



CLSA Premium New Zealand Limited

VOLUNTARY ANNOUNCEMENT

UPDATE ON LITIGATION

This announcement is made by CLSA Premium New Zealand Limited (“**CLSAP NZ**”) on a voluntary basis and aims to provide CLSAP NZ’s existing and potential clients in respect of the FMA related litigation.

As disclosed in the press release made by the Financial Markets Conduct Authority (“**FMA**”) on 23 June 2020, CLSAP NZ received a statement of claim filed by FMA alleging CLSAP NZ’s failure to comply with its obligations under the AML/CFL Act (the “**Act**”) between April 2015 and November 2018 (the “**Relevant Period**”). After this, CLSAP NZ and the FMA have filed an Agreed Statement of Facts (the “**Agreed Statement of Facts**”) with the High Court. A court hearing for pecuniary penalty has now been scheduled for 5 July 2021.

CLSAP NZ admitted the following four causes of action by a Notice of Admission:

- 1) Failure to conduct customer due diligence as required by subpart 1 of Part 2 of the Act;
- 2) Failure to terminate an existing business relationship as required by s37 of the Act;
- 3) Failure to report suspicious transactions/ activities as required by subpart 2 of Part 2 of the Act; and
- 4) Failure to keep records in accordance with subpart 3 of Part 2 of the Act.

Such admission was on the terms set out in the Agreed Statement of Facts, which set out the details of the transactions that took place during the Relevant Period. The Agreed Statement of Facts was agreed following negotiations with the FMA. CLSAP NZ has cooperated with the FMA throughout.

Steps taken by CLSAP NZ to strengthen compliance with the Act

CLSAP NZ has co-operated with the FMA in relation to this matter throughout and has taken a number of steps to improve its compliance systems, including:

- 1) CLSAP NZ has reviewed and revised its AML CFT compliance programme and risk assessment over the last year to incorporate feedback from external auditors, address issues identified by the FMA, and strengthen CLSAP NZ’s compliance with the Act. This has involved amending CLSAP NZ’s procedures, policies and controls regarding

conducting enhanced customer due diligence, obtaining evidence of the source of wealth or funds of clients, suspicious transaction reporting, directors' interference in AML/CFT processes and terminating business relationships with clients, as well as making other updates.

- 2) An independent AML/CFT auditor was engaged to conduct a reasonable assurance audit of CLSAP NZ's risk assessment and AML/CFT programme. Any recommendations by the independent auditors were incorporated into CLSAP NZ's compliance programme.
- 3) An experienced compliance manager, a risk officer, and a AML/CFT compliance officer have been hired by CLSAP NZ, and all staff have completed a number of internal and external training sessions covering the Act, CLSAP NZ's internal risk assessment and compliance programme, onboarding processes for different types of customers (including customer due diligence), understanding the source of funds and source of wealth of customers and record keeping etc.
- 4) For record keeping, as disclosed in CLSA Premium Limited's announcement dated 9 March 2020, CLSA Premium Limited and its subsidiaries, which include CLSAP NZ, have moved away from its reliance on the previous IT service provider and engaged a new IT service provider to ensure all records are and remain accessible. Better controls have also been put in place for keeping hard copies of documents.
- 5) CLSAP NZ has appointed new directors to its board.
- 6) Different independent external auditors were engaged to perform assessment of the internal controls and also to review the compliance assurance program. The assessment reports show a number of significant improvements in CLSAP NZ's compliance culture and framework.

The Company will keep its existing and potential clients s informed of any further material developments by way of announcement as and when appropriate.

By Order of the Board
CLSA Premium New Zealand Limited

Auckland, 7 May 2021

As at the date of this announcement, the Directors are:

Lloyd Gordon CARTWRIGHT
David Alan WALLACE
Feng YUAN
Lingying ZHOU