the SAR would strengthen the quality and usefulness of the SAR.²¹

43. When enhanced CDD applies, you must obtain and verify the same identity information as required by standard CDD. You must also obtain and verify, according to the level of risk, information about the source of funds or source of wealth (or both) of the limited partnership. Effective 1 June 2024 some additional enhanced CDD measures may also be required.²²

44. Refer to the **Enhanced Customer Due Diligence Guideline** for further information.

Any person acting on behalf of a limited partnership

45. You must also identify and verify the identity of any person acting on behalf of a limited partnership, and their authority to act. A person is acting on behalf of a limited partnership if they are authorised to carry out transactions or other activities with you on the limited partnership's behalf. In most circumstances this includes the general partner(s). This also includes persons such as an accountant or another person able to transact on the business account.

¹⁶ Sections 22(1)(a) and 22(1)(b) of the Act.

¹⁷ Regulation 12 of the AML/CFT (Requirements and Compliance) Regulations 2011.

¹⁸ Section 22(1)(c) of the Act.

¹⁹ Section 22(1)(d) of the Act.

²⁰ Section 22A of the Act.

²¹ The supervisors acknowledge it may not always be practicable to complete enhanced CDD prior to submitting the SAR.

²² [Regulation 12AB](#) of the AML/CFT (Requirements and Compliance) Regulations 2011.

46. You must obtain the person's full name, date of birth and address (if an individual), full name, entity identifier or registration number, address or registered office (if not an individual), and the person's relationship to the limited partnership. In some circumstances, this person may also be a beneficial owner of the limited partnership (for example, the general partner(s)). In other circumstances, this may be an additional person that you must conduct CDD on. When entities are appointed, you also need to identify the individual(s) representing the entity. Identification and verification of all such individuals must be to the extent required by the Act.
47. When a limited partnership is a customer with whom you have an existing business relationship, you must identify the identity of any new person acting on behalf of the limited partnership. This applies when you have previously conducted CDD on the limited partnership. You must obtain the full name and date of birth of the new person acting on behalf of the limited partnership, and their relationship to the limited partnership.²³
48. You must take reasonable steps, according to the level of ML/TF risk, to verify the information you have obtained, so that you are satisfied who the person is *and* that they have authority to act.
49. Refer to the **Acting on behalf of a customer factsheet** and **Beneficial ownership guideline** for further information.

AML/CFT programme

50. Your procedures, policies, and controls for CDD must be documented in your AML/CFT programme. This should include how your business will determine the applicable level of CDD required, and what you will do if you are unable to conduct CDD.

²³ Section 18(3) of the Act. Note also [Part 19](#) of the AML/CFT Class Exemptions Notice 2018. This provides an exemption from the requirement to conduct CDD (under s18(3) of the Act) on a person acting on behalf of a customer by electronic means, subject to certain conditions and a written agreement between the reporting entity and the customer.

Version History

April 2024	Initial version (specific to limited partnerships)

Disclaimer: This guideline has been produced by the AML/CFT supervisors under section 132(2)(c) of the Act. It is intended to assist reporting entities to understand their customer due diligence obligations under the Act for their customers who are limited partnerships. This guideline does not constitute legal advice.

Where AML/CFT Guidelines are referenced, they can be accessed at the following websites:

Department of Internal Affairs

<http://bit.ly/2gQ3lev>

Reserve Bank of New Zealand

<http://bit.ly/2n6RYdp>

Financial Markets Authority

<https://bit.ly/3fjcKID>