

Ministerial Exemptions Under the Anti-Money Laundering and Countering Financing of Terrorism Act 2009

In accordance with section 157(4) of the Anti-Money Laundering and Countering Financing of Terrorism Act 2009 (“Act”), the Associate Minister of Justice gave notice on 11 July 2022 that he has granted the following exemptions from the Act:

Ministerial Exemption: Foxton District Budget Service in Relation to Sponsored E-Funding Activities

Granting the Foxton District Budget Service (FDBS) an exemption from sections 10–71 (inclusive) of the Act in relation to its sponsored E-Funding activities.

For the purposes of this exemption:

- The term “sponsored” refers to funds given to FDBS without a requirement for those funds to be repaid to the sponsor.

The exemption is subject to the following condition:

- The FDBS must inform the Ministry of Justice of any changes that may affect the exemption within 10 working days from when the change affecting the exemption occurs.

The exemption has been granted with the stated conditions to reduce administrative and compliance burden to the FDBS while ensuring that the money laundering and terrorism financing (ML/TF) risks associated with its E-Funding activities remain at a low level.

The residual risk of ML/TF associated with FDBS is considered to be low due to:

- a. The nature of the entity: providing interest free lending to people in financial hardship, combined with budgeting advice, is consistent with and supportive of FDBS’s charitable purposes to relieve poverty and advance education.
- b. FDBS’s regulatory oversight as a registered charity.
- c. The size of the entity: FDBS is a small organisation.
- d. Eligibility for the finance: the household income threshold for eligibility for E-Funding is low.
- e. The term and size of the loan: there is a low limit on the funding (\$500) and it must be paid back within six months.
- f. The funding for the E-Funding activity is sourced from a registered New Zealand bank and, as sponsorship funding, is not required to be repaid. FDBS has stated that funding:
 - Will not be sourced from anywhere but a bank in future. However, I propose the exemption be broader in scope (e.g., to include funding from a registered NZ bank, the government, or a reputable community provider)

- To FDBS for the purpose of E-Funding will always be under a sponsorship arrangement and so will not be required to be repaid.
- g. FDBS has confirmed that only New Zealand banks will be acceptable for payment out and repayment of the loan. There will not be any international exposure.
- h. The local nature of the clients: FDBS does not service a wide geographic area the way many other non-bank, non-deposit taking lenders do.
- i. Personal contact: face to face budget consultation with a trained financial advisor is required prior to acceptance of an application for an E-Funding loan.
- j. Mitigations against the risk of repeated applications or multiple identities: the nature of the FDBS's initial and ongoing interaction with and support for its clients will involve monitoring activities similar to the customer due diligence and account monitoring requirements of the Act.
- k. Reduced money laundering potential: FDBS's comprehensive lending process including an application and the requirement that budgeting advice is received, is likely to be too burdensome for a money launderer when the total value that may be laundered is only \$500.
- l. Transferring funds, either to a terrorist network, to a neighbouring country for later pick up, or to an organisational hub or cell is unlikely to be facilitated by FDBS.

The exemption comes into force the day after gazetting.

The exemption will expire on **6 July 2027**.

Any person wishing to provide comment on this notice should contact the Terrorism and Law Enforcement Stewardship Team at the Ministry of Justice by emailing amlcft.exemptions@justice.govt.nz.