**FACTORING**

The overall risk assessment rating for Factoring is **LOW**.

The features identified in the table of this guide will help businesses that provide a factoring service to conduct risk assessments.

They will help you create policies and procedures which accurately reflect how much money laundering risk you think your business is subject to.

The table does not cover every way a money launderer may use your business. It reflects ways that money launderers have acted in the past. We encourage you to think about other situations that may apply to your specific business.

Transactions or activities listed in the table may not necessarily signal money laundering if they are consistent with a customer’s legitimate business.

Based on knowledge of your own business you should decide what risk particular customers or transactions pose and how you can lessen that risk.

|  | **HIGHER RISK CHARACTERISTICS** | **LOWER RISK CHARACTERISTICS** |
| --- | --- | --- |
| **Services Offered** | Recourse factoring where the factoring business is repaid;  | Non-recourse facilities where the factor assumes the risk of non-payment. The business not only assumes title to the receivable accounts, but also assumes most of the default risk because the Factor does not have recourse against the supplier if the accounts default; |
| **Nature and Complexity of the Business** | Customers dealt with | Trade finance, or factoring of large, one-off debts owed by private companies; | Debt (s) owed to listed companies, small debts owed by consumers and small businesses; |
| Cross-border transactions; | Transactions in New Zealand; |
| Payment facilities | Payments against invoices where there is no actual movement of goods or services provided, or the value of goods is overstated; |  |
| Third party payments facilitated; |  |
| Physical cash receipts; | Invoices settled by way of cheque or electronic payment methods; |
| Where the factoring entity allows the client to collect the debt; | Collections activity being undertaken by the invoice financier; |