

23 June 2017

Corporate Law
Ministry of Business, Innovation and Employment
PO Box 1473
Wellington 6140

By email: corporate.law@mbie.govt.nz

Dear Corporate Law team,

Submission on discussion paper: Consultation on whether to introduce a director identification number

Chartered Accountants Australia and New Zealand (CA ANZ) welcomes the opportunity to comment on the discussion paper ("the paper"). We continue to support the introduction of a Director Identification Number (DIN) in New Zealand. A DIN would make it easier for stakeholders to identify the directors of a company, and to identify other directorships an individual may have.

Against this backdrop of support, we have the following general comments:

- We consider that identity verification processes would be the cornerstone of a DIN as it would protect against 'phoenixing'.
- It would also be important to ensure that compliance costs are minimised. A key enabling feature of this is to require director's records to be updated in one central location each time there is a change of details.
- Introduction of a DIN is also an opportune time to consider removing director's residential addresses from the register, and adding appointers of nominee directors to the public register.

Our responses to the specific questions raised in the paper are set out in Appendix A. Appendix B includes more information about CA ANZ. Should you have any queries concerning the matters in this submission, or wish to discuss them in further detail, please contact Zowie Pateman (Acting Reporting Leader) via email at zowie.pateman@charteredaccountantsanz.com.

Yours sincerely



Liz Stamford
Head of Policy
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Appendix A: Responses to specific questions

1. Are you aware of the issues identified? Please describe the extent to which you think they are a problem.

We are aware of the issues identified. We agree that identifying the companies an individual is a director of can be challenging, particularly when there are many.

2. Are there any other issues that we have not identified? If so, please describe them and provide evidence if available.

The Companies Amendment Act 2014 requires all companies to have a director who lives in New Zealand or Australia from 28 October 2015. As a result the use of nominee directors has increased. From a legislative perspective a nominee director is subject to the same duties and responsibilities as any other director.

Transparency of nominee directorships held, as well as the identity of the appointer, is important for determining “control” for reporting purposes or “beneficial ownership” for anti-money laundering purposes. On this basis we recommend such information also be required on the public register.

We would also like to highlight that the current inclusion of director’s residential addresses on the public register increases the risk of identity theft and may even lead to a personal security threat of a director. As such a business address, rather than a personal residential address, may be more appropriate to record on the public register.

3. Do you think a director identification number is the best way to address the issues identified?

We believe the introduction of a DIN will help alleviate the issues identified in the paper.

4. What are your views on the proposed objectives for assessing whether to introduce a director identification number?

We support the proposed objectives, particularly for implementation to be practical and efficient for all parties and for compliance costs to be minimised.

5. What are your views on the benefits and costs of a director identification number? Are there any other benefits, costs or risks?

Based on the benefits and costs outlined in the paper, we consider that the benefits of introducing a DIN outweigh the costs of doing so. A notable benefit is directors would be able to update their details in one central place which then updates all records relating to that individual.

6. Do you support the introduction of a director identification number?

We support, in principle, the introduction of a DIN.

7. If a director identification number is introduced, what are your views on how a number could work?

In our view, the key design features of a DIN as set out in the paper are a good starting point. We consider that identity verification processes, to ensure the accuracy and credibility of such

details, would be central to the success of a DIN. Individuals are becoming accustomed to verifying their identity, largely due to anti-money laundering legislation.

Identity verification by way of a RealME account, passport or driver licence appears a reasonable approach. However there are some practical considerations around the expiry date of a passport or driver licence, and the implications this may have on a DIN which may or may not expire. For those that do not have a passport or driver licence, alternative accepted documents should be specified. Justice of the Peace provide their services, including certifying copies of documents, free to the public so this should not increase compliance costs.

In terms of what types of sanctions would be most effective to ensure compliance, we consider that a monetary fine - in line with section 374 of the *Companies Act 1993* - would be most appropriate.

Appendix B: About Chartered Accountants Australia and New Zealand

Chartered Accountants Australia and New Zealand is a professional body comprised of over 120,000 diverse, talented and financially astute members who utilise their skills every day to make a difference for businesses the world over.

Members are known for their professional integrity, principled judgment, financial discipline and a forward-looking approach to business which contributes to the prosperity of our nations. We focus on the education and lifelong learning of our members, and engage in advocacy and thought leadership in areas of public interest that impact the economy and domestic and international markets.

We are a member of the International Federation of Accountants, and are connected globally through the 800,000-strong Global Accounting Alliance and Chartered Accountants Worldwide which brings together leading Institutes in Australia, England and Wales, Ireland, New Zealand, Scotland and South Africa to support and promote over 320,000 Chartered Accountants in more than 180 countries.

We also have a strategic alliance with the Association of Chartered Certified Accountants. The alliance represents 788,000 current and next generation accounting professionals across 181 countries and is one of the largest accounting alliances in the world providing the full range of accounting qualifications to students and business.