



FINANCIAL SERVICES FEDERATION

21 August 2025

Committee Secretariat
Economic Development, Science and Innovation Committee
Parliament Buildings
Wellington

Dear Madam/Sir,

**Re: Anti-Money Laundering and Countering Financing of Terrorism
(Supervisor, Levy and Other Matters) Amendment Bill**

The Financial Services Federation (“FSF”) is grateful to the Economic Development, Science and Innovation Select Committee (“the Committee”) for the opportunity to respond on behalf of our members to the Anti-Money Laundering and Countering Financing of Terrorism (Supervisor, Levy and Other Matters) Amendment Bill (“the Bill”).

By way of background, the FSF is the industry body representing specialist lenders operating in New Zealand. We have nearly 100 members (a list of which is attached as Appendix A) which include motor vehicle finance providers, specialist housing lenders, Non-Bank Deposit Takers (NBDTs), the larger finance companies operating in New Zealand, fleet leasing providers, commercial asset leasing and finance providers, credit-related insurers and Affiliate members which include internationally recognised legal and consulting partners.

Our members provide their products and services to more than 1.7 million New Zealand consumers and businesses. Data relating to the extent to which FSF members (excluding Affiliate members) contribute to New Zealand consumers, society and the economy is attached as Appendix B.

Introductory Comments

We would like to begin by stating that we are supportive of the Bill’s objectives, particularly to reduce business compliance costs and improve regulatory effectiveness and efficiency. Anti-money laundering and counter financing of terrorism (AML/CFT) compliance is an incredibly important part of the day-to-day business of our members. However, we believe that the decision to fund the regulatory activity with an industry levy is directly at odds with this objective.

We strongly oppose the imposition of an industry levy to finance this work programme. Industry is already paying to be compliant with their AML/CFT obligations, and adding a levy on top of this already large cost burden is unfair and hugely detrimental to business and will have the effect of dramatically increasing compliance costs.

We submit this work programme, and the supervisor should be financed by the proceeds of crime fund. This ensures that the actual criminals are paying for the continued cost of compliance as opposed to small business which are already fully complying. This will further emphasise the point that “crime doesn’t pay”.

Placing the burden to fund AML/CFT supervisory and enforcement activities on the businesses that are already paying to meet their obligations as the first line of defence against money laundering and financing of terrorism in New Zealand is, in our view, an outrageous imposition and this position needs to be seriously rethought as part of the Committee’s deliberations on this Bill.

Our second important point with respect to this Bill is that, while we do not object to the move to a single supervisor model to allow the Department of Internal Affairs (DIA) to be the sole source of AML regulation in theory, we do believe there are some issues which need to be addressed with respect to the powers that will devolve to the DIA as a result of this, as we have outlined in this submission.

Creation of a Single AML/CFT Supervisor

In principle we support the consolidation of AML/CFT supervision under a single agency, which promises greater consistency and efficiency. However, we urge the Government to ensure the new supervisor is adequately resourced and possesses deep understanding of the specialist lending sector in particular, including its unique customer base and risk profile. It is imperative that the legislation provides clear transitional guidance and maintains sector-specific expertise to avoid a one-size-fits-all approach.

We expect to see specialist staff transferred across from the other current supervisors to ensure that the institutional knowledge is not lost. We also note that engagement with industry stakeholders will be key to ensuring supervisory practices are proportionate and risk based. On this note we were disappointed at the short timeframe for this submission, a change as large as this should allow for robust public consultation.

Introduction of the AML/CFT Levy

The proposed levy raises significant concerns for specialist lenders. As we mentioned earlier in this submission, we do not believe it is appropriate to impose a levy on the sector when they are already paying large amounts for compliance. This is in effect “double dipping” as not only will small business be paying for complying with the legislation, but they will also be funding the regulators work to ensure compliance with the legislation. If the levy is progressed then increased compliance costs may need to be passed on to consumers, reducing access to credit for vulnerable groups. This will directly undermine work being done by other agencies.

We also note that entities lack clarity on how the potential levy will be calculated and whether it will be proportionate to risk and size. As it is going to exacerbate existing compliance burdens the detail should not be left to regulations where the DIA has been given a lot of autonomous power. This will be a common theme throughout our submission as the Bill gives the DIA huge amounts of discretion without appropriate checks and balances.

Expanded Supervisory Powers

While we do understand the need for extending some of the powers of the DIA to allow a more supervisory approach, we do not support the extent of this as outlined in the draft Bill. We acknowledge the need for DIA to have enhanced powers, including the ability for remote inspections and urgent document requests, however the Bill puts a lot of power and discretion into the “chief executive of the AML/CFT supervisor”. The Bill gives them the discretion to do things such as create codes of practice. The Bill also gives powers such as compelling persons to attend a meeting and clarifies new onsite inspection powers for the AML/CFT supervisor.

While this is similar to powers granted to other regulators such as the Financial Markets Authority and Reserve Bank of New Zealand, there is a key difference. Lack of oversight. Both the other regulators we have identified are responsible to their Board which is ministerial appointed. The DIA has no such governance structure and so to give them unchecked powers without ministerial oversight would be a mistake.

Further concerns we have in this section is a lack of awareness that specialist lenders (and small businesses in general) often lack dedicated compliance teams so urgent requests must be reasonable and clearly defined. We also note that remote inspections must be conducted with robust protocols to ensure data security and operational continuity, and allowance must be made for this in the Bill to ensure that data is protected throughout.

Codes of Practice and Rule-Making Powers

Allowing the supervisor to issue binding codes without Ministerial approval may reduce oversight and increase regulatory volatility. As mentioned above we believe that the regulator is being given too much unchecked power in the Bill and this is very concerning. To address this, we recommend that the Bill require mandatory consultation periods and regulatory impact assessments prior to implementation. We also would like to ensure that sector-specific guidance is developed to support practical compliance for specialist lenders.

Due Diligence Simplification

We welcome the further clarification that address verification is not required for standard due diligence. This will reduce compliance burden for low-risk transactions, particularly in consumer lending. We anticipate this complementing removal of the address verification requirement in the current Statutes Amendment Bill that is before the House. Further clarification is greatly appreciated on how these two Bills will work together.

Privacy and Data Transfers

We believe that the transfer of personal data between agencies must be handled with care. As per the Bill AML/CFT supervisory data held by the Financial Markets Authority or the Reserve Bank of New Zealand must be transferred to the new regulator DIA. While the Act specifies that the transfer of information does not constitute a privacy breach it still needs to be emphasised that care must be taken in the transfer due to the sensitive nature of the information (both personal and commercial). Clear communication should be provided to

affected entities and individuals, and robust data protection protocols and audit trails should be used during and after the transition.

While we do mostly support the Bill, we submit that it's incredibly important that the Government adopt a balanced, transparent, and consultative approach to implementation. The specialist lending sector plays a critical role in promoting financial inclusion and should not be unduly burdened by regulatory changes. It is also important to note that we are very strongly against the idea of imposing a levy onto the industry for the reasons outlined above.

Please do not hesitate to reach out if you wish for us to speak further on any of the points made in this submission.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'Katie Rawlinson', written in a cursive style.

Katie Rawlinson
Legal and Policy Manager
Financial Services Federation

Appendix A



FSF Membership List - August 2025

Non-Bank Deposit Takers, Specialist Housing/Property Lenders, Fleet Leasing Providers	Vehicle Lenders	Finance Companies/ Diversified Lenders	Finance Companies/ Diversified Lenders contd./ Social Impact Lenders, Credit-related insurers	Insurance Premium Funders, Affiliate Members	Affiliate Members contd.
<p><u>Non-Bank Deposit Takers</u> Finance Direct Limited > Lending Crowd General Finance (BB) Mutual Credit Finance (B) Welcome Limited <u>Credit Unions/Building Societies</u> First Credit Union (BB) Nelson Building Society (BB+) Police and Families Credit Union (BB+) <u>Specialist Housing Lenders</u> Basecorp Finance Limited First Mortgage Managers Ltd. Pepper NZ Limited Resimac NZ Limited <u>Fleet Leasing Providers</u> Custom Fleet Euro Rate Leasing Limited Fleet Partners NZ Ltd ORIX New Zealand SG Fleet</p>	<p>Auto Finance Direct Limited BMW Financial Services > Mini > Alpha Financial Services Community Financial Services Daimler Truck Financial Services AU Pty Ltd Honda Financial Services Kubota New Zealand Ltd Mercedes-Benz Financial Motor Trade Finance Nissan Financial Services NZ Ltd > Mitsubishi Motors Financial Services > Skyline Car Finance Onyx Finance Limited Scania Finance NZ Limited Toyota Finance NZ > Mazda Finance Yamaha Motor Finance</p>	<p>AfterPay American Express Avanti Finance > Branded Financial Basalt Group Blackbird Finance Caterpillar Financial Services NZ Ltd Centracorp Finance 2000 <u>DebtManagers</u> Finance Now Future Finance Geneva Finance Harmony Humm Group Instant Finance > Fair City > My Finance Latitude Financial Lifestyle Money NZ Ltd Mainland Finance Limited Metro Finance</p>	<p>Nectar NZ Limited NZ Finance Ltd Partners Finance Personal Loan Corporation Pioneer Finance Prosopa NZ Ltd Speirs Finance Group (L &F) > Speirs Finance > Speirs Corporate & Leasing > Yoogo Fleet Turners Automotive Group > Autosure > East Coast Credit > Oxford Finance UDC Finance Limited <u>Yes Finance Limited</u> Zip Co NZ Finance Limited <u>Social Impact Lenders</u> Money Sweetspot Ltd <u>Credit-related Insurance Providers</u> Protecta Insurance Provident Insurance Corporation Ltd</p>	<p>Arteva Funding NZ Ltd <u>Clearmatch</u> Elantis Premium Funding NZ Ltd Financial Synergy Limited Hunter Premium Funding IQumulate Premium Funding Rothbury Instalment Services <u>Affiliate Members</u> Alfa Financial Software AML Solutions Limited Buddle Findlay Chapman Tripp Credisense Ltd Deloitte EY FinTech NZ Finzsoft Happy Prime Limited IDCARE Ltd KPMG</p>	<p>Loansmart Ltd Match me Money Ltd Motor Trade Association Odessa Technology Inc. PWC Sense Partners Simpson Western <u>Symphonix</u> <u>Credit Reporting, Debt Collection Agencies,</u> Centrix Credit Corp > Baycorp > Collection House <u>Creditworks</u> Debtworks (NZ) Limited Equifax Experian Gravity Credit Management Limited Quadrant Group (NZ) Ltd Recoveries Corp NZ Ltd Total 97 members</p>



FINANCIAL SERVICES FEDERATION (FSF)

THE NON-BANK FINANCE INDUSTRY SECTOR - 2024



49%



of personal consumer loans are financed by the **non-bank sector** represented by FSF members.

Setting industry standards for responsible lending, promoting compliance and consumer awareness.

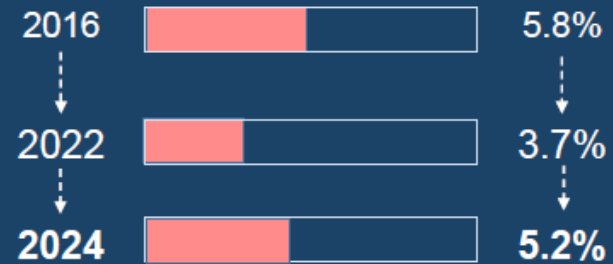
Only **6** dispute resolution complaints upheld or partially upheld from 1 April 2023 to 31 March 2024

Percent of Loan Requests Approved

48%



Percent of Loan Book in Arrears



KEY FACTS: THE NON-BANK FINANCE INDUSTRY SECTOR

FSF Members (as at 31 Mar 2024)

Number of Members	97
Number of Employees	3,353
Applications Processed	1,102,266
Loan Requests Approved	527,382
Percent of Loan Book in Arrears	5.2%
Loan Disputes Upheld	6

Bank Sector (as at 31 Mar 2024)

Value of Mortgage Loans	\$352B
Value of Consumer Loans	\$7.7B
Value of Business Loans	\$125B

Non-Bank Sector Share (as at 31 Mar 2024)

% of Total Mortgage Loans	0.3%
% of Total Consumer Loans	48.5%
% of Total Business Loans	8.7%

Insurance Credit Related (as at 31 Mar 2024)

Number of Employees	250
Number of Policies	300,209
Gross Claims (annual)	\$22.1M

Consumer Loans (as at 31 Mar 2024)

Total Value of Loans	\$8.2B
Number of Customers	1,537,502
Number of Loans	1,735,718
Average Loan Size	\$4,746

Total Value of Loans:

Mortgage	\$979M
Vehicle Loan	\$4,036M
Unsecured	\$2,129M
Other Security	\$361M
Lease Finance	\$733M

Average Value of Loan:

Mortgage	\$134,675
Vehicle Loan	\$13,337
Unsecured	\$1,588
Other Security	\$4,245

Business Loans (as at 31 Mar 2024)

Total Value of Loans	\$11.9B
Number of Customers	131,161
Number of Loans	202,921
Average Loan Size	\$58,894

Total Value of Loans:

Mortgage	\$4,092M
Vehicle Loan	\$2,989M
Unsecured	\$262M
Other Security	\$2,846M
Lease Finance	\$1,763M

Average Value of Loan:

Mortgage	\$766,527
Vehicle Loan	\$37,362
Unsecured	\$48,107
Other Security	\$54,724
Lease Finance	\$29,308