# Niue National Risk Assessment (NRA) Update

## Introduction

1. The purpose of a National Risk Assessment (NRA) is to identify, assess, and understand key Money Laundering / Terrorist Financing (ML/TF) risk to inform relevant stakeholders, so that they may take appropriate measures to reduce or mitigate the risks if deemed necessary.
2. This report provides an updated assessment of ML/TF risks facing Niue and identifies key ML/TF threats and vulnerabilities. It is not intended to provide a full and comprehensive risk assessment and should be read in conjunction with the Niue (NRA) produced in 2017.
3. Since the production of the previous document, some key changes include in 2024:
    a. Appointment of an AML/CFT Supervisor and Head of the Financial intelligence Unit
    b. Establishment of an AML/CFT Officials Committee (AMLOC) as a sub-committee of the National Security Committee
    c. A review of the Terms of Reference of the National Security Committee
    d. Preparation of Niue's first National Security Strategy

### Methodology

4. In September 2024, a number of key stakeholders met in Niue to gain insights into potential threats and vulnerabilities that may pose money laundering risks. Summaries and assessments are largely based on these discussions.

### Public Sector Agencies/Representatives

- Solicitor General (Justin Kamupala)
- Police (Brent Ioane and Anthony Va'a)
- Principal Tax Collector (Ben Tanaki)
- Fisheries (Poimatagi (Poi) Okesene)
- Customs (Chamberlin Pita and Sionepokau Sionetama)
- Maritime (Lyndsey Talagi)
- Financial Intelligence Unit (Chamberlin Pita)
- Immigration (Margaret Siosikefu)
- Treasury (Doreen Siataga)
- Government Accountant (Graham Nootebos)
- Acting Secretary to Government (Gaylene Tasmania)
- Government Advising Lawyer (Michael Webb)

### Private Sector Agencies/Representatives

- Compliance Officer for Kiwibank, Western Union and Niue Development Bank (Vaine Pasisi) and Niue Development Bank Officer for Loans - Jessie Eseroma )
- General Manager for Niue financial institutions (Wayne McCaughan)
- Accountant – Falita Tanu (later assessed by Niue FIU does not fall under the DNFBP)
- Lawyer – Sinahemana Hekau

# Country Profile

5. Niue is a small island nation situated in the South Pacific Ocean known for its limestone cliffs and coral-reefs. It has a landmass of 259km$^2$ and a 296,941km$^2$ Exclusive Economic Zone (EEZ). In 2020, Niue declared 40% of the EEZ as Marine Protected Area (Niue Moana Mahu).

6. It is a self-governing state in free association with New Zealand. New Zealand provides necessary economic and administrative assistance to Niue, as well as assistance with foreign affairs, defence, law and justice and security if requested by the Niue government. Niue's currency is the New Zealand dollar.

7. Under New Zealand law, all Niueans are New Zealand citizens. Free access to New Zealand and Australia has seen the population in Niue decrease over the last 40 years, with an estimated 95% of Niuean's residing offshore. While the population of Niue is now stable (approximately 1,681[1]), the population loss has eroded the tax base and the size of the workforce, and is an enduring constraint on economic development. As a result, Niue is becoming reliant on migrant workers to fill labour shortfalls.

8. The country has an estimated Gross Domestic Product (GDP) of $38M (June 2021)[2]. Niue's primary industry sector consists mainly of small-scale agriculture and industry processing of organic produce for export (honey, vanilla, and noni juice). Consequently, Niue imports almost all of its needs (in particular food and fuel).

9. Niue's tourism sector is a large contributor to the economy and is estimated to have accounted for 20% of the GDP prior to the COVID-19 pandemic. Cyclones occasionally devastate the island's infrastructure, including housing and tourist facilities. Climate change impacts may also intensify Niue's water supply and quality issues, and its exposure to natural disasters. The islands limited natural resources, geographical location, and small population hamper the development of an independent economy.

10. Niue has one international passenger / freight air service a week, which increases to two in the peak season for tourists (July to September). There is only one embarkation point to Niue: Auckland, New Zealand. Visitors are subject to New Zealand's border controls.

11. Niue has one authorised seaport that anyone travelling by boat may disembark from. They receive no more than 200 smaller vessels (pleasure crafts and yachts) annually and have a high rate of inspection (20%). Visits from larger vessels are not possible with the current port infrastructure. There is only one shipping line, which makes scheduled monthly visits to Niue to provide supplies from Auckland, New Zealand. This vessel also calls into neighbouring countries of the Cook Islands and Tonga as part of the route however it does not collect freight for Niue and where this does happen, advance notice must be provided for biosecurity and other border agencies to do their usual assessments.

## *Nature and size of Niue's Financial Sector*

12. The size of Niue's economy does not provide a commercially viable basis for the local provision of many services traditionally available in other parts of the world.

13. Niue has no stock markets, bond markets, cryptocurrencies, financial markets, or other commodities trading. All insurance services are provided from New Zealand at a very high cost. There are no casinos, or dealers in precious metals, or auction houses. High value or luxury

[1] Census 2022, refer: https://niuestatistics.nu/
[2] GDP as at June 2021, refer: https://niuestatistics.nu/

goods are generally purchased offshore and imported. There are no logging or mining industries.

14. In 2006, Niue closed all operations of its International Business Company Registry, ceasing all offshore operations. Foreign enterprises may only carry out business activity if registered under the Development Investment Act 1992,and are subject to the terms and exceptions under the Act.

15. No business may be engaged in, or carried out, unless a licence has been obtained from the Financial Secretary under the Business Licence Act 1997, subject to the terms and exceptions under that Act. Niue also maintains a public companies register where competent authorities can access some business information.

16. Transactional banking services are facilitated through the **Niue Commercial Enterprises Limited (NCEL)**, a company wholly owned by the Government of Niue. NCEL is an agent for Kiwibank Ltd, Western Union (WU), and Niue Post. All operate via the same public counter, and Kiwibank, NDB and WU customers are subject to the same Customer Due Diligence (CDD) requirements. At point of sale, proof of acceptable forms of identification[3] are required each time, regardless of how often a customer visits or how well known they are.

17. **Kiwibank Limited** provides a limited range of transactional banking services to Niue residents only (principally current account, call deposits and EFTPOS transactions ) and they are subject to the same CDD requirements applicable in New Zealand. Kiwibank Ltd is supervised by the Reserve Bank of New Zealand and is subject to the AML/CFT laws of New Zealand.

18. Applications to open business accounts with Kiwibank Ltd must be accompanied by a business licence and can only be opened/approved by Kiwibank Ltd in New Zealand. Along with the standard CDD, foreign workers require a work permit and a permit to reside for longer than 30 days to open an account. Wages are paid via internet banking from their employer – and bank staff know who they are working for. Politically Exposed Persons (PEPs) are subject to additional scrutiny.

19. **Western Union (WU)** provides foreign exchange remittance services and reports to/is supervised by the Global Western Union Umbrella (Based in Ireland). At the time of preparing this update, there is no domestic supervision or reporting requirements. WU is used by local and expatriate workers, and transactions have a $9,000 limit. Since July 2023, WU conducted 269 transactions that had a combined total value of $169,000. NCEL staff have a good understanding of their customer base and their business, and where transactions have appeared to be scams, they have on occasion been able to put a stop to the transaction.

20. **Niue Development Bank (NDB)** was established by the Niue Development Bank Act 1993. Its principal function is to provide finance for Niue's economic development, which it does by providing finance (currently by the way of loans) on the basis set out in its Act. It is an institution providing development loans and does not conduct general banking business. All loans made by NDB are disbursed via NDB Kiwibank account directly to bank accounts of the supplier and contractors, following the applicant producing a statement of claim to the bank. Loan proceeds are not paid directly to the borrowers. Loan repayments are largely made via wage deductions or direct to the NDB Kiwibank account.

21. In terms of **Designated Non-Financial Businesses or Professions (DNFBP)**, Niue has one lawyer in private practice. That Lawyer offers general legal services. Local services mainly involve land transactions, family issues or minor criminal offending. They also field the occasional offshore

[3] Valid passport or Niue or NZ driver's licence and statutory declaration made by the Secretary to Justice for proof of address.

enquiry regarding company incorporation, re-registration, or relocation. They do not offer any trust fund services.

22. On several occasions, the lawyer has received approaches from parties based in Jersey, Saudi Arabia, Russia, London, and European countries enquiring after shelf companies. Although it is common for the private sector to receive these types of enquiries via a scattergun approach; it could also indicate attempts by offshore money laundering networks to test Niue's viability for money launderers to do business.

23. Offshore assets (property or companies) are a well-known way to hide the proceeds of crime, complicate the money trail, and make it more difficult for jurisdictions to investigate, verify the source of funds, or recover the proceeds of crime.

# *Risk Analysis*

## *Overall Risk Summary*

24. Niue is unique in many ways; it does not see the same levels of crime or offer the same opportunities to launder criminal proceeds commonly seen in other parts of the world. There are a number of factors that help to mitigate these risks.

25. At the time of writing this report, no prosecutions or convictions for money laundering or terrorist-related activities had occurred and only a handful of incidents raised may have had the potential to be considered a predicate offence, however these were few and far between.

26. Policing statistics further highlight the lack of predicate offences experienced by the island nation. Most policing activity relates to mediation rather than having a prosecution focus – with land disputes and traffic offences accounting for a large proportion of Police resources.

27. The overall ML risk is considered low, although low risk does not mean no risk. Many of those spoken to expressed concerns around what was happening in neighbouring Pacific countries, and recognised the importance of being prepared to respond should it occur in Niue.

28. Niue has limited experience with dealing with certain crimes, in particular financial crimes. However, to counter this Niue Law Enforcement Agencies (LEAs) have developed strong working relationships with LEA networks regionally and internationally, that they can, and do, draw on for assistance and expertise.

29. The following outlines potential threats and vulnerabilities identified that may be on the horizon for Niue.

## *Threats Summary*

The overall risk for **Illicit Drugs** is assessed to be **LOW.**

30. Niue has no reported drug offences and is not considered to be a destination or transhipment country for drugs. Although officials say it would be naive to think Niue is completely drug free and believe that if people want drugs in Niue, they will bring them.

31. Those visiting Niue were believed to present the biggest risk

32. Many officials also held concerns around what was happening in other Pacific nations with reporting from the wider region indicating a rise in domestic drug use and multi-kilogram drug

detections, something not yet seen in Niue. Cannabis being the most detected, followed by methamphetamine in the wider Pacific region[4].

33. Several factors help to mitigate the risks for illicit drugs. Niue is a small community, something was out of the ordinary it would likely be noticed.

34. Niue has 2 ports of entry, and in addition to Niue's own border controls (aided by Ion Scanners and an x-ray machine), those arriving by air are also subject to New Zealand's border controls. Those arriving by boat should expect law enforcement attention with an estimated one in five small pleasure craft inspected by customs.

35. On arrival, all passengers must complete Passenger Arrival forms, a Vessel Report, and a Departure Report from the previous port. A review of these three documents helps Customs to determine whether further action is required, eg to carry out a search of the vessel.

The overall risk for **Fraud** is assessed to be **LOW**.

36. Financial crimes in the Pacific are on the increase and are predominantly facilitated via online methods, largely though social media platforms such as Facebook (FB)[5]. A large proportion of Niue's population uses the internet and social media platforms[6].

37. According to the 2022-2023 PTCN Transnational Crime Assessment, Niue reported a high number of FB users had their accounts hacked. The compromised account was then used to request money from FB users claiming they were in trouble. The advantage Niue has over scammers is their FB friends are often their fellow countrymen, and being a small country, they can easily verify their location, rendering the scam ineffective[7].

38. There was some anecdotal information however that a few locals had lost money through scams, although no reports were ever formally made. Law enforcement were also aware of raffle-related scams circulating on social media; however, locals were more likely to be the victims rather than perpetrators of such scams.

39. Niue has had a small number of incidents involving claims as to the misappropriation/theft of government funds. One incident currently before the Court involving allegations of submitting false receipts and claims, and another involved conviction of a Customs worker theft of tax payments at the border. These are believed to be isolated incidents and the risk of corruption within the public service is believed to be low due to culture, smallness of population and policies in place i.e the Niue Public Service Commission Code of Conduct.

40. Financial processes have internal controls and are implemented by Treasury. Purchases need to be properly authorised by department heads and, depending on size, may be raised to the Financial Secretary, Secretary to the Government or Cabinet for authorisation. Niue has also recently introduced a new fraud and corruption policy, and procurement policy.[8]

The overall risk for **Tax Offences** is assessed to be [**LOW**]

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[4] PTCN Transnational Crime Assessment 2022-23
[5] PTCN Transnational Crime Assessment 2022-23
[6] According to 2023 data, Niue had 1,617 mobile connections, 1,541 internet users and 1,200 active social media users indicating a large uptake in internet technologies, refer datareportal.com.
[7] PTCN Transnational Crime Assessment 2022-23
[8] https://mof.gov.nu/treasury/

41. Niue imports almost everything and any goods imported attract import duty (Niue Consumption Tax and duties). The declared value determines the tax implication, the lower the value the lower the tax duties. Goods imported without an invoice or proof of purchase presents a challenge for Customs officials in determining the tax liability. In the absence of invoices, it is up to the customs officer to determine if the value is correct. If not, Customs has the power to revalue the goods.
42. Undervalued goods are not a common occurrence as most goods come in through a supply chain. High value goods are believed to be at most risk of undervaluing – particularly cars that have been purchased privately, as they present the biggest challenge for calculating value.
43. Shotgun ammunition smuggling and cigarette and vape smuggling is another concern, as cigarettes are one of the most smuggled goods in the Pacific and the most common undeclared good found at the border.
44. Information gaps exist in relation to potential tax evasion occurring in Niue, largely due to businesses falling behind with annual returns, and there being limited capacity within the tax office to follow these up.
45. While tax officials do not believe that large scale tax evasion is occurring, some parties were suspected to be intentionally avoiding their tax obligations, while others were failing to register business activities altogether – resulting in Niue missing out on tax revenue. Some concerns were raised regarding the potential for business takings to be carried across the border in structured amounts to avoid BCR thresholds or the use of offshore bank accounts for business activities.
46. New Zealand and Niue have a Double Tax Agreement Order to facilitate the exchange of information with respect to taxes that came into force on 1 November 2013[9].

The overall risk for **Illegal, Unregulated, Undeclared (IUU) Fishing** is assessed to be **[LOW - Medium]**.

47. IUU fishing is one of the most detected environmental crimes across Pacific Island Countries (PICs). Despite no reported cases of IUU fishing occurring in Niue, one more recent suspected case is still under investigation.
48. In June 2022, a Taiwanese fishing vessel ran aground on Beveridge Reef, a marine protected area southeast of Niue. Following the removal of the crew, the vessel was found to be completely burnt-out hampering investigations. Divers later found a big bundle of wire tracers at the wreckage, which are primarily used to catch sharks[10].
49. Beverage Reef harbours a large abundance of Gray Reef Sharks, along with 80-pound groupers, and other marine life[11]. The reason for the vessel being in the marine protected area is unclear, however some suspect IUU fishing.
50. Several factors help to mitigate the risks for IUU fishing. Niue is situated 19 degrees south of equator, an area regarded as being not very productive in terms of commercial fishing. Niue LEA's work closely with the Forum Fisheries Agency (FFA) and are alerted to any fishing vessel that enters their EEZ or is not licenced to fish. They are equipped to have early warning – only for monitoring systems which allow them to see some vessels from satellite with an

[9] Refer https://www.taxpolicy.ird.govt.nz/tax-treaties/niue.
[10] National Geographic, Protecting Paradise: The Story of Niue (2024)
[11] https://news.nationalgeographic.org/pristine-seas-to-document-the-coral-reefs-of-niue-the-rock-of-polynesia-an-ocean-protection-success-story/

approximate half an hour delay. Additionally, fisheries undertake annual operational activities that helps to build operational experience and tradecraft for any future law enforcement activities.

The overall risk for **Gangs and Organised Crime** is assessed to be [**LOW**].

51. Despite Outlaw Motorcycle Gangs (OMCGs) having an embedded presence in the Pacific region, there is no evidence of gang or organised crime activity occurring in Niue. Indicators of such activity, for example unexplained wealth, were not present. In addition, the limited options to part with large amounts of money in Niue, such as purchase of luxury goods, makes it unlikely to be a desirable destination for Organised Crime Groups (OCGs).
52. Niue receives notifications from Police (via international partners) and has a process in place to determine whether gang members or anyone with a criminal background can come into Niue. While the occasional Killer Beez and King Cobra member has visited family in Niue, attempts by other gang members to come on to the island were prevented by Police and Niue Immigration. Niue Immigration works closely with the airlines to avoid having to turn anyone around once in country or on arrival. On the rare occasion that visitors avoid the attention of law enforcement, locals were quick to draw attention to persons of interest for follow-up.
53. At the time of writing this report, Niue had not received any criminal returnees. As Niueans are New Zealand Citizens, it is highly likely that any Niueans subject to deportation from a third country, such as Australia or the United States, would be returned to New Zealand.

The overall threat of **Terrorist Financing (TF)** and **Proliferation Financing (PF)** are assessed to be [**LOW**].

54. There have been no prosecutions or convictions for TF or PF in Niue at the time of writing report
55. Except in relation to the shipping registry (see below) this was not an area specifically addressed by the NRA update, please refer to the 2017 NRA.

## *Vulnerabilities Summary*

56. As previously highlighted, Niue has a very small financial sector and few opportunities for criminal proceeds to be laundered. It is unlikely that large volumes of cash transactions could be spent unnoticed, although a small number of vulnerabilities do exist.
57. The following outlines some areas that may present vulnerabilities for Niue.

The overall risk for **Cash** is assessed to be [**LOW**].

58. Since the Covid-19 pandemic, Niue has seen a shift from being a largely cash-based society to adopting electronic payment systems, which leaves a paper trail and does not provide the same anonymity as cash. Border Cash Reports (BCRs) also reflect that they no longer see the same volume of cash moving across the border.
59. However, concerns were raised regarding the ability to move a significant amount of cash out of the country (such as business takings) if many trips are made and cash amounts are

structured under the BCR thresholds. This may indicate that the BCR threshold of $10,000 is too high and may require adjustments to bring into line with Niue's risk profile.

60. *Hifi ulu/huki teliga* - haircutting/ear-piercing ceremony - an important tradition and rite of passage for Niue's young people is another occasion where large sums of cash are involved. Part of the tradition involves the gift of money from invited guests (family and friends) in exchange for gifts of a portion of the traditional harvest gathered for the ceremony (food crops such as taro and fish and meat). ~~Some~~ Occasionally the total gifts received were said to reach more than $100,000 in total.

The overall risk for **Company Formation** is assessed to be [**LOW**].

61. Niue has an estimated 200-300 businesses, most of which are sole traders. All businesses in Niue require business licences to operate.

62. Niue does maintain a public companies register, online where competent authorities and the public can access information. At the time of writing, the company director and company name are the only searchable fields. Shareholder information could be viewed in the attached documents; however, this was not a searchable field. The register does not capture information regarding the nature of the business – however this is captured through business licence applications. Niue is in the process of migrating the companies register and are looking at ways the register could be improved.

The overall risk for the **Ship Registry** is assessed to be **[MEDIUM].**

63. The ship registry provides a valuable revenue stream for Niue. It also exposes Niue to risk , legal and reputational , including in the event of a registered vessel being engaged in sanctions evasion , or involved in a major incident giving rise eg to ocean pollution Registration could also be exploited by bad actors to give their vessel their appearance of being low risk.

64. in relation to the shipping registry, this current update is limited to aspects of the potential for proliferation financing (PF) or evasion of applicable sanctions.

65. Niue is currently on the "Tokyo MOU white" list[12]; although the Tokyo MOU does have not have as a focus AML/CFT or PF. The The Niue Ship Registry has been the been the subject of review by the United Nations security Council in relation to two vessels suspected to be using Niue's flag to circumvent North Korean Sanctions. The shipping registry manager responded to the UNSC in respect of both matters

The shipping register is administered from Singapore; and a mirror register for Niue is under development - which will give Niue better oversight of the registration operations. In addition, Niue is continuing to address with its shipping registry manager measures to reduce the prospect of vessels being registered where vessels or their owners may be involved in PF or the evasion of applicable sanctions. Such measures include procedures to (i) exclude from registration vessels of a particular type eg oil tankers which could be utilised in 'dark fleet activities', (ii) exclude from

[12] The White list refers to flag states of ships which have given no or little cause for concern in terms of the Tokyo MOU. The Tokyo MOU is one of the most active regional port State controls (PSC) organizations in the world, consisting of 22 member Authorities in the Asia-Pacific region. The main objective of the Tokyo MOU is to establish an effective port State control regime in the Asia-Pacific region through co-operation of its members and harmonization of their activities, to eliminate sub-standard shipping so as to promote maritime safety, to protect the marine environment and to safeguard working and living conditions on board ships. Niue-flagged vessels operate in the Tokyo MOU area.

registration vessels for which their beneficial ownership cannot be established within two levels of ownership , and (iii) require evidence as to ownership to be provided and reviewed at the time of any application for renewal of registration (ie annually ) as well as initial registration .

The overall risk for **Purchase of Valuable Assets** is assessed to be [**LOW**].

66. Criminals invest in real estate for many of the same reasons that legitimate investors do. It is generally considered a safe investment, property can be enjoyed or used to generate further income, and it can be a symbol of wealth. The difficulty in establishing the actual value of real estate makes it attractive for launderers. Large amounts of funds can be laundered in a variety of ways and the property itself may also be used to facilitate further criminal activity.[13]
67. Niuean land can not be bought and sold in Niue, the only exception is the acquisition of Niuean land either consensually or compulsory by the Niue Government. Niuean land and Crown land may be leased from land owners or Government, land leases may be sold and re assigned. Commercial premises have also been listed by New Zealand real estate companies in the past.[14]
68. When people return to Niue, they return to family. As a result, Police noted seeing a lot of family disputes involving land when people who return to the island learn what they may be entitled to, attempting to lay claim to land that goes back multiple generations. This is especially common if commercial development (i.e. lease money for rental property) is involved. The majority of cases that are heard before the Niue High Court are land cases.

The overall risk for **High Value Goods** is assessed to be [**LOW**].

69. Most high value goods require importing into Niue and require declaration as they attract import duty (NCT and duties). Some coins and bullion are also available on the open market however as a Niue Government statutory entity, Niue Philatelic and Numismatic Corporation (NPNC) has an arrangement with a New Zealand based company i.e New Zealand Mint, that produces coins and gold bullion for sale on the open market. Gold provides an alternative for criminals to store or move their assets. Some features that make gold attractive to criminals to use as a vehicle for money laundering include its stable value, anonymity, and the ability to easily transport it, transform it, and exchange it.[15] At present there is no information that suggests this is a typology currently in use and given ~~the~~ that this is a small island nation, it would likely be identified fairly quickly by local operators.

The overall risk for **New Technologies** is assessed to be [**LOW**].

70. Currently there are no cryptocurrency providers in Niue.

The overall risk for **Trade Based Money Laundering (TBML)** is assessed to be [**LOW**].

71. Niue is heavily reliant on imported goods, with almost everything being imported – creating opportunity for TBML - a method that disguises the proceeds of crime and moves value through the use of trade transactions in an attempt to legitimise their illicit origins. This can be achieved

[13] Unger, B., & Ferwerda, J. (2011). Money Laundering in the Real Estate Sector - Suspicious Properties. Cheltenham: Edward Elgar Publishing Limited.
[14] https://www.bayleys.co.nz/news/commercial/pacific-islands-biggest-retail-complex-and-supermarket-businesses-placed-on-the-market-for-sale
[15] https://www.fatf-gafi.org/en/publications/Methodsandtrends/Ml-tf-risks-and-vulnerabilities-gold.html

through the misrepresentation of the price, quantity or quality of imports or exports and vary in techniques and complexity.

72. Customs officials are familiar with TBML methods; however, they are yet to see it happen in Niue. They have processes and technology in place to assist with the detection and document verification, including their import/export register.

The overall risk for **Unregistered Financial Services** is assessed to be [**LOW**].

73. A couple of Niue businesses[16] are known to offer vehicle financing for vehicle repairs or purchases, currency exchange and small personal loans for travel purposes. The amounts moving through these businesses are nominal.

The overall risk for **Foreign Investment** is assessed to be [**LOW**].

74. Niue welcomes foreign investment, which may also expose them to risks. There is a need to balance investment, growth, and development with the risks they may introduce. The biggest challenge being verifying source of funds from offshore jurisdictions and ensuring that the funds are not criminal proceeds.

75. As previously mentioned, offshore assets (property or companies) are a well-known way to hide the proceeds of crime, complicate the money trail, and make it more difficult for jurisdictions to investigate, verify the source of funds, or recover the proceeds of crime. All foreign businesses wishing to establish operations on Niue are required to be registered subject to the Development Investment Act 1992, and Business License requirements.

## *Overview of Suspicious Financial Reporting*

76. Niue is currently in the process of refreshing and updating the FIU with a transfer to the Office of the Secretary to Government under national security.

77. Am small number of STRs have been received and after FIU analysis, dissemination has not been required.

78. An example of an STR is below:

    In this matter Niue was identified as a source country. The reporting related to a Filipino national, employed by a Niuean company, who held an account with a global money transfer company. The individual's account came to attention due to usual activity outside the customers expected profile. The customer was a Filipino national and earned an annual salary of $24K (net). They also received frequent payments of $1K from their employer marked as loan, which according to the customer, were cash advances. The payments were sporadic and ranged every two days to two weeks. At the time of reporting, the customer had remitted over twice their annual earnings back to the Philippines over a one-year period.

    Login activity identified that the customer had not logged into their account in Niue for over a year, however they continued to receive an income. The reporting entity believed that the customer was not paying tax and third-party deposits indicated they were remitting funds on the behalf of others. Due to the unusual complexity of this customers source of funds, the

[16] Peleni's Travel and Niue Rentals

remittance company deemed it to be outside of their risk appetite and therefore closed their account.

## *Definitions*

Risk is a function of threats, vulnerabilities, and consequence.

The **threat** component seeks to understand the method, scale, and sources of domestic crimes. In the ML/TF context this includes criminals, terrorist groups and their facilitators, their funds, as well as past, present, and future ML or TF activities. Understanding the environment in which **predicate offences** are committed and the proceeds of crime are generated typically serves as a start point to understanding risk.

A **predicate offence** is the underlying offence that generates the proceeds of crime for money laundering. Any offence that generates financial profit may be considered a predicate offence to money laundering. However, low value proceeds of crime are likely to be immediately consumed and criminals generating low values of proceeds of crime have little need to hide the criminal origin of funds, rendering them a nominal money laundering threat.

The **vulnerabilities** component seeks to understand the vulnerabilities of the reporting institutions in the financial and non-financial sectors to ML/TF abuse based on features and characteristics of the respective sectors that can be exploited by criminals or facilitate activities. It looks at the AML/CFT weaknesses, controls, or certain features of a country, and can include the features of a particular sector or product or service that make them attractive for ML or TF.

The **consequence** component refers to the impart or harm that ML/TF may cause and includes the effects of the underlying criminal and terrorist activity on financial systems and institutions, as well as the economy and society more generally. It can be short or long term in nature and also relate to populations, specific communities, the business environment, or national or international interests, as well as the reputation and attractiveness of a countries financial sector.

**Money laundering** is the process by which criminals convert the proceeds of crime to realise and enjoy the financial benefits of their offending. While there are many methods to undertake money laundering, the core principle from a risk perspective is the criminal abuse of vulnerabilities within the financial, legal and property systems.

Money laundering is commonly described as having three stages:

- **Placement**: Introducing illegal funds into the formal financial and business system (for example depositing cash from drug sales into accounts, co-mingling it with business takings, or using it to purchase assets);
- **Layering**: Moving, dispersing, or disguising illegal funds or assets to conceal the true origin (for example using a network of complex transactions involving multiple banks or accounts, or companies and trusts); and
- **Integration**: Investing the disguised funds or assets in further criminal activity or legitimate business or enjoyed as high-value property assets and luxury goods. At this stage, the funds or assets appear to have been legitimately acquired.

**Terrorist financing** is the process by which terrorists and sympathisers raise and move funds to conduct terrorist acts and operations. There is a distinction between money laundering and terrorist financing in that TF may seek to move money from the legitimate economy to use it for a criminal act, while money laundering seeks to move proceeds form a criminal act to the legitimate economy. Nonetheless, many of the methods and financial channels used are the same. Likely money laundering, terrorism financing is generally described as having three stages:

- **Raising funds:** Terrorism financiers raise funds through legitimate earnings, donations and/or criminal offending.

- **Transferring funds:** Once raised, funds for terrorist causes need to be moved to the place where they will be used, which often requires funds to be moved internationally. This can be done by physically couriering cash or high value commodities, moving funds through the international financial system, or alternative mechanisms for moving value; and
- **Using funds:** Terrorist groups need to use the funds either to commit terrorist acts or to fund ongoing operations. Any use of the funds by a terrorist group to support the organisation and its cause is terrorism financing.

## *References*

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https://www.police.govt.nz/sites/default/files/publications/fiu-nra-2019.pdf