Internal Affairs
Te Tari Taiwhenua

New Zealand Government
Te Kāwanatanga o Aotearoa

Sector Risk Assessment

Real Estate Agent

June 2026

AML ONLINE

Risk Assessment Requirements:

The DIA has produced this sector risk assessment (SRA 2026) for real estate agents under section 132(2) of the AML/CFT Act.

For the purposes of section 131 of the AML/CFT Act, the DIA assesses the following real estate agent services as the most vulnerable to money laundering. These services are identified as having relevant risks (as at the date of publication of the SRA 2026). A real estate agent that carries out one or more of the following services must incorporate assessment of the risks associated with the service in its risk assessment:

Money laundering:

- Sale and purchase of land and/or property
- Trust accounts

Note: A real estate agent must also have regard to the SRA 2026 when conducting or updating its risk assessment in relation to the risks associated with any other service.

Real estate agent sector: Sector Risk Assessment 2026

Inherent Vulnerability Rating:

Money Laundering: **Medium-High**

Terrorism Financing: **Low**

Proliferation Financing: **Low**

Strength of AML/CFT Controls Rating: Moderate

Residual Sector Risk Rating:

Money Laundering: **Medium**

Terrorism Financing: **Low**

Proliferation Financing: **Low**

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Executive Summary

1. Real estate agents are often referred to as **gatekeepers**. This is because they provide specialist services that facilitate the entry and movement of funds in the financial system. These services can be misused by criminals.
2. This Sector Risk Assessment for real estate agents (SRA 2026) follows the National Risk Assessment conducted by the New Zealand Police Financial Intelligence Unit in 2024 (NRA 2024). The SRA 2026 considers supervisory findings and data and includes an assessment of the effectiveness of the sector's overall AML/CFT controls.
3. The inherent vulnerability and residual risk ratings assessed in the SRA 2026 reflect the real estate agent sector **as a whole**. Not all real estate agents will have the same level of risk.
4. The SRA 2026 assists real estate agents to understand their money laundering (ML) and terrorism financing (TF) risks and implement an AML/CFT programme to mitigate those risks.[1]

Money Laundering

5. Money laundering is the process that criminals use to "clean" the money or assets generated from crime. Money laundering involves converting the money or assets from one form to another, disguising the ownership of it, or otherwise taking steps to conceal its origin.
6. The **Money Laundering Threat** to New Zealand is significant. The three highest risk crime threats for Money Laundering in New Zealand are **fraud**, **drug crime**, and **transnational laundering** from foreign predicate crimes (by which funds are laundered through New Zealand's financial system). Up to $1.6 billion is generated annually for laundering in New Zealand just from fraud and drug crime. The volume of funds laundered through the New Zealand financial system from crimes committed overseas is unknown.
7. Other significant crime threats in New Zealand are **tax non-compliance** and **property crime** (including retail crime, burglary, and vehicle theft).

Real estate agent sector

8. There are 925 known real estate agents that are reporting entities in New Zealand.
9. The money laundering risk faced by a real estate agent may be:
    - **Direct** – the real estate agent is directly responsible for transacting the proceeds of crime involving funds transacted through a trust account.

[1] The SRA 2026 also considers proliferation financing (PF) risks.

- **Indirect** – the real estate agent's services are enablers of money laundering. Their services are used to facilitate the conversion, disguise or other concealment of proceeds of crime through real estate, even though the real estate agent may not directly conduct any financial transactions.
- In some circumstances, a real estate agent's risk is both **direct** and **indirect**.

Sector vulnerability to money laundering

10. The services provided by real estate agents are vulnerable to money laundering. Services with the highest inherent vulnerability are real estate agency work for the sale and purchase of property and trust accounts. Commercial leasing is less vulnerable.

Services	ML Vulnerability Rating
Real estate agency work – sale and purchase of land and/or property	**Medium-High**

Real estate is a high-value asset often used domestically and internationally to launder and invest criminal proceeds. Purchase of real estate is a common outlet for criminal proceeds as the value can appreciate. Real estate also provides the appearance of a legitimate reason for the movement of funds.

In addition, real estate gives criminals a place to live and enjoy their criminal proceeds or to set up new criminal enterprises. Furthermore, the price of real estate (compared to other assets) means that it provides an opportunity for large amounts of funds to be laundered at once.

Services	ML Vulnerability Rating
Managing client funds – trust accounts	**Medium-High**

When a real estate agent receives funds in a trust account or when a third-party trust account is used, the money laundering risk is at its most direct.

Once funds are in a trust account, access to the wider banking and financial system is facilitated, including international transactions. At the same time, the origin of the money is obscured from onwards recipients. Furthermore, funds held in or paid from a trust account provide the appearance of legitimacy.

Services	ML Vulnerability Rating
Real estate agency work – commercial leasing	**Low-Medium**

With commercial leasing, the vulnerability to money laundering is significantly lower compared to other real estate transactions. This is because ownership of the commercial property does not transfer.

However, there is still opportunity to launder funds or engage in other associated criminal activity. This may involve overvaluing or undervaluing leases (similar to the manipulation of a purchase price) or the leasing of multiple premises with no apparent visible or economic purpose. A further vulnerability relates to the ownership structure of commercial properties, which are often complex with opportunity to conceal beneficial ownership. In turn, funds received as rent from the lessee appears to be legitimate income.

There is a further vulnerability relating to the purposes for which the commercial premises is to be used by the lessee, which could include criminal activity.

Overall sector ML vulnerability

> The overall inherent sector vulnerability rating to money laundering of the real estate agent sector is assessed as Medium-High.

Strength of Controls

11. DIA's AML/CFT supervision of the real estate agent sector assesses controls at the sector level as moderately effective in managing and mitigating the sector's vulnerability to money laundering. In particular:
    - Nearly all real estate agents known to the DIA have appointed a compliance officer and have a written risk assessment and AML/CFT programme.
    - Most real estate agents conduct standard customer due diligence on their clients, identify beneficial owners of vendors that are trusts, keep records, and are enrolled to report prescribed transactions and suspicious activity to the New Zealand Police Financial Intelligence Unit (FIU) via GoAML.
    - Many real estate agents, particularly within designated business groups, have implemented strong governance and compliance frameworks to be able to detect and respond to money laundering risks.

- Some real estate agents are reporting suspicious activity and prescribed transaction reports. From 1 January 2019 to 31 December 2025, there were:
    - 709 suspicious activity reports, with approximately 9% of real estate agents having submitted at least one report.
    - 747 prescribed transaction reports, with approximately 6% of real estate agents having submitted at least one report.

12. Notwithstanding the above, the DIA identifies three factors impacting the effectiveness of AML/CFT controls at a sector level:
    - There is no requirement that real estate agents register with DIA as the AML/CFT supervisor. This means not all real estate agents are initially subject to active AML/CFT supervision when they become reporting entities.
    - There are commonly identified deficiencies across the sector relating to requirements to monitor, examine and keep written findings for high-risk clients, activities, or transactions, and to conduct enhanced customer due diligence in all situations where the level of risk requires it. These are key obligations that enable reporting entities to identify and report suspicious activity.
    - Real estate agents generally only have customer due diligence obligations in relation to their client, usually the vendor (rather than the purchaser). This is a structural gap in the AML/CFT settings applied to real estate transactions at the sale and purchase agreement stage that could be exploited, noting there will still be a law or conveyancing firm acting for, and with customer due diligence obligations in relation to, the purchaser.

Overall sector risk rating – Money Laundering

13. Implementation of AML/CFT controls means the real estate agent sector is a harder overall target for criminals compared to its inherent money laundering vulnerability rating. Accordingly, the residual risk rating of the real estate agent sector after the implementation of AML/CFT controls is assessed as Medium.

Inherent ML Vulnerability Rating	Strength of Controls Rating	Residual ML Risk Rating
Medium-High	Moderate	Medium

Terrorism financing

14. While money laundering is the process of concealing the illicit origin of proceeds of crime, terrorism financing is the process by which terrorist acts, or ongoing operations to perform terrorist acts, are funded.
15. The overall **Terrorism Financing threat** to New Zealand is assessed as **Low**. There is no terrorism financing threat identified specific to real estate agents in New Zealand. There are no specific vulnerabilities to terrorism financing identified for real estate agents. The inherent vulnerability rating of the services provided by real estate agents is therefore assessed as **Low**.
16. Most real estate agents do not need to implement any specific measures to mitigate terrorism financing risk. To the extent there is risk, this can be mitigated by well-implemented AML controls across customer due diligence, monitoring for unusual and higher-risk activities or transactions, and suspicious activity reporting. These controls are assessed as **moderately** effective at a sector level.
17. The overall real estate agent residual sector risk rating for terrorism financing after the implementation of AML/CFT controls is assessed as **Low**.

Inherent TF Vulnerability Rating	Strength of Controls Rating	Residual TF Risk Rating
Low	Moderate	Low

Proliferation financing

19. Proliferation financing is the act of raising or providing funds or financial services for the manufacture, acquisition, possession, development, export, trans-shipment, brokering, transport, transfer, stockpiling or use of weapons of mass destruction (whether nuclear, chemical, or biological). New Zealand's proliferation financing threat largely emanates from transactions or activities with links to North Korea or Iran.
20. The overall **Proliferation Financing threat** to New Zealand is assessed as **Low**. There is no proliferation financing threat identified specific to real estate agents in New Zealand. There are no specific vulnerabilities to proliferation financing identified for real estate agents. The inherent vulnerability rating of the services provided by real estate agents is therefore assessed as **Low**.
21. Most real estate agents do not need to implement any specific measures to mitigate proliferation financing risk. To the extent there is risk, this can be mitigated by well-implemented AML controls across customer due diligence, monitoring for unusual and higher-risk activities or transactions, and suspicious activity reporting. These controls are assessed as **moderately** effective at a sector level.

22. The overall real estate agent residual sector risk rating for proliferation financing after the implementation of AML/CFT controls is assessed as **Low**.

Inherent PF Vulnerability Rating	Strength of Controls Rating	Residual PF Risk Rating
Low	**Moderate**	**Low**

Introduction

23. The Anti-Money Laundering and Countering Financing of Terrorism Act 2009 (the AML/CFT Act) is New Zealand's response to financial crime risk, including through imposing obligations on certain business sectors that are vulnerable to being misused for money laundering or terrorism financing.
24. The purposes of the AML/CFT Act are:
    - To detect and deter money laundering (ML) and terrorism financing (TF).
    - To 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).
    - To contribute to public confidence in the financial system.
25. The Department of Internal Affairs (DIA) is the supervisor of businesses that are real estate agents with obligations under the AML/CFT Act. These businesses are known as "reporting entities".
26. Under section 131 of the AML/CFT Act, one of the functions of an AML/CFT supervisor is to assess the level of money laundering and terrorism financing risk across all the reporting entities that it supervises. This Sector Risk Assessment (SRA 2026) has been produced as part of this function.
27. The term 'real estate agent' in the SRA 2026 means an agent licensed under the Real Estate Agents Act 2008 that is a 'designated non-financial business or profession' and reporting entity under the AML/CFT Act.[2]
28. The inherent vulnerability and residual risk ratings assessed in the SRA 2026 reflect the real estate agent sector **<u>as a whole</u>**. Not all real estate agents will have the same level of risk.

Purpose of the Real Estate Agent Sector Risk Assessment

29. Real estate agents need to be aware of the ways in which criminals[3] can misuse their services to launder money or finance terrorism or proliferation. Identifying and understanding the risks is the first step towards combatting these activities.
30. The DIA has produced the SRA 2026 to:
    - Provide an updated sector-level understanding of money laundering, terrorism financing and proliferation financing risks[4] across New Zealand's real estate agent sector, reflecting changes in the operating and criminal threat environment since 2019.

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[2] Refer definition of 'real estate agent' in s5(1) of the AML/CFT Act.

[3] In the SRA 2026, the word 'criminal' is used to denote a person engaging in criminal activity.

[4] Requirements relating to proliferation financing (other than suspicious activity reporting) are not currently explicitly required under the AML/CFT Act. However, upcoming regulatory reforms are expected to expand the requirements of the AML/CFT to include proliferation financing.

- Assist real estate agents to identify, assess and understand the money laundering, terrorism financing and proliferation financing risks relevant to their sector to inform their own risk assessment.
- Promote a shared and consistent sector-level understanding of real estate agent risks across the DIA, the New Zealand Police Financial Intelligence Unit (FIU) and other agency partners, aligned with the National Risk Assessment 2024 (NRA 2024).

31. The 2026 SRA draws upon DIA's supervisory experience of real estate agents since 2019. It supersedes the Designated Non-Financial Businesses and Professions Sector Risk Assessment of 2019 for real estate agents.

32. Note that the SRA 2026 only applies to real estate agency work carried out by a real estate agent. If a real estate agent carries out other services captured by the AML/CFT Act (for example trust and company services or providing a registered office or other address), this is not assessed in the SRA 2026. Instead, real estate agents should refer to the DIA's Trust and Company Service Provider SRA 2026 in relation to those services.

33. Figures cited in the SRA 2026 are based on Annual AML/CFT Reports submitted by real estate agents for the financial year 2024-2025 (unless specified otherwise). Annual reports contain self-reported data. Transaction values and other statistics in the SRA 2026 should be considered an estimate rather than exact figures for the sector.

Methodology

34. New Zealand's understanding of money laundering, terrorism financing and proliferation financing risk is informed by national, sector and entity-level risk assessments. The NRA 2024 provides a law enforcement led assessment of risk, supported by other FIU products such as typology reports. SRAs build on this national view by assessing risks at a sector level, drawing on supervisory experience, reporting entity information and international guidance.
35. Risk is assessed through the interaction of threat and vulnerability. Threat refers to the nature and scale of criminal activity relevant to the sector, including exposure to predicate offending and known typologies. Vulnerabilities are characteristics of a sector or its products and services that can be exploited by a criminal threat or may support or facilitate its activities.
36. Risk is assessed at two levels:
    - Inherent vulnerability (sometimes referred to as "inherent risk") – reflects the level of risk in the absence of AML/CFT controls.
    - Residual risk – reflects the level of risk remaining after considering the effectiveness of implementation of AML/CFT controls at a sector level.

37. The SRA 2026 contains four parts:
    - Part 1 of the SRA 2026 considers the criminal threat environment in which real estate agents in New Zealand operate. Money laundering, terrorism financing and proliferation financing are considered in turn.
    - Part 2 assesses the real estate agent sector risks to money laundering. The analysis:
        - considers the size, nature and complexity of the sector and the services provided by real estate agents.
        - assesses the inherent sector vulnerability to money laundering.
        - assesses the overall strength of sector-wide AML/CFT controls implemented by real estate agents.
        - determines the overall residual risk rating of the real estate agent sector to money laundering.
        - Key high-risk indicators (known as "red flags") are also identified.
    - Part 3 assesses the real estate agent sector vulnerability to terrorism financing and proliferation financing and determines the overall residual risk rating.
    - Part 4 considers other factors that increase or decrease risk for individual real estate agents.
    - The Appendix then contains a summary of key requirements under the AML/CFT Act that a real estate agent must comply with.

How real estate agents should use the SRA 2026

38. The SRA 2026 should be used by a real estate agent when updating or conducting its risk assessment to:
    - review and consider the criminal threat environment in which it operates (as set out in Part 1).
    - understand the vulnerabilities associated with its products and services that could be exploited for money laundering, terrorism financing and proliferation financing (as set out in Parts 2 and 3).
    - consider the other factors that will increase or decrease an individual real estate agent's risks (as set out in Part 4). This will enable a real estate agent to identify the risks it faces in the course of its business, and to enable it to determine the level of risk in relation to relevant AML/CFT obligations.
39. In turn, the types of clients, activities, and transactions where the risks are higher is where real estate agents must apply the most AML/CFT scrutiny. This should be clearly documented in a real estate agent's AML/CFT programme.

40. **Note**: The strength of a real estate agent's AML/CFT controls will then impact on its residual level of risk. Real estate agents may consider it useful and decide to incorporate an assessment of residual risk into their risk assessment. However, this is not a requirement of the AML/CFT Act and not mandatory. For further information on risk assessment obligations, please refer to the DIA's risk assessment guidance.

Part 1: Criminal Threat Environment

41. Real estate agents are often referred to as gatekeepers. This is because they provide specialist services that facilitate the entry and movement of funds in the financial system. These services can be misused by criminals.

Money Laundering

42. Money laundering[5] is the process that criminals use to "clean" the money or assets generated from criminal activity. In the context of the relationship to money laundering, these crimes are known as "predicate offences". Money laundering involves converting money or assets from one form to another, disguising the ownership of it, or otherwise taking steps to conceal its origin.

43. The sectors identified in the NRA 2024 as most vulnerable to money laundering are banks, money remitters, and virtual asset service providers. However, **real estate agents** are a sector also identified as being misused by criminals. Other sectors identified to be misused by criminals are law and conveyancing firms, trust and company service providers, accounting practices, dealers in high value goods and casinos.

44. It is important to note that the money laundering risk faced by a real estate agent may be:
    - **Direct** - the real estate agent is directly responsible for transacting the proceeds of crime involving funds transacted through a trust account.
    - **Indirect** - the real estate agent's services are enablers of money laundering. Their services are used to facilitate the conversion, disguise or other concealment of proceeds of crime through real estate, even though the real estate agent may not directly conduct any financial transactions.
    - In some circumstances, a real estate agent's money laundering risk may be both **direct** and **indirect**.

45. Money laundering, in so far as it relates to money, is often conceived to be a three-step process: **placement**, **layering** and **integration**:

[5] Money laundering is an offence under section 243 of the Crimes Act 1961.

Type	Summary
Placement	This involves introducing criminally derived funds into the financial system. For some predicate offences, including drug offending, the criminally derived funds are likely held and placed into the financial system in cash. For other offences, such as fraud or tax evasion, placement may occur electronically. Placement may occur through large transactions deposited directly into an account, or by breaking up large amounts into smaller sums. It could be deposited by an account holder or a third party, in cash or through electronic payments. It may occur via other mechanisms such as purchasing shares or loading credit cards.
Layering	Funds are moved or converted into other property to distance or disguise them from the criminal derived source. This may involve breaking the funds up or moving them around in a series of transactions, such as between bank accounts. Funds might be channelled through the purchase and sale of investment instruments or high-value goods or be wired through various accounts across the world. In some instances, a launderer might disguise the transfers as payments for goods or services, giving them an appearance of legitimacy.
Integration	The funds then emerge from the financial system in a form that appears legitimate. This is the ultimate objective of laundering, the funds can then be used for further criminal activity, for legitimate business or enjoyed as property, such as real estate or high-value assets.

46. While understanding this three-step process is useful, it is also important to note that:

- Money laundering takes many forms and has many typologies, some simple and others complex and they are constantly evolving.
- For the offence of money laundering to occur, it does not require all three steps to be completed. One is often enough.

- The three steps are not always discrete; they can often overlap or be concurrent. Furthermore, in some circumstances (such as electronic payments made as part of frauds, scams and cyber-crimes), the placement stage of money laundering is often inherent to the predicate offending.
- Money laundering does not just occur in relation to money; any property that is the proceeds of crime can be laundered. However, the three-step model is more relevant to money than to other property that is the proceeds of crime.

Self-laundering or through professional launderer or network

47. Money may be self-laundered (by the person who committed the predicate offence), through a close or trusted associate or through a professional money launderer or network.
48. Some money laundering networks are extremely sophisticated and operate internationally. They are able to launder larger volumes of funds through complex typologies, often involving multiple countries, including:
    - use/abuse of legal persons or legal arrangements to conceal the origin and destination of funds, while presenting legitimate business activity.
    - movement of funds through multiple financial institutions, other gatekeeper professions, businesses, and assets.
    - trade-based money laundering techniques and typologies.

Exposure to predicate offences

49. The NRA 2024 identifies the three highest risk predicate crime threats to New Zealand as **fraud**, **drug crime**, and **transnational money laundering** from foreign predicate crimes (by which funds are laundered through New Zealand's financial system). Other notable crimes identified by the NRA 2024 are **tax non-compliance** and **property crime** (including retail crime, burglary, and vehicle theft). Real estate agents are exposed to these predicate crime threats.

Fraud

NRA 2024

50. An estimated **$700M to $1B** is generated annually from fraud and scams. This comprises fraud against individuals, businesses, including banks, and the Government (including MSD, ACC, and IRD). This includes both general and cyber-enabled fraud, with volumes and values anticipated to rise. Cyber-fraud (including phishing, smishing, identity theft, romance and business scams and business email compromise) often operate from overseas.

51. Proceeds generated from fraud and scams, which is less likely to be cash, is typically transferred through the banking system, although use of cryptocurrency is also increasing.

52. Real estate agents have limited exposure to the direct **placement** of the proceeds of fraud. However, real estate agents have significant exposure to potential **layering** and **integration** activity relating to the proceeds of fraud. This may include funds transacted through their trust accounts to pay a deposit for property (after the proceeds of fraud are already in the financial system).

53. More substantively, a real estate agent's services can be used to disguise or move the proceeds of crime, even in the absence of the agent directly transacting any funds.

Drug crime

NRA 2024

54. An estimated upwards of **$500M to $600M** is generated annually from drug crime. The majority of this relates to methamphetamine, followed by cannabis, cocaine, and MDMA. Proceeds generated from drug crime is typically in cash.

55. Real estate agents have limited exposure to **placement** activity associated with drug crime as they do not normally deal in cash.[6] However, and similarly to fraud, real estate agents have significant exposure to potential **layering** and **integration** activity relating to the proceeds of drug crime (whether involving funds through trust accounts or facilitating the sale or purchase of real estate).

Transnational laundering of foreign predicate crimes

NRA 2024

56. The amount of proceeds generated annually from foreign predicate crimes that is laundered through the New Zealand system (including using NZ legal persons or arrangements) is unknown. However, it is estimated to be significant. It typically involves high value transactions but with less frequency, seeking to control New Zealand assets (real estate) and/or settle trusts in New Zealand.

57. Proceeds generated from foreign predicate crimes, which have included corruption and fraud, are typically transferred through the banking system.

[6] Large cash payments to a real estate agent or cash deposits into a trust account are an immediate "red flag."

58. Real estate agents with international clients, activities, or transactions have exposure to transnational laundering of foreign predicate crime. As with fraud and drug crime, the most exposure will be the **layering** or **integration** stages of money laundering. A real estate agent's exposure to transnational laundering may be direct (if funds are directly transacted) or indirect (in relation to facilitating a property purchase).

Tax non-compliance

NRA 2024

59. Tax non-compliance, which is discrete from tax related fraud, relates to non-declaration of income for tax purposes. This could be unreported legitimate income or the proceeds of crime and is often transacted in cash.

60. Real estate agents are unlikely to be directly associated with cash transactions related to tax non-compliance. However, a real estate agent could be misused for layering and integrating the proceeds of these crimes.

Property crime

NRA 2024

61. Robbery, burglary and theft of vehicles and other property occur in high volume across New Zealand. Although some of these crimes are high value, the majority derive limited proceeds for laundering compared to fraud and drug crime. Often the proceeds are self-consumed, transacted with third parties in payment for drugs, or sold for cash.

62. Real estate agents are unlikely to be directly associated with property (such as stolen goods) that is the proceeds of crime, nor with cash obtained from selling it. However, a real estate agent could be misused for layering and integrating the proceeds of these crimes.

Lower risk crime threats

63. Lower risk predicate crime threats for laundering in New Zealand are corruption and bribery, human trafficking, migrant exploitation, fisheries crime, illegal gambling, firearms trafficking, environmental crime, securities crime, child exploitation, and financially motivated murder, kidnapping, or other violence.

64. These offences are assessed as occurring less frequently and generating lower volumes of proceeds in New Zealand, therefore presenting more limited exposure to real estate agents. Accordingly, these offences are not assessed in detail in the SRA 2026. Note however that the transnational laundering of foreign predicate crimes through the New Zealand system could relate to any offence.

Terrorism Financing

65. While money laundering is the process of concealing the illicit origin of proceeds of crime, terrorism financing is the process by which terrorist acts, or ongoing operations to perform terrorist acts, are funded.[7] Terrorists need financial support to carry out their activities and to achieve their goals.

66. Terrorism financing covers a wide range of activity that supports terrorism. This includes providing or collecting funds or providing other material support, whether directly or indirectly.

67. In the case of money laundering, the money or assets are always the proceeds of crime, whereas in the case of terrorism financing, funds can stem from both licit and illicit sources. Therefore, the primary goal of individuals or entities involved in terrorism financing is not necessarily to conceal the source of the funds but to conceal the nature of the funded activity.

Identifying terrorism financing

68. The characteristics of terrorism financing can make it difficult to identify. Transactions can be of low value and may appear as normal patterns of behaviour. The methods used to monitor money laundering can also be used for terrorism financing, as the movement of those funds often relies on similar methods to money laundering.

69. The terrorism financing threat to New Zealand is assessed as Low. This reflects the absence of organised domestic terrorist networks and limited observed terrorism financing activity. While the threat is assessed as low, the NRA 2024 identifies three types of terrorism financing threat:
    - **Domestic terrorism** – There is a low level of domestic support for terrorist causes and an absence of terrorist networks. Therefore, to the extent there could be financing for domestic terrorism in New Zealand, this would most likely be by isolated or disaffected individuals or small groups.
    - **Supporting terrorism overseas** – New Zealand based individuals may become radicalised and inspired to contribute or collect funds for overseas terrorist groups. This could include raising funds to travel to conflict zones as a foreign terrorist fighter.

[7] Terrorism Financing is an offence under section 8 of the Terrorism Suppression Act 2002

- **Diversion of funds intended for humanitarian purposes** – New Zealand based individuals may donate funds or provide other support for humanitarian purposes in conflict zones or countries where there are well established terrorist groups. It is possible that well-intentioned aid or relief donations are misappropriated in the supply chain and used to support terrorism. Charities and other non-profit organisations operating in conflict zones or providing humanitarian support in partnership with overseas-based organisations are most exposed to this threat.

70. The NRA 2024 determines that the terrorism financing threat is mostly to the banking, money remittance, and virtual asset service provider sectors.

71. There is no terrorism financing threat identified specific to real estate agents.

Proliferation Financing

72. Proliferation financing is the act of raising or providing funds or financial services for the manufacture, acquisition, possession, development, export, trans-shipment, brokering, transport, transfer, stockpiling or use of weapons of mass destruction (whether nuclear, chemical, or biological). This includes financing their means of delivery and related materials (including both technologies and dual use goods used for non-legitimate purposes).

73. New Zealand’s proliferation financing threat largely emanates from the Democratic People’s Republic of Korea (North Korea or the DPRK) and Iran. Exposure to this threat also lies in transactions or activities involving intermediary jurisdictions with links to North Korea and Iran.

74. The proliferation financing threat to New Zealand is assessed as **Low**. This assessment includes the likelihood of potential breaches, non-implementation, and the evasion of targeted financial sanctions against designated persons or entities.

75. Notwithstanding the Low threat rating, the NRA 2024 recognises the increasing prevalence of cyber-crimes, potentially emanating from North Korea and Iran, targeting New Zealand. Criminals from these countries are known to conduct a range of crimes, including complex cyber-enabled frauds, to derive income. The NRA 2024 determines that cyber-attacks, and the misuse of legal person and legal arrangement structures, are New Zealand’s most significant vulnerabilities to proliferation financing.[8]

76. There is no proliferation financing threat identified specific to real estate agents.

[8] The NRA also determines that improved understanding of proliferation financing risk is required by reporting entities.

Part 2: Sector risk - money laundering

77. The services provided by real estate agents in New Zealand are attractive to or needed by criminals to launder the proceeds of crime. Real estate agents bring parties to a real estate transaction together (whether for the sale and purchase of property, land or a business, or for commercial leasing).

78. Under the AML/CFT Act, a real estate agent must conduct customer due diligence on its client. This is the person the real estate agent enters an agency agreement with.[9] A real estate agent only has customer due diligence obligations in relation to a non-client, if that non-client seeks to conduct an occasional transaction with the real estate agent.[10]

79. While customer due diligence obligations only apply in relation to a real estate agent's client, suspicious activity reporting obligations under the AML/CFT Act apply to both clients and non-clients. If there are reasonable grounds to suspect one or other (or both) of them of suspicious activity, then a suspicious activity report must be submitted.

Which licensed person or business is the reporting entity?

80. Under the Real Estate Agents Act 2008, an individual that is a licensed real estate agent may operate as a business. For example, the individual may be a sole trader/self-employed. In these circumstances, the real estate agent is, in the ordinary course of business, carrying out real estate agency work. Therefore, the real estate agent is the reporting entity under the AML/CFT Act.

81. In other circumstances, an individual that is a licensed real estate agent may be employed by or may own a business, usually a company, which is also a licensed real estate agent. In these circumstances, the company carries out the real estate agency work in the ordinary course of business. Therefore, the company is the reporting entity under the AML/CFT Act.

82. A licensed real estate agent may have licensed salespersons or branch managers that carry out real estate work for them. These persons are subject to the licensed real estate agent's AML/CFT programme.

Nature, size, and complexity of sector

83. There are 925 known real estate agents[11] that are reporting entities in New Zealand.

[9] Refer Regulation 5B of the AML/CFT (Definitions) Regulations 2011. The client is the person on whose behalf a real estate agent carries out real estate agency work (and with whom the real estate agent signs an agency agreement).

[10] There are various types of occasional transaction, as defined in the AML/CFT Act and Regulations.

[11] As of 9 June 2026.

84. Real estate agents range from sole practitioners through to agents that are part of large regional or nation-wide chains, primarily operating under a franchise business model. Real estate agents are distributed across New Zealand, such that their services are widely available.

Composition of real estate agents in New Zealand:

- Only 4% of real estate agents are large (with over 100 employees).
- 18% of real estate agents are medium sized (with 20 – 100 employees).
- 78% of real estate agents are small (with less than 20 employees).
- Real estate agents are well distributed across New Zealand, with 35% based in Auckland, 39% throughout the rest of the North Island and 26% in the South Island.
- Only 100 real estate agents have three or more office locations. Most have only one office.
- Less than 2% of real estate agents report a parent real estate agent in another country. However, some real estate agents in New Zealand are partly or fully integrated into large international real estate brands.

Designated business groups

85. The real estate agent sector makes significant use of the AML/CFT Act's designated business group provisions. Typically, designated business groups are formed between a franchisor and its franchisees.
86. If the DIA considers that a group of real estate agents are sufficiently connected or associated to each other, then the formation of the designated business group will be approved.
87. Real estate agents that are members of a designated business group can rely on each other to conduct customer due diligence procedures for each other and share parts of their AML/CFT programme. Other requirements that can be shared include risk assessments, record keeping, ongoing customer due diligence and account monitoring, as well as reporting suspicious activity or prescribed transactions for each other.

Use of designated business groups by real estate agents:

- There are 25 designated business groups in the real estate agent sector.
- These designated business groups range in size from two to over 70 real estate agents, with an average number of members of seven.

- Many of the designated business groups have centralised AML/CFT compliance functions, as well as use of AML/CFT compliance software across the designated business group. The DIA has seen this system deployed effectively in designated business groups.
- Approximately 65% of real estate agents are not members of a designated business group.

Professional regulation of real estate agents

88. Real estate agents are regulated by the Real Estate Authority (REA), an independent government agency.

89. All real estate salespersons, branch managers and agents must be licensed by the REA. There are currently over 16,000 licensees. Applicants for a salesperson's licence, agent's licence or branch manager's licence are required to be, among other things, 'fit and proper' to hold a licence. In addition, a company may be licensed as an agent if at least one officer of the company satisfies the Registrar that they meet various criteria, including being 'fit and proper'. Any person who will be an officer of the company must also be, because of their personal character or financial position, a 'proper person' to be an officer of a licensee company.

90. Professional obligations on real estate agents include to:
    - exercise skill, care, competence, and diligence at all times when carrying out real estate agency work; and
    - have a sound knowledge of the Real Estate Agents Act 2008, regulations, rules issued by the REA, and other legislation relevant to real estate agency work. This includes the AML/CFT Act.

91. Many real estate agents operate trust accounts to receive funds for their client. Real estate agents have record keeping and audit obligations in relation to their trust accounts. Real estate agents are also able to utilise a trust account operated by a third-party provider.

92. While these professional obligations and the regulatory oversight by REA may reduce real estate agents' exposure to money laundering to some extent, their primary purpose is to maintain confidence in the profession and to protect consumers. These professional obligations do not in themselves reduce a real estate agent's vulnerability to, or risk of, being misused by criminals for money laundering.

Volume of activities and transactions

93. Based on annual AML/CFT report data for 2024-2025, real estate agents report managing client funds, accounts, securities, or other assets with a total value of **$14.8 billion** for their clients. This includes international transfers, which 14% of real estate agents report they receive, or conduct, on behalf of clients.

94. Many of these transactions involve funds transacted through trust accounts (or third-party trust accounts) held by real estate agents with New Zealand banks. While the real estate agent is the holder of the trust account, the real estate agent receives, holds or pays funds out for and on behalf of its client, almost always the vendor. Typically, this occurs when a purchaser pays a deposit to secure a real estate purchase.

95. Unlike the subsequent settlement payment (which usually occurs from the purchaser's lawyer to the vendor's lawyer), the deposit is often received directly from the purchaser. Or in some circumstances from a third party, such as a parent or other family member.

96. When funds are held in a trust account, only the real estate agent (and not the bank) has visibility of who the client is on whose behalf of funds are transacted. While the real estate agent has full visibility of funds paid into its own trust account, it does not have direct visibility of incoming payments from purchasers if using a third-party trust account service.

Transactions through bank accounts

97. The DIA has identified that some real estate agents assume financial transactions involving their trust accounts (or a third-party trust account) are legitimate because they pass through the banking system. This is not accurate. Real estate agents have a unique view of their clients and non-clients, and their activities and transactions. This provides opportunity to detect criminal activity that might not be visible to banks or other reporting entities that interact with the same client.

98. Of the $14.8 billion of funds, accounts, securities, or other assets that real estate agents reported managing or transacting for their clients in the annual report for 2024-2025, the total value of cash directly received by real estate agents as part of real estate transactions was only $12,000 (from two transactions). This is despite 15% of real estate agents declaring that they do accept cash. The low level of direct cash transactions paid to real estate agents reduces the sector's exposure to placement risk.

99. In addition to real estate transactions arranged through real estate agents, some properties are purchased privately. This is estimated at 5-10% of property sales in New Zealand. For a private sale, there will be no real estate agent with AML/CFT obligations in relation to the vendor (or purchaser). In these situations, only law or conveyancing firms acting for each party, as well as any bank or other reporting entity involved in financing, will have obligations under the AML/CFT Act. This is also so when property is sold directly by a developer.

Vulnerability of real estate agents to money laundering

100. A vulnerability is a characteristic of a service that can be exploited by a criminal threat or may support or facilitate its activities. The vulnerability rating (i.e. the level of inherent money laundering risk) of the services provided by real estate agents to money laundering are set out below.

Services	ML Vulnerability Rating
Real estate agency work – sale and purchase of land and/or property	**Medium-High**

Arranging or bringing together parties for the sale and purchase of real estate is captured under the AML/CFT Act as:

> *(v) providing real estate agency work (within the meaning of section 4(1) of the Real Estate Agents Act 2008) to effect a transaction (within the meaning of section 4(1) of the Real Estate Agents Act 2008).*

Key statistics:

- 80% of real estate agents report providing residential real estate sales or services.
- 54% of real estate agents report providing commercial property sales or other services.
- Of 41% of real estate agents who report providing both residential sales and commercial real estate transactions (including leasing), the average weighting of activity across the sector is 86% for residential sales and 14% for commercial real estate.
- 38% of real estate agents report having customers overseas and 32% report using intermediaries or agents to deliver their services.

Money laundering through real estate

101. In New Zealand, real estate is readily accessible and highly active as a market.

102. Real estate is a high-value asset and a well-recognised vehicle, both domestically and internationally, for laundering and investing criminal proceeds. Property purchases allow criminals to:
    - move large sums while creating the appearance of legitimate transactions;

- benefit from asset appreciation;
- live and enjoy the proceeds of their criminal activity; and
- establish bases for further offending.

103. As well as being an attractive asset to invest criminal proceeds in, there are various additional ways that real estate can actively be used for money laundering. This includes:
    - A purchased property can be redeveloped, improved or renovated, with this work funded from illicit funds, including cash. The property increases in value and is then sold at a higher price.
    - Loans or mortgages taken out can be repaid from illicit funds, possibly through co-mingling with legitimately earned income to avoid detection.
    - Some real estate purchased through illicit funds, such as commercial property, rental property or a business, will generate a subsequent income that is earned incrementally and then appears to be legitimate.
    - The purchase price can be manipulated between a complicit vendor and purchaser. If undervalued, the purchaser may separately pay the vendor additional funds, including illicitly obtained cash, that is not included in the official sale price. Alternatively, by overvaluing, it is possible to make an asset appear more valuable than its true worth. Illicit funds can be used to make up this difference.
    - Third parties or legal structures, such as trusts, nominees or companies can be used to purchase and hold a property in order to conceal who has underlying ownership or use of the asset.
    - Through a purchase of real estate, illicit funds are converted into physical property that is stable and appears to have been paid for legitimately.
    - Upon sale of the real estate (whether this occurs quickly after a purchase, or after a much longer period of use), the sale proceeds again appear to have been legitimately derived from New Zealand's real estate market.
104. Almost $110 million of real estate assets were confiscated under Criminal Proceeds Recovery Act between January 2018 and December 2023, comprising 35% of total confiscated value (with bank accounts comprising another 58% of value). This establishes real estate as an asset of choice for the proceeds of crime.

Characteristics of real estate purchases that can be exploited:

- The high value and number of real estate sales, often settled at late stages against a fixed deadline, provides opportunity for criminal proceeds to be inserted without detection.

- As real estate is typically misused at the layering or integration stage of money laundering, illicit funds are often already in the financial system. Previous steps in the laundering process may have involved different financial institutions or gatekeepers, such that detection by a real estate agent may need consideration of previous activities or transactions it was not involved in.
- There is also a lack of a singular complete view of a real estate sale and purchase from start to finish. Instead, various financial institutions and gatekeepers are each responsible for and have customer due diligence obligations over the financial and legal requirements of different parties. In particular:
  - Real estate agents generally only have customer due diligence obligations in relation to the vendor of a property, being their client (rather than the purchaser, i.e. a counterparty/non-client).[12] The purchaser that signs a sale and purchase agreement is also able to nominate a different (to be determined) person to complete the sale.
  - There will still be a law or conveyancing firm acting for and with customer due diligence obligations in relation to the purchaser (including any subsequently nominated person). However, this law or conveyancing firm may only be engaged after the sale and purchase agreement is signed. In addition, this law or conveyancing firm will not usually transact or have full visibility for AML/CFT purposes of any funds paid by the purchase to the real estate agent, typically the deposit.
  - Furthermore, the law or conveyancing firm acting for the vendor (and often receiving the purchaser's funds into its trust account) does not typically have customer due diligence obligations in relation to the purchaser (who is not its client).
  - Banks or other financial institutions financing a real estate purchase or holding a mortgage over a property being sold will not have direct visibility of all parts of the sales process, nor over the party that is not their client.
  - Other intermediaries, such as mortgage brokers, a third-party trust account provider or other gatekeepers, may also be involved, which may provide further distance and obscure visibility of the underlying beneficial owners and/or source of funds.

Residential real estate

105. Most residential conveyancing transactions are straightforward. There will be a clearly identifiable reason for the sale (for example downsizing, upsizing or moving to a different city or region) or purchase (to live in or for investment purposes), with sales at or about market value. Furthermore:

[12] In New Zealand, only a very small percentage of purchasers engage a real estate agent to act for them. When they do, the real estate agent's customer due diligence obligations apply to the purchaser.

- Purchases typically involve deposits sourced from prior real estate settlements, from savings, or family gifts, supported by majority finance from a bank or other recognised lender.
- Sales are also likely to be of properties with a mortgage in place, or if not, there will a clearly identifiable reason (for example the home has been owned for a long period and the mortgage paid off). Vendors, or if a property is held by a trust, its beneficial owners, are also likely to be clearly identifiable.
- In addition, the type of property being bought or sold and the reasons for this will typically align with the client's socio-economic profile.

106. Divergence from these patterns is where a real estate agent's vulnerability to money laundering is highest. For example, properties that do not align with the client's socio-economic profile, unusual deposit-to-mortgage ratios, opaque ownership structures, or questionable gains or losses. The risk is particularly acute in cases where properties are sold unencumbered or purchased outright without finance, or if acquired using private lending arrangements.

Department's view

107. By incorporating a few questions into client onboarding procedures (as required by s 17 or s 25 of the AML/CFT Act) to consider whether the circumstances of the sale are consistent with typical patterns, a real estate agent is well placed to consider whether acting in relation to a sale poses higher money laundering risk. Equivalent questions could also be asked to a purchaser to assist determine if they pose money laundering risk.

Red flags for real estate transactions (sale and purchase) include:

- Transfer of real estate between parties in an unusually short time period.
- The vendor and purchaser are known to each other or connected in some way without explanation.
- There are unexplained changes in instructions, such as just before a settlement.
- Client appears to be acting on somebody else's instructions without disclosing the identity of that person.
- Property 'flipping' with back-to-back property transactions with rapidly increasing value and/or sales to related parties.
- Client has unexplained wealth that appears inconsistent with their socio-economic profile.
- A 'sight unseen' property purchase where the purchaser has not seen the property in person without a logical explanation.

- Client is buying or selling property from overseas without a logical explanation – for example, they have dealings in New Zealand but no indication of being in New Zealand or intention to come to New Zealand.
- Funding is provided by or to be repaid to a lender other than a bank or credit institution without logical explanation or economic justification.

Additional red flags specific to vendors:

- Client is willing to accept offer well below current market prices and/or appears disinterested in obtaining a better price.
- Property is unencumbered, without explanation for this (including where a mortgage has been paid off rapidly).
- Property is re-sold after significant renovation (without evidence of source of funding of the renovation project).

Additional red flags specific to purchasers:

- Payments of deposits or funds from unknown third parties.
- Purchaser offers to pay real estate agent an unusually large deposit (or settlement payment) that is not necessary to secure the purchase.
- The property being purchased is inconsistent with the socio-economic profile of the purchaser, including if the purchase appears to involve a disproportionate amount of private funding.
- Use of nominees or complex structures for purchase of property.

Commercial property sales

108. Prices of commercial property are sometimes very high. In these circumstances, it is common for there to be multiple financing streams for commercial property. This provides opportunity to conceal the true source of funding. As commercial property is often owned by a legal person or legal arrangement, there is also opportunity to conceal beneficial ownership or other parties to financial transactions.

Sale and purchase of businesses

109. A business may be purchased using legal persons or legal arrangements which provide opportunities to conceal beneficial ownership. Different types of financing arrangements, challenges accurately assessing the market valuation of a business, or businesses that are cash intensive, all provide opportunities for money laundering, either as part of the purchase or subsequently.

Additional red flags for sale of commercial property or a business:

- Illegal activity being conducted (or suspected) on premises.
- Appearance of manipulation of the appraisal or valuation of the commercial property or business.
- Purchase and use of commercial property inconsistent with business purpose.
- Suspicious behaviour of potential purchaser when shown property or business, including evasive when asked questions around intended use.
- Use of complex loan structures or credit finance (such as loan back schemes).
- Other gatekeepers or unknown persons appear to have full control of activity.

Rural property or land sales

110. Although potentially less targeted for laundering due to lower volumes of rural real estate or land sales, there is still vulnerability to money laundering.

111. In addition, there is a specific risk relating to the use of the land and the intentions of the purchaser. Out of the way rural locations can be attractive for criminals to set up or conduct illicit activities (e.g. cannabis cultivation, clandestine laboratory) with a lower likelihood of detection.

Property development

112. Property development often involves large sums of money and high value transactions, making it attractive for laundering illicit funds. Property developments also typically involve complex ownership structures where the use of trusts, companies, or offshore entities can obscure the true source of funds or beneficial ownership. Offshore clients are also more likely to be involved in property developments.

Supply chain risk:

113. A real estate agent may only be involved in a component part of complex business activity relating to a real estate transaction. There may be no indication of criminality by the time the real estate agent is engaged, but the real estate agent should be alert to potential earlier criminality in the supply chain.

Services	ML Vulnerability Rating
Managing client funds – trust accounts	**Medium-High**

Operating and transacting funds for a client through a trust account is captured under the AML/CFT Act as:

> *(iv) managing client funds (other than sums paid as fees for professional services provided by the business or profession), accounts, securities, or other assets.*
>
> ***Note**: This is also included as real estate agency work within the meaning of section 4(1) of the Real Estate Agents Act 2008).*

114. There are 252 real estate agents in New Zealand that use their own trust accounts.[13] There are 550 further real estate agents that use a third-party trust account service.
115. Most commonly, trust accounts are used to receive deposits from purchasers for real estate purchases pending a sale and purchase agreement going unconditional. This is typically 10% of the purchase price. Trust account rules require a deposit to be held for ten working days unless earlier release is authorised by all parties (or a court order). Once this occurs, the real estate agent deducts their fees, and the remaining balance of the deposit is typically paid to the vendor (via the vendor's law firm).

[13] Based on REA data (as of November 2025). A trust account "means an account or other arrangement for the purpose of holding funds that belong to more than 1 client of a reporting entity".

Trust accounts:

- Almost all real estate agents have a trust account or use a third-party trust account for the receipt or transmission of client money.
- 14% of real estate agents report sending funds to, or receiving funds from, other countries on behalf of clients, with a total value of up to $470 million.

Money laundering through trust accounts

116. When a real estate agent receives funds in a trust account or when a third-party trust account is used, the money laundering risk is at its most direct. A real estate agent's trust account (or use of a third-party trust account) may be attractive to criminals because:
    - Once funds are in the trust account, the origin of the money is obscured from onwards recipients, and the payer of any subsequent payment shows as the real estate agent (rather than the client);
    - Payments from a real estate agent or third-party trust account appear legitimate and trustworthy; and
    - If the proceeds of crime are detected, investigation and tracking the movement of funds is harder when funds have routed through a trust account.

Characteristics of real estate agent trust accounts that can be exploited:

- The volume and value (typically 10% of a purchase price) of transactions through trust accounts, including a third-party trust account, provides opportunity for criminal proceeds to be inserted without detection. This may include illicit funds already in the financial system, but for which previous steps in the laundering process involved different financial institutions or gatekeepers.
- Funds received into trust accounts are for, rather than from, a real estate agent's client (i.e. a deposit received from the purchaser, being the counterparty/a non-client).
- Unlike a final settlement payment (which occurs from the purchaser's lawyer to the vendor's lawyer directly), the deposit is often paid to the real estate agent by the purchaser themselves. Notwithstanding the regulatory obligations relating to trust accounts (refer paragraph [91] above), a real estate agent does not usually have any customer due diligence obligations in relation to a non-client. This provides opportunity for insertion of payments:

    - from unknown sources, including third parties, on behalf of the non-client; and
    - that are not transacted through or fully visible to a law firm or conveyancing firm representing the purchaser/non-client in the real estate transaction.
- Most transactions through real estate or third-party trust accounts include an escrow component, by which funds of a non-client are held for a period of time until the sale and purchase agreement goes unconditional. This provides opportunity for:
    - an overpayment of what is due, for which the non-client requests a refund or payment to a third party; or
    - if the sale and purchase do not proceed (including if there was no intention of it proceeding), the non-client is entitled to a refund of their payment; or alternatively the non-client could request a payment to a third party.

117. **Note**: In circumstances when a non-client (or a person acting on behalf of the non-client) instructs a real estate agent to transfer funds from its trust account, this is an occasional transaction under the AML/CFT Act.[14] As such, customer due diligence is triggered in relation to the non-client.

Department's view

118. Any instructions from a non-client to pay a third party (rather than refund) in circumstances when a sale and purchase do not proceed poses a high money laundering risk. Similarly, in situations when a non-client overpays what is due or expected. These are known money laundering typologies and should be subject to significant AML/CFT scrutiny, including enhanced customer due diligence.

Red flags for trust accounts include:

- Funds received into trust account are not expected or more than expected (for example an overpayment of a deposit), with subsequent directions for their use or payment.
- Funds paid into a trust account by a third party on behalf of the purchaser/non-client without legitimate explanation.
- Payments into a trust account by cash deposit (at the real estate agent or third-party trust account provider's bank).

[14] Regulation 13B of the AML/CFT (Definitions) Regulations 2011

- Unexplained or late changes in payment arrangements.
- Requests to hold funds in a trust account for a longer time than is required by the conditions of the sale, with further instructions received subsequently.
- Transaction occurs through a trust account of another gatekeeper in circumstances that are not expected.
- Use of trust account for transactions that are more appropriately conducted directly from a client's bank account.
- Funds received from or sent to high-risk countries, or other countries where there is no apparent connection to the client.

Services	ML Vulnerability Rating
Real estate agency work – commercial leasing	**Low-Medium**

Arranging or bringing parties together for a commercial lease is captured under the AML/CFT Act as:

> *(v) providing real estate agency work (within the meaning of section 4(1) of the Real Estate Agents Act 2008) to effect a transaction (within the meaning of section 4(1) of the Real Estate Agents Act 2008).*

119. Listing and arranging a commercial lease by real estate agents is a captured activity under the AML/CFT Act. Once leased, any property management activities are excluded from the AML/CFT Act.[15] As with the sale and purchase of real estate, customer due diligence obligations apply in relation to the real estate agent's client.

120. In most circumstances, the real estate's client will be the lessor, i.e. the landlord.[16] There is no requirement to also conduct due diligence on the tenant unless receipt of funds from the lessee/tenant constitutes an occasional transaction (for example a cash transaction equal to or over $10,000). This could include an initial deposit and/or advance rent paid on establishment of the commercial leasing agreement.

121. Once the commercial lease has been entered, rent otherwise collected from a lessee as part of property management activities does not trigger AML/CFT obligations.

[15] Regulation 21B of the AML/CFT (Definitions) Regulations 2011

[16] In a situation where the real estate agent's client (as defined in s4(1) of the Real Estate Agents Act) is the lessee/tenant, the real estate agent's customer due diligence obligations apply to the lessor/tenant.

Money laundering through commercial leasing

122. As ownership does not transfer as part of commercial leasing, the vulnerability to money laundering is lower compared to other real estate transactions. However, there is still opportunity to launder funds or engage in other criminal activity associated with a commercial lease.

123. Firstly, there is the risk of collusion between lessor and lessee. This may involve overvaluing or undervaluing leases (similar to the manipulation of a purchase price) or the leasing of multiple premises with no apparent visible or economic purpose. This could enable the layering of illegal funds, with the lessee able to transfer funds to the lessor under the guise of commercial leasing transactions.

124. There are also vulnerabilities related to the ownership structure of commercial properties. Much of New Zealand's commercial property is owned by legal persons or legal arrangements, in many cases with complex ownership structures. This provides opportunity to conceal beneficial ownership. At the same time, funds received as rent from the lessor appears to be legitimate income, being earned incrementally.

125. Furthermore, and specific to a lessee, there is the potential for a leased premises to be used to conduct illegal activities. Additionally, and irrespective of whether criminal activity is conducted on the premises, funds earned from illegal activity could be used to pay for the lease. This could include payments in cash. This could also include large amounts of illegally obtained funds, which may then be layered by prepaying lease payments (months or years in advance) or by overpaying a lease then requesting a refund.

Red flags for commercial leasing include:

- Illegal activity being conducted (or suspected) on premises.
- Large upfront lease payments (for example one year up front) or payments in cash.
- Lease payments paid by unrelated third parties with no clear reason.
- Lessor or lessee is in, or the lease payments made from, a high-risk overseas jurisdiction.
- Suspicious behaviour of potential lessee when shown property, including evasive when asked questions.

  Lessee running a cash intensive business or holding large amounts of cash on premises (even when the business should not be overly cash intensive).
- Lessee seeking to install high-security features on the premises.
- Lessor fails to provide customer due diligence documents when asked and may subsequently end the business relationship.

- Lessor requires payments into a third-party account and provides unusual reasons for doing this.
- Overpayment of lease payment then requesting a refund.
- Existing relationship identified between the lessor and lessee.

Overall inherent vulnerability rating for real estate agent sector	**Medium-High**

There is easy access to real estate agent services and a wide coverage across New Zealand. Most real estate agents provide services for the sale and purchase of real estate, and almost all real estate agents have a trust account or use a third-party trust account service.

While commercial leasing is assessed of lower vulnerability, the prevalence of real estate agency work for sale and purchase and of trust accounts supports the overall sector vulnerability rating as Medium-High.

Strength of Controls

126. Effective implementation of AML controls by all real estate agents mitigates the money laundering risk at a sector level, making it a harder target for misuse by criminals.
127. To support this, there have been various amendments or clarifications to requirements though regulations that have strengthened the AML/CFT settings for the sector. This includes:
    - prescribing that for real estate sales and purchases, customer due diligence must be completed by a real estate agent once there is a fully signed agency agreement, and before carrying out any further real estate agency work for the client.[17]
    - prescribing that for commercial leasing, customer due diligence must be completed by a real estate agent before the agreement is presented to the landlord, assignor or outgoing tenant. The different timings for commercial leasing recognise that multiple agents may advertise a premise, but not all will present an offer to lease or sublease from a prospective commercial tenant.[18]

[17] Regulation 16 of the AML/CFT (Requirements and Compliance) Regulations 2011
[18] Regulation 16 of the AML/CFT (Requirements and Compliance) Regulations 2011

- clarifying that conjunctional agents (who act for the vendor's real estate agent to introduce a purchaser) do not have any direct customer due diligence obligations in relation to the vendor. This responsibility rests with the real estate agent who signs the agency agreement. Other AML/CFT obligations do apply to conjunctional agents, such as suspicious activity reporting.[19]
- clarifying that ongoing customer due diligence and account monitoring is not restricted to financial transactions but also includes other real estate agency work that is subject to the AML/CFT Act.[20]
- an exemption from the wire transfer provisions of the AML/CFT Act, but instead a prescribed transaction reporting obligation for international funds transfers (on behalf of a client) in or out of a trust account.[21]

128. In addition, two new regulations prescribe requirements that all reporting entities must undertake when onboarding a new client that is a legal person or legal arrangement. This requires information to be obtained, and according to the level of risk verified, relating to the legal form and proof of existence, ownership and control structure, powers that bind and regulate and the existence of any nominee (for a legal person) or settlor or protector (for a trust).[22]
129. A further amendment also clarifies that a beneficial owner of a client includes a person with ultimate ownership or control of the customer, whether directly or indirectly.[23]
130. Furthermore, real estate agents have now been regulated by the DIA for AML/CFT compliance for over seven years. This enables the effectiveness of controls by real estate agents to be assessed.

Supervisory activity and findings

131. From 1 January 2019 to 31 December 2025, DIA conducted 259 offsite desk-based reviews or onsite inspections of real estate agents' compliance with the AML/CFT Act. This included 126 reviews or inspections since 1 January 2023.

[19] Regulation 16 of the AML/CFT (Requirements and Compliance) Regulations 2011
[20] Regulation 15J of the AML/CFT (Requirements and Compliance) Regulations 2011
[21] Regulation 15A of the AML/CFT (Definitions) Regulations 2011. Regulation 8 of the AML/CFT (Prescribed Transaction Reporting) Regulation 2016
[22] Regulations 11 and 11A of the AML/CFT (Requirements and Compliance) Regulations 2011
[23] Refer definition of "beneficial owner" in s 5 of the AML/CFT Act

Supervisory tools:

Offsite desk-based reviews (i.e. not conducted at a reporting entity's premises) may involve any, or all, of the following:

- assessment of written risk assessment and AML/CFT programme
- requests for further documentation or evidence of compliance and its effectiveness
- follow-up questions

interviews or discussions on issues by phone or video conference.

Onsite inspections test the implementation and effectiveness of a reporting entity's AML/CFT procedures, policies, and controls. Onsite inspections are specific to individual reporting entities and may look at a broad range of obligations or a specific obligation, depending on the risks associated with the reporting entity.

An onsite inspection occurs at the reporting entity's business premises. These range from a day up to a period of a couple of weeks depending on the size of the business and the scope of AML/CFT obligations being reviewed.

Establishing, implementing, and maintaining an AML/CFT programme

132. Almost all real estate agents known to the DIA have appointed a compliance officer and have a written risk assessment and AML/CFT programme[24]:
    - Initially, the real estate sector was well-organised, with groups of franchisees making extensive use of the designated business group provisions to share parts of their risk assessment and AML/CFT programme.
    - Some designated business groups have implemented centralised AML/CFT compliance functions, as well as use of compliance software across the group. Alongside this are strong training, governance and centralised compliance functions to ensure risks are understood and AML/CFT obligations are met by the group.
    - In other cases, the DIA has identified AML/CFT governance and compliance frameworks of real estate agents that are less robust, with compliance officers lacking understanding of risks and AML/CFT obligations. Typically, it is these real estate agents where more significant AML/CFT non-compliance is identified.
    - 88% of real estate agents known to the DIA submitted an annual report, indicative of engagement with AML/CFT obligations:

[24] As required by ss 56-58 of the AML/CFT Act.

   - Responses indicate risk assessments and AML/CFT programmes are mostly being reviewed, independently audited and kept up to date, with products and services, transaction and customer information accurately reported.
   - However, in 39% of annual reports, responses indicate that independent audits have not been completed, or adverse findings by the auditor not remediated. In other cases, annual report data is incomplete.
   - As well as the 12% of known real estate agents that did not submit annual reports to the DIA, there are a number of agents that do not advise DIA when they commence operations. This means DIA is not aware of all new real estate reporting entities.[25]
   - Any real estate agent not known to the DIA is more likely to be non-compliant with AML/CFT obligations without direct access to relevant guidance and risk updates or active supervision.
- Approximately 75% of real estate agents known to the DIA are now registered with the FIU's goAML system to be able to submit suspicious activity and prescribed transaction reports.

Written risk assessment and AML/CFT programme

133. The DIA's reviews of real estate agents' written risk assessments and AML/CFT programmes reflect increasing understanding of their money laundering risks and AML/CFT obligations.
134. There are approximately 50% of written risk assessments and 30% of AML/CFT programmes assessed largely or wholly compliant with the requirements of sections 57-58 of the AML/CFT Act. Furthermore, the majority of the other risk assessments and AML/CFT programmes reviewed by the DIA that were less compliant required remediation only.
135. After over seven years of being subject to AML/CFT requirements, the proportion of risk assessments and AML/CFT programmes that require fundamental change or amendment has reduced significantly.

Customer due diligence including ongoing CDD and monitoring, record keeping

136. The DIA's reviews and inspections show that real estate agents are implementing customer due diligence requirements (as set out in their AML/CFT programmes) to varying extents:
    - Most real estate agents conduct standard customer due diligence on their clients. This includes obtaining information on the nature and purpose of the business relationship.

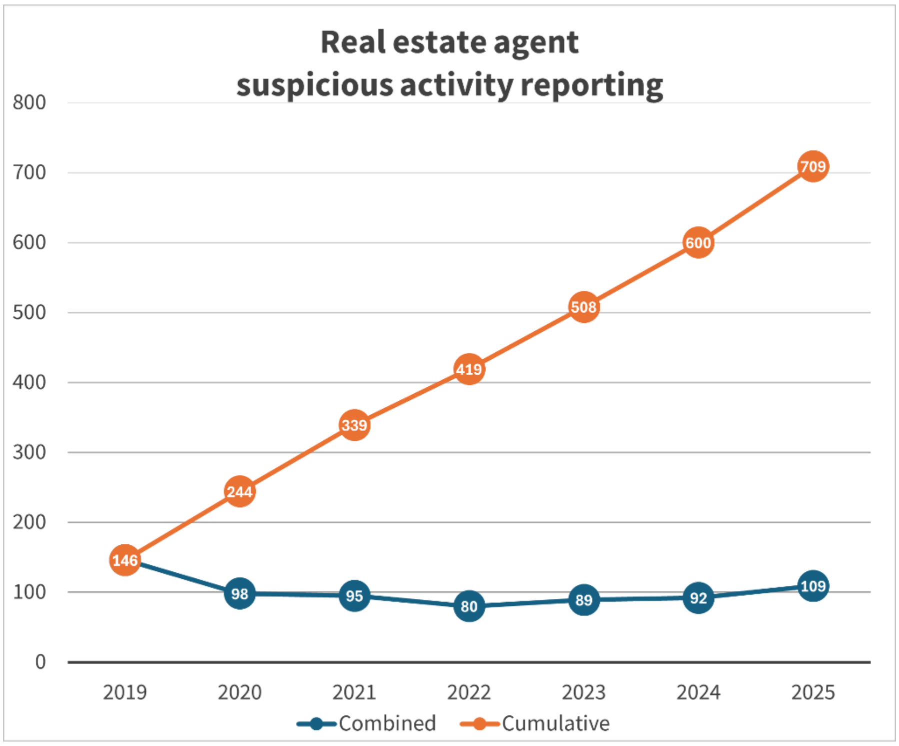
[25] This is the result of there being no mandatory registration requirement with the supervisor, such that the DIA does not have full visibility of its reporting entities.

- Many real estate agents are also adequately identifying and verifying the identity of beneficial owners of their clients. This includes for the high percentage of real estate in New Zealand that is owned by a trust.
- Less consistently implemented by real estate agents are ongoing customer due diligence and account monitoring obligations, along with associated requirements to conduct enhanced customer due diligence and examine and keep written findings for high-risk clients, activities, or transactions. This is a concern. Furthermore, in many cases, real estate agents do not consider the risks associated with purchasers at all.
- Most real estate agents are compliant with record keeping requirements (other than relating to keeping written findings from examination of high-risk clients, activities, or transactions).

Suspicious activity reporting

137. From 1 January 2019 to 31 December 2025, there were 709 suspicious activity reports submitted by real estate agents, with approximately 9% of (known) real estate agents having submitted a report.

138. This includes some suspicious activity reports submitted by real estate agents in relation to a non-client (i.e. a purchaser).



139. The top five reasons for suspicious activity reports from real estate agents are:
    1. Refusal to complete customer / enhanced due diligence / supply source of wealth information
    2. Purchased and sold within short timeframe
    3. Use of trust
    4. Foreign source of funds for property purchase
    5. Possible scam/fraud

140. There have also been suspicious activity reports specific to commercial leasing. While the number of reports is less in number compared to real estate sales and purchases, reports have been submitted on both lessors and lessees. Reasons for suspicion include possible collusion between lessor and lessee, lessor requesting payments be made to third parties, large upfront payments from the lessee as rent (including in cash) and reports relating to activities being conducted on the premises.

141. Overall, real estate agents are increasingly demonstrating an understanding of suspicious activity reporting obligations. However, despite these positive findings:
    - the overall number of suspicious activity reports from real estate agents remains low. This suggests not all circumstances in which a suspicious activity report is required are being identified by real estate agents. This is also consistent with the DIA's findings during reviews and inspections.

Prescribed transaction reporting

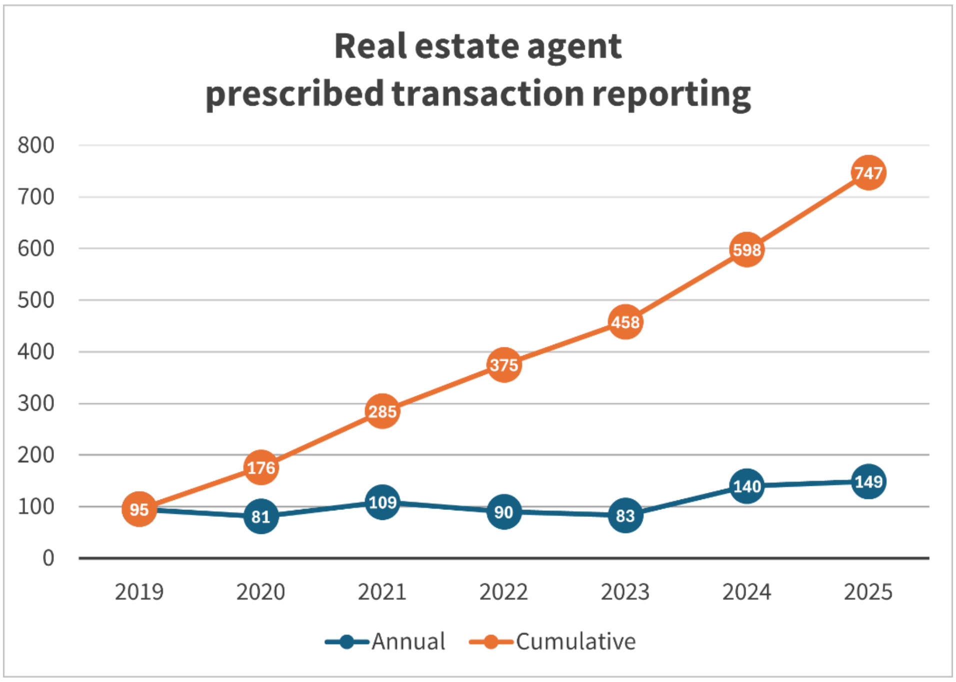
142. From 1 January 2019 to 31 December 2025, there were 747 prescribed transaction reports submitted by real estate agents, with approximately 6% of (known) real estate agents having submitted at least one report. Only nine (1.2%) were Large Cash Transaction reports (of $10,000 or more). All others related to international funds transfers (of $1,000 or more).

143. The number of prescribed transaction reports from real estate agents remains consistent every year, with a slight increase from 2024. This likely reflects the clarification to the application of prescribed transaction reports in relation to international funds transfers in or out of trust accounts (refer paragraph [127] above).

144. However, the number of prescribed transaction reports by real estate agents remains low overall. By comparison, law and conveyancing firms submitted over 61,000 reports during the same period.

Complementary prescribed transaction reporting:

145. Prescribed transaction reports from real estate agents relating to international funds transfers are an important part of the financial intelligence picture. While there may also be a prescribed transaction report submitted by a bank in relation to the same transfer of funds, the two reports will never be identical.
146. Consequently, this is not considered duplicate but complementary reporting. The real estate agent and the bank will provide a different "snapshot" of the transaction. In particular, the report from a real estate agent provides important visibility of the underlying client in New Zealand that is receiving funds internationally (that the bank's prescribed transaction report will not have).



147. Part of the reason for the low number of prescribed transaction reports is because when a real estate agent uses a third-party trust account service, the real estate agent does not have a prescribed transaction reporting obligation for international funds transfers.
148. Other possible explanations (including in combination with each other) are:
    - Real estate agents are not aware of their international funds transfer prescribed transaction reporting obligations.
    - Real estate agents are not reviewing their bank transaction records to identify international funds transfers in or out of their trust accounts that require a prescribed transaction report.

- Purchasers of property in New Zealand typically pay a deposit from funds held in New Zealand, such that a prescribed transaction report is not required.

Gaps in controls

149. The DIA identifies **three factors** impacting the effectiveness of AML/CFT controls at a sector level.

No registration requirement

150. There is no requirement that real estate agents register with DIA as the AML/CFT supervisor. This means DIA has to proactively identify those real estate agents that do not make themselves known to DIA when they commence operations. Therefore, not all real estate agents are initially subject to active AML/CFT supervision when they become reporting entities.

Monitoring, examination, written findings and enhanced customer due diligence

151. Despite having AML/CFT programmes in place, some real estate agents are not adequately implementing their own procedures, policies, and controls. In particular:
    - There are common deficiencies relating to requirements to monitor, examine and keep written findings for high-risk clients, activities, or transactions, and to conduct enhanced customer due diligence in all situations where the level of risk requires it.[26]
    - Monitoring, examining, and keeping written findings are key obligations that enable reporting entities to identify and respond to the circumstances in which their risks are higher in accordance with a risk-based approach. Without this, suspicious activity cannot be identified or reported to the FIU.

Limited customer due diligence obligations for purchasers of real estate

152. Real estate agents generally only have customer due diligence obligations in relation to their client. This is usually the vendor rather than the purchaser of real estate. The purchaser that signs a sale and purchase agreement is also able to nominate a different (to be determined) person to complete the sale.
153. This is a structural gap in the AML/CFT settings applied to real estate transactions at the sale and purchase agreement stage that could be exploited. However, this is somewhat mitigated because suspicious activity reporting obligations still apply to a real estate agent in relation to **both** its client and any non-client.

[26] This is a deficiency that DIA identifies across many DNFBPs (real estate agents, accounting practices, trust and company service providers, law and conveyancing firms).

154. Furthermore, there will still be a law or conveyancing firm acting for and with customer due diligence obligations in relation to the purchaser (including any subsequently nominated person). This said, the law or conveyancing firm acting for the purchaser may only be engaged after the sale and purchase agreement is signed. Therefore, this law or conveyancing firm will also not usually transact or have full visibility for AML/CFT purposes of any funds paid by the purchaser to the real estate agent (or into a third-party trust account). This generally occurs for the deposit, typically 10% of the purchase price.

Reminder:

155. Any real estate agent not enrolled with the DIA as a reporting entity or registered with goAML should ensure it does so.

156. All real estate agents are also reminded of the requirements to monitor, examine and keep written findings relating to high-risk clients, activities and transactions, and to conduct enhanced customer due diligence as necessary. Additionally, note that suspicious activity reporting obligations do not just apply in respect of an agent's client, but also to any counterparty.

Overall residual sector risk rating – money laundering

157. Notwithstanding the gaps identified above, the DIA's AML supervision of the real estate agent sector assesses controls as **moderately** effective in managing and mitigating the sector's vulnerability to money laundering. This means that the real estate agent sector is a harder overall target for criminals compared to its inherent money laundering vulnerability rating.

158. Accordingly, the overall real estate agent residual sector risk rating after the implementation of AML controls is assessed as **Medium**.

Inherent ML Vulnerability Rating	Strength of Controls Rating	Residual ML Risk Rating
Medium-High	Moderate	Medium

Part 3: Sector risk - terrorism financing and proliferation financing

Vulnerability of real estate agents to terrorism financing

159. The overall terrorism financing threat to New Zealand is assessed as **Low**.
160. There is no terrorism financing threat identified specific to real estate agents in New Zealand. There are no specific vulnerabilities to terrorism financing identified for real estate agents.
161. The inherent vulnerability to terrorism financing rating of the services provided by real estate agents in New Zealand is therefore assessed as **Low**.

Strength of Controls

162. Money laundering and terrorism financing share many of the same typologies, indicators or "red flags."
163. Most real estate agents do not need to implement any specific measures to mitigate terrorism financing risk. To the extent there is risk, this can be mitigated by well-implemented AML controls across customer due diligence, monitoring for unusual and higher-risk activities or transactions, and suspicious activity reporting. These controls are assessed as **moderately** effective at a sector level.
164. Real estate agents should still remain alert to clients, whether in New Zealand or overseas, with observable behaviours of potential support for politically motivated, faith motivated, identity-motivated or single issue-motivated violent extremism. For further information, refer to the NZSIS Know-the-signs guidance.

Overall residual sector risk rating – terrorism financing

165. The overall real estate agent residual sector risk rating for terrorism financing after the implementation of AML/CFT controls is assessed as Low.

Inherent TF Vulnerability Rating	Strength of Controls Rating	Residual TF Risk Rating
Low	Moderate	Low

Vulnerability of real estate agents to proliferation financing

166. The overall proliferation financing threat to New Zealand is assessed as **Low**.
167. There is no proliferation financing threat identified specific to real estate agents in New Zealand. There are no specific vulnerabilities to proliferation financing identified for real estate agents.
168. The inherent vulnerability to proliferation financing of the services provided by real estate agents is therefore assessed as **Low**.

Strength of Controls

169. Most real estate agents do not need to implement any specific measures to mitigate proliferation financing risk.
170. To the extent there is risk, this can be mitigated by well-implemented AML controls across customer due diligence, monitoring for unusual and higher-risk activities or transactions, and suspicious activity reporting. These controls are assessed as **moderately** effective at a sector level.

Overall residual sector risk rating – proliferation financing

171. The overall real estate agent residual sector risk rating for proliferation financing after the implementation of AML/CFT controls is assessed as **Low**.

Inherent PF Vulnerability Rating	Strength of Controls Rating	Residual PF Risk Rating
Low	Moderate	Low

New Zealand's exposure to proliferation financing

172. Notwithstanding the low proliferation financing risk rating and absence of explicit obligations in the AML/CFT Act relating to proliferation financing, all reporting entities should understand New Zealand's exposure to proliferation financing. This includes understanding the sanctions in place relating to dealings with North Korea or Iran.
173. The NRA 2024 identifies that legal persons and legal arrangements can be used to support procurement of and trade in sensitive goods and revenue-raising activities for proliferation. These, along with the export of certain types of materials, have the most relevance to proliferation risk in New Zealand. Specific to the risk of evasion of targeted financial sanctions relating to proliferation financing, this includes activities or transactions involving jurisdictions with links to North Korea or Iran, or if involving North Korea or Iran themselves.

174. **North Korea** - the United Nations Sanctions (Democratic People's Republic of Korea) Regulations 2017 impose complex and wide-ranging prohibitions on dealings with North Korea, North Korean citizens, and North Korea companies.[27]

175. The sanctions include an asset freeze – i.e. a prohibition on transferring, selling, or otherwise dealing with any property (including land, shares, or money) that is owned or controlled by the North Korean Government, a person designated by the UN's North Korea sanctions committee, or any person who is assisting in evading the sanctions regime.

176. **Iran** – United Nations sanctions were reimposed on Iran in September 2025 after the triggering of the snapback mechanism under the Joint Comprehensive Plan of Action (JCPOA), in response to Iran's non-compliance with its nuclear obligations. The United Nations Sanctions (Iran) Regulations 2025 include the following obligations and restrictions:
    - prohibitions, including asset freeze obligations, on certain dealings related to designated persons;
    - a duty to exercise vigilance when doing business with entities incorporated in Iran or subject to its jurisdiction;
    - a compulsory business registration scheme (in force since 1 February 2026) and a requirement to keep business records for at least seven years; and
    - import, export and procurement bans relating to nuclear weapon, missile, or enrichment-related goods, and to arms.[28]

177. The Ministry of Foreign Affairs and Trade strongly recommends that anyone contemplating doing business with North Korea or Iran obtain independent legal advice to avoid breaching the sanctions.

178. **Export controls** - New Zealand assesses exports of military and dual use goods, software, and technology. Where an export is assessed as posing a risk to New Zealand's security or national interests, or as being inconsistent with New Zealand's international obligations, commitments, or policies, including those relating to international law, international human rights law, and international humanitarian law, the export may be denied if adequate safeguards cannot be put in place.

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[27] For further information refer to the MFAT website: North Korea | New Zealand Ministry of Foreign Affairs and Trade

[28] For further information refer to the MFAT website: Iran | New Zealand Ministry of Foreign Affairs and Trade

179. Controlled exports are identified in the New Zealand Strategic Goods List,[29] or may be captured under New Zealand's catch all controls where there is military end use. New Zealand also controls the import and export of the Organisation for the Prohibition of Chemical Weapons scheduled chemicals.

[29] Refer: NZ Strategic Goods List October 2025

Part 4: Other factors that increase or decrease risk for real estate agents

180. Other factors increase or decrease the vulnerability to money laundering, terrorism financing or proliferation financing associated with an individual real estate agent's service.

181. These factors are the nature, size, and complexity of the real estate agent's business, the types of customers dealt with, the methods by which services are delivered, the countries dealt with,[30] and the institutions dealt with.

182. A real estate agent must have regard to each of these factors, alongside its products and services, when undertaking or updating its risk assessment (as required by section 58 of the AML/CFT Act).

Nature, size, and complexity of business:

183. The nature, size, and complexity of a real estate agent's business is an important factor in how vulnerable it is for money laundering or terrorism financing.

184. For example, a large business with a complex business model offers a greater degree of anonymity and opportunity for criminal activity to go undetected.

Increased risk	Decreased risk
• Multiple branches or offices with decentralised delivery of products and services • Multiple services provided subject to the AML/CFT Act, including in conjunction with each other. • Large number of staff with high turnover or temporary staff	• Strong governance and compliance framework • Single or limited range of products and services • Stable and well-trained staff that understand ML/TF risks and AML/CFT obligations

[30] For further information on country risk, refer to the DIA's Assessing Country Risk Guideline

Types of customers dealt with:

185. Some types of customers pose a higher risk than others, especially when combined with higher-risk products and services or countries.

Increased risk	Decreased risk
• Clients involved in cash-intensive businesses • Clients involved in other high-risk occupations and industries (for example money remittance, virtual assets, other new or developing technologies or gambling) • Clients with complex ownership structures (particularly if beneficial owner(s) cannot be easily identified) • High-net-worth clients • Overseas-based clients and clients in New Zealand on temporary visas • Politically exposed persons (PEPs) • Trusts or other legal arrangements • Not-for-profit organisations that are only subject to limited monitoring or supervision by authorities or not monitored or supervised	• Stable and established client base • Types of customers that are eligible for simplified CDD (as listed in s18(2) of the AML/CFT Act). • Simple client types – individuals whose income is from regular salary payments

Methods by which products and services are delivered:

186. The extent to which there is the opportunity for a customer to interact with a real estate agent remotely, anonymously, and/or through an intermediary or agent impacts its vulnerability to money laundering or terrorism financing.

Increased risk	Decreased risk
• Clients onboarded remotely — no face-to-face contact • Indirect contact with clients, for example the use of other gatekeepers, agents or intermediaries to conduct customer due diligence • Products or services provided to persons in overseas jurisdictions • Transactions in cash or involving cash deposits to bank accounts	• Clients onboarded face-to-face • Customer due diligence conducted directly (rather than outsourced or relying on another gatekeeper or agent)

Countries dealt with:

187. The risks associated with the countries that a real estate agent deals with are an important factor when consider the vulnerability to money laundering or terrorism financing. It is also important to understand that the risks associated with a country are wider than whether that country has previously been assessed to have insufficient AML/CFT measures in place.

Increased risk	Decreased risk
• Any dealing with countries or jurisdictions (including clients, beneficial owners, intermediaries, activities or transactions) with high levels of: ○ bribery or corruption ○ capital flight ○ organised crime activity ○ tax evasion • And/or dealing with persons or entities in jurisdictions: ○ in or next to a conflict zone ○ known for the presence/support of terrorism ○ known for the production and/or transnational shipment of illicit drugs ○ with organised people trafficking ○ with ineffective AML/CFT systems, measures or controls	• No or limited number of clients, activities or transactions involving other countries • Countries that are dealt with are considered low risk

Institutions dealt with:

188. Some institutions dealt with present more money laundering or terrorism financing risk than others. This may be due to the nature of their industry or their association, or the types of business relationships that they have.

Increased risk	Decreased risk
• Other institutions (including other reporting entities, intermediaries or other service providers) dealt with when providing service that are: ○ previously identified as having AML/CFT deficiencies (such as public warnings/fines) ○ subject to adverse media coverage in relation to AML/CFT or other regulatory matters ○ in a high-risk sector (for example money remitters or virtual asset service provider) • Use of other gatekeepers to: ○ access financial services ○ act as intermediaries in transactions ○ facilitate transactions through client trust accounts	• n/a

Risk factors in combination:

189. Higher risk factors do not operate in isolation but in combination with others. Where two or more higher risk factors apply to a particular client, activity or transaction, the level of risk compounds.

190. Conversely, real estate agents whose businesses do not include any of these higher risk factors have less risk of money laundering, terrorism financing, or proliferation financing.

191. As well as understanding the factors that will increase or decrease the risk, real estate agents should remain vigilant for unusual situations or requests by clients where the level of risk elevates.

192. Remaining alert and responsive to behavioural "red flags," even in the absence of other higher risk indicators, is a key part of implementing an effective AML/CFT programme.

Behavioural red flags by clients include:

- Client is involved in a type of business not normally cash intensive but appear to have substantial amounts of cash.
- Client whose instructions are unusual and/or with no apparent visible or economic purpose.
- Client who appears to avoid face-to-face meetings.
- Client is reluctant to provide identification or behaves nervously.
- Client who appears to be acting on somebody else's instructions without disclosing the identity of that person.
- Client asks for shortcuts or unexplained speed in completing a transaction or activity.
- Identity or other verification documents provided are or look fraudulent.
- Client enquiring into whether a service would be considered suspicious or require reporting to authorities.
- An absence of documentation to support the client's stated reason for engaging the real estate agent, their previous transactions, or business activities.
- Client who offers to pay extraordinary fees for services that would not warrant such a premium.
- Client using a small or non-specialised real estate agent to provide specialised real estate agency work (for example commercial property or sale of a business).

Known clients or referrals via trusted third parties

193. When a client is a person known (for example a friend or family member) to an owner, manager, or employee of a real estate agent, this should not result in complacency that the client is low risk. This also extends to referrals via trusted associates, friends, or family members - the client does not automatically become legitimate or trustworthy.

194. While personal knowledge from a non-professional relationship may in many cases be useful in understanding the client's activities and transactions, assumptions should be challenged and the requirements of the AML/CFT Act still apply (including verification of information from reliable and independent sources).

195. Employees of reporting entities pose unique risks (known as an “insider threat”) as they have knowledge of a reporting entity’s AML/CFT programme and may be able to bypass requirements, or to otherwise use their knowledge to influence or manipulate compliance processes for the benefit of themselves and/or the client.

Clients that are legal persons or legal arrangements

196. All real estate agents with clients that are legal persons or legal arrangements should understand the vulnerabilities to money laundering associated with these structures. As the NRA 2024 identifies:
    - New Zealand legal persons and legal arrangements have been misused by both domestic and foreign criminals. Most common is to both commit and launder the proceeds of predicate offences such as fraud and tax evasion, including transnationally. While legal persons or legal arrangements are not likely to be used to commit drug crime, there have been instances where they have been used to launder its proceeds.
    - legal persons and legal arrangements can be used to conceal or obscure beneficial ownership or effective control of assets, activities, and transactions. This creates distance between criminals and their crimes, which frustrates detection and investigation by law enforcement agencies.
    - legal persons and legal arrangements often have larger and more frequent financial transactions, providing opportunities to transact in large amounts or hide criminal proceeds within legitimate business activity.
    - complex legal structures, particularly when spanning multiple jurisdictions and/or involving gatekeepers, make it particularly difficult for beneficial ownership to be identified by reporting entities and law enforcement agencies alike.
    - if the proceeds of crime are detected, investigation and confiscation proceedings become harder when ownership and control of assets are held through legal structures.

Trusts

197. The misuse of trusts for money laundering is a global issue. Once funds or assets are held in a trust, there is an appearance of distance from the settlor, when in reality the settlor may maintain a level of control. Furthermore, with no central registry of trusts, there is an immediate barrier to visibility of financial activity and asset ownership.[31]

[31] Note that income-generating trusts are required to file tax returns where information on trustees is provided and, in case of income distributions to beneficiaries, details of beneficiaries.

198. While the inherent characteristics of trusts makes them attractive to criminals, not all trusts have the same level of risk. Risks and instances of misuse, particularly of high value, are higher when the trust is part of a wider corporate structure, including with companies, limited partnerships, or other trusts. This provides opportunity for criminally derived funds or assets to be introduced or transferred, under the guise of legitimate activity. For example, through loans made or paid back in criminal proceeds, or entirely fake businesses. Or through fake non-profit organisations or charities that channel funds under the guise of philanthropy.

199. The involvement of other gatekeepers, as intermediaries or agents, particularly internationally, compounds the level of risk.

Lower risk trusts:

200. The risks associated with a trust will be lower when there is less complexity. This includes simple structures, with enduring and identified beneficiaries, all in New Zealand and a trust that is non-income generating. Commonly, this will include a simple family trust, for example holding a family home, for which there is a mortgage being paid off incrementally over a long period of time.

201. Also of lower risk are Māori land trusts. These legal arrangements differ from other trusts in that they are established by an order from the Māori Land Court rather than being formed by settlors. They are difficult to establish and Te Ture Whenua Māori Act 1993 establishes a regime to minimise the risk of abuse for criminal purposes. Community involvement and oversight make the risk of abuse of Māori land trusts for money laundering or other criminal activity less likely.

Limited partnerships

202. Limited partnerships have two types of partners: limited and general partners, with different functions and legal liability. In New Zealand, a limited partner must not take part in the management of the limited partnership. Additionally, their liability is only to the extent of the financial contributions made. Whereas a general partner is responsible for the management of the limited partnership and may, but does not have to, make a capital contribution to the limited partnership.

203. The relationship between general partners and limited partners can vary and will depend upon the terms of the governing document between them. The general partner may also be a nominee general partner. In addition, and importantly, a limited partner's details are not publicly available on the Limited Partnerships Register. Only the general partners' details are listed. This characteristic of limited partnerships increases their inherent vulnerability to money laundering.

Limited liability companies

204. The vast majority of legal persons in New Zealand are limited liability companies. These companies are easy to form and can quickly access financial services including banking facilities and other types of financial products.
205. There are no prohibitions on a New Zealand limited liability company having a nominee director or nominee shareholder. The nominee's legal liability is the same as it is for any director or shareholder, regardless of whether the nominee is acting for an underlying person (i.e. the beneficial owner).
206. While there are legitimate reasons for a having a nominee director or shareholder (for example privacy, safety, and/or commercial confidentiality), criminals can exploit these arrangements. Importantly in relation to the vulnerability of nominee arrangements to money laundering, only the nominee director or nominee shareholder's details are on the publicly available Companies Register. Any underlying beneficial owner remains hidden.

Appendix: Summary of key obligations for real estate agents

207. The AML/CFT Act requires real estate agents to establish, maintain and implement an AML/CFT programme to detect money laundering and terrorism financing, and to manage and mitigate the risk of it.

208. A real estate agent must undertake a risk assessment of its business to identify the money laundering and terrorism financing risks it may reasonably expect to face. The AML/CFT programme must then be based on its risk assessment.

209. A real estate agent's AML/CFT programme must include its procedures, policies, and controls for conducting customer due diligence, monitoring customer activities and transactions, reporting suspicious activity and certain types of prescribed transactions to the FIU, and for keeping records.

Customer due diligence

210. Some form of customer due diligence (simplified, standard, or enhanced) must be conducted whenever a real estate agent establishes a business relationship with a new client, or if a person seeks to conduct an occasional transaction or an occasional activity with the real estate agent.

211. For most occasions when customer due diligence is required, a real estate agent must obtain identity information and verify this information from reliable and independent sources. The real estate agent must also conduct ongoing customer due diligence and monitor client activities and transactions to ensure those activities are consistent with its knowledge about the customer and their risk profile.

212. In higher risk circumstances, a real estate agents must conduct an enhanced level of customer due diligence. This requires verification of the client's source of funds or wealth and potentially put other measures in place to mitigate the money laundering and terrorism financing risks. In lower risk circumstances, real estate agents may conduct a simplified level of customer due diligence.

213. If customer due diligence is not conducted or cannot be completed, then a business relationship must not be established, or an occasional transaction or occasional activity must be refused. If a business relationship has previously been established, it must be terminated.

Suspicious activity reporting

214. A suspicious activity report must be submitted to the FIU where a real estate agent has reasonable grounds to suspect that a transaction, service, or inquiry, is or may be relevant to the investigation, enforcement, or prosecution of crime. This is based on an objective test. A suspicious activity report must be submitted as soon as practicable, but no later than three working days after forming the suspicion.

215. Suspicious activity reporting obligations do not just apply in relation to a real estate agent's client, but also in relation to any other party (for example the counterparty) dealt with in relation to a real estate transaction.

Prescribed transaction reporting

216. A real estate agent must also submit a prescribed transaction report to the FIU for certain types of transaction. This applies to any domestic cash transaction of $10,000 or more, or any international wire transfer of $1,000 or more received or sent for a client from a trust account. A prescribed transaction report must be submitted as soon as practicable, but no later than twenty working days after the transaction.

Record keeping

217. A real estate agent must keep records of all customer due diligence and transactions undertaken by clients. It must also keep any other records relating to a business relationship which may be needed to establish the nature of the business relationship, and activities relating to it. For example, this may include account files, business correspondence and written findings relating to examination of high-risk transactions. All records must be kept in a form that is readily accessible.

Managing compliance with AML/CFT programme

218. An employee, a partner, or a senior manager of a real estate agent must be appointed as a compliance officer to administer and maintain the AML/CFT programme. The real estate agent must also undertake vetting and training on AML/CFT matters for senior managers, the compliance officer, and any other employees engaged in AML/CFT duties. This is to ensure that its AML/CFT programme is complied with and effective.

219. A real estate agent must also submit an annual report to its supervisor and have its risk assessment and AML/CFT programme audited every three years.

Version	Date	Author	Description of Changes
1.0	December 2017	Department of Internal Affairs	Initial SRA for Phase 2 sectors
1.1	December 2019	Department of Internal Affairs	Updated SRA for DNFBP sectors
2.0	June 2026	Department of Internal Affairs	Real estate agent SRA 2026