

## **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 12 July 2022 that he has granted the following exemptions from the Act:

### **Ministerial Exemption: PhoneMe.Money Limited**

Exempting PhoneMe.Money Limited (PhoneMe.Money) from sections 11–26, 31 and 37 from the Act for its one-time trial users (new customers using the trial as “buyers” only) involving up to a maximum of \$20 per trial user.

The exemption for new buyers to access a restricted, one-time PhoneMe.Money trial service is granted on these conditions:

- a. PhoneMe.Money must take reasonable steps to verify that mobile numbers being used for a trial buyer account are with a New Zealand mobile carrier, so that it is satisfied that the phone numbers are not generated online.
- b. Funds must be transferred from a New Zealand bank account by trial buyers, deposited into their trial digital wallet, and paid from their trial digital wallet to a seller’s digital wallet where that seller is already registered with PhoneMe.Money’s primary service.
- c. Before allowing a trial user to onboard as a PhoneMe.Money primary service buyer, PhoneMe.Money must complete customer due diligence in accordance with Part 2, subpart 1 of the Act, including verification of the identity of the user.
- d. PhoneMe.Money 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.

For the purposes of this exemption:

- “primary service” refers to PhoneMe.Money’s non-trial service which involves full AML/CFT obligations.

The exemption has been granted with the stated conditions to reduce administrative and compliance burden to PhoneMe.Money for its trial service, while ensuring that the money laundering and terrorism financing (ML/TF) risks associated with this trial activity remain at a low level. On balance, the PhoneMe.Money trial service is considered a low ML/TF risk:

- a. The trial service to be offered by PhoneMe.Money is a money transfer service, and these are inherently risky. However, the design of the trial involves small monetary values, a domestic focus (using only New Zealand banks), and barriers to creating multiple accounts. This lowers the risks compared to its primary service (subject to full AML/CFT obligations) and other money transfer services.
- b. While PhoneMe.Money has a wide customer base for its primary service, the trial service will only be accessible to buyers (not sellers).

- c. It is unlikely that money launderers would create many trial accounts of \$20 transactions through multiple SIM cards. While the use of multiple SIM cards is feasible, it is a highly manual and cumbersome option.
- d. The potential for money launderers to generate mobile phone numbers online (to appear as legitimate New Zealand mobile numbers) can be mitigated by the condition requiring verification with New Zealand carriers of mobile phone numbers. PhoneMe.Money has confirmed that users must be able to receive an SMS verification code on the phone that they are using, which ensures it is a network carrier-based SMS.
- e. It would be difficult for the proposed one-time trials to be used for terrorism financing activity because the sellers of goods and services (the receivers of funding via PhoneMe.Money) must meet PhoneMe.Money's AML/CFT requirements before they can register as a seller. PhoneMe.Money prevents higher risk entities such as financial institutions, the gambling sector and cryptocurrency exchanges, becoming sellers. The trial buyers will have no opportunity to interact with risky sellers.
- f. There is no functionality in the proposed trial for buyers to receive funds into their own accounts other than from their own New Zealand bank. Trial buyers cannot send money between themselves.
- g. PhoneMe.Money will conduct customer due diligence on all trial buyers before they become a primary service buyer (if they do), and this is a critical design element. If this process is delayed or protracted, ML/TF offences may occur while the due diligence is underway, and the customer could then withdraw from the identity verification process, thereby keeping their identity unknown.
- h. The proposed partial and restricted exemption would mean that there would be anonymity between the trial buyers and PhoneMe.Money, because it would not be conducting customer due diligence. However, PhoneMe.Money will still verify that each trial user adds (small value) funds from a New Zealand bank account and that each New Zealand mobile phone number used is unique.
- i. International wire transfers, alternative payment methods, cash, and high value goods are all excluded from PhoneMe.Money's activities.

The exemption will mean that full AML/CFT obligations remain for PhoneMe.Money's primary service.

In the case of one-time trial users, the exemption will allow a restricted service to be offered without customer due diligence. This one-time trial offering would not be exempt from the sections of the Act relating to wire transfers, new technologies, suspicious activity reporting, prescribed transaction reporting, cross-border transportation of cash, and compliance with other AML/CFT obligations.

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](mailto:amlcft.exemptions@justice.govt.nz).