



GOLDEN BAY / MOHUA  
AFFORDABLE HOUSING PROJECT  
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# AML/CFT Risk Assessment

for the purposes of the Anti-Money Laundering and Countering Financing  
of Terrorism Act 2009

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92 Bay Vista Drive  
RD1 Tākaka 7183  
NEW ZEALAND  
[www.mygbhousing.info](http://www.mygbhousing.info)

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### Prepared By:



Dr. Christopher R. Bennett  
B.Eng., M.Eng., Ph.D.

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# AML/CFT Risk Assessment

## 1 Introduction

- 1.1 This document is the Anti-Money Laundering ('**AML**') and Countering Financing of Terrorism ('**CFT**') risk assessment for the Mohua Affordable Housing Trust (the '**MAHT**').
- 1.2 As a reporting entity under the AML and CFT Act 2009 (the '**Act**'), the MAHT is required to undertake an assessment of the risks of money laundering ('**ML**') and terrorist financing ('**TF**') in the provision of services.
- 1.3 This risk assessment has been established based on the Anti-Money Laundering and Countering Financing of Terrorism Act 2009 (the '**Act**').
- 1.4 The MAHT does not permit the use its services for ML and TF purposes and this risk assessment seeks to identify the level of ML/TF risk within the MAHT.
- 1.5 At the date of this document:
  - a The Money Laundering Compliance Officer ('**MLCO**') of the MAHT is David MacInnes.
  - b The Money Laundering Reporting Officer ('**MLRO**') of the MAHT is Christopher Bennett.

## 2 Scope

- 2.1 The contents of this risk assessment apply to all Trustees and employees of the MAHT and all activities carried out by the MAHT in the ordinary course of its business.

## 3 Money laundering and terrorism financing

- 3.1 ML is the process by which criminals attempt to conceal the true origin of the proceeds of their criminal activities. This is typically achieved by placing the proceeds of crime into the financial system, by creating complex layers of financial transactions to disguise the provenance of the funds, and then integrating the laundered funds into the legitimate economy.
- 3.2 TF relates to activities that provide capital to fuel individual terrorists or terrorist groups. These activities may involve drug trafficking, human trafficking, theft, graft, robbery and fraud. They may even involve philanthropy or charitable giving.
- 3.3 ML and TF involve similar processes and functionalities and are predicated on criminals moving funds across borders or within the financial sector to further their objectives.

## 4 Legal obligations under the Act

- 4.1 The purposes of the Act are to:
  - a Detect and deter ML/TF; and

- b Maintain and enhance New Zealand's international reputation by adopting, where appropriate in the New Zealand context, recommendations issued by the Financial Action Task Force ('FATF'); and
- c Contribute to public confidence in the financial system.

4.2 Section 58 of the Act requires the MAHT to consider the following matters when conducting its risk assessment:

- a The nature, size and complexity of the MAHT's business;
- b The services the MAHT offers;
- c The way the MAHT delivers its services;
- d The types of lenders the MAHT deals with;
- e The countries that the MAHT deals with; and
- f The institutions that the MAHT deals with.

## **5 Nature, size and complexity of the MAHT's business**

5.1 The MAHT was established in late 2020 and builds, sells and rents affordable housing in Golden Bay, Tasman. Golden Bay has about 5,000 residents.

5.2 The Trust consists of four trustees who meet regularly. The Chief Executive is the Trust chairperson, and also works pro-bono. There are no employees, only independent contractors, each with their own independent contractor agreement. In total there are about six regular contractors: five builders, and an accountant.

5.3 The MAHT has built four houses (as of August 2022) and has commenced work on the fifth. One house has been sold, the other three are rented. Each house costs about \$240,000 to build. Local tradesman and merchants are used to build the house and purchase materials.

5.4 Debt financing is the method used to finance the builds. The Founder has provided two thirds of the debt. Three other Golden Bay locals have provided the other third. The debt documents are prepared by the Trust's lawyer Perry Field from Christchurch.

5.5 The trust has an independent accountant Hayes from Christchurch.

5.6 As a general proposition, the MAHT's business offers few opportunities for ML/TF. Its funders have a local connection with Golden Bay, and are usually directly or indirectly known by one or more of the MAHT Trustees. There are very few transactions, with no potential of anonymity for money launderers. There are no transactions across international jurisdictions.

5.7 The MAHT's business therefore provides a very unlikely risk of ML/TF.

## **6 Services offered by the MAHT**

6.1 The MAHT's services consist of accepting 'small personal offers' as loans which are used as capital to construct affordable housing. The legal documents for the loans are prepared independently of the MAHT by its solicitors Parry Field. There are no cash transactions. Funding is

received directly from the lenders to the MAHT bank account, and then used by the MAHT to purchase goods and services.

6.2 The MAHT products and services are:

- a Renting affordable houses to below average wealth customers
- b Selling affordable houses (rent-to-own) to below average wealth customers
- c Building affordable houses to above average wealth customers
- d Issuing debt.

6.3 None of the products/services involve receipt or payment in cash; nor does any product/service allow the movement of funds across borders.

6.4 Some rental arrangements do allow for payments to third parties (a real estate agent that manages the rentals), others are made directly to MAHT. However, because only below wealth customers may occupy a MAHT house, any third-party payments present a low risk;

6.5 Identified Risk: Customers with above average wealth and debt funding customers can conceal the source of their wealth or funds.

6.6 The MAHT's services therefore provide a very unlikely risk of ML/TF.

## **7 MAHT service delivery**

7.1 The MAHT delivers its services on a face-to-face basis, with personal interactions with all customers.

7.2 To qualify for assistance by either renting or renting to buy a MAHT house, requires the housing customer to have low wealth. MAHT assesses customers wealth through the submission of a statutory document, witnessed by either a Justice of the Peace or Lawyer. These low wealth customers present a low ML/TF risk, particularly as they are receiving housing from the Trust.

7.3 The nature of the Trust's services does not allow for anonymity or concealment of the beneficial owner. All house sales are subject to LINZ client identification requirements, that require identification by NZ passport or NZ driver's licence. In addition, most, if not all conveyancing will occur through conveyancing solicitors who are subject to their own AML requirements.

7.4 The MAHT's services therefore provide a very unlikely risk of ML/TF.

## **8 The types of customers the MAHT deals with**

8.1 The only ML/TF risk is from the lenders providing finance to the MAHT. The MAHT will only deal with lenders who have a connection to Golden Bay and are available for face-to-face or online meetings. The MAHT will generally not deal with lenders who:

- a Are secretive or decline the MAHT meeting them:
- b Where lender (customer) due diligence ('CDD') information is only provided reluctantly.
- c A lender changes its instructions unexpectedly and for no logical reason.

- d The lender is a politically exposed person ('PEP')<sup>1</sup>. Where the MAHT is asked to act for a PEP, careful consideration will need to be taken in regards to whether such person should become a lender to the MAHT.
  - e Clients who are non-profit/charitable organisations.
- 8.2 Furthermore, having regard to the risks posed by a specific lender or matter is necessary to ensure internal controls are applied in an appropriate manner. Examples of such internal controls include: enhanced lender due diligence, more frequent reviews of identification verification material, and second Trustee sign-off in high-risk matters.
- 8.3 The MAHT's customers therefore provide a very unlikely risk of ML/TF.

## **9 The countries that the MAHT deals with**

- 9.1 The MAHT will only accept lenders from New Zealand so there is a very unlikely risk of ML/TF.

## **10 The institutions that the MAHT deals with**

- 10.1 Currently, the MAHT only engages with:
- a NBS, who is the bank for MAHT;
  - b Westpac, who have agreed in principle to provide MAHT with wholesale loans; and
  - c The Government. MAHT has applied for funding under their affordable housing grant scheme.
- 10.2 All of these institutions have their own ML/TF protocols in place and do not present a ML/TF risk
- 10.3 There is an increased risk where the MAHT is dealing with financial institutions which are:
- a Unregulated;
  - b Shell companies; or
  - c Shell banks.
- 10.4 The MAHT will not accept lenders who are financial institutions in the above three categories.
- 10.5 The MAHT's institutions therefore provide a very unlikely risk of ML/TF.

## **11 Customer due diligence requirements**

- 11.1 The CDD requirements are for a 'Simplified' CDD so the following information shall be collected from the MAHT lenders:
- a Full name
  - b Date of birth

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<sup>1</sup> A politically exposed person broadly includes politicians, judges, diplomats, high ranking members of the armed forces and state owned enterprises and their immediate family.

- c Residential address

11.2 Verification shall be done with the following types of documentation:

- a **Identity:** New Zealand passport, firearms or driver's licence
- b **Address:** Letter or invoice from a utility company; bank statement; letter from Government agency (rates bill, inland revenue correspondence); services bill (e.g. Sky); voter's roll

## 12 Source of funds

12.1 Staff involved with the MAHT's bank account will monitor whether funds received from lenders are from credible sources. If funding is from a source other than the lender, further inquiries are necessary. If the MAHT decides to accept funds from a third party we should ask how and why the third party is helping with the funding.

12.2 The MAHT does not accept any form of payment via cryptocurrency or any other emergent payment technology.

## 13 Policy on handling cash

13.1 Our MAHT's policy is that we do not accept cash.

## 14 Review and audit of risk assessment

14.1 This document needs to be subject to regular reviews to:

- a Ensure that the risk assessment is up to date; and
- b Identify any deficiencies in the effectiveness of the risk assessment; and
- c Make any changes to the risk assessment identified as being necessary.

14.2 The risk assessment shall be based on a review of the transactions over the previous 12 months to assess any issues that may have arisen.

14.3 The outcome of such reviews will dictate whether the review of related policies and procedures are also required.

14.4 The MAHT must have this risk assessment audited every 2 years by an independent, and appropriately qualified person.

## 15 Annual report

15.1 The MAHT must prepare an annual report for the year ending 30 June on this risk assessment for the DIA using the DIA's online portal. This must be submitted to the DIA by 31 August.

## 16 Conclusion

16.1 The following points about the MAHT's approach to AML/CFT are noted:

- a The MAHT's approach to AML/CFT is well documented.
- b The MAHT recognises the importance of the application of its AML/CFT procedures.

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- c The MAHT recognises the importance of keeping its lenders and its approach to ML/TF under review.

This document was used to develop the MAHT's AML/CFT programme as required by section 56 of the Act.

## Annex 1: Risk Assessment

Risk Rating:

- 'U' – Very unlikely (< 1% probability): there is very little chance of ML/TF occurring in this area of the MAHT.
- 'P' – Possible (< 1-10% probability): there is a small change of ML/TF occurring in this area of the MAHT.
- 'L' – Likely (10-20% probability): there is a moderate chance of ML/TF occurring in this area of the MAHT.
- 'V' – Very likely (> 20% probability): there is a high chance of ML/TF occurring in this area of the MAHT.

Risk Area	Identified Risk	Risk Rating
Nature, size and complexity of the business	None	U
Services offered	Customers with above average wealth and debt funding customers can conceal the source of their wealth or funds.	U
Service delivery	Debtholders that are not already known to MAHT	U
Types of customers	Debt holders that are not already known to MAHT, or come from trusts, PEP, or through gatekeepers.	U
Countries	Debt funding provided by customers that live in another country.	U
Institutions	None	U
Other factors	None	U

**Overall Risk Assessment:**

Activity	Risk Rating
Loans to MAHT through small personal offers	U
Provision of homes	U

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**Annex 2: AML Verification Form**



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## AML Verification Form

To meet our requirements under anti-money laundering legislation, we are required to collect certain information and undertake certain background checks before providing services to clients. This form will assist you to provide the information we need to obtain under the legislation.

### A. INDIVIDUAL DETAILS

Full Name:

Other Names: (maiden name or alias):

Date of Birth (dd/mm/yy):

Residential Address:

Phone Number:

Email Address:

Nationality:

### B. PROOF OF IDENTITY

Please check the box to indicate the document you are providing.

If you are not able to provide one of the documents required, please contact the MAHT.

- New Zealand passport (identity page)
- New Zealand firearms licence
- New Zealand drivers licence (both sides)
- Australian drivers licence (both sides)
- Overseas passport (identity page)

This document needs to be verified by either an MAHT Trustee, Justice of the Peace, or others who can take statutory declarations. The verification **written on the document** shall include the statement:

*I certify this to be a true copy of the original, which I have sighted, and the photo represents a true likeness of [the person presenting the document to me for certification] [OR] [customer's name]*

*<Trusted referee's name>*

*<Trusted referee's signature>*

*<The date of certification>*

*<The trusted referee's capacity to act as a trusted referee>*

### C. PROOF OF ADDRESS

Please check the box to indicate the document you are providing in order to prove your address. The document needs to be addressed to you, show the residential address in Section A and must be dated within the last 12 months.

- Letter or Invoice from utility company e.g. power bill
- Bank statement
- Letter from Government agency e.g. rates bill, Inland Revenue correspondence
- Recent services bill which shows the residential address receiving the service e.g. Sky TV bill
- Other. Please detail:

This document needs to be verified by either an MAHT Trustee, Justice of the Peace, or others who can take statutory declarations. The verification **written on the document** shall include the statement:

*I certify this to be a true copy of the original, which I have sighted, and the photo represents a true likeness of [the person presenting the document to me for certification] [OR] [customer's name]*

*<Trusted referee's name>*

*<Trusted referee's signature>*

*<The date of certification>*

*<The trusted referee's capacity to act as a trusted referee>*

## **D. PRIVACY**

By signing and submitting this form you consent to the collection, use, disclosure, storage and processing of the personal information you have supplied to me in accordance with the Privacy Act 1993 and undertake to me that you have been authorised to give that consent on behalf of any other people whose personal information you have supplied to us. In particular, you authorise the MAHT to disclose your personal information to:

- third parties who perform functions on our behalf, such as hosting and data storage providers and providers who help us meet our obligations under anti-money laundering legislation (including for the purpose of verifying your identity and address information);
- regulatory bodies or law enforcement agencies as required by law; and
- meet our legal obligations, including under anti-money laundering legislation.

You have a right to access and correct all personal information that you have supplied to us.

We will provide you (on request) with the name and address of any entity to which information has been disclosed. You may withdraw your consent at any time.

I confirm that the information above is correct, that I agree to the Privacy Statement in Section D above.

## **E. CONFIRMATION**

Full Name:

Signature:

Date: