

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

In accordance with section 157(6)(b) of the Anti-Money Laundering and Countering Financing of Terrorism Act 2009 (“Act”), the Associate Minister of Justice, Hon Aupito William Sio, gave notice on 23 May 2022 that he has granted the following exemptions from the Act:

Ministerial Exemption: New Zealand Local Government Funding Agency Limited

Revoking the Ministerial exemption for New Zealand Local Government Funding Agency Limited (LGFA), in force and published in the [New Zealand Gazette, 17 December 2019, Notice No. 2019-go5879](#).

Exempting the New Zealand Local Government Funding Agency Limited (LGFA) from sections 10–71 (inclusive) of the Act in relation to its lending to local authorities and council-controlled organisations and its issuing of bonds by way of syndicated offer(s).

In this exemption, unless the context otherwise requires:

- **Council-controlled organisation** has the meaning given to it in the Local Government Act 2002.
- **Local authority** has the meaning given to it in the Local Government Act 2002.

This exemption is made subject to the following conditions:

- a. LGFA must remain a council-controlled organisation (“COO”).
- b. If LGFA is lending to a COO, LGFA must only lend to a COO which is a company in which equity securities carrying 51% or more of the voting rights at a meeting of the shareholders of the council-controlled organisation are held or controlled, directly or indirectly, by 1 or more local authorities.
- c. LGFA must inform the Ministry of Justice of any changes that may affect the exemption and/or conditions imposed by this written instrument within 10 working days from when the change affecting the exemption occurs.

This exemption has been made for the following reasons:

- a. The risk of money laundering or terrorism financing (“ML/TF”) associated with LGFA is low. Any risks associated with LGFA’s lending to local authorities and CCOs (including by subscribing for securities issued by local authorities and CCOs) are mitigated through the terms of its exemption which precludes LGFA from lending to a CCO that isn’t majority owned by a local authority.
- b. LGFA’s activity of issuing bonds by way of syndicated offer(s) is also a low ML/TF risk as the bonds are reserved for institutional investors, clients of the joint lead managers, and NZX primary market participants. This means investors are only able to subscribe for the bonds through these approved financial intermediaries.
- c. This exemption would have little to no impact on the prevention, detection, investigation and prosecution of ML/TF offences. In the absence of an exemption, the costs of compliance for LGFA would be considerable compared to the low level of money-laundering and terrorism financing risk.

- d. The exemption would not create an unfair advantage as LGFA is unique in structure and purpose. LGFA was established as a vehicle to give local authorities the ability to collectively access the debt capital markets.
- e. LGFA poses a low ML/TF risk and so the exemption will not adversely affect the integrity of, and compliance with, the anti-money laundering and countering of terrorism financing regime.
- f. The function that LGFA performs is very similar to that of a corporate treasury company but is not able to rely on the exemption which ordinarily applies to corporate treasury companies.

This exemption comes into force on **12 May 2022**.

This exemption will expire on **12 May 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