

Questions and Answers | AML/CFT Levy Consultation

Introduction to Levy Proposals - 18 March

	Attendee questions	Responses
1.	Is the modelling behind the numbers available at all? Curious about the expected decrease in costs for FIU in 2029/2030 from the previous year.	The breakdown of the costs is set out in the appendices to the consultation document (see page 38 for FIU costs). The decrease in 2029/30 relates to lower indirect personal costs associated with recruiting new personnel.
2.	Are the total proposed costs available so the Crown contribution can be determined as a proportion?	The Crown contribution is determined at each Budget cycle. The levy would supplement annual baseline allocations and enable agencies to meet the new obligations and align with the National Strategy.
3.	Who will be paying these levies? Is this being passed onto AML registered entities?	The Bill specifies that the levy may apply to all reporting entities, or a subset of reporting entities set in regulations. The proposal is that the levy be set to those sectors that are high risk and medium-high risk to the AML/CFT system.
4.	Why the assets base was selected for the banks?	<p>Asset base was used because the value of assets is relatively stable. Other measures, such as pre-tax profits, were considered but are not proposed as they are subject to fluctuation. Tying the levy rate to an asset base ensures that levy payers have more certainty of their levy rate over the levy round.</p> <p>We welcome feedback on the advantages and disadvantages of measures used in the proposal, and whether other measures would be preferable.</p>

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<p>5. Is it possible to receive a detailed breakdown of costs by nature, e.g. resource costs, technology costs, consultant costs etc? And any cost/benefit analysis that has been done.</p>	<p>Costs are set out in the appendices of the consultation document. Costs around technology and consultancy have not been provided as this is commercially sensitive and would need to go out for a public tender.</p> <p>The proposed costs are to fulfil the activities set out in the work programme and functions of the agencies under the AML/CFT Act. As part of the reforms, the Ministry of Justice will produce annual reports on how the levy is performing and how agencies are tracking against the work programme. This would be an opportunity for reporting entities to assess the effectiveness of the levy and the work.</p>
<p>6. Will non-bank non-deposit taking lenders be levied?</p>	<p>No, it is not proposed that non-bank deposit lenders will pay the levy.</p>
<p>7. Using assets base means that smaller banks are unproportionately affected. Has there been any further analysis completed to ensure that this was an equitable way to calculate levy levels?</p>	<p>AML/CFT risks were the first consideration when developing the levy settings. As in question 4 above, reported assets is the proposed measure as it is considered a reliable stable measure.</p> <p>The proposed approach also considers balancing equity and efficiency needs. This is why reported assets is proposed as it provides certainty to levy payers and is administratively efficient to set over the levy period.</p> <p>We welcome feedback on whether the proposed measures strike the right balance and whether there are preferable approaches.</p>
<p>8. For the levies of the DNFBPs, the proposal is to use the number of compliance assessments a supervisor has made as a proxy for the level of risk a sector may pose to the AML/CFT system. Understandable, but is there any explanation as to the differing amounts of compliance assessment across different DNFBP types? From your figures, Accountants have 1283 entities and only 74 compliance assessments, whereas law firms/lawyers</p>	<p>Compliance assessments are undertaken based on, amongst other things, estimates of sector and entity risk. Therefore, they have been used as a proxy for risk and cost imposed on the system as a whole by a sector.</p> <p>We welcome feedback on the measures used in the proposed options and whether other measures are preferable.</p>

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	have 1,245 entities and 178 compliance assessments. A large disparity, resulting in large cost difference.
<p>9. How would the proposed levy (under option 3) apply to a reporting entity that has captured activity in multiple sectors. i.e. a single legal entity that submits a DNFPB annual report and a separate Financial Institutions annual report?</p>	<p>The options have been developed with the view that if you are required to submit an annual report, the levy would apply. If this results in two annual reports, the levy would apply to both.</p>
<p>10. Will the levy be tax deductible?</p>	<p>A levy is generally considered an expense, so would be tax deductible.</p>
<p>11. Can we on-charge this cost to our clients?</p>	<p>That is a decision for each entity. We would welcome feedback on the impact on your business in your submission.</p>
<p>12. Under option 2 (no. of compliance assessments) of the levy proposal, will reporting entities with a full ministerial exemption be excluded? Options 1 and 3 are clear that they will apply to reporting entities who submit an annual report but option 2 is.</p>	<p>Option 2 is the same as options 1 and 3. If you have annual reporting obligations under the Act, you would have to pay a levy.</p>
<p>13. Will the annual return filing requirement be waived under these proposed changes as we are a non-bank and non-deposit taking accounting firm?</p>	<p>No.</p>
<p>14. How does the levy apply to corporate groups with multiple reporting entities?</p>	<p>Each reporting entity would be required to pay the levy.</p>
<p>15. Where does the law firm categorise? How does the levy apply to that?</p>	<p>Law firm covers those that have a partnership structure or are incorporated.</p>

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16.	In a law firm context, the NRA identifies certain transactions, such as conveyancing, as higher risk. If a law firm has very little exposure to those types of transactions but undertakes other captured activities, has there been consideration of whether a levy should be proportionate to the transaction risk profile of the firm?	<p>When setting up the levy it needs to balance between equity and efficiency e.g. the administrative efficiency and cost of collecting the levy outweighing the levy. This approach has not been included in the proposal as we consider it would incur a significant cost.</p> <p>We welcome feedback on whether the proposal strikes the right balance between equity and efficiency.</p>
17.	Small generalist local law firms (small businesses) are also potentially disproportionately impacted by these charges, when compared with full service medium sized and larger firms. Has any consideration been given to the growing impact generally of the cost of administrative requirement for small law firms, and now also an additional levy? While recent removal of home address requirement is helpful it has the smallest impact.	Option three was developed with the view that this may exclude smaller firms. However, we would like to hear in your submissions on the likely impacts this levy would have on your business or practice.
18.	Are there minimum thresholds below which entities are exempt or pay reduced levies?	There are minimum thresholds for banks at \$1.5 billion of assets, and option three for NBFIs and DFNBPs has bands.
19.	Does an incorporated sole practitioner lawyer have to pay the levy?	Yes, please see under law firms.
20.	Will low risk entities still have to pay ie. Financial Advisers?	No, the proposed approach would only levy sectors assessed as high and medium-high for this levy round.
21.	Can you please explain the banded approach, option #3?	See page 25 of the Consultation document AML/CFT Levy Proposals - Ministry of Justice - Citizen Space

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22.	Are bookkeepers part of the accountants group?	Under options two and three, the levy would only apply to 'Accounting Service Providers' which excludes the following accounting sectors Accounting Service Provider - Tax Transfers Only; Bookkeeping; PAYE Intermediaries (DNFBP & FI); Payroll; and Tax Pooling (refer Page 23 of the consultation document).
23.	As small practices, would the proposed levy be per client or for the firm?	The proposed levy would be paid by the company or branch, not individuals.
24.	For Real Estate agents that outsource some of their clients, how does that work with the levy please	The real estate agent would still have to pay the levy. While the AML/CFT checks have been outsourced, the real estate agent still has obligations under the Act and therefore would need to ensure they are satisfied by the third party's work in meeting their agency's obligations.
25.	Is it an annual levy?	Yes, it is proposed that the levy be charged annually.
26.	Why are accountants included in the medium-high risk sector along with entities who are dealing in 'cash'. Our firm doesn't handle client money.	The risk assessment is based on the sector risk assessment issued by the responsible supervisor. The assessment sets out why a particular sector has the given risk rating. Please note that under options 2 and 3, under the Accountant group, the levy would only apply to accounting service providers.
27.	How often will levy rates or methodology be reviewed?	The Bill makes provision for the levy to be reviewed every three years from when levy regulations are made or significantly amended.

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<p>28. Will the reporting entities be billed for the amount or will they need to calculate and submit the levy themselves based on calculations provided?</p>	<p>Reporting entities will be invoiced annually.</p>
<p>29. How do we know where we would sit in the "bands or risk profiles" against others? To provide confident feedback in a submission, do you have the bands you are considering? We could then comment more accurately as to the position for a small law firm which primarily runs around conveyancing. ie when compared with a larger law firm with more administrative capacity to deal with fewer clients that fall under the AML regime, and potentially clients who are happy to pay to satisfy AML requirements.</p>	<p>See page 30 of the consultation document to see the bands and pricing proposed.</p>
<p>30. If the supervisors update the risk assessment for the entities (say, classify some banks as medium/low risk) in the future, will the levy amount decrease? What risk assessment was taken as a base for the design of the levy - what is sector risk assessment or National RA?</p>	<p>The levy would be set for a four-year period. The National Risk Assessment (NRA) and the Sector Risk Assessments (SRA) were used (these are publicly available on the Police website and supervisor website respectively). Future levy settings will be based on the most up-to-date version of the assessments at the time.</p>
<p>31. Risk based banded for DNFBPs, how frequently will entities need to update their data to be captured under a particular band or will it be decided through annual AML/CFT reports filed?</p>	<p>The proposal is to use the annual reports filed with the supervisor.</p>
<p>32. To summarise the changes are they: 1. no longer need to provide a proof of address. 2. A levy is going to be imposed are</p>	<p>Please refer to Summary of AML changes AML-CFT reform – Summary of key changes.pdf</p>

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<p>these the only changes? We would like it in plain language under the plain language 2022 Act. and save us time researching all this as we don't have the time.</p>	
<p>33. The NRA identifies certain transactions, such as conveyancing, as higher risk. If a law firm has very little exposure to those types of transactions but undertakes other captured activities, has there been consideration of whether a levy should be proportionate to the transaction risk profile of the firm?</p>	<p>See Q17 above.</p>
<p>34. Are there minimum thresholds below which entities are exempt (irrespective of industry or band) or pay reduced levies?</p>	<p>This is set out in the consultation document for each option.</p>
<p>35. Can reporting entities expect more targeted regulatory relief and resources specific to each sector with the levy being collected?</p>	<p>Yes. The proposed levy is intended to fund significantly more guidance, engagement and support for reporting entities. Please see the National Strategy and work programme. AML/CFT National Strategy 2026-2030 New Zealand Ministry of Justice</p>
<p>36. How can you justify charging us a levy for us to do the AML work on your behalf? It is already costing us money to do this work for free for you so I am confused as to why we should then be paying anything to do this work on your behalf.</p>	<p>Reporting entities have obligations under the Act to prevent AML/CFT. These costs will improve the operation of the system including the single supervisor who will provide improved guidance of applying a more risk-based approach. The intention of the reforms is to reduce tick-box compliance, and provide tools for better intelligence products and sharing, and overall improving the AML system to function better.</p>

Levy consultation document <https://consultations.justice.govt.nz/policy/aml-cft-levy-proposals/>
 AML/CFT National Strategy & Work Programme www.justice.govt.nz/justice-sector-policy/key-initiatives/aml-cft/national-strategy-2026-30/