

NZ delays real estate dirty money crackdown

By [Unconventional Economist](#) in [New Zealand Economy](#)

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After [launching consultation](#) in August on the second tranche of anti-money laundering (AML) regulations capturing real estate agents, accountants, lawyers, and other non-financial businesses, it appears that New Zealand's National Government may be getting cold feet.

As reported this week on [Interest.co.nz](#) ([here](#) and [here](#)), Justice Minister Amy Adams has delayed the introduction of the second tranche citing concerns around extra compliance costs being passed on to "average Mums and Dads", claiming it could cost them \$1.6 billion over 10 years. Instead of introducing regulations late this year, she hopes to do so by mid-2017.

The Labour opposition jumped on the delay asking in Parliament:

"Why, 3 years after phase one was brought into force, 2 years after the Government was warned by President Xi of corrupt money from China entering New Zealand, and a year after officials asked her to begin work immediately is she still standing by, allowing billions of dollars of corrupt money to come into New Zealand?" ...

"Is not the real threat to mums and dads that hundreds of millions of dollars of criminal funds are being laundered in New Zealand through the real estate market, which is leading to massive house price increases and locking first-home buyers out of the housing market?"

According to [Interest.co.nz](#), the National Government initially shelved Ministry of Justice work on rolling of phase II of the AML rules in late-2014 after lobbying from Prime Minister John Key's personal lawyer, Ken Whitney, who runs foreign trusts.

Hopefully New Zealand doesn't emulate Australia, where the second tranche of AML regulations capturing real estate agents, accountants, lawyers, and other non-financial businesses have remained in limbo since Australia first agreed to implement them in 2003, and have since been [delayed indefinitely by the Australian Government](#).

This comes despite the Paris-based *Financial Action Task Force* (FATF) last year releasing a [scathing report](#) highlighting that Australian residential property is a haven for international money laundering, particularly from China, and recommending that Australia implement counter-measures to ensure that real estate agents, lawyers and accountants facilitating real estate transactions are captured by the regulatory net.

FATF's findings were then backed-up by the *Australian Transaction Reports and Analysis Centre* (AUSTRAC), which [warned](#) that "*laundering of illicit funds through real estate is an established money laundering method in Australia*".

And in May this year, the *Statutory Review of the Anti-Money Laundering and Counter-Terrorism Financing Act 2006* was [released](#), which among other things called for the extension of AML to non-financial gatekeepers like real estate agents, lawyers and accountants.

If/when New Zealand strengthens its AML rules, it will place greater international pressure on Australia's authorities to follow suit, given Australia would become the South Pacific's sole money laundering haven. Let's hope New Zealand follows through on its commitment to pass the second AML tranche.

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