

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: Hōhepa Residential Limited for activities relating to Hōhepa Residential Bonds

Exempting Hōhepa Residential Limited (HRL) from sections 10–39 and 48A–71 of the Act in relation to its offer and issue of Hōhepa Residential Bonds.

The exemption is subject to the following condition:

- HRL 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 to reduce HRL’s administrative and compliance burden associated with the offer and issue of bonds to qualified investors for the sole purpose of funding housing for people with an intellectual disability. The partial nature of the exemption will ensure that the money laundering and terrorism financing (ML/TF) risks associated with HRL’s bond offer activity remain at a low level. HRL will be required to comply with the Act’s suspicious activity reporting provisions.

The residual risks of ML/TF associated with HRL’s intended Bond Offer are low:

- a. HRL’s operations (the issuance of securities) is part of a low-risk sector according to the Financial Market’s Authority’s 2021 Sector Risk Assessment.
- b. HRL will not accept deposits from members of the public generally. It will be restricted to accepting deposits from Qualified Investors only, who will have a personal connection with Hōhepa.
- c. HRL does not transact in physical cash; will not receive, or pay money to, offshore parties; and will not transact using wire transfers.
- d. HRL is a wholly owned subsidiary of Hōhepa. Appropriate governance arrangements and controls will be in place to mitigate risks, and any material changes or significant decisions will require approval from the trustees of Hōhepa.
- e. HRL will be restricted in how it can use the funds received from the Bond Offer by the terms of its Deed and the provisions of the Charitable Trusts Act 1957.
- f. The funds available to HRL via the Bond Offer will be used for a limited purpose: to fund the development of land for housing and other services for intellectually disabled adults in the pursuit of Hōhepa’s charitable purpose. The nature of the offer, and the use to which the proceeds will be put, do not facilitate the easy movement of cash through the financial system.
- g. The funds raised through the Bond Offer will not be recycled into the financial system. There will be limited early withdrawal rights for hardship

- h. By the time that money is invested in the proposed Bond Offer, it is likely that it will already have cycled through the financial system, with other entities involved in that process well-placed to detect any suspicious activity.
- i. The exemption application does not extend to subpart 2 of Part 2 of the Act, and so the suspicious activity reporting provisions of the Act will continue to be applied.

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.