Submission

to the

Governance and Administration Select Committee

on the

Financial Markets (International Money Transfers) Amendment Bill

18 June 2026

NEW ZEALAND BANKING ASSOCIATION – TE RANGAPŪ PĒKE
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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 Governance and Administration Select Committee (**Select Committee**) on the Financial Markets (International Money Transfers) Amendment Bill (**Bill**). NZBA commends the work that has gone into developing the Bill.

5. We are supportive of the policy intent to improve transparency and customer outcomes in relation to international money transfers (**IMTs**). However, we do not believe that the Bill will achieve its stated objectives, and therefore do not support the Bill in its current form.

6. In our view, the proposed approach does not fully reflect the complexity, cost drivers, and regulatory environment for IMT services. Prescriptive approaches may fail to cater for all situations, and reduce flexibility and innovation in pricing models over time. This risks unintended consequences for disclosure clarity, service availability, pricing, and consumer outcomes.

7. Our submission addresses the following points:

   7.1. The suggested policy case for the change is not sufficiently supported by strong evidence.

   7.2. Regulatory policy development in the payments space should align with other existing programmes to avoid regulatory confusion and fragmentation.

   7.3. If further work finds that the evidence does support change, amendments to the Conduct of Financial Institutions (**CoFI**) regime are not an effective way to achieve change in this context. The proposed scope of the Bill – including the entities and transactions captured, and potential disclosure requirements – risk creating a partial regulation of IMT services and inconsistent customer outcomes.

   7.4. The Bill risks oversimplifying the operation of IMT services, creating expectations that cannot practically implemented.

   7.5. What matters most for comparability, transparency and simplicity is the total NZD cost to the consumer. Specifying particular, granular components like margins might cause confusion, while the total NZD cost allows direct and straightforward comparison of multiple options.

No policy case for change

8. As a preliminary comment, we note that the Bill's explanatory note suggests that banks charge higher rates than the prevailing mid-market rate in order to extract profit, and that this amounts to a hidden fee. We believe this statement is inaccurate because it suggests that the difference between a mid-market rate and customer rate is entirely

profit. The statement fails to take into account the structural realities of the New Zealand market and the costs involved in providing customers this service.

9. Pricing for IMTs reflects a range of factors including end-to-end compliance costs, liquidity and foreign exchange (**FX**) funding costs, and settlement and counterparty risk.

10. New Zealand is a price-taker in global FX markets, with lower transaction volumes, and limited direct access to deep liquidity. As a result, some corridors (especially Pacific or emerging markets) have structurally higher costs and spreads.

11. Further, banks may also absorb the costs of intermediary fees in some cases (for example, through certain channels), or adjust pricing in specific corridors (for example, some costs may be absorbed where the IMT is being made for humanitarian purposes, such as during emergency responses).

12. More evidence is required to determine whether regulatory intervention is required, and if so, what kind of intervention would be effective. Without a strong evidence base, there is a risk of disproportionate or misdirected regulatory intervention which could undermine the sustainability of services; we would welcome any further information or evidence supporting the assertion made in the explanatory note.

Concurrent payment services reform

13. The timing of this proposal coincides with wider work on payments services regulation.[1] It also coincides with other proposed changes to the CoFI regime through the Financial Markets Conduct Amendment Bill, which is awaiting its second reading and includes (among other changes) an amendment to s 446J(1)(j) – the same section that this Bill proposes to replace.

14. We submit that a coordinated approach, backed by sound policy, needs to be adopted to prevent regulatory confusion and fragmentation. Further, while we do not support the passage of the Bill in its current form, we submit that if it does proceed, it should be subject to a delayed commencement date. A commencement date 12 months following Royal assent would allow time for clarity on other policy developments in this space, which would in turn clarify affected entities' obligations.

15. MBIE's payment services regulation consultation identifies a fragmented regulatory landscape, noting in particular that there is no single set of rules applying across payment services, and that this can create confusion for both consumers and providers. MBIE has identified that the industry and consumers need consistent and clear rules that can apply to all relevant market participants.

[1] See MBIE's Discussion document: *Payment services regulation* (May 2026). We note the RBNZ and Commerce Commission are also involved in consideration of payments modernisation more broadly.

16. We submit that any work related to IMTs should be incorporated into MBIE's broader work on payment services regulation, to achieve regulatory consistency across all participants and minimise confusion. Pragmatic sequencing amongst broader regulatory regime changes is essential to ensure consistent and clear outcomes.

17. It is important that all providers of a service are appropriately regulated in a consistent and coherent manner. As expanded upon below, the Bill would only capture registered banks and non-bank deposit takers that are captured by CoFI rules, which is only a subset of IMT service providers.

18. To achieve the policy intent, any future requirements in this space should apply to anyone providing IMT services. This aligns with an "activity based" regulatory regime that MBIE has proposed as an option, which focuses on the service rather than the type of organisation that provides the service. This helps to ensure that similar payment services face similar baseline rules and standardises the customer experience.

CoFI is not an appropriate legislative vehicle for these changes

19. NZBA submits CoFI is not the appropriate legislative vehicle to regulate IMT services. Using CoFI as a vehicle for this change risks:

    19.1. introducing specific and prescriptive requirements into what is intended to be a high-level, principles-based conduct regime;

    19.2. failure to capture all providers of IMT services;

    19.3. inconsistent application of requirements to different types of customers; and

    19.4. duplicative or inconsistent regulatory requirements.

20. CoFI is principles-based legislation, set at a level to allow financial institutions to determine how best to comply with the fair conduct principle – which includes setting their own guardrails to ensure they treat customers fairly.

21. In contrast, the proposed amendment to s 446J(1)(j) is overly specific and prescriptive, reducing the flexibility for financial institutions to meet their fair conduct obligations in a way that is appropriate in their particular context.

22. We consider fee transparency is already required, in a general sense, under CoFI obligations. Explicit reference to IMT services within this legislation is out of place in the context of the broader, outcomes-focused regime and risks regulatory duplication.

    22.1. For example, the proposed detailed obligations set out in s 446J(1)(j) (which apply to all services and associated products, not just IMTs) are already covered by principles-based provisions. Specifically:

- (j)(i) is addressed by s 446J(1)(b)(iv) and (v).

- (j)(ii) is addressed by the fair conduct principle and the existing (j). It also introduces a new and highly subjective term, "good customer outcome", without defining it.

- (j)(iii) is addressed by the existing (j) and further amendment is proposed under the Financial Markets Conduct Amendment Bill to expressly provide that s 446J(1)(j) applies to the price of services and products. The introduction of this clause creates sizeable risk around both overly prescriptive requirements, and an expansion of disclosure obligations beyond just IMT services.

23. This level of prescription risks creating uncertainty around how obligations should be operationalised within existing conduct frameworks, and could lead to unintended consequences and poor, inconsistent customer outcomes.

24. In addition to the contradiction between the proposed amendment and existing CoFI obligations, we also note that using CoFI as the legislative vehicle for this change would not capture all providers of IMT services.

25. A significant proportion of retail FX transactions are undertaken through alternative providers that are not financial institutions. Proceeding with this Bill would leave gaps in consumer protection where IMT services are provided by other types of entities.

26. We therefore encourage the Select Committee to consider whether any new requirements would be better advanced through separate legislation.

The scope of the 'international money transfer' definition needs to be clarified

27. NZBA submits the definition of "international money transfer service" is not fit for purpose. It risks capturing services outside of financial institutions' control, and not capturing other services that may be intended to be in scope. A lack of a clear perimeter may lead to inconsistent application, regulatory uncertainty, impractical obligations for captured entities, and unintended gaps or overlaps.

28. For the avoidance of doubt, we submit that the definition should expressly exclude card payments (online and in person), so that it does not capture card payments that might involve currency exchange.

    28.1. By way of example, if a New Zealander is travelling in Australia, using their New Zealand issued card to make AUD purchases from their NZD account, this should not be captured by the Bill.

    28.2. It would not be practicable for the proposed obligations to apply to these types of transactions; the rates and fees for card transactions are set by Visa and Mastercard, who are not financial institutions under CoFI (and therefore not captured by the regime, as set out at paragraph 24 above).

29. There are a variety of provider models in the market today, including structures that do not involve an explicit currency conversion. Under these models, customer funds are credited to an account in one currency and paid out from another account in a different currency. In the absence of a defined conversion step, it is uncertain whether such arrangements would be captured within the scope of the proposed definition.

Future regulations under s 546

30. The proposed amendment to s 546 contemplates that regulations will be made to prescribe how and where information about IMT services must be provided. We note that the proposed wording of any regulation would be required to provide detailed feedback. However, we have set out some high-level feedback below.

31. We support transparency and clarity for consumers, and note that informed decision making in this context generally requires consumers to receive the 'headline' high-level information that makes comparing competing services possible.

32. What matters most for comparability (as well as transparency and simplicity) is the total NZD cost to the consumer, rather than disclosure of granular details of any component fees and / or margins. Where a bank cannot determine the total NZD cost for a customer upfront (because the fees that may be charged by other parties cannot yet be determined), that should be disclosed to the customer. It is not standard commercial practice to disclose margins for products in banking, as well as many other industries.

33. Further, as expanded upon below, there are a number of technical and operational challenges with providing fees, rates and margins.

Technical / operational challenges

Disclosure of fees and rates

34. We submit that the Bill risks oversimplifying how IMTs are delivered, particularly compared to alternative models, creating disclosure expectations that cannot be fully met in practice, which may mislead rather than inform customers.

35. The correspondent banking model is inherently complex, which makes it difficult to pinpoint the exact costs at each stage of the transaction. For example, IMTs processed via correspondent banking networks can involve multiple intermediary banks and other institutions across multiple jurisdictions.

36. As a result, there are inherent limitations in the international payments system that mean the full cost of a transaction is not always known at the point of transaction

initiation. These include fees applied by correspondent banks, charges applied by receiving banks, and variability across payment corridors and counterparties.

36.1. IMTs frequently involve correspondent banking networks where intermediary institutions may deduct fees during processing. We submit that any requirements should recognise that such fees are not within the control of the sending provider, and allow disclosure in the form of general statements (e.g. “additional fees may apply”), and / or estimated ranges where data is available.

36.2. Charges are often unknown and cannot be reliably predicted. We submit any requirements should include an explicit provision that IMT providers are not liable for a failure to disclose unknown downstream charges, and that disclosure obligations apply only to costs reasonably knowable at the time of transaction.

36.3. Customer choices may also affect cost visibility – for example, the allocation of fees between the sender and recipient of an IMT.

37. Further, we submit that there needs to be flexibility in the rate disclosure methodology. IMT costs are difficult to fully calculate in real time in the current environment – for example, FX rates are necessarily dynamic and can change rapidly between the time a quote is presented and when a transaction is executed.

38. We recommend that any requirements are principles-based, and focus on ensuring that information is clear, prominent and understandable with reasonable tolerances for rate / price movement. This is, in our view, necessary to ensure operational feasibility and to avoid introducing market risk that cannot be effectively managed, for example the risk profile associated with spot versus forward rates.