



# MBIE consultation on a Director Identification Number

### **Recommendations**

1. Equifax supports the introduction of a Director Identification Number (DIN);
2. We support the DIN being mandatory for directors/officers/officeholders of incorporated and unincorporated entities.
3. Identity verification processes should align with the existing processes undertaken for AML/CFT compliance, enabling enrolment online and in real time, with a high level of integrity and a low level of friction. The suggestions made in the consultation paper will create significant red-tape and for a section of the population, difficulty with compliance

Equifax is a leading provider of credit risk and due diligence services, providing insights into companies and the people behind them, assisting New Zealand businesses to mitigate risk when extending credit.

Equifax welcomes the key proposals set out in the Ministry of Business, Innovation and Employment consultation (“the consultation”) on whether to introduce a director identification number (DIN). The introduction of a DIN will lift confidence in lending and reduce losses suffered by New Zealand businesses by enabling the accurate identifying of a right person named as Director and being able to correctly link that person to their other incorporated entities.

The Consultation Paper at 2.1 (*what issues could a director identification number address*) accurately identifies difficulties that currently exist. The integrity of Equifax credit reports and other information services hinges on the presence of stable and accurate base identity records. Not being able to return a report because of a lack of confidence in matching impacts the ability of lenders to make an accurate credit risk assessment. As the consultation paper illustrates, matching is not a simple task. On any large database, first-surname name repetition (“John Smith,”) will occur for approximately nine per cent of entries. For the purposes of matching, data companies must also be able to distinguish and correctly match variations – “Bob/Rob/Robbie/Robert Smith. For added complexity, consider twins called Robin and Robert Smith with the same DOB.



As a consumer credit bureau, Equifax has long experience in matching challenges both here and in Australia, and that experience shows enquiries using name and address result in a match rate of 65 per cent at best. When date of birth can also be used, this climbs to 80-85 per cent. A DIN resolves these limitations.

Increasing diversity adds new levels of complexity; while “Smith” may be relatively evenly spread across New Zealand, clustering of particular communities makes correct matching even more difficult. We note a Department of Internal Affairs report that the top four surnames for babies born in Auckland in 2013 were Wang, Li, Chen and Liu and in one Australian example 260 “Thanh Nguyens” are in one postcode – about 1.2 per cent of residents. The construct of what a person’s name is - first/middle/last – can also vary with cultures and people may elect to anglicize their name for particular transactions, but retain their original name on official documents.

The introduction of a DIN would therefore provide clarity and certainty to New Zealand’s increasingly diversified population.

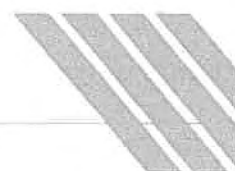
In relation to chapter three – *possible design of a director identification number* Equifax is concerned at the process proposed for verification of a director’s identity. Section 37 proposes that a Director would only be able to verify their identity via:

- *Using their existing RealME verified account*
- *Providing the Companies Office with a NZ passport or driver’s licence number. This information would be used to verify that the identity document exist and they match the director’s details.*

Section 38 goes on to state that for people without passport or drivers licence, “*they would need to send the Companies Office a verified copy of an official document that includes the director’s photograph, eg an overseas issued passport*”

While we absolutely support the principle that new and existing directors must have their identity verified before provision of a DIN, the manner suggested would be problematic, leaving a significant gap in the process for that section of the adult community that does not have a drivers licence nor passport. The penetration of RealMe is still very low – Department of Internal Affairs annual reports show just 172,865 people have a verified RealME account.

In introducing a DIN, the application identity process for the estimated 600,000+ directors needing to obtain a DIN must be able to be done online, in real time, with a high level of integrity and a low level of friction. Equifax note the approach undertaken for anti- money laundering and counter terrorism financing (AML/CFT) compliance meets these criteria and



is well-tested and familiar to New Zealand business. We urge MBIE to re think the proposal and align identity verification requirements to those already in place to meet AML/CFT.

We thank MBIE for the opportunity to comment and look forward to further progress on the New Zealand DIN.

