



GUIDELINES FOR CONDUCTING CUSTOMER DUE DILIGENCE (“CDD”) BEFORE SIGNING AN AGENCY AGREEMENT

The Department of Internal Affairs has determined that the applicable type of CDD must be completed before the agency agreement is signed, except for in specific circumstances involving complex structures. These guidelines are designed to assist you comply with your obligations under the Anti-Money Laundering and Countering Financing of Terrorism Act 2009 and its regulations.

Please note: these guidelines are suggestions only and must be read in line with your office’s internal AML policies and procedures.

Before meeting with the client:

- Establish the ownership structure. Is it owned by individuals, a company, or a trust?
 - Search the property title to see registered proprietors.
 - Phone the client and ask them to explain the ownership structure.
- Establish whether the client will require Standard, Simplified or Enhanced CDD as per the DIA guidelines and your office’s compliance programme.

If Standard CDD required:

- Phone the client prior to meeting with them. Explain the CDD must be done prior to signing a listing, and request they bring the following identification documentation with them to the meeting.
 - Passport/drivers licence or other government issued identification;
 - Proof of address.
- At meeting with client: view and take copies of identification documents (via the AML Solutions app if possible).
 - If documents acceptable for completing CDD, the client and the agent can sign agency agreement.
 - If it becomes apparent that CDD cannot be completed on the spot, explain what problem is (e.g. if all of the owners are not present, it may be that compliance officer will need to get in touch for more information), and set up later time to sign the agency agreement.
- If client is unwilling to provide copies of identification documents to you:
 - Arrange for them to meet with your office’s compliance officer directly (will most likely need the client to go into the office); OR
 - Outsource CDD to a third party; BUT
 - In either case, explain to the client that this means the agency agreement cannot be signed straight away.
- Once you have viewed and taken copies of the client’s identification documents (**obtain**) and confirmed that they are acceptable (**verify**), the client and the agent can sign the agency agreement.

If Enhanced CDD required:

- Prior to meeting, you should ensure that client has been provided with information on AML and the CDD process (so they won’t be shocked to learn that it needs to be done). We recommend you provide them with REINZ’s information sheet on ‘Proving Your Identity’, available here: https://www.reinz.co.nz/Media/Default/pdf/Advisory%20Documents/2018/AML_warning_flyer_December_2108_v8-1.pdf.

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- At your meeting with the client:
 - Explain to client that, due to the ownership structure of the property, the office's compliance officer must complete CDD prior to commencing any marketing of the property. This will include assessing the client's source of wealth. It also includes **obtaining** the required CDD information prior to the agency agreement being signed.
 - Provide estimated time frame for this but make no guarantees.
 - Assure the client that you will have regular communication with them throughout the CDD process and will set up a time to sign the agency agreement as soon as possible.
- If client is unwilling to provide copies of identification documents to you:
 - Arrange for them to meet with your office's compliance officer directly (will most likely need for the client to go into the office); OR
 - Outsource CDD to a third party; BUT
 - In either case, explain to the client that this means the agency agreement cannot be signed straight away.
- Once your office has copies of all the relevant identification documents (**obtain**) and your compliance officer has confirmed that they are acceptable (**verify**), both parties can then sign the agency agreement and the marketing can commence.
- If you have **obtained** all the relevant identification documents, but it is taking a long time to **verify** the information and you are worried that you may lose the listing:
 - Your compliance officer may make an exception to the rule and allow you to sign the agency agreement prior to **verification** being complete.
 - Your compliance officer must make note of this in the exceptions register.
 - The 90-day agency period begins at the date the agency agreement is signed.
 - Despite that, you must not commence marketing the property until the **verification** is complete.
 - If your compliance officer is unable to **verify** the client's identity, you must terminate the agency agreement.

Practical example: verifying a client's source of wealth

A client may tell you where their money has come from, but to verify this you need to see the proof. Don't just tell me, show me! For example:

If you tell me:

"I inherited this property from my great-aunt"

"I purchased this after a dividend pay-out"

Show me:

A copy of the Will and an historical title search

The dividend statement

If Simplified CDD required:

- Most likely that anyone on whom you would do Simplified CDD already understands what is required of them. Phone the client prior to meeting with them. Explain CDD must be done prior to signing the agency agreement, and request they bring appropriate identification with them to the meeting:
 - Full name of client;
 - Passport/driver licence/ other government issued photo ID of the person acting on behalf of the client;
 - Evidence of the person acting on behalf of the client's relationship to the client and their authority to act on behalf.
- At the meeting with client: you must view and take copies of identification documents (**obtain**). After you confirm that they are acceptable for completing CDD (**verify**), both parties can then sign the agency agreement.
- For the avoidance of doubt, you will need to conduct Simplified CDD on the following types of client:

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- A listed issuer (as defined in section 6(1) of the Financial Markets Conduct Act 2013);
- A New Zealand Government department;
- A New Zealand Local Authority;
- The New Zealand Police;
- A New Zealand State enterprise or State enterprise that is located in a country with sufficient AML/CFT systems;
- The New Zealand Security Intelligence Service;
- New Zealand licensed statutory supervisors;
- New Zealand trustee corporations, when acting for themselves;
- New Zealand Crown entities;
- Overseas government bodies that correspond to a New Zealand government department and are located in a jurisdiction with sufficient AML/CFT systems;
- New Zealand registered banks or licensed insurers; and
- A company, or a subsidiary of that company, whose equity securities are listed in New Zealand or on an overseas stock exchange with sufficient disclosure requirements and in a country with sufficient AML/CFT measures in place and their subsidiaries.