



# APRIL REPORT

30 April 2025

TSOC-MAG 25/02B

*Hon. Casey Costello, Minister of Customs and Associate Minister of Police*

## **ONE OF THE BIGGEST LIES IN THE WORLD IS THAT CRIME DOESN'T PAY. OF COURSE, CRIME PAYS.<sup>1</sup>**

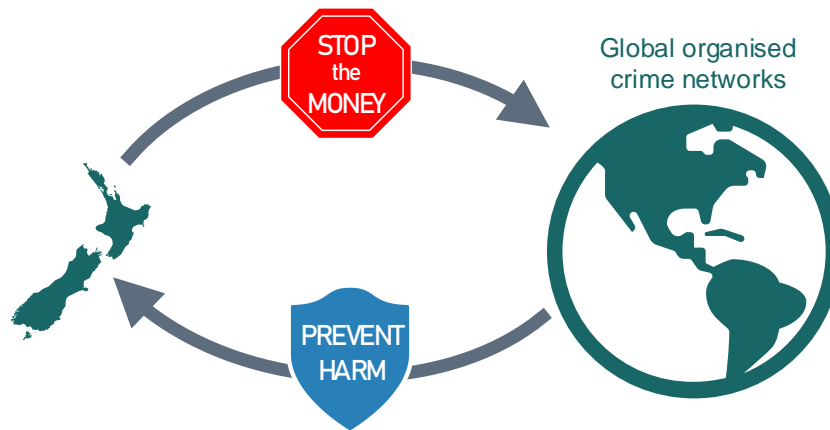
1. The New Zealand economy is globally connected. We rely on the volumes of goods, services, and people that cross our physical and virtual border every day.
2. One in four New Zealand jobs are tied to trade,<sup>2</sup> so building and developing trading partnerships is critical to the success of our economy. Successful trade results in raising living standards, creating employment and delivering the public services that New Zealanders want and deserve.
3. Foreign connectivity, either through trade or investment, is essential to New Zealand's economic success. For this reason, New Zealand seeks to position itself as an easy and seamless place to do business, and an economy into which it is safe to invest.
4. Just like the legitimate economy, organised crime groups seek markets where it is the easiest and safest to do business. They tend to focus where the risks are manageable, and profits are stable. Their business models are designed to be resilient and flexible:
  - a. They can absorb the occasional seizure by the authorities (especially when the wholesale price is so much lower offshore) or the disruption of a particular scam – as long as other shipments get through or other scams are successful.
  - b. They can reorganise supply networks if lower-level players are taken out – as long as the masterminds (the suppliers or organisers) are shielded from the authorities.
5. But the one thing they can't do without is money.

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<sup>1</sup> Quote from G. Gordon Liddy ("Deep Throat").

<sup>2</sup> Ministry of Foreign Affairs and Trade (2018) [\*MFAT Working Paper Estimating employment in New Zealand producing goods and services for export\*](#), p 2.

Figure 1: Attacking the profits of organised crime



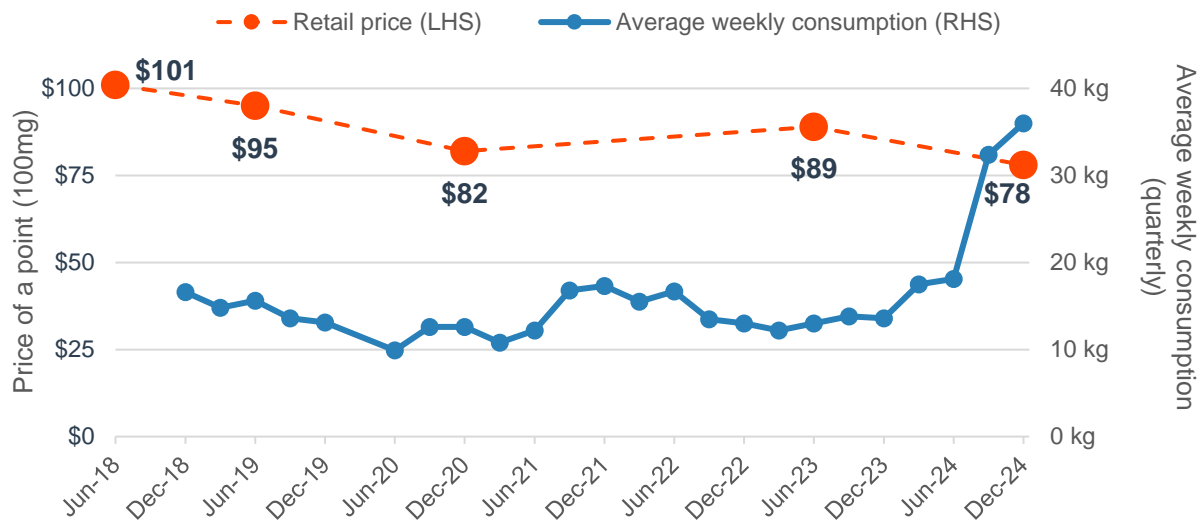
6. On the supply side, New Zealand has characteristics that enable organised crime to thrive. New Zealanders are willing to spend their money on the things provided by these groups – from illicit drugs, through to false promises offered by scammers. The profits from organised crime are shared between domestic organised crime groups and international organised crime groups. New Zealand is then left to pick up the pieces.

*The burden and price of organised crime is not being paid in Wellington, it is being paid in our small towns, in our vulnerable communities.*

**Iwi leader and chief executive of a major New Zealand company**

7. To break the cycle, we need to stop the profits from reaching organised criminal groups or leaving New Zealand. Often the masterminds (suppliers/organisers) are based in developing economies with weak anti-money laundering effectiveness, weak law enforcement, and corruption vulnerabilities which makes recovery of those profits incredibly difficult once they leave New Zealand.
8. Preventing payment for illicit commodities and preventing profit leaving New Zealand must be central to New Zealand's TSOC strategies.
9. On the other hand, demand will always play a critical role in driving profitability. A decrease in the price of a good will increase demand, as consumers will purchase more at a lower price. This can also drive market expansion with lower margins being offset by increasing volumes of sales leading to increased total revenue. It is likely we are currently seeing this playing out in the methamphetamine marketplace. We are seeing increased consumption and market expansion – which will bring about increased social harms over time.

Figure 2: Retail price of methamphetamine compared with consumption



Sources: Massey University (2024) [New Zealand Drug Trends Survey: Methamphetamine availability and prices](#).<sup>3</sup>

ESR/NDIB: Wastewater Monitoring Programme.

10. When profits are high, there is plenty to reinvest in strengthening transnational networks, leading to increased supply. It can be easy to recruit New Zealanders, especially young people in our most vulnerable communities, into criminal activities. For many, this leads into the justice system. It also enables corruption of those working in the supply chain, such as in our international airports or government agencies, and the involvement of facilitators in illicit transactions who face minimal risk of prosecution.
11. The violence and intimidation orchestrated by organised crime groups occurs daily in New Zealand – some of this comes to public attention, but much of it does not.<sup>4</sup>
12. We are also seeing a similar dynamic in the Pacific Islands. From economic instability to social crises and law enforcement challenges, the influence of these criminal organisations extends beyond borders, necessitating a comprehensive and cooperative approach. Addressing these issues requires concerted efforts from both New Zealand and Pacific Island nations to secure a safer and more stable region. We will address the challenges we are facing in the Pacific in our May report.
13. We need to **drive down the profitability** and **increase the level of risk** for organised crime. The annual profits of crime in New Zealand are estimated to be around \$1.6 billion.<sup>5</sup> Police restrain **\$75 million each year**.<sup>6</sup> This is considered high performance

<sup>3</sup> It is important to note that the New Zealand Drug Trends Survey is a voluntary online survey. While it is not a representative survey, it broadly represents the demographic and regional population of New Zealand. This is a snapshot across a survey period which has changed over time. For the purposes of the graph, price estimates are presented at the end of the calendar or financial year.

<sup>4</sup> This includes, for example, 'gang taxing' – violence, retribution and taking of illegal earnings from gang members for real or perceived infractions. This is a frequent occurrence but is usually not reported to Police.

<sup>5</sup> New Zealand Police Financial Intelligence Unit (2025) [New Zealand National Risk Assessment 2024 on Money Laundering, Terrorism Financing and Proliferation Financing](#), pp 24 (illicit drugs) and 28 (fraud).

<sup>6</sup> Meaning that the majority of proceeds of criminal behaviour are not restrained.

by international standards – but we must increase this dramatically by improving the efficiency and robustness of the system if we are to meaningfully halt the growth of organised crime groups.<sup>7</sup> Current forfeiture settings will not achieve this.

### Cash is critical to the criminal economy making it their weakness

14. Cash is one of the most critical enablers of the criminal economy because it provides anonymity.<sup>8</sup> Cash is central for avoiding monitoring and detection by regulatory agencies and financial institutions. It enables a range of offending, from the sale of illicit drugs, firearms and stolen property, crime associated with migrant exploitation and tax evasion, and the financing of organised crime groups.

*...it's shit loads, bro, it's enough to buy houses, but they can't buy houses because, because it's all cash, you know, and it's hard to, hard to, I suppose, legalise the money they've got.*

*Yeah, they there was, I remember, a few years ago in Wellington, here they'll, they'll head on to Easter, send out all their minions to all the pokes, bro, and just put all their money in a machine and then withdraw.*

**Member of a New Zealand gang**

15. In contrast, most legitimate businesses in New Zealand prefer to make payments through digital transactions because they reduce the costs and risks associated with handling cash. Nearly half of New Zealanders still use cash, but that use is becoming less and less frequent.<sup>9</sup> Cash is not often used for high-value legitimate transactions. New Zealand will likely be cash-free sometime in the future, although we accept it will not be now.
16. There is scope to strengthen the controls on cash within New Zealand. Making it harder for illegitimate cash to be introduced into our financial system will reduce opportunities to send organised crime profits in New Zealand offshore.

### CASE STUDY

The New Zealand Financial Intelligence Unit (FIU) identified that four distinct criminal networks<sup>10</sup> collectively deposited at least **\$107 million in cash** (likely derived from drug offending) into the banking system between 2018-2021. The vast majority of these deposits (96%) were made in-branch.<sup>11</sup>

\$18 million was sent offshore or used to purchase cryptocurrency on behalf of a foreign based criminal who was responsible for sending more than 100 kgs of methamphetamine to New Zealand between 2016 and 2020.

<sup>7</sup> The value of assets recovered (rather than restrained) is 3 percent. In comparison, European law enforcement agencies, for instance, recover only 2 percent of criminal profits.

See: EUROPOL (2025) [European Union Serious and Organised Crime Threat Assessment - The changing DNA of serious and organised crime](#), p 26.

<sup>8</sup> There was NZ\$8.9b in circulation in the New Zealand economy, as of 30 June 2024. See [Annual Report 2024 - Reserve Bank of New Zealand - Te Pūtea Matua](#)

<sup>9</sup> Reserve Bank of New Zealand (2025) [Tara-ā-Whare - Household Expectations Survey -Cash Use \(H3\)](#) Over half of survey respondents (56.8%) reported using cash between 1 and 6 times in the last week.

<sup>10</sup> Identified through Operations Brookings, Martinez, Ida, and Worthington.

<sup>11</sup> Financial Crime Prevention Network (2024) [Threat assessment: Transnational Organised Crime Financial Sector Vulnerabilities](#), p 6.

## CURRENT ARRANGEMENTS

17. Successive governments in New Zealand have taken steps to implement and strengthen measures to attack the profits made by organised crime. This includes:
  - a. seizing the **proceeds of crime**, such as money, vehicles, real estate and other assets, as part of civil criminal proceeds recovery proceedings
  - b. implementing **anti-money laundering** arrangements to prevent organised crime groups from converting illicit profits into funds that appear legitimate.

### MULE ACCOUNTS

Mule accounts are accounts used by criminals to move proceeds of crime internationally. The person who owns the account, a “money mule”, may or may not know their account is being used for illegal activities.

In 2024, banks reported finding almost 1000 “mule” accounts operating in New Zealand.<sup>12</sup>

### CASE STUDY

An architectural designer pleaded guilty to money laundering charges after helping scammers steal \$235,000 from investors.

The man acted as a “money mule” by providing a legitimate bank account in New Zealand for victims to transfer funds. It is believed the money was then immediately transferred offshore.

He claimed that a friend overseas had asked him to receive the funds for investment in steel and granite.<sup>13</sup>

18. Overall, New Zealand performs well in international assessments. This includes, for example, mutual evaluations by the Financial Action Task Force (FATF). The FATF is the global money laundering and terrorism financing watchdog. It sets international standards that aim to prevent these illegal activities and the harm they cause to society. The last FATF evaluation of New Zealand was conducted in 2021.<sup>14</sup> The New Zealand Police are doing a good job of recovering the profits of organised crime with the tools that they currently have. But these tools are insufficient. The current context means we need to be world leading to move the dial, which means providing enforcement agencies with world leading tools to stop profits from organised crime from leaving the country.

## RESTRAINING AND SEIZING THE PROCEEDS OF CRIME

19. Organised crime can move at the speed of the global finance system – enforcement agencies can only move at the speed of the law. The current system is not designed to keep pace with speed of modern banking systems and how organised crime operates.
20. There are currently inefficiencies at every stage of the process, from seeking orders to obtain financial information, through to freezing the transfer of funds likely to be the proceeds of crime. This provides plenty of opportunity for organised crime groups to

<sup>12</sup> Esther Taunton (20 March 2024) [Banks find almost 1000 mule accounts operating in NZ](#), *Stuff*, accessed 17 April 2025.

<sup>13</sup> Lane Nichols (8 April 2025) [Architectural designer pleads guilty to money laundering, seeks discharge and permanent suppression](#), *New Zealand Herald*, accessed 17 April 2025.

<sup>14</sup> FATF (2021) [Anti-money laundering and counter-terrorist financing measures – New Zealand, Fourth Round Mutual Evaluation Report](#)

transfer funds out of reach offshore – even where enforcement agencies have clear evidence of wrongdoing.

21. New Zealand passed the Proceeds of Crime Act 1991 to provide additional tools for law enforcement agencies to restrain and seize the proceeds of organised crime. This only allowed for the confiscation of property from individuals that had been convicted of an offence. This framework was not sufficient to deal effectively with people who were directly involved in organised crime groups but were able to distance themselves from particular offences.
22. The Criminal Proceeds (Recovery) Act 2009 (CPRA) therefore introduced a new regime that allowed for the confiscation of property derived from criminal activity without the need for a conviction. This followed the lead of other jurisdictions such as Australia, Ireland, and the United Kingdom.
23. The CPRA struck a balance between protections against ‘unreasonable seizure’ and the recognition that **confiscation ineffectiveness fuels profitability**. Profitability drives new participants into the marketplace, increasing the risk of harm and hardship faced by communities and legitimate businesses.<sup>15</sup>
24. Some commentators argued that these changes were unfair and would lead to unjust confiscation of private assets.<sup>16</sup> This has not been borne out. New Zealand’s experience over the last 15 years, with cases reviewed in the Appeal and Supreme Courts, has not identified any cases where injustice has occurred.
25. The overall impact of these changes, however, has been limited. Removing the need for a conviction and dealing with the proceedings through a civil process simply means the owner of the property uses the confiscation proceedings to explain the origin of property to avoid confiscation.
26. Amendments were made in 2023 with the intention of being more responsive to organised crime and to enable Police to seek a restraining order for property:
  - a. owned by a person who is an associate of an organised crime group when they acquired the property
  - b. when ownership of that property is inconsistent with known legitimate income (declared taxable income).
27. While these changes have strengthened the proceeds recovery system, their impacts are limited as they still require the enforcement authority to establish a relationship between an association with organised crime as well as ‘unexplained wealth’. The amended law also requires that the unexplained wealth exceeds \$30,000 before the High Court has jurisdiction to restrain suspected proceeds of crime.<sup>17</sup>

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<sup>15</sup> [Criminal Proceeds \(Recovery\) Bill: Explanatory Note \(81-1\)](#)

<sup>16</sup> See, for example, Nandor Tanzcos (20 March 2007) [Criminal Proceeds \(Recovery\) Bill — First Reading](#), NZPD 638: 8120.

<sup>17</sup> It is important to recognise that the amendment Act did provide useful tools as well. For example, it introduced a ‘notice of source requirement’ which compels an offshore respondent to provide information to Police pursuant to an order of the High Court or risk forfeiture. This has proven to be valuable when investigating transnational money laundering cases; and amendments to allow the confiscation of KiwiSaver funds as part of CPRA proceeds. These provisions have both been successfully applied.



28. In practice, these new provisions have not been applied as effectively as intended. The safeguards required to prevent 'unjust seizure' and other principles in our domestic law<sup>19</sup> have resulted in the law not being as effective as it could be to disrupt organised crime.

29. Attempts to increase the effectiveness of the CPRA have been largely unsuccessful because of the properly held view that we need to protect law-abiding citizens.<sup>20</sup> But we need to consider whether, in light of the organised crime problem, we have got the balance right. Given the scale of the problem, there is an argument that we need to shift the balance to be harder on organised crime.

30. We think it is critical for Government set a clear objective for attacking the money – and ensure that the legislation, policy and operational delivery are all designed to achieve that objective.

#### CASE STUDY

Thomas Cheng, 39, was a drug importer and dealer in New Zealand. Police restrained more than \$20m and argued it should be forfeited to the Crown as the proceeds of crime. The Crown argued that Cheng had an interest in around \$10m and other property held by his father and partner (also subject to unpaid GST and income tax). Cheng only had around \$40,000 cash in New Zealand.

Despite the fact that the father and partner did not oppose forfeiture, the Court found that the Crown was unable to prove to the balance of probabilities that the assets were the proceeds of crime.<sup>18</sup>

#### Options to strengthen the asset recovery framework

31. There is scope to greatly improve the efficiency and effectiveness of the CPRA process. Efficiencies can be gained by automating confiscation processes and putting the onus on respondents to prove the funds are derived from legitimate sources.

32. Options include:

- a. Eliminating the need for a separate forfeiture process where a person has been convicted of an offence and the assets are clearly related to that offending.
- b. Providing for the confiscation of instruments of crime, without a conviction where proven on the balance of probabilities that it was used in the commission of an offence.
- c. Making offenders liable for the value of goods associated with the offending. This could include the value of the illicit goods seized (which cannot be sold to recover costs) and the property used in the offending.

<sup>18</sup> Wellington higher courts reporter (16 May 2023) [Police likely to collect just \\$40,000 from \\$20m proceeds of crime claim](#), *Stuff*, accessed 17 April 2025.

<sup>19</sup> Such as the Bill of Rights Act 1990 – Crown Law opinion that the amendments were not compliant with BORA in the absence of a \$30,000 threshold.

<sup>20</sup> See, for example, Mark Harborow (Partner, Meredith Connell) et al. (2022) [Submission: Criminal Proceeds \(Recovery\) Amendment Bill 2022](#), pp 3, 10.

- d. Reducing the threshold for certain offences to put the onus on the defendant to prove legitimacy when there are reasonable grounds to suspect that property is proceeds of crime.

*Improving responsiveness to suspicious money transfers*

- 33. Organised crime groups are 24/7 business operations. Law enforcement needs to also be able to work around the clock to respond.
- 34. We can make this happen by:
  - a. ensuring enforcement agencies have timely access to information held by banks and telecommunications providers
  - b. introducing powers for enforcement agencies to obtain financial information and freeze suspected criminal funds immediately where there is reason to suspect that an offence is being committed, or about to be committed<sup>21</sup>
  - c. introducing powers to seek judicial approval to monitor bank accounts in real time. This would be akin to surveillance device warrants.
- 35. It is vital to ensure that there is judicial oversight of these actions if taken. Authority to retain the funds should be sought immediately after the freeze (e.g. the next court day), and the respondent would be able to challenge any orders sought if they were considered inappropriate.

*Stronger investigative powers*

- 36. Strengthen enforcement agencies' investigative powers, so that they can:
  - a. restrain the assets of individuals suspected of being involved in organised crime, without evidence of new offending. This could include people previously convicted of offences related to organised crime
  - b. monitor the activities of those convicted of organised crime-related offences, including coordinated audits across Police and Inland Revenue to identify proceeds of crime or untaxed income
  - c. seek orders to restrain the group assets of suspected organised crime groups (e.g. gang properties) to determine whether they have been funded through the proceeds of crime.

## ANTI-MONEY LAUNDERING

- 37. New Zealand's anti-money laundering regime is set out in the Anti-Money Laundering and Countering Financing of Terrorism Act 2009 (AML/CFT Act). The key principles are to detect and deter money laundering and terrorist financing, maintain New Zealand's international reputation and contribute to public confidence in the financial system. This is underpinned by:

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<sup>21</sup> This power is analogous to existing warrantless search powers under section 14 of the Search and Surveillance Act 2012.



- a. **Customer Due Diligence:** financial institutions must verify the identity of their customers and assess the risk they pose.
  - b. **Suspicious or Prescribed Reporting:** institutions must report on:
    - i transactions that they suspect may involve money laundering
    - ii international funds transfers (more than \$1,000)
    - iii large cash transactions (more than \$10,000) within New Zealand or when crossing the border.<sup>22</sup>
  - c. **Risk Assessment and Compliance Programs:** organizations must develop and maintain a risk-based AML/CFT program, which includes policies, procedures, and controls to mitigate identified risks.
38. The AML/CFT regime in New Zealand is currently overseen by three primary regulators – the Department of Internal Affairs (DIA), the Financial Markets Authority (FMA) and the Reserve Bank of New Zealand (RBNZ). However, the Government has recently signalled its intention to shift to a single supervisor model, the DIA, which will be supported by a sustainable funding model.<sup>23</sup>
39. These regulators conduct regular audits and assessments of institutions to ensure compliance with AML/CFT obligations and have the authority to impose penalties for non-compliance.<sup>24</sup>
40. Over the years, several high-profile cases have highlighted the importance of AML measures in New Zealand. For instance, in 2019, the RBNZ identified a major bank's failure to comply with AML/CFT requirements which resulted in a substantial fine, underscoring the need for rigorous adherence to regulatory obligations.<sup>25</sup>
41. Despite robust regulatory frameworks, AML efforts face several challenges:
- a. **Evolving criminal techniques:** Criminals continually adapt their methods to exploit vulnerabilities in the financial system, requiring innovation in AML practices.
  - b. **Technological advances:** The rise of digital currencies and online financial services presents new challenges for detecting and preventing illicit activities.
  - c. **International cooperation:** Money laundering often involves cross-border transactions, necessitating collaboration with international counterparts to effectively combat global financial crime.

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<sup>22</sup> Between 2018 and 2023, the FIU received 5,115 suspicious activity reports (SARs), 18,732 prescribed transaction reports (PTRs) and 55 border cash reports (BCRs). New Zealand Police Financial Intelligence Unit (2025) [New Zealand National Risk Assessment 2024 on Money Laundering, Terrorism Financing and Proliferation Financing](#), 20.

<sup>23</sup> Hon Nicole McKee (23 October 2024) [Government to overhaul anti-money laundering regime](#)

<sup>24</sup> For DIA reporting entities, audits must be completed every three years. For Financial Markets Authority and Reserve Bank it is two years.

<sup>25</sup> The High Court ordered the bank to pay civil penalties totalling \$3.5m [CIV 2021-485-296 [2021] NZHC 2241].

**CASE STUDY**

In 2020, lawyer Andrew Simpson was sentenced to two years and nine months imprisonment and struck off as a lawyer after laundering dirty money for the Comanchero motorcycle gang.

He used trust accounts to launder millions of dollars' worth of cash, luxury cars, and real estate for members of the gang. Simpson also advised the Comancheros to keep any cash deposits under \$10,000 to avoid alerting the banks, which are obliged to report any transactions above the threshold as suspicious.<sup>26</sup>

42. In response to these challenges, New Zealand continually updates its AML/CFT framework. Recent amendments to the AML/CFT Act have expanded the scope of regulated entities and enhanced information-sharing capabilities among regulators and law enforcement agencies. They are, however, not yet where they need to be to meaningfully tackle organised crime profits.

**Money laundering is not easy to prosecute**

43. Many enforcement agencies have responsibilities and duties to investigate income generating crime. However, with the exception of Police, these agencies seldom investigate the laundering of the profits associated with that offending.<sup>28</sup>

44. The current money laundering offence, section 243 of the Crimes Act 1961, is compliant with international standards.<sup>29</sup> But it is not responsive to the types of challenges we are now facing in New Zealand. Identifying those involved in laundering the proceeds of crime domestically and making them accountable must be central to an improved response to TSOC.

**CASE STUDY**

A Mongrel Mob member was recorded as an employee of a company. He received salary but did not undertake any work. Profits from selling methamphetamine were deposited into the company accounts to cover the wage drawing. The salary income was then used in support of finance applications with a financial institution to purchase property. The company was used to launder proceeds of crime and provide legitimacy to drug income received by the Mongrel Mob member.<sup>27</sup>

45. A key issue with the existing offence is the need to establish that the person who has laundered property knew or was reckless that the property was derived from criminal activity. This means that even where the enforcement agency can prove the launderer had a strong suspicion the property was from crime, that is not enough to prosecute.

<sup>26</sup> Sam Hurley (17 November 2020) [Auckland lawyer Andrew Simpson struck-off for laundering dirty cash for Comanchero gang](#), *New Zealand Herald*, accessed 17 April 2025.

<sup>27</sup> New Zealand Police Financial Intelligence Unit (2025) [New Zealand National Risk Assessment 2024 on Money Laundering, Terrorism Financing and Proliferation Financing](#).

<sup>28</sup> IR and Customs have in recent years commenced a small number of prosecutions. Despite a mandate to investigate the most serious fraud and corruption in New Zealand, the Serious Fraud Office has only charged two people with laundering the proceeds of serious crime, fraud or corruption. This prosecution was instigated at the request of Police to enable recovery of stolen Government moneys transferred from New Zealand to India.

<sup>29</sup> FATF (2021) [Anti-money laundering and counter-terrorist financing measures – New Zealand, Fourth Round Mutual Evaluation Report](#), p 169.

46. Investigations tend to focus on the crime that can be proved against the main offenders, with the money laundering being treated as a secondary offence that is often not pursued. This allows crime to continue to 'pay' and reduces our capacity to hold the people who deal with the proceeds of crime accountable.<sup>30</sup> These include professional facilitators, such as accountants, real estate agents, immigration consultants and lawyers, as well as family members and trusted associates. These people are all enablers of organised crime groups. These enablers are as critical to the business of organised crime as the foreign suppliers sending illicit commodities, like drugs, to New Zealand.

### Options to expand the definition of money laundering offending

47. As described above, it is difficult to establish a person's knowledge of involvement in a money laundering offence. To ensure the law meets the challenge presented by organised crime, there is scope to redesign the money laundering offence, improving the response to third party laundering<sup>31</sup> by enabling the prosecution of a wider range of money laundering-related behaviours.
48. New legal provisions could make it an offence to deal with property in any way, where the person either:
- a. knows that property is the proceeds of crime or
  - b. acts recklessly as to whether the property is the proceeds of crime (where it is not possible to prove knowledge)<sup>32</sup> or
  - c. deals with the property, that is established to be proceeds of crime, unless they can prove they reasonably believed the property was not the proceeds of crime.<sup>33</sup>

## CASH REMAINS A HIGHLY ATTRACTIVE ENABLER OF ORGANISED CRIME

49. New Zealand operates a relatively open approach to using cash within our economy. The priorities for the Reserve Bank of New Zealand are to improve resilience, sustainability and efficiency in the cash system.<sup>34</sup>
50. The AML/CFT regulations prohibit cash transactions exceeding \$10,000 for the following high-value goods - jewellery and watches, precious metals and stones, motor vehicles and boats.<sup>35</sup>

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<sup>30</sup> This includes both natural and legal persons i.e. entities that have their own legal identity separate from its members.

<sup>31</sup> Third party launderers are those who are not involved in the predicate crime but those who simply deal in proceeds of crime move transfer disguise proceeds for the benefits of the predicate offender.

<sup>32</sup> Elements a. and b. are already part of the existing offence under section 243 of the Crimes Act 1961.

<sup>33</sup> This would be a strict liability offence which shifts the burden of proof to the defendant.

<sup>34</sup> Reserve Bank of New Zealand (2024) [Annual Report Rīpoata-ā-Tau 2023/24](#), p 25.

<sup>35</sup> A prescribed transaction means a transaction conducted through a reporting entity (bank etc) related to an international funds transfer of a value over \$1,000 or a domestic physical cash transaction exceeding \$10,000.

51. Criminals are taking advantage of an absence of policy associated with restricting currency from being the enabler of crime, which is contributing to accelerating the expansion of criminal enterprise.

#### **CRYPTOCURRENCY ATMs**

There are approximately 200 cryptocurrency ATMs across New Zealand. They are usually in small supermarkets, convenience stores, vape stores, petrol stations and laundromats.

Many of these machines enable the purchase of cryptocurrency by depositing cash. A small number dispense cash for deposited cryptocurrency.

Criminals can use these ATMs to purchase cryptocurrency and transfer that cryptocurrency within minutes to offshore criminals to fund drug imports or to make payments associated with scams.

Cryptocurrency ATMs were made illegal in the United Kingdom in 2022.

52. Payment of wages with cash is common in industries such as construction, hospitality and agriculture – usually increasing the risks of tax evasion and exploitation of migrants and other vulnerable workers. Numerous countries have introduced statutory requirements to ensure that wage payments are made through verifiable, electronic means, to enhance compliance and combat financial misconduct.<sup>36</sup>
53. Based on the Swedish example outlined below, there are a range of options that New Zealand could consider.
54. While we have seen the same shifts to digital payment options based on user demand, there has been less focus on deterring the use of cash for illicit activities by targeted regulation. We understand that this is because further reducing the availability of cash could impact vulnerable segments of the population that continue to rely on it.<sup>37</sup> Many of the groups that are most reliant on cash are also heavily impacted by the harms caused by organised crime. We think that there is scope for measures that would minimise impacts on legal cash use.

<sup>36</sup> For example: in France, a bank transfer/check is mandatory if monthly salary exceeds €1,500; in Italy, wages must be paid through traceable means; cash is prohibited.

<sup>37</sup> Reserve Bank of New Zealand (2019) [Future of Cash – Te Moni Anamata: An internal project research report](#)

## Case Study: Sweden – A Global Leader in Cash Reduction

Sweden offers a well-documented and effective model for reducing the prevalence of physical cash, significantly undermining its utility for criminal activity.

The following pillars underpin Sweden's strategy:

### 1. Promotion of digital payment systems

- Cash use is minimal: mobile payment systems, such as Swish, have been widely adopted and debit card are used for most purchases, regardless of value.
- Digital identification (BankID): A national e-ID system facilitating secure transactions and reducing the need for physical bank visits.

### 2. Cultural shifts and public support

- Digital-first preferences: Societal norms favour digital payments; many shops and events do not accept cash at all.

### 3. Restrictions on cash handling by banks

- Reduced cash services: Major banks have limited in-branch cash handling and Sweden has seen a significant drop in ATMs.
- Cash Deposit Oversight: High-value deposits must be declared, increasing transparency and restricting laundering channels.

### 4. Legislative and regulatory controls

- Sector-Specific Limits: Legal thresholds for cash transactions are imposed in high-risk industries.
- AML reporting: Obligatory suspicious activity reports by cash-intensive businesses.
- Mandatory digital accounting: Many businesses are required to maintain digital financial records to prevent underreporting.

### 5. Government and EU alignment

- Tax agency oversight: Active scrutiny of cash-reliant businesses to prevent tax fraud.
- EU Policy Compliance: Sweden follows EU guidelines on restricting high-value cash transactions.
- Crackdowns on black markets: Coordinated law enforcement actions against underground cash networks.

## Options to make cash a less attractive option

55. In a perfect world, removing cash from the economy completely would have the greatest impact on organised crime. But we recognise that this is not realistic at this time and New Zealanders should be assured of their ability to use cash for lawful purposes.
56. However, there are a range of other measures that could be considered as means of hardening the operating environment for organised crime:
  - a. Mandate electronic payment of wages in high-risk sectors, such as construction, hospitality and agriculture, in line with international best practice.

- b. Prohibit payment in cash for certain services, such as lawyers, accountants, real-estate agents, immigration agents precious metal dealers and jewellers.
  - c. Ban businesses from accepting cash for international funds transfer services.
  - d. Reduce the current AML/CFT thresholds for cash payments for high-value goods from \$10,000 to \$5,000.<sup>38</sup>
57. As controls on cash tighten, there will be a shift towards virtual currencies. Therefore, in implementing these changes, it is also important to manage any displacement effects through an integrated response across traditional and digital financial systems, including removing the ability to convert cash to cryptocurrency until such time as the regulatory environment becomes effective.
58. We recommend that virtual currency ATMs should be banned as a critical step in disrupting organised crime operations. This would remove a key laundering mechanism, close a significant loophole in the financial system, and hinder the ability of transnational organised crime to convert and move profits invisibly.

## **A SYSTEM-WIDE ATTACK ON ORGANISED CRIME**

59. In the current environment, it is critical that we increase the focus on attacking the profits of organised crime. This will have a direct impact on individual criminal operations. But more importantly, attacking profits will have a preventative effect by increasing the general costs of operating in the New Zealand market.
60. The following sections outline further options that could be considered to give effect to these objectives. We will consider and expand on these options further in future reports.

### **Enhancing the use of financial intelligence capability**

61. Maximising the use of financial intelligence capabilities is crucial in detecting and disrupting the financial flows of organized crime groups. Key measures include:
- a. working closely with banks and other financial entities to harden the environment where organised crime can use cash
  - b. promoting information sharing between public and private sectors to improve the detection of criminal financial activities
  - c. leveraging emerging technologies such as artificial intelligence and analysis of blockchain and cryptocurrency to enhance detection.
62. Financial intelligence capabilities will be a specific focus in a later report.

### **Building public awareness**

63. Educating the public about the risks and signs of organised crime is vital in fostering an effective New Zealand response. The previous report was the first step in building a

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<sup>38</sup> High-value goods include, for example, jewellery, gold, silver, or other precious metals, motor vehicles, boats/ships, and artworks.



clear appreciation of the reality of organised crime in New Zealand. Key approaches in educating the public on the risks should include:

- a. DIA, as the future lead supervising agency on AML/CFT,<sup>39</sup> leading work to inform workers, particularly those involved in financial transactions, about the impact of organized crime and ways to report suspicious activities
- b. encouraging community involvement in crime prevention initiatives and building trust with law enforcement agencies to identify and report property which represents proceeds of crime.

## WE HAVE TO DO MORE TO STOP THE MONEY

- 64. New Zealand is not doing enough to interrupt the money flow of organised crime groups.
- 65. We recognise that some of the options we have outlined would represent a significant change from the current settings. Some shift the focus from specific, conviction-based asset recovery towards putting the onus on individuals to prove that that property is not derived from crime. This approach is consistent with international best practice; and we believe it is warranted here given the issues New Zealand is facing.<sup>40</sup> We will provide you with further advice on specific policy options and changes that can be implemented.
- 66. Attacking the profits of organized crime groups requires a comprehensive and coordinated approach. By improving efficiency of existing legal frameworks, maximising the use of financial intelligence, strengthening regulatory oversight to detect illicit wealth, educating the public, collaborating with the private sector, fostering international cooperation, and leveraging technological advancements, New Zealand can effectively disrupt the financial power of these criminal enterprises. Through these efforts, we can create a safer New Zealand free from the grip of organized crime.
- 67. We will pick up these issues in next month's report, which will focus on corruption, the Pacific and deterrence.

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<sup>39</sup> Subject to the planned changes reference at paragraph 38.

<sup>40</sup> Andrew Dornbierer (2024) [Working Paper 51: Good practices in asset recovery legislation in selected OSCE participating States](#)