



FINANCIAL SERVICES FEDERATION

10 April 2026

AML/CFT policy
Ministry of Justice
By email to aml@justice.govt.nz

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

Thank you for the opportunity for the Financial Services Federation (FSF) to respond to the consultation document on the Levy Proposals for the supervision of reporting entities under the Anti Money Laundering and Countering Financing of Terrorism regime.

By way of background, the FSF is the industry body representing specialist lenders operating in New Zealand. We have over 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 1.5 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:

In our submission to the Select Committee considering the Anti-Money Laundering and Countering Financing of Terrorism (Supervisor, Levy and Other Matters) Amendment Bill the FSF voiced our strong opposition to the concept of imposing a levy on reporting entities to fund the costs incurred by the Ministry of Justice (MoJ), the AML/CFT supervisor and the Financial Intelligence Unit (FIU) in performing their functions, powers and duties under the AML/CFT Act 2009.

In our view, reporting entities already incur significant cost to ensure their AML/CFT processes and procedures are sufficient to counter the risk that their goods and services could be used for the purposes of laundering money or funding terrorist activity. They represent the front line of New Zealand's defence against such practices and it is therefore unreasonable to add extra cost to any of them when they are the prevention rather than the cause of illegal activity such as money laundering or financing of terrorism.

It must also be remembered that on top of the cost already incurred by reporting entities to prevent money laundering and the financing of terrorism, many of these entities are also at the front line of preventing New Zealanders from becoming victim to organised criminal activity (both from onshore and offshore) in relation to frauds and scams including identity fraud which it is estimated costs New Zealand and New Zealanders between \$136 and \$204 million per annum.

Whilst the FSF accepts that the findings of the Financial Action Task Force (FATF) which concluded that New Zealand's AML/CFT system is not sufficiently resourced to deliver its functions is very likely the case, levying entities that are already doing all that they can to detect money laundering or terrorism funding is not the answer to the problem.

As stated in our submission, it is our belief that the people who are committing the crimes should be the ones who should pay for the system to be sufficiently resourced to prevent such activity through the Proceeds of Crime Fund. This view has not changed in spite of the passing of the Amendment Bill and the fact that the levy will now be imposed on reporting entities.

Having said that, the FSF is pleased to note that specialist lenders are not considered to be of high or medium to high risk of being used to launder money or finance terrorist activities and are therefore not proposed to be levied at this time.

With these introductory comments in mind, the FAF has the following comments to make with respect to the questions posed in the consultation document.

1. Do you agree with how we have categorized costs to be club goods? If not, why?

The FSF does not have a view with respect to whether the good/service is a public good or a club good.

2. What is your preferred period to recover the deficit from 2026/27, and why?

Given what we have already said with respect to our opposition to the imposition of the levy, our preferred option would be that any deficit for the 2026/27 financial year should also be funded from the Proceeds of Crime Fund. Failing that however, the least worst option on the table would be to recover this deficit over five years.

3. What are your views on our proposal for who should pay the levy and why?

Again, our introductory comments notwithstanding, the FSF is pleased to see that the proposal does not include levying specialist lenders because of their small size and lower risk of being used for money laundering purposes.

4. Would the introduction of a levy incentivize reporting entities to take steps to reduce their risk to the AML/CFT system?

We do not believe that the introduction of a levy would make any difference to the steps reporting entities take to reduce their risk to the AML/CFT system. Reporting entities take their obligations under this regime seriously and it has been in place for so long that they have developed a clear understanding of where their risks of being used to launder money lie and have already taken (and continue to take) all possible steps to reduce that risk.

5. What are your views on the proposals made for banks and why? What would be your alternative approach?

The FSF does not represent any banks so has no comment with respect to this question. However, we note that the consultation document states that the distinction between banks and non-bank deposit takers (NBDTs) – some of whom we do represent – will be removed by the Deposit Takers Act 2023 once it is fully in force in 2028. The consultation document notes that, at that point, the exclusion of NBDTs from the levy will be reconsidered.

The FSF also notes that the consultation proposes that banks with less than \$1.5 billion in reported assets would also be exempt from the levy. Given that none of the entities currently classified as an NBDT have reported assets at that level, and the fact that many of them are extremely small (and arguably very low risk of being used to launder money or finance terrorism), this review of the status of NBDTs with respect to the levy would be a pointless exercise and the requirement for it should therefore be removed.

6. What impacts would the levy proposals have on banks, and what implications would there be for their customers? Please explain the rationale and impact on individual customers of banks.

Please refer to the answer given to question 5 above.

7. What are your views on the proposals made for casinos and the TAB and why? What would be your alternative approach?

The FSF does not represent any casinos or the TAB so has no comment with respect to this question.

8. What impact would the proposals have on your business?

Please refer to the answer given to question 7 above.

9. Between the three options which one do you prefer and why? Or do you have an alternative approach?

The FSF has one or two members who might fall within the definition of “payment providers” and therefore we have considered the three stated options in the consultation document. Our preferred option is option one: a flat rate, because it is simple to calculate and, as the consultation document says, is affordable and efficient to administer. Either of the other two options would overcomplicate the calculation of the levy and, in our view, would not add anything other than complexity.

10. What is the likely impact of the options on your business? How likely is it to change any business practices?

Given the potentially small quantum of the levy for payment providers, particularly if option one as the most sensible option is adopted, the FSF does not believe there will be any likely impact on business affected nor will it change any business practices.

Once again, thank you for the opportunity for the FSF to comment on these proposals on behalf of our members. Please do not hesitate to contact me if you wish to discuss anything in this submission further.

A handwritten signature in blue ink, appearing to read 'L. McMorran'.

Lyn McMorran
EXECUTIVE DIRECTOR

Appendix A



FSF Membership List as at February 2026

Non-Bank Deposit Takers, Specialist Property Lenders, Fleet Leasing Providers	Vehicle Lenders	Finance Companies/ Diversified Lenders	Finance Companies/ Diversified Lenders contd./ Social Impact Lenders, Credit-related insurers	Insurance Premium Fundors, Affiliate Members	Affiliate Members contd.
<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 Property Lenders</u> Basecorp Finance Limited First Mortgage Managers Ltd. Go Lend Limited 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	Auto Finance Direct Limited Automotive Lending Solutions NZ Pty Limited ➤ Nissan Financial Services ➤ Mitsubishi Motors Financial Services ➤ Skyline Car Finance BMW Financial Services ➤ Mini ➤ Alphera 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 Movogo Limited Onyx Finance Limited Scania Finance NZ Limited Toyota Finance NZ ➤ Mazda Finance Yamaha Motor Finance	AfterPay American Express Avanti Finance ➤ Branded Financial Basalt Group Blackbird Finance Caterpillar Financial Services NZ Ltd Centracorp Finance 2000 DebtManagers De Lage Landen Limited 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	NZ Finance Ltd Partners Finance Personal Loan Corporation Pioneer Finance Prospera NZ Ltd Real Asset Management 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 Yes Finance Limited 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	Arteva Funding NZ Ltd Clearmatch 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 KPMG Loansmart Ltd	Match me Money Ltd Motor Trade Association Odessa Technology Inc. PWC Sense Partners Simpson Western Solifi Pty Limited Symphonix <u>Credit Reporting, Debt Collection Agencies,</u> Centrix Credit Corp ➤ Baycorp ➤ Collection House Creditworks Indebted (was Debtworks) Equifax Gravity Credit Management Limited Illion Quadrant Group (NZ) Ltd Recoveries Corp NZ Ltd Total 102 members



FINANCIAL SERVICES FEDERATION (FSF)
THE SPECIALIST LENDING SECTOR - 2025



57%



of personal consumer loans are financed by the **specialist lending sector** represented by FSF members

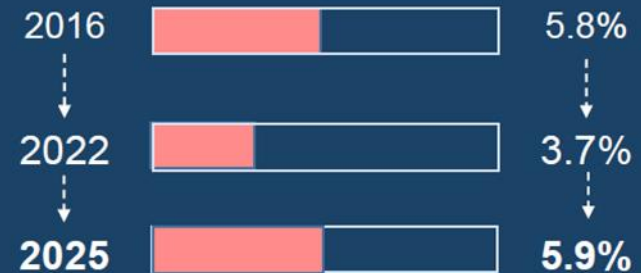
Setting industry standards for responsible lending, promoting compliance and consumer awareness.

Percent of Loan Requests Approved

50%



Percent of Loan Book in Arrears



KEY FACTS: THE SPECIALIST LENDING SECTOR

FSF Members (as at 31 Mar 2025)

Number of Members	100
Number of Employees	3,162
Total Value of Loans	\$22.25B
Applications Processed	1,187,492
Loan Requests Approved	588,671
Percent of Loan Book in Arrears	5.9%
Loan Disputes Upheld	TBC

Bank Sector (as at 31 Mar 2025)

Value of Mortgage Loans	\$369B
Value of Consumer Loans	\$7.6B
Value of Business Loans	\$127B

Specialist Lending Sector Share (Mar 2025)

% of Total Mortgage Loans	0.5%
% of Total Consumer Loans	57.2%
% of Total Business Loans	7.4%

Insurance Credit Related (as at 31 Mar 2025)

Number of Employees	174
Number of Policies	285,371
Gross Claims (annual)	\$13.2M

Consumer Loans (as at 31 Mar 2025)

Total Value of Loans	\$12.0B
Number of Customers	1,383,344
Number of Loans	1,488,692
Average Loan Size	\$8,070

Total Value of Loans:

Mortgage	\$1,839M
Vehicle Loan	\$4,850M
Unsecured	\$4,772M
Other Security	\$541M
Lease Finance	\$11M

Average Value of Loan:

Mortgage	\$293,661
Vehicle Loan	\$15,719
Unsecured	\$4,280
Other Security	\$9,244
Lease Finance	\$38,981

Business Loans (as at 31 Mar 2025)

Total Value of Loans	\$10.2B
Number of Customers	137,075
Number of Loans	226,820
Average Loan Size	\$45,146

Total Value of Loans:

Mortgage	\$3,033M
Vehicle Loan	\$3,033M
Unsecured	\$441M
Other Security	\$1,960M
Lease Finance	\$1,773M

Average Value of Loan:

Mortgage	\$824,431
Vehicle Loan	\$35,177
Unsecured	\$29,182
Other Security	\$42,184
Lease Finance	\$23,532