

# Settlement Agreement

Craigs Investment Partners Limited (**Craigs**)

Financial Markets Authority (**FMA**)

# Details

## Date

## Parties

Name **Craigs Investment Partners Limited**, a duly incorporated company having its registered office at 158 Cameron Road, Tauranga, 3171, New Zealand

(Craigs)

Name **Financial Markets Authority**, an independent Crown entity established under section 6 of the Financial Markets Authority Act 2011

(FMA)

## Background

A The FMA has conducted an investigation into potential breaches of the Anti-Money Laundering and Countering Financing of Terrorism Act 2009 (**AML/CFT Act**) in relation to Craigs (the **Investigation**).

B The FMA considers that Craigs:

- (i) failed to conduct enhanced due diligence on a client by failing to complete enquiries or actively pursue areas of information that Craigs had determined should be obtained; and/or
- (ii) failed to terminate its business relationship with a client in circumstances where it had been unable to conduct enhanced due diligence,  
  
in relation to a client that had been identified by Craigs as posing a high risk under the AML/CFT Act.

C The FMA further considers that Craigs' AML/CFT compliance programme in place at the relevant time did not comply with the minimum requirements of the AML/CFT Act in the following respects:

- (i) Craigs' AML/CFT compliance programme did not contain a cohesive process for escalating, monitoring and managing AML/CFT issues and for ensuring compliance with Craigs' AML/CFT compliance programme.
- (ii) Adequate internal written business records were not kept in relation to decision making in the customer due diligence process.

- D Accordingly, Craigs admits that it breached the AML/CFT Act in that it failed to conduct adequate enhanced due diligence and/or failed to terminate its business relationship with a client when it had been unable to complete the required level of customer due diligence on that client.
- E Since 2014 Craigs has taken steps to significantly improve its AML/CFT compliance programme, including carrying out a thorough review of its systems and processes, employing further staff to assist with AML/CFT compliance and conducting internal training in relation to AML/CFT. Craigs has also introduced a range of initiatives which have reduced the chances of similar possible breaches occurring in the future.
- F Craigs and the FMA have agreed to resolve the issues arising out of the Investigation in relation to Craigs on the terms set out below.

## **Agreed terms**

### **1. Interpretation**

1.1 In this agreement, unless the context otherwise requires:

- (a) The singular includes the plural and vice versa;
- (b) A reference to a party is also a reference to that party's successors and assigns.

### **2. Craigs obligations**

2.1 Craigs admits that it breached the AML/CFT Act in that it failed to conduct adequate enhanced due diligence and/or failed to terminate its business relationship with a client when it had been unable to complete the required level of customer due diligence on that client.

2.2 Craigs agrees to appoint an independent third party (to be approved by the FMA) to review its AML/CFT compliance programme and compliance with its obligations under the AML/CFT Act and to provide any recommendations as to improvements that could be made to Craigs' systems, processes and controls, which will be reported to the FMA.

2.3 Within a reasonable period of time following those recommendations (if any) being made and agreed to, Craigs agrees to use reasonable endeavours to complete the recommendations (if any) made by the independent third party and to engage a further external review by that independent party following the implementation of the recommendations, which will be reported to the FMA.

### 3. No further action by the FMA against Craigs

- 3.1 The FMA agrees that, unless otherwise required by law, it will not initiate, issue, encourage or support any further investigation or civil or criminal legal proceedings against Craigs or its related entities, directors or employees in respect of the matters that are the subject of the Investigation.
- 3.2 This agreement is a full and final settlement of all claims and proceedings the FMA has, against Craigs or its related entities, directors or employees in respect of the matters that are the subject of the Investigation.
- 3.3 The fact of and terms of this agreement are not confidential and may be disclosed by the parties. A copy of this agreement will be posted on the FMA's website.

### 4. General terms

- 4.1 Any notice or communication that is given or served under or in connection with this agreement must be given in writing in the following manner:

- (a) If addressed to the FMA, by hand delivery or email to the following address:

Financial Markets Authority

Level 5, Ernst & Young Building, 2 Takutai Square, Auckland 1143

Attention: Paul O'Neil

Email: paul.o'neil@fma.govt.nz

- (b) If addressed to Craigs, by hand delivery or email to the following address:

Craigs Investment Partners Limited

158 Cameron Road, Tauranga, 3171

Attention: Regan Carey

Email: Regan.Carey@craigsip.com

- 4.2 This agreement constitutes the entire agreement, understanding and arrangement (express and implied) between the parties dealing with the subject matter of this agreement and supersedes and replaces any previous negotiation, representation, agreement, understanding or arrangement relating to the Investigation and this agreement, whether written or oral.

- 4.3 This agreement may be amended only by another agreement executed by both parties.
- 4.4 This agreement is governed by and is to be construed in accordance with the laws of New Zealand. The parties irrevocably submit to the exclusive jurisdiction of the New Zealand courts in relation to all disputes arising out of or in connection with this agreement.
- 4.5 This agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute the same instrument. The parties acknowledge that this agreement may be executed by an exchange of facsimile or scanned copies and execution of this agreement by that means is valid and sufficient execution.
- 4.6 Each person executing the agreement warrants that he or she has full authority to enter into this agreement on behalf of the party for which he or she purports to be executing this agreement, and to bind that party in accordance with the terms of this agreement.
- 4.7 Each party will bear their own costs of and incidental to the matters dealt with in this agreement.
- 4.8 The terms of this agreement are intended to be for the benefit of, and enforceable in terms of the Contracts (Privity) Act 1982 by, Craigs' related entities, directors and employees.

# Signing page

EXECUTED as an agreement

Signed by and on behalf of **CRAIGS  
INVESTMENT PARTNERS LIMITED**

\_\_\_\_\_  
Signature of authorised signatory

\_\_\_\_\_  
Name of authorised signatory

Signed by and on behalf of the **FINANCIAL  
MARKETS AUTHORITY**

  
\_\_\_\_\_

Signature of authorised signatory

2 May 2016

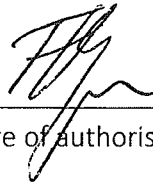
**ROB EVERETT**  
\_\_\_\_\_

Name of authorised signatory

# Signing page

EXECUTED as an agreement

Signed by and on behalf of **CRAIGS  
INVESTMENT PARTNERS LIMITED**



\_\_\_\_\_  
Signature of authorised signatory

**FRANK ALDRIDGE**

\_\_\_\_\_  
Name of authorised signatory

Signed by and on behalf of the **FINANCIAL  
MARKETS AUTHORITY**

\_\_\_\_\_  
Signature of authorised signatory

\_\_\_\_\_  
Name of authorised signatory