

Submission

to the

Ministry of Justice

on the

Anti-Money Laundering and Countering Financing of Terrorism: Levy Proposals

10 April 2026



About NZBA

1. The New Zealand Banking Association – Te Rangapū Pēke (**NZBA**) is the voice of the banking industry. We work with our member banks on non-competitive issues to tell the industry's story and develop and promote policy outcomes that deliver for New Zealanders.

2. The following seventeen registered banks in New Zealand are members of NZBA:
 - ANZ Bank New Zealand Limited
 - ASB Bank Limited
 - Bank of China (NZ) Limited
 - Bank of New Zealand
 - China Construction Bank (New Zealand) Limited
 - Citibank N.A.
 - The Co-operative Bank Limited
 - Heartland Bank Limited
 - The Hongkong and Shanghai Banking Corporation Limited
 - Industrial and Commercial Bank of China (New Zealand) Limited
 - JPMorgan Chase Bank N.A.
 - KB Kookmin Bank Auckland Branch
 - Kiwibank Limited
 - Rabobank New Zealand Limited
 - SBS Bank
 - TSB Bank Limited
 - Westpac New Zealand Limited

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Introduction

4. NZBA welcomes the opportunity to provide feedback to the Ministry of Justice on the Anti-Money Laundering and Countering Financing of Terrorism: Levy Proposals (**Consultation Paper**). NZBA commends the work that has gone into developing the Consultation Paper.
5. We support, in principle, a levy-funded anti-money laundering / countering financing of terrorism (**AML/CFT**) regime that is well resourced, intelligence-led, and supports a genuinely risk-based approach. We understand the introduction of a levy provides some benefit to the economy. However, we expect the MoJ to demonstrate to levy payers that the fees are fair and reasonable, acknowledging that law enforcement is primarily a matter of public good.
6. Our submission focuses on Chapters 4 and 5 of the Consultation Paper. Our key submissions, as expanded upon below, are as follows:
 - 6.1. We consider a number of proposed uses of the levy categorised as “club goods” are in fact public goods; an effective AML/CFT system, and access to global markets, benefit New Zealand as a whole.
 - 6.2. We consider a greater proportion of the levy should fund uplift and development of the Financial Intelligence Unit (**FIU**); the greatest impact to New Zealand’s ability to detect, deter and disrupt financial crime is through an improved FIU function.
 - 6.3. Further clarity is required on how levy funding will be mapped back to specific activities and outcomes.
 - 6.4. We do not support the allocation of 85% of the levy to registered banks. This approach does not reflect the significant level of investment banks already make in AML/CFT compliance, and fails to equitably account for the risks posed by other reporting entities.

Chapter Four: Costs

Categorisation of club goods

7. NZBA agrees, in principle, with the definition of club goods. However, we do not agree with a number of costs categorised as club goods in the Consultation.
8. The 2021 Financial Action Task Force (**FATF**) Mutual Evaluation Report acknowledges that New Zealand has implemented an AML/CFT system that is effective in many respects, including through its use of financial intelligence, investigating and prosecuting money laundering / terrorism financing activity effectively, and cooperating with international partners.



9. Certain outcomes of this system – such as crime deterrence, law enforcement and international cooperation – benefit New Zealand, and the integrity of the financial system more broadly. These benefits are not specific to reporting entities; the ultimate “beneficiaries” of an effective AML system are the general public.
10. Further, we note that positive FATF engagements and reports have a material impact on the economy as a whole. The Consultation Paper itself notes that:

A negative [FATF mutual evaluation] outcome may make it difficult for New Zealand based financial institutions to access the global system.

11. The International Monetary Fund considers that reductions in capital inflows following grey-listing by FATF are economically large enough to materially lower GDP growth over subsequent years, especially where financial systems are bank-dependent. We consider that access to the global system provides benefits well beyond reporting entities, and therefore that this cannot be accurately described as a club good.
12. The design and benefit of the levy should link to a clear benefit being provided to reporting entities as levy payers, rather than the broader public benefits of a strong AML/CFT system.

Allocation of levy funding

13. NZBA is not supportive of the overall allocation amongst agencies. We submit that to achieve a more effective AML/CFT regime, it is more appropriate that:
 - 13.1. the FIU is funded sufficiently, so that it can effectively process the volume of reporting it receives; and
 - 13.2. the allocation of funding across reporting entities aligns with the residual level of risk across categories of reporting entities. (i.e. residual risk reflects the level of risk remaining once inherent risk has been mitigated through controls).
14. While we appreciate that DIA’s capacity will require a significant uplift, we do not believe that the current split of funding is representative of where the best value for money will be achieved.
15. We submit that investing in the FIU is the most direct way to deliver the desired outcomes around detecting and deterring financial crime. The FIU must be appropriately funded for New Zealand to have an effective AML/CFT regime. This includes having the right resources (people and tools) to provide suitable analysis and intelligence to meaningfully disrupt financial crime.
16. Commentary in the Consultation Paper states that “the proposal to levy banks the largest share of the costs is equitable ... banks remain the highest risk in the AML/CFT system and most financial transactions involve a bank”. However, this position does not reflect the banking sector’s control environment: in the 2024 AML/CFT National



Risk Assessment (**NRA**) published by the FIU, the banking sector was identified as having the strongest control measures of any sector to mitigate AML/CFT vulnerabilities.

17. The Consultation Paper continues that one of the reasons for banks to be paying the bulk of the levy is that “they would likely consume a large proportion of the intelligence resources produced by the FIU”. It is not clear from this statement what intelligence resources banks would likely consume. However, it appears to be counter-intuitive. Where banks identify potential suspicious activity and submit reports in accordance with their legal obligations, subsequent FIU analysis or investigation does not represent banks “consuming” FIU resources; rather, it reflects banks discharging their statutory role in the AML/CFT framework, with the FIU performing its corresponding public-sector function.
18. In addition to emphasising the importance of increased allocation of funding to the FIU, we submit:
 - 18.1. Prior to allocating any funding to a “whole of system advisory group”, consideration should be given to undertaking a comprehensive review of the existing Industry Advisory Group to assess what has been effective, what has not, and where improvements could be made.
 - 18.2. It would be beneficial to understand the calculations that connect the proposed funding by levy against the AML/CFT Work Programme 2026 – 2030. Out of the 40 points in the Work Programme, 15 relate to New Zealand Police, 17 to DIA and 18 to MoJ (with some being cross-assigned); the linkage between the amount of funding allocated to each entity and its assigned items under the Work Programme are unclear.
 - 18.3. It is not clear why a third party is required to support Prescribed Transaction Reporting (**PTR**). Clarification on the proposed third party, their expertise, and their intended role would be helpful, particularly in light of the extensive feedback already provided to AML Supervisors and the MoJ. Information on the expected level of industry engagement would also be useful.

Cost recovery

19. Our members do not oppose the preferred approach of recovering the 2026/27 costs over the maximum period of five years. This enables reporting entities to budget accordingly and spread the costs over a longer period.
20. However, we recommend MoJ considers what (if any) conditions would provide further financial certainty to levy payers – for example:
 - 20.1. a hard cap on deficit recovery; and / or



20.2. a prohibition on ad hoc or mid-period rate increases outside of the review cycle.

Transparency and accountability of proposed costs

21. We submit that further clarity is required on how levy funding will be tracked to specific activities and outcomes, including confirmation that the annual report will be provided to reporting entities, in view of the stated aims of transparency and justifiability.
22. Page 6 of the Consultation Paper notes “costs should be collected only to meet the reasonable costs (including indirect costs) for the provision or exercise of the relevant functions, powers or duties”. As currently framed, this appears broad and may extend to the recovery of future administrative costs.
23. To support transparency and assess proportionality, further detail on the nature and scope of these costs, together with clarity on the principles or criteria that would be applied in determining whether such costs are appropriate for levy recovery, would be welcomed.
24. For comparison, we note that the Australian approach under AUSTRAC is prescriptive regarding the cost recovery model, but clearly excludes certain costs, such as specific reform implementation funding provided by government.
25. Given that costs are proposed to be reviewed only every three years (outside of material variances), the governance process for reporting entities to review and potentially challenge costs is particularly important.

Chapter 5: The levy

Attribution of levy to different sectors

26. We acknowledge that it appears likely that banks will bear the majority of the costs of the proposed levy. However, we are not confident that the current allocation is equitable or proportionate.
27. As an overarching comment, we note that the objective of the AML/CFT National Strategy 2026-2030 (**National Strategy**) is to ensure that the AML/CFT system operates as a genuinely risk-based system. The principle of the levy cost allocation should therefore be based on the genuine level of risk.
28. The proposal for banks to pay 85% of total estimated costs appears to rely primarily on transaction volumes, with reference to an equity principle that “risk exacerbators should pay their portion of the costs.” This rationale warrants closer scrutiny; transaction volume alone does not equate to risk exacerbation, nor does it reflect the effectiveness of risk mitigation.



29. We agree that the majority of financial transactions involve a bank, and that as a result banks face higher *inherent* exposure. However, this exposure arises from their essential intermediary role to the benefit of New Zealand in facilitating the movement of funds, rather than a causal relationship with financial crime risk.
30. As noted in the Consultation Paper and the NRA, banks generally operate within strong control environments and demonstrate mature risk management and compliance practices. There is a risk that conflating system participation with risk causation overstates the relative risk posed by banks while understating the contribution of other, higher-residual risk sectors (as we have previously submitted).
31. FATF's 2021 Mutual Evaluation expressly supports the view that New Zealand banks exhibit mature AML/CFT frameworks, strong governance and well-resourced compliance environments. This indicates that while banks face higher inherent exposure, their residual risk is demonstrably well managed. This makes a levy weighted so heavily towards banks difficult to reconcile with principles of equity.
32. In particular, FATF observed that:¹
 - 32.1. the implementation of AML/CFT controls by banks and other large financial institutions is "generally of a good standard" (paragraph 26);
 - 32.2. banks demonstrate a strong understanding of their money laundering and terrorist financing risks, including cross border risks (Chapter 5 – Key Findings);
 - 32.3. banks have a comprehensive understanding of their AML/CFT obligations (paragraph 326);
 - 32.4. banks implement policies and controls commensurate with the level of risk identified, have invested significantly in resourcing, and demonstrate commitment to a strong compliance culture (paragraph 340); and
 - 32.5. banks exhibit a mature compliance culture, defined AML/CFT governance structures with Board oversight, and place significant emphasis on ongoing training of both senior management and Boards (paragraph 388).
33. Taken together, these findings indicate that while banks may be exposed to higher inherent risk due to scale and system centrality, they also demonstrably maintain lower residual risk as a result of sustained investment in robust AML/CFT control environments. FATF's assessment explicitly differentiates banks from less mature or less well controlled sectors within the reporting entity population.

¹ See FATF's 2021 Mutual Evaluation [is available in full here](#).



34. The equity principle, referenced in the Consultation Paper, requires costs to be borne by risk exacerbators rather than those who process the highest number of financial transactions.
35. While we are supportive of using the NRA and Sector Risk Assessments (**SRA**) to determine those reporting entities who should pay the levy, we submit that to achieve equity in the levy, other metrics should also be taken into account, such as the 2024 NRA's "sectors abused for high-risk crimes – facilitating transfer or placement of proceeds to crime" (which identifies the real estate sector; high value dealers; casinos; law firms; and accounting practices).
36. We further submit that supervision costs are not directly proportionate to the level of inherent risk of a supervised entity, as some new technologies and emerging risks (such as virtual asset service providers and neo-banks) must be addressed by the supervisor through, for example, guidance, advice and inspections more often than mature institutions.
37. As previously submitted, we do not consider any classes of reporting entity should be subject to a blanket exception from levy liability, and do not understand the reasoning behind excluding non-bank deposit takers from the levy due to them sitting below a \$1.5 billion threshold.
38. Relatedly, we note that the previous proposal to include PTR as a factor taken into consideration for the levy, and appreciate MoJ taking our feedback on this point into account.
39. We also request clear timelines from MoJ on how frequently the SRA and NRA will be updated, to ensure levy settings remain aligned to sector risk profiles.

Impact of levy on reporting entities

40. Under the current proposal, banks that have invested heavily in robust AML/CFT compliance controls remain high levy payers despite posing lower residual risk.
41. By contrast, with the exception of banks, casinos and TAB, the levies being proposed for other reporting entities are fairly negligible, even when considering the smaller scale of those businesses.
42. As such, we would not envisage the introduction of the levy incentivising reporting entities to reduce their risk to the AML/CFT system. Without different weightings based on residual risk and control effectiveness, the levy risks entrenching rather than encouraging improved system-wide risk outcomes.

Bank levy proposals

43. Commenting on the apportionment of the levy on a bank-by-bank basis is outside of the scope of NZBA's role. We have however set out comments below, at a high level.



44. To assist NZBA and its members, clarity would be welcome in relation to:
- 44.1. The proposed banding approach used to determine levy rates, including the underlying criteria and data sources.
 - 44.2. The Consultation Paper refers to an intention to “increase regular offsite and onsite supervision of the five major banks”. Further clarity is needed regarding what is meant by “regular”, including the intended frequency, scope, and intensity of such supervisory activity. This information is particularly important where supervisory costs are proposed to be recovered through an industry levy. Based on our members’ experience, regulatory offsite reviews and onsite supervisory engagements involve a significant commitment of time, cost, and specialist resources. It is therefore reasonable and appropriate that reporting entities are provided with sufficient clarity to understand the scale and impact of the proposed approach. In particular, clarification is required as to whether supervision would involve routine engagement, or extend to more intensive activities such as system walkthroughs, audits, or thematic deep-dives, and how frequently such activities would be undertaken.

Additional comments

- 45. We note the Consultation Paper references the objective of embedding targeted financial sanctions (**TFS**) into the AML/CFT System, as captured in the National Strategy. As work to embed TFS is not yet finalised, it is unclear how funding for TFS can be taken into consideration for the levy proposal before the close of consultation.
- 46. Finally, we encourage the MoJ to consider whether the banks described in the Consultation Paper as being subject to the levy (for example, at Table 8) correctly describe the structure of the registered banks.