Regulatory Impact Statement: AML/CFT Early Regulatory Proposals

Coversheet

Purpose of Document	
Decision sought:	*Approve an early regulatory AML/CFT package*
Advising agencies:	*Ministry of Justice*
Proposing Ministers:	*Minister of Justice*
Date finalised:	*12 October 2022*

Problem Definition

The Ministry of Justice (the Ministry) has reviewed the Anti-Money Laundering and Countering Financing of Terrorism (AML/CFT) Act (the AML/CFT Act) to assess how the AML/CFT Act has performed since it was amended in 2017 and to identify whether any further amendments should be made.

The statutory review is being progressed in three tranches; this RIS is for the first tranche of early regulatory proposals which respond to the following problems identified in the statutory review:

- Gaps in regulations relating to known high-risk areas of cash, virtual assets, high-risk countries, and high-risk customers. These gaps mean that important intelligence is not being provided, small cash purchases of high-value goods are occurring through pawnbrokers, and generally that important AML/CFT obligations do not match the level of risk in these areas. These are also all areas where we do not comply with the Financial Action Task Force (FATF) Standards[1].

- There is limited visibility of how remittance networks operate (such as who their agents are and who is responsible for their compliance) which means there is limited assurance about whether relevant obligations are being met.

- The FATF Standards require information on the parties to a wire transfer to be available to all financial institutions that are part of a chain of transactions and to government agencies. This enables transactions to be traced internationally and suspicious transactions to be identified. We do not currently meet these standards.

- Agencies that observe money laundering and other harms are currently unable to share information with the AML/CFT regime if the information was supplied or obtained under legislation not listed in section 140 of the AML/CFT Act.

[1] The FATF Recommendations set out a comprehensive and consistent framework of measures which countries should implement in order to combat money laundering and terrorist financing, as well as the financing of proliferation of weapons of mass destruction. The FATF Standards comprise the Recommendations themselves and their Interpretive Notes.

- Many definitions and terminology are out of date, unclear, or not fit-for-purpose. This means the regime does not work as effectively as possible to detect and prevent money laundering and terrorism financing and places a higher cost on business to comply with their obligations.

- Over-compliance being required in areas of lower-risk (i.e. some obligations are set to a higher standard of risk) causing unnecessary costs to business.

Executive Summary

The Ministry of Justice conducted a statutory review of the AML/CFT Act which concluded on 30 June 2022. The review was focused on assessing the performance of the AML/CFT Act since 2017 as well as whether any changes to the AML/CFT Act were necessary or desirable. The findings and recommendations were based on industry feedback, agency views, and the FATF's conclusions in New Zealand's Mutual Evaluation Report[2].

The proposals in this paper resolve technical deficiencies in our AML/CFT regime to enable New Zealand to exit FATF enhanced follow up in 2024, and to resolve issues raised in the statutory review of the AML/CFT Act (as outlined in the problem definition).

In particular, the proposals respond to the following areas:

- Gaps in regulations relating to known high-risk areas of cash, virtual assets, high-risk countries, and high-risk customers.
- Limited visibility of how remittance networks operate.
- Availability of information on the parties to a wire transfer.
- Ability for agencies outside of the AML/CFT regime to share information when they observe money laundering.
- Out of date, unclear, or not fit-for-purpose definitions and terminology.
- Unnecessary costs to businesses due to some obligations not being suitably tied to risk.

Breakdown of Problems, Proposals, and Expected Impacts

Problem	Proposal	Expected Impact
Addressing areas of risk: Cash (pp. 14-16)	Option Three – Amend the exemption to no longer apply to pawnbroker activities that meet the definition of high-value dealer and clarify that pawning is not captured under the AML/CFT Act as providing a loan.	**Benefits**: Upholds financial inclusion considering that pawning can provide an immediate source of income for people in vulnerable circumstances. **Costs**: Ongoing minimal compliance costs for businesses.
Addressing areas of risk: High-risk customers – specific	Option Two – Issue regulations to require businesses to obtain information about legal form and proof of existence,	**Benefits**: Ongoing benefit of reduced compliance costs of verifying information with lower risk.

[2] The FATF conducts peer reviews of each member on an ongoing basis to assess levels of implementation of the FATF Recommendations, providing an in-depth description and analysis of each country's system for preventing criminal abuse of the financial system.

information about legal persons/legal arrangements (pp. 16-18)	ownership and control structure, with verification tied to risk.	**Costs**: Increased obligations to collect information.
Addressing areas of risk: High-risk customers - source of wealth vs source of funds (pp. 18-20)	Option Two – Prescribe that reporting entities must differentiate in their AML/CFT compliance programme when information must be obtained and verified regarding source of wealth or source of funds, or both, as is required to mitigate the risks.	**Benefits**: Ongoing benefit of reduced compliance costs for customers whose information is collected based on the level of risk. FATF compliance. **Costs**: Increased obligations for those not already collecting information.
Addressing areas of risk: High-risk customers - additional Enhanced Customer Due Diligence measures (pp. 20-22)	Option Two – Prescribe that reporting entities must implement any additional enhanced customer due diligence measures, at the start and for the duration of a business relationship, as are required to mitigate the risks and provide a list of potential additional measures the reporting entity may apply.	**Benefits**: Reduced compliance costs for customers whose information is collected based on the level of risk. Clarity and consistency for regulated groups. **Costs**: Additional information required to meet standards based on risk levels. Customers will need to meet the ongoing cost of additional Customer Due Diligence (CDD) requirements where applicable.
Virtual Assets: Definition of virtual asset providers (pp. 22-24)	Option Two – In regulations, define virtual asset service providers (VASPs) as a type of reporting entity using the definition provided by FATF.	**Benefits**: Clarity for VASPs and certainty for those operating internationally. Less likelihood of derisking. Clearly captures VASPs in the AML/CFT regime. FATF compliance. **Costs**: N/A
Virtual Assets: Transaction thresholds (pp. 24-26)	Option Two – Prescribe that all virtual asset transactions at or above NZD 1,000 are occasional transactions, including virtual asset to virtual asset transfers.	**Benefits**: High level of financial intelligence in the industry. FATF compliance. **Costs**: Some compliance costs for businesses, however businesses are already conducting CDD regardless of threshold.
Virtual Assets: extending international wire	Option Two – Prescribe virtual asset transfers as international wire transfers unless the entity is satisfied otherwise.	**Benefits**: Helps improve transparency of transactions. FATF compliance.

transfer obligations (pp. 26-27)		**Costs**: Appropriate and proportionate compliance costs
Remittance networks (pp. 27-28)	Option Two – Issue regulations to state that a Money or Value Transfer Services (MVTS) (or 'remitters') provider that controls both the ordering and beneficiary ends of a wire transfer is required to consider both sides of the transfer to determine whether a (Suspicious Activity Report) SAR is required.	**Benefits**: Improved regime oversight due to MVTS providers' unique insight. **Costs**: Adds some compliance costs due to the need to work through the additional information to determine if a SAR is required. FATF compliance.
Information Sharing (pp. 28-30)	Option Two – Include multiple Acts within scope of section 140 of the AML/CFT Act.	**Benefits**: Ability for information to be shared about money laundering when observed by other agencies. **Costs**: Potential privacy impact due to the expanded ability for information to be shared. Balanced by the fact that under section 140 there is an inherent privacy safeguard as information can only be shared if there is reasonable suspicion.
Clarifying Obligation: Customer Due Diligence - process for legal persons (pp. 30-31)	Option Two – Prescribe who the beneficial owner is (and all persons, such as settlors, protectors, trustees of trusts, that must be identified/verified) for different types of legal person or legal arrangement.	**Benefits**: Regulated groups have clarity on who information needs to be collected on, and regulators receive the right information. **Costs**: N/A
Clarifying Obligation: Customer Due Diligence - information for account monitoring (pp. 31-33)	Option Five – Issue regulations to explicitly require that reporting entities risk-rate new customers as well as require reporting entities to consider and update risk ratings as part of ongoing customer due diligence and account monitoring over the course of a business relationship. & Option Six – Issue regulations to require reporting entities to,	**Benefits**: Assists and supports businesses in navigating the Act's risk-based requirements. For those smaller businesses with less sophisticated compliance models, we anticipate this will better signpost the AML/CFT Act and enable them to understand and direct their resource at the areas of higher risk. **Costs**: Some increased compliance costs due to need to

	according to the level of risk involved and as part of ongoing customer due diligence, update (for a post-Act customer) or obtain (for an existing customer) customer due diligence information if required.	collect more information on an ongoing basis.
Clarifying Obligation: Customer Due Diligence – non-financial transactions (pp. 33-35)	Option Two – Introduce regulations to require reporting entities to regularly review any customer's activities described in the definition of designated non-financial business or profession in section 5(1) of the AML/CFT Act where applicable.	**Benefits**: Better able to understand activities in the Designated Non-Financial Businesses and Professions (DNFBP) sector and identify money-laundering and terrorism financing risks. Clarification on expectations for these situations would better enable non-transaction-based money-laundering and terrorism financing risks to be addressed. **Costs**: Increased compliance costs/monitoring.
Reliance on third parties (pp. 35-36)	Option Two – Prescribe that the relying party must consider the level of country risk if the relied-on party is not in New Zealand when engaging in section 33(2)(e) reliance.	**Benefits**: Will remediate the two deficiencies identified by the FATF. **Costs**: This will have a moderate increase on businesses' administrative burden.
Clarifying obligations: use of new technologies (pp. 36-38)	Option Two – Require businesses to assess the money laundering and terrorist financing risks associated with new products and new business practices. The risk assessment should consider new delivery mechanisms, as well as the use of new or developing technologies for new and existing products. The risk assessment must be conducted before the technology or product is used.	**Benefits**: Regulations will lead to better designed and safer products to launch. FATF compliance. **Costs**: Regulated groups will need to invest and complete risk assessments prior to the use of a new technology
Providing regulatory relief: Trustee or nominee services	Option Five – partially exempt corporate trustees/nominee shareholders from certain functions where that has been carried out by "associated"	**Benefits**: Reduced compliance costs for affected businesses. Some reduced supervision. **Costs**: N/A

(pp. 38-40)	entity. Require some compliance e.g. ECDD	
Providing regulatory relief: Crown entities (pp. 40-41)	Option Two – Exempt Crown-Owned Enterprises, Crown agents and other relevant Crown entities from AML/CFT obligations where the Crown is the sole customer of the activity as well as where the Crown entity uses public funds to provide loans to the public with appropriate conditions necessary to manage any residual risks.	**Benefits**: Reduced compliance costs for Crown entities. **Costs**: N/A
Providing regulatory relief: Registered charities (pp. 41-42)	Option Two – Issue ministerial class exemption for registered charities from AML/CFT obligations providing loans to customers below where the maximum amount that can be loaned to a customer is no more than NZD 6,000. This exemption should include conditions which limit the loans to one per customer and restrict the ability to repay loans quickly and in cash.	**Benefits**: Reduced compliance costs for charities and remove the need for currently exempted entities to reapply when their exemption eventually expires. **Costs**: N/A
Providing regulatory relief: Address verification (pp. 42-44)	Option Three – Issue regulations to exempt all reporting entities from conducting address verification for all customers, beneficial owners and persons acting on behalf of a customer other than when enhanced CDD is required and instead require businesses to verify, according to the level of risk, that an address as genuine.	**Benefits**: Significantly reduces compliance costs. Provides relief in obligations for people to provide evidence for an address, particularly beneficial for people who find it difficult to provide this evidence. **Costs**: N/A

Limitations and Constraints on Analysis

This RIS draws upon the analysis done for the statutory review of the AML/CFT Act. The review began on 1 July 2021 and was focused on assessing the performance of the AML/CFT Act since 2017 as well as whether any changes to the AML/CFT Act were necessary or desirable. As such, the review assessed the extent to which the AML/CFT Act has achieved its purposes as well as cost and maturity of the regime and its consistency with Te Tiriti o Waitangi. Our findings and recommendations were based on industry feedback, agency views, and the FATF's conclusions in New Zealand's Mutual Evaluation Report.

There are two key limitations to the approach we took to the review and therefore its analysis.

The first is the length of time that we had available to conduct the review, as the AML/CFT Act mandates that the review must conclude no later than one year after it begins (section 156A(2)). This timeframe was also impacted by the delays in the release of the Discussion Document: public consultation was the first stage of identifying recommendations for change, but the release of the document was delayed going to Cabinet by two months due to COVID-19.

The mandatory timeframe of a year (in practice, nine months) necessarily impacted the amount and level of consultation that could be conducted, and the level of detail included in recommendations for change, particularly legislative changes. This timeframe also precluded being able to engage with Māori and other ethnic groups in a manner fully consistent with the Te Arawhiti's guidelines on engagement with Māori or DPMC's community engagement toolkit.

The second limitation was the scope of the review, which was also set by the AML/CFT Act and limited specifically to the operation of the AML/CFT Act and whether there should be any changes made to the AML/CFT Act. Importantly, the Ministry was not able to assess the performance of or identify whether any changes should be made to other aspects of the AML/CFT regime that are not contained within the AML/CFT Act. These include:

a. the money laundering offence (section 243 of the Crimes Act 1961) or terrorism financing offence (section 8 of the Terrorism Suppression Act 2002);

b. seizing or forfeiting tainted assets or illicit funds (Criminal Proceeds (Recovery) Act 2009);

c. the formation and operation of legal persons and legal arrangements, including whether there is any verification undertaken of the identity of the parties to the company or trust (e.g., Companies Act 1993, Trusts Act 2019);

d. general availability of identity verification requirements in New Zealand or access to verified identity information, such as RealMe or databases of passport information (e.g., Passports Act 1992, Electronic Identity Verification Act 2012); and

e. general registration and licensing requirements for businesses (e.g., Financial Service Providers (Registration and Dispute Resolution) Act 2008).

These other Acts contain important parts of the overall AML/CFT regime, and their performance both impacts on and is impacted by the performance of the Act. For example, the fact that the identity of directors and shareholders of companies is not currently verified by the registrar weakens the overall transparency of beneficial ownership in New Zealand and means the register is potentially unreliable for customer due diligence purposes. Conversely, issues with the identification and reporting of suspicious or criminal activity impacts how easily money laundering or terrorism financing can be investigated or prosecuted. As a result, the review was not able to consider or make recommendations for change in other related regulatory frameworks, even where those changes could significantly improve the effectiveness of the AML/CFT Act and the overall regime.

If we had more time to conduct the statutory review, we would have conducted specific engagement with Māori to understand the impact of these proposals on them. However, we understand that the recommendations in this Regulatory Impact Statement are likely to have a positive impact on Māori as address verification requirements are relaxed and the ability for supervisors to oversee risk rating practices is strengthened. Furthermore, the Ministry will be conducting further engagement as part of the next two packages of work following the statutory review, and engagement with Māori will be a particular focus. The impacts from this package can also be a part of that engagement.

Overall, we consider that these limitations and constraints are minor in regard to this early regulatory package. Where moderate or significant limitations and constraints on analysis and evidence were identified the related recommendations will be placed into the medium- or long-term package to allow further policy work to occur. We therefore consider that Ministers can be confident when using this analysis to inform their decisions.

Responsible Manager

Andrew Hill

Policy Manager

Terrorism and Law Enforcement Stewardship Team

Ministry of Justice

14 October 2022

Quality Assurance (completed by QA panel)

Reviewing Agency:	Ministry of Justice
Panel Assessment & Comment:	A panel within the Ministry of Justice has reviewed the Regulatory Impact Statement. The panel considers that the information and analysis summarised in the Regulatory Impact Statement meets the Quality Assurance criteria. In reaching this conclusion, the panel noted that more consultation, especially with Māori, would be preferable. The panel took into account that this is the first of three tranches of work and that subsequent tranches will provide further opportunities for stakeholder engagement.

Section 1: Diagnosing the policy problem

What is the context behind the policy problem and how is the status quo expected to develop?

Money laundering is a process that criminals use to 'clean' money that has been obtained through crime. Successful money laundering allows criminals to amass illicit wealth and furthers the cycle of criminality by making funds available for reinvestment in crime. These crimes cause direct financial losses to individuals, community harm, and in some cases, loss of human life.

Dirty money in New Zealand is typically generated through drugs, fraud, and tax evasion, particularly by gangs and organised criminal groups generating large amounts of physical cash that requires laundering. Overseas criminals are also attracted to New Zealand's reputation as a safe country that is free from corruption. As such, transnational organised criminal groups seek to hide funds in New Zealand or exploit New Zealand companies or trusts. This can tarnish New Zealand's reputation and, in doing so, affect our economy.

Terrorism financing refers to how funds are raised, moved, or used to facilitate planning, preparation, or commission of a terrorist act. The risk of large-scale terrorism financing in New Zealand is low, but we are vulnerable to small-scale domestic terrorism financing, including by lone actors who self-raise funds, e.g., through legal employment. The consequences of this type of terrorism being carried out in New Zealand are devastating, as was seen in the terrorist attack on the Christchurch masjidain on 15 March 2019.

The AML/CFT regime improves New Zealand's safety by making it harder for criminals to profit from their offending. Similarly, by making it harder to finance terrorism the AML/CFT Act disrupts terrorist activities, both in New Zealand and worldwide. The AML/CFT Act also generates the largest and most detailed financial intelligence available to the government and law enforcement agencies. This results in wide-ranging benefits, such as improving protection of markets from distortion, maintaining the reputation of New Zealand businesses, enhancing national security, combatting terrorism, disrupting and dismantling serious and organised crime (including transnational organised crime), protecting New Zealand from bribery, corruption, and foreign interference, and restraining criminal assets.

These outcomes are achieved by imposing obligations on businesses that provide specific financial and non-financial services, known as reporting entities. At a very high level, the AML/CFT Act requires reporting entities to assess their money laundering and terrorism financing risks, identify and know their customers, report suspicious activities and certain transactions, and maintain various records.

The regime also involves a wide range of agencies to deliver the outcomes, specifically the Ministry, the Department of Internal Affairs (DIA), Financial Markets Authority (FMA), Reserve Bank of New Zealand (RBNZ), New Zealand Police's Financial Intelligence Unit (FIU), and the New Zealand Customs Service. The Ministry is responsible for administering the AML/CFT Act and overall regime, while DIA, FMA, and RBNZ are collectively responsible for supervising reporting entities and ensuring they comply with the AML/CFT Act. The FIU is responsible for receiving, analysing, and disseminating financial intelligence to be used by other law enforcement agencies, while Customs is responsible for addressing risks of cross-border cash movements and sanctioning falsely or undeclared cash at the border.

The FATF is the global money laundering and terrorism financing watchdog. The inter-governmental body sets international standards that aim to prevent these illegal activities and the harm they cause to society. New Zealand is required to undergo periodic assessments known as a mutual evaluation, which is an assessment of the country's actions to tackle money laundering and the financing of terrorism.

New Zealand's most recent mutual evaluation concluded in February 2021. Overall, the evaluation found that New Zealand has implemented an AML/CFT system that is effective in many respects, but that major improvements are needed to strengthen its effectiveness. New Zealand has been placed into an enhanced follow-up assessment process due to the number of significant technical deficiencies. This process requires regular reporting back on progress towards addressing identified weaknesses in the regime.

New Zealand's next mutual evaluation is also on the horizon: it is currently scheduled to begin in 2029 and the previous Minister of Justice pledged to the FATF that New Zealand would remedy its significant technical compliance deficiencies by this time. Many of the problems and opportunities evaluated would need to be progressed in order to achieve this.

The Ministry of Justice conducted a statutory review of the AML/CFT Act which concluded on 30 June 2022. The review was focused on assessing the performance of the AML/CFT Act since 2017 as well as whether any changes to the AML/CFT Act were necessary or desirable. The findings and recommendations were based on industry feedback, agency views, and the FATF's conclusions in New Zealand's Mutual Evaluation Report.

Overall, the Ministry considered that the AML/CFT Act provides for a generally sound regulatory regime that provides the basis to detect and deter money laundering and terrorism financing. However, there are some issues that prevent the regime from being the best it can be for New Zealand. The AML/CFT Act should support a more risk-based approach in line with FATF standards. The Ministry identified that some requirements are overly prescriptive, and that more guidance needs to be provided to businesses.

The Ministry also considers that the regime is not sufficiently resourced to deliver its functions. The Ministry received clear feedback from the private sector and agencies that the level of resourcing is preventing the regime from being responsive to industry needs and the changing financial crime landscape. The insufficient resource levels, along with an absence of mechanisms to ensure appropriate resource allocation across the regime, is likely contributing to the operation of the AML/CFT Act not being sufficiently risk-based. These issues are likely further compounded by multiple agencies having to coordinate their efforts to deliver services in the regime, such as supervision.

If the status quo remains, we expect to see:

a. Over-compliance with related higher costs to the private sector.
b. Higher-risk areas (for money laundering and terrorism financing) not being addressed; with the result that money laundering and terrorism financing is not prevented from occurring in New Zealand.
c. Significant technical deficiencies remain in the AML//CFT regime; with the result that New Zealand is not able to exit enhanced follow up at the FATF in 2024.

What is the policy problem or opportunity?

The Statutory review identified numerous issues with the current AML/CFT regime. This RIS responds to a sub-section of these, in particular:

- Gaps in regulations relating to known high-risk areas of cash, virtual assets, high-risk countries, and high-risk customers. These gaps mean that important intelligence is not being provided, small cash purchases of high-value goods are occurring through pawnbrokers, and generally that important AML/CFT obligations do not match the higher level of risk in these areas. These are also all areas where we do not comply with FATF standards.

- There is limited visibility of how remittance networks operate (such as who their agents are and who is responsible for their compliance) which means there is limited assurance about whether relevant obligations are being met.

- The FATF Standards require information on the parties to a wire transfer to be available to all financial institutions that are part of a chain of transactions and to government agencies. This enables transactions to be traced internationally and suspicious transactions to be identified. We do not currently meet these standards.

- Agencies that observe money laundering and other harms are currently unable to share information with the AML/CFT regime if the information was supplied or obtained under legislation not listed in section 140 of the AML/CFT Act.

- Many definitions and terminology are out of date, unclear, or not fit-for-purpose. This means the regime does not work as effectively as possible to detect and prevent money laundering and terrorism financing and places a higher cost on business to comply with their obligations.

- Over compliance being required in areas of lower-risk (i.e. some obligations are set to a higher standard of risk) causing unnecessary costs to business.

What objectives are sought in relation to the policy problem?

1. Resolve technical deficiencies in our AML/CFT regime to enable New Zealand to exit enhanced follow up at the FATF in 2024.
2. Resolve issues raised in the statutory review (as outlined in the problem definition).

Section 2: Deciding upon an option to address the policy problem

What criteria will be used to compare options to the status quo?

Key for qualitative judgements:	
++	much better than doing nothing/the status quo
+	better than doing nothing/the status quo
0	about the same as doing nothing/the status quo
-	worse than doing nothing/the status quo
- -	much worse than doing nothing/the status quo

Effectiveness

- To what extent will the option/recommendation reduce the harm of money laundering and terrorism financing, or mitigate a risk or vulnerability?
- Will the option / recommendation lead to any unintended consequences, such as de-risking (when financial institutions terminating or restricting business relationships with clients or categories of clients to avoid, rather than manage, risk) or financial exclusion?
- Will the option / recommendation continue to be effective in ten years' time?

Workability

- How practical will the option/recommendation be for the government, reporting entities, or third parties to implement?
- Are obligations sufficiently clear and certain?
- Will it enable greater flexibility or efficiencies in the AML/CFT system?

Cost efficiency

- Are the costs (including opportunity costs and broader/indirect economic impacts) of the option justified with respect to the harm being addressed or benefit being realised?

International compliance

- To what extent is the option/recommendation in line with the FATF recommendations?
- Will it contribute to completing an action the FATF has recommended in New Zealand's Mutual Evaluation?

Constitutional appropriateness

- To what extent is the option / recommendation in line with New Zealand's overall domestic legislative and constitutional framework, including, but not limited to, the principles of Te Tiriti, New Zealand Bill of Rights Act 1990 and human rights conventions, privacy interests, or other constitutional considerations such as the rule of law?

Many of the options analysed consider the issuing of regulations, codes of practice, or guidance. The below table outlines the generally positive and negative implications for each type of intervention; however, each option is contextual and requires analysis specific to the problem/opportunity.

	Regulations	**Code of practice**	**Guidance**
Effective	Provides the most certainty that actions will be taken to prevent/detect ML/TF as they are enforceable. May create legal risk for reporting entities. This has created unintended consequences historically – for example, institutions not wanting to take on the risk of certain cohorts of customers.	Provides certainty that reporting entities will take actions at least as effective as in the code.	Helps reporting entities to exercise best practice to prevent/detect ML/TF. Not certain at a system level that anticipated risk mitigations will be fully implemented.
Workable	Creates the greatest degree of high-level legal certainty for system participants. Detail of how to implement settings or apply to specific sectors may not be clear. Requires PCO drafting and high degree of precision. Requires another regulatory	Can provide reporting entities more detailed information on practical implication. Provides high level of legal assurance for reporting entities. Can be amended as circumstances change. Gives high level of responsibility for decision making to agencies,	Can provide more detailed information on practical implication, especially for specific sectors. Can be amended as circumstances change. Reporting entities may not have sufficient legal certainty relying on guidance alone.

	process to change settings.	which may not be appropriate or may create risk for agencies.	
Cost-efficient	No ongoing cost for government (other than enforcement). May create costs for reporting entities to interpret obligations.	High ongoing cost for government to keep code up-to-date. Less cost for reporting entities to interpret obligations. Often higher cost for reporting entities as they have to implement detailed obligations and less freedom to tailor their implementation to their circumstances.	Ongoing cost for government to keep guidance up-to-date. Less cost for reporting entities to interpret obligations.

What scope will options be considered within?

The Statutory Review recommended progressing the proposals in three tranches:

- the **short-term changes** are those where the Ministry has made a clear recommendation for what change is needed and which can be implemented through issuing new or amending existing AML/CFT regulations. The full detail of these changes is outlined in the next section and includes relaxing various requirements that cause unnecessary challenges or uncertainty for businesses, improving information sharing, and addressing some areas of risk.

- the **medium-term changes** are those that can be achieved through operational changes, such as the issuing of further guidance for businesses, as well as other potential regulatory changes that require further policy work and engagement with the private sector before a clear recommendation can be made.

- the **long-term changes** are those which require the AML/CFT Act to be amended. Many of these changes are straightforward, however, there are some potentially foundational changes that may need to be made to the AML/CFT regime. These foundational changes largely relate to moderate technical issues in the AML/CFT Act that lead to significant effectiveness gaps. The details of these changes require further policy work and engagement or co-design with the private sector.

This RIS contains the short-term changes, and therefore the scope of options is limited to options considered in the statutory review, where there is a clear recommendation for what change is needed and that change can be implemented through issuing new or amending existing AML/CFT regulations.

Section 2A: high-risk areas of cash, virtual assets, high-risk countries, and high-risk customers

Addressing areas of risk – Cash

Pawnbrokers are fully exempt from the AML/CFT Act (and already subject to the *Secondhand Dealers and Pawnbrokers Act 2004)* when they may engage in relevant cash transactions for the Act's definition of High Value Dealers (HVDs)[3].

Pawnbrokers are exposed to money laundering and terrorism financing when engaging in these transactions, which are known to exposed to ML/TF risk. Additionally, pawnbrokers may have a small commercial advantage over other HVDs that are not exempted.

Option One – Status Quo

Option Two – Remove the exemption in full so that selling high-value goods and all pawning is no longer excluded from the Act.

Option Three - Amend the exemption to no longer apply to pawnbroker activities that meet the definition of high-value dealer and clarify that pawning is not captured under the AML/CFT Act as providing a loan.

How do the options compare to the status quo

	Option One	Option 2 – remove the exemption in full	Option 3 – amend the exemption
Effectiveness	0	++ Capturing the selling and pawning of high-value goods would effectively mitigate the ML/TF risks of such activities by increasing oversight of cash transactions and the ability to detect ML/TF. However, capturing all pawning activity (which potentially could be captured as providing loans) would not add to the effectiveness of the option.	++ Capturing the selling and pawning of high value goods would effectively mitigate the ML/TF risks of such activities by increasing oversight of cash transactions and the ability to detect ML/TF. Not including pawning activity that isn't captured as HVD activity would not undermine the effectiveness of the option.
Workability	0	- While this option would create some compliance burden, there are only a few pawnbroker's whose transactions would meet the threshold to be captured as HVD. Further, they must already comply with Secondhand Dealers and	0 While this option would create some compliance burden, there are only a few pawnbroker's whose transactions would meet the threshold to be captured as HVD. Further, they must already comply with Secondhand Dealers and

[3] Defined in the AML/CFT Act as a person who is in trade and in the ordinary course of business, buys or sells all or any of the prescribed articles by way of a cash transaction or a series of related cash transactions, if the total value of that transaction or those transactions is equal to or above the applicable threshold value

		Pawnbrokers Act 2004 which has some similar obligations. This part of the option would be workable to implement and comply with. However, if the pawning aspect was captured as providing loans it would mean many businesses would be captured that would have more difficulty complying, since providing loans would mean that the pawnbroker would be considered a financial institution with a significantly higher and more complex set of obligations to meet.	Pawnbrokers Act 2004 which has some similar obligations. Therefore, this option would be workable to implement and comply with.
Cost effective	0	+ This option would be cost effective as it would increase the ability to detect ML/TF. However, as it could impact on low-value pawning and capture more entities, it is less cost effective than option 3 (amend the exemption).	++ This option would be cost effective as it would increase the ability to detect ML/TF and place only a small compliance burden on few entities. It would be more cost effective than 5.2 as it would not adversely impact on low-value pawning.
Internationally compliant	0	++ Improves compliance with Recommendation 1, 22, and 23 of the FATF recommendations	++ Improves compliance with Recommendation 1, 22, and 23 of the FATF recommendations
Constitutionally appropriate		-- If low-value pawning was captured it could negatively impact on financial inclusion.	0 This would uphold financial inclusion considering that pawning can provide an immediate source of income for people in vulnerable circumstances.
Overall assessment	0	-	++

What option is likely to best address the problem, meet the policy objectives, and deliver the highest net benefits?

Option Three – this will amend the exemption so that pawnbroker activities are captured by the AML/CFT Act if they meet the definition of an HVD. This change would be in line with the money laundering vulnerabilities associated with the use of cash for buying, selling or pawnbroking activity involving high-value goods. It would also increase New Zealand's compliance with FATF Standards.

What are the marginal costs and benefits of the option?

Affected groups	Comment	Impact	Evidence Certainty
Additional costs of the preferred option compared to taking no action			
Regulated groups	There will be the ongoing compliance cost for businesses.	Low - Including pawnbrokers as HVDs under the AML/CFT Act will not create a significant compliance burden. As noted, pawnbrokers are already subject to the *Secondhand Dealers and Pawnbrokers Act 2004* which includes similar identification and record keeping obligations.	High
Non-monetised costs	Regulated groups will have ongoing compliance costs and impacts but this is confirmed to be minimal.	Low	High
Additional benefits of the preferred option compared to taking no action			
Others (eg, wider govt, consumers, etc.)	We consider this recommendation is in line with the risk-based approach and would uphold financial inclusion considering that pawning can provide an immediate source of income for people in vulnerable circumstances.	Low	High

Addressing areas of risk – high-risk customers – Specific information about legal persons/legal arrangements

Due to the potential use of legal persons and arrangements to mask criminal activity, we explored options to ensure that businesses understand the legal structures of their customers. This is consistent with the FATF Standards that require businesses to understand the nature of the customer's ownership and control structure, and to obtain and verify its legal form and proof of existence and powers that bind and regulate (e.g., understanding voting rights or founding documents setting out how the legal person or arrangement can operate).

Option One – Status Quo

Option Two – Prescribe that reporting entities must obtain, as part of customer due diligence, information about legal form and proof of existence, ownership and control structure, and powers that bind and regulate, and verify this information according to the level of risk.

Option Three - Implement code of practice setting out steps requiring reporting entities to obtain information about legal form and proof of existence, ownership and

control structure, and powers that bind and regulate, and verify this information according to the level of risk

How do the options compare to the status quo?

	Option One	Option 2 – Regulation	Option 3 – Code of practice
Effectiveness	0	++ Closing this loophole from the FATF standards will ensure a more robust AML/CFT framework overall as businesses will better understand the nature of the customer's ownership and control structure.	++ Closing this loophole from the FATF standards will ensure a more robust AML/CFT framework overall as businesses will better understand the nature of the customer's ownership and control structure.
Workability	0	0 Will require additional reporting entity policies, procedures and controls, and regulations are more difficult to draft than code of practice	+ Will require additional reporting entity policies, procedures and controls.
Cost effective	0	- Slight increase in cost from status quo, although many reporting entities already meet these requirements.	-- Implementing a code of practice process that must be followed may increase costs. Implementing a code of practice would provide less flexibility for reporting entities with flow on additional costs
Internationally compliant	0	++ Yes	++ Yes
Constitutionally appropriate	0	0 no significant change	0 no significant change
Overall assessment	0	++	+

What option is likely to best address the problem, meet the policy objectives, and deliver the highest net benefits?

Option Two - issuing regulations will require businesses to obtain this information, with the level of verification only required according to the level of risk. This will ensure compliance costs are proportionate and that businesses could choose not to verify the information for simple legal structures or in known low-risk situations (as determined by risk assessments).

What are the marginal costs and benefits of the option?

Affected groups	Comment	Impact	Evidence Certainty
Additional costs of the preferred option compared to taking no action			
Regulated groups	Regulated groups will have increased ongoing obligations to collect information.	Medium – we understand many regulated groups are already collecting this information	Medium

Additional benefits of the preferred option compared to taking no action			
Regulated groups	Ongoing benefit of reduced compliance costs for information collected based on the level of risk.	Low – we understand through consultation that half of the submitters are already collecting information.	Medium
Others (eg, wider govt, consumers, etc.)	Respond to FATF compliance standards Ongoing benefit of reduced compliance costs for customers whose information is collected based on the level of risk.	High – understanding your customer and the binding business relationship is fundamental to compliance with FATF standards	High
Non-monetised benefits	Regulated groups have clarity on who information needs to be collected on, and regulators receive the right information.	Medium	Medium/High

Addressing areas of risk – high-risk customers - Source of wealth (SOW) vs source of funds (SOF)

Enhanced Customer Due Diligence (CDD) is a key component of determining whether a high-risk customer, transaction or situation is suspicious, or whether activities appear high risk but can ultimately be established as legitimate. Under the Act's current settings, the enhanced CDD measures are limited to obtaining and verifying information regarding source of wealth or funds. There is no differentiation between the two even though they can be quite different. SOF is 'where' the particular money is coming from, while SOW is 'how' the customer got to have money – i.e. funds in control of a high net wealth individual might be automatically assumed to be legitimate. The lack of differentiation means enhanced CDD efforts may not necessarily be directed at which of the two, or both, is most relevant to mitigate the risks.

Option One – Status Quo

Option Two – Prescribe that reporting entities must differentiate in their AML/CFT compliance programme when information must be obtained and verified regarding source of wealth or source of funds, or both, as is required to mitigate the risks.

Option Three – Issue Code of practice to set out how SOW vs. SOF requirements and enhanced CDD more broadly can be met according to the level of risk. For example, wealth at commencement of a business relationship vs. funds in relation to a particular activity/transaction within a business relationship or an occasional activity/transaction.

Option Four - Update/issue further guidance to set out how SOW vs. SOF requirements and enhanced CDD more broadly can be met according to the level of risk. For example, wealth at commencement of a business relationship vs. funds in relation to a particular activity/transaction within a business relationship or an occasional activity/transaction.

How do the options compare to the status quo?

	Option One	Option 2 – Regulation	Option 3 – Code of practice	Option 4 - Guidance
Effectiveness	0	++ Providing clarity/requirements regarding when SOF/SOW are respectively required would provide assurance for reporting entities and ensure the AML/CFT framework best mitigates risks. Regulations are more effective due to being enforceable.	+ Providing clarity/requirements regarding when SOF/SOW are respectively required would provide assurance for reporting entities and ensure the AML/CFT framework best mitigates risks. Code of practice would provide more enforcement possibility, but not the same level of certainty as regulations about consistent approaches.	+ Providing clarity regarding when SOF/SOW are respectively required would provide assurance for reporting entities and ensure the AML/CFT framework best mitigates risks. Enforcement would be less clear cut.
Workability	0	++ Yes. It will bring clarity to an issue that is currently an area of confusion. Would provide highest level of certainty to all system participants. The regulations would be relatively straight forward and not require detailed interpretation.	+ Yes. It will bring clarity to an issue that is currently an area of confusion. This option would provide less certainty compared to regulations.	+ Yes. It will bring clarity to an issue that is currently an area of confusion. This option would provide less certainty compared to regulations. Potentially some flexibility for reporting entities to avoid unintended costs/consequences
Cost effective	0	+ Potentially cost saving as it will bring clarity around application of AML/CFT obligations.	-- Implementing a code of practice process that must be followed may increase costs.	+ Potentially cost saving as it will bring clarity around application of AML/CFT obligations.
Internationally compliant	0	0 Yes	0 Yes	Yes

Constitutionally appropriate		0 no significant change	0 no significant change	0 no significant change
Overall assessment	0	++	0	+

What option is likely to best address the problem, meet the policy objectives, and deliver the highest net benefits?

Option Two - issuing regulations to improve the effectiveness of the enhanced CDD settings, without significant impact or cost to businesses. Reporting entities must differentiate in their AML/CFT compliance programme when information must be obtained and verified regarding source of wealth or source of funds, or both, as is required to mitigate the risks

Affected groups	Comment	Impact	Evidence Certainty
Additional costs of the preferred option compared to taking no action			
Regulated groups	Some increased compliance cost for those not already collecting information	Low - No significant impact to regulated groups as some are already collecting this information. However, if the regulations were an overly prescriptive system, this could create costs.	Medium
Additional benefits of the preferred option compared to taking no action			
Regulated groups	Ongoing benefit of reduced compliance costs for customers whose information is collected based on the level of risk.	-	Medium
Others (eg, wider govt, consumers, etc.)	Compliance with FATF and international standards for knowing your customer	High	High
Non-monetised benefits	-	Low	High

Addressing areas of risk – high-risk customers - Additional ECDD measures

Enhanced CDD is a key component of determining whether a high-risk customer, transaction or situation is suspicious, or whether activities appear high risk but can ultimately be established as legitimate. Under the Act's current settings, the enhanced CDD measures are limited to obtaining and verifying information regarding SOW or SOF. The AML/CFT Act does not include options for implementing other enhanced CDD measures to mitigate risks.

Option One – Status Quo

Option Two - Prescribe that reporting entities must implement any additional enhanced customer due diligence measures at the start and for the duration of a

business relationship as are required to mitigate the risks and provide a list of potential additional measures the reporting entity may apply.

Option Three – Establish code of practice setting out the types of additional measures. Require these measures to be documented in AML/CFT programme.

How do the options compare to the status quo?

	Option One	Option 2 - Regulation	Option 3 – Code of practice
Effectiveness	0	++ Ensures that reporting entities manage risk throughout business relationships and the provides certainty and enforceability.	0 Might improve how much entities manage risk throughout business relationships but does not provide certainty or enforceability
Workability	0	0 Will require reporting entities to amend their AML/CFT programmes and implement new Policy Procedures and Controls (PPCs). It may make PPCs more complex.	- Will require reporting entities to amend their AML/CFT programmes and implement new PPCs. It may make PPCs more complex; and would potentially be less flexible than regulations alone.
Cost effective	0	0 No significant increase in cost after implementation of changes to AML/CFT programme.	-- Implementing a code of practice process that must be followed may increase costs.
Internationally compliant	0	+ Yes	+ Yes
Constitutionally appropriate		0 no significant change	0 no significant change
Overall assessment	0	++	-

What option is likely to best address the problem, meet the policy objectives, and deliver the highest net benefits?

Option Two - issuing regulations to improve the effectiveness of the enhanced CDD settings, without significant impact or cost to businesses. Reporting entities must implement any additional enhanced customer due diligence measures at the start and for the duration of a business relationship as are required to mitigate the risks and provide a list of potential additional measures the reporting entity may apply.

Affected groups	Comment.	Impact.	Evidence Certainty
Additional costs of the preferred option compared to taking no action			
Regulated groups	Regulated groups will be providing additional information to meet ECDD	Low - regulated groups will be providing additional information to meet ECDD standards only based	High

	standards based on risk levels	on risk levels. Many reporting entities already conduct ongoing ECDD	
Others (eg, wider govt, consumers, etc.)	Customers will need to meet the ongoing cost of additional CDD requirements where applicable	Low - customers will only have ongoing impact of additional CDD requirements where applicable	Medium
Non-monetised costs	-	Low	Medium
Additional benefits of the preferred option compared to taking no action			
Regulated groups	Ongoing benefit of reduced compliance costs for customers whose information is collected based on the level of risk.	Low	Medium
Non-monetised benefits	Regulated groups have clarity on what information needs to be collected and regulators receive the right information. Regulated groups will have consistency across businesses to mitigate the risks with any additional ECDD	High – compliance with FATF standards and align to the purpose of the Act.	High

Virtual Assets

(1) Virtual Assets: Definition of virtual asset providers

Currently, there is no clear definition of virtual asset service providers (VASPs) under the AML/CFT Act, instead they are covered under section 5 as Financial Institutions. There is an opportunity to provide proper clarity.

Option One – Status Quo

Option Two – In regulations, define virtual asset service providers as a type of reporting entity using the definition provided by the FATF.

Option Three – In regulations, create a new definition of virtual asset providers that is New Zealand-specific to context.

Option Four – Update/ introduce guidance to provide clarity.

How do the options compare to the status quo/counterfactual?

	Option One	Option Two	Option Three	Option Four
Effectiveness	0	++ High effectiveness and will provide a clear and explicit definition that is	++ High effectiveness and would be created to be workable specifically to the New Zealand VASP context	0 - Low effectiveness - It is unlikely that guidance would provide the clarity required due to the

		internationally compliant	and with the AML/CFT Act	specificity of VASPs.
Workability	0	++ Enables VASPs to have ultimate clarity for their definitions, obligations and thresholds under the Act. This avoids any confusion throughout the AML/CFT Act as to where VASPS may sit/what obligations do or do not apply to them. Using standard definition would provide best interoperability with overseas regimes	+ Enables VASPs to have ultimate clarity for their definitions, obligations and thresholds under the Act. This avoids any confusion throughout the AML/CFT Act as to where VASPS may sit/what obligations do or do not apply to them. Using New Zealand specific definition would ensure that definition captures all services in New Zealand without overreach. However, divergence from the FATF definition may create uncertainty for VASPs since their business is inherently international	- While more efficient and easier to produce, this option doesn't have a very high workability as it is non-binding and does not provide the required obligations Services providers included in code of practice, but not a regulatory definition would be exposed to a high degree of legal uncertainty.
Cost Efficiency	0	0 - costs to industry would come from obligations	0 - costs to industry would come from obligations	0 - costs to industry would come from obligations
International Compliance	0	++ Yes	++ Yes	- No
Constitutional appropriateness	0	0	0	0
Overall assessment	**0**	**++**	**+**	**-**

What option is likely to best address the problem, meet the policy objectives, and deliver the highest net benefits?

Option Two - A specific definition for VASPs will ensure these businesses are clearly captured by the regime and achieve compliance with the FATF's requirements. We also consider that using the FATF definition would create the most certainty for VASPs operating internationally, given that all countries are expected to comply with the FATF's definition.

What are the marginal costs and benefits of the option?

Affected groups	Comment	Impact	Evidence Certainty
Additional costs of the preferred option compared to taking no action			
Non-monetised costs	-	-	-
Additional benefits of the preferred option compared to taking no action			
Virtual Assets Providers	These businesses will be provided with clarity and there will be more certainty for those operating internationally. These businesses would also be less likely to be derisked by financial institutions.	High	Medium
Regulators	Ensures these businesses are clearly captured by the regime.	High	Medium
Others (eg, wider govt, consumers, etc.)	Achieves FATF compliance.	High	High
Non-monetised benefits	Businesses are provided with clarity, they are clearly captured by the regime, and FATF compliance is achieved.	Medium	Medium

(2) Virtual Assets: Transaction thresholds

There are currently no specific provisions for occasional transactions involving virtual assets (such as crypto currencies and non-fungible tokens), although some relevant transactions are captured through existing provisions in the Act. The existing thresholds that apply to cash also apply to virtual asset transactions, and vice versa, of NZD 10,000. However, this does not comply with the FATF Standards, which require all virtual asset occasional transaction thresholds to be set at USD/EUR 1,000 due to the inherent risks associated with virtual assets. This approach also does not include virtual asset to virtual asset transactions.

Option One – Status Quo

Option Two – Prescribe through regulations that all virtual asset transactions at or above NZD 1,000, that occur outside of a business relationship, are occasional transactions, including virtual asset to virtual asset transfers.

Option Three – Prescribe through regulations that all virtual asset transactions at or above either USD 1,000 or EUR 1,000 are occasional transactions, including virtual asset to virtual asset transfers.

Option Four – Issue guidance

How do the options compare to the status quo/counterfactual?

	Option One	Option Two - NZD1000	Option Three – USD1000 or EUR1000	Option Four - Guidance
Effectiveness	0	++ High effectiveness for data and reporting purposes.	+ This would leave a data gap and inconsistency with	0 - Low effectiveness - It is unlikely that guidance would provide the clarity

			dataset for wire transfers	required due to the specificity of VASPs.
Workability	0	+ The option would align with NZD 1,000 threshold for when a Prescribed Transaction Report is required for wire transfers. This provides consistency for supervisors/FIU and entities that do virtual asset and wire transfer transactions. However, there would be lower workability for businesses conducting business in multiple jurisdictions as many other countries sit at ~ NZD1500	0 This would achieve some alignment with overseas, but there are so many different thresholds - even those who stick to the FATF obligation will have it in either EUR or USD. Also, the fluctuation would be difficult for entities dealing in NZD.	- While more efficient and easier to produce, this option doesn't have a very high workability as it is non-binding and doesn't provide the obligations/inclusion needed
Cost Efficiency	0	- Costs would be implicit in needing to report	- Costs would be implicit in needing to report	0 – Guidance would not incur costs to the private sector
International Compliance	0	++ Yes	++ Yes	- No
Constitutional appropriateness	0	0	0	0
Overall assessment	**0**	**++**	**+**	**-**

What option is likely to best address the problem, meet the policy objectives, and deliver the highest net benefits?

Option Three - We recommend setting a threshold at NZD 1,000 at the time of transaction. We consider that this will allow for the greatest level of financial intelligence in the virtual asset industry, reflect the risks associated with the sector, and align with other AML/CFT thresholds. Based on industry feedback, we do not anticipate that this would result in disproportionate compliance costs, as VASPs which engaged with the review indicating that they are already viewing all customers as having a business relationship and conducting CDD irrespective of the transaction amount.

What are the marginal costs and benefits of the option?

Affected groups	Comment	Impact	Evidence Certainty
Additional costs of the preferred option compared to taking no action			
VASPs	There would be some compliance costs for businesses, however those engaged in the review told us they are already conducting CDD regardless of threshold.	Medium	High – relevant businesses engaged with the review on this option.

Additional benefits of the preferred option compared to taking no action			
Regulators	High level of financial intelligence in the industry	Medium	Medium
Others (eg, wider govt, consumers, etc.)	Achieves FATF compliance.	High	High
Non-monetised benefits		Medium	Medium

(3) Virtual Assets: extending international wire transfer obligations

The extent to which the existing definitions of wire transfers cover transfers of virtual assets is unclear, but the definitions do not cover all types of virtual asset transfers.

Option One – Status Quo

Option Two – Prescribe, through regulations, virtual asset transfers as international wire transfers unless the entity is satisfied otherwise. Appropriate identity and verification requirements should also be prescribed that reflect the nature and risk of the underlying transactions, such as differentiating between hosted and unhosted wallets.

Option Three – Update/introduce guidance for clarity

How do the options compare to the status quo/counterfactual?

	Option One	Option Two - Regulations	Option Three - Guidance
Effectiveness	0	++ High workability. This would ensure that international transactions, which are higher ML/TF risk, are treated as international transactions with appropriate controls.	0 Low effectiveness - It is unlikely that guidance would provide the clarity required due to the specificity of VASPs.
Workability	0	++ The workability for industry would depend on the wording and the implementation of the travel rule. This would likely have high workability regarding data and oversight for supervisors/FIU	- While more efficient and easier to produce, this option does not have a very high workability as it is non-binding and doesn't provide for the obligations/inclusion needed
Cost Efficiency	0	- This would incur compliance costs.	0 - Costs to industry would come from legislative/regulation obligations
International Compliance	0	++ Yes	- No
Constitutional appropriateness	0	0	0
Overall assessment	0	++	-

What option is likely to best address the problem, meet the policy objectives, and deliver the highest net benefits?

Option Two - We recommend issuing regulations to include virtual asset transfers within the existing wire transfer obligations. To ensure VASPs have appropriate and proportionate compliance costs, we further recommend that the regulations should specify that all virtual asset transfers should be considered international wire transfers unless VASPs are satisfied that they do not involve international parties.

What are the marginal costs and benefits of the option?

Affected groups	Comment	Impact	Evidence Certainty
Additional costs of the preferred option compared to taking no action			
VASPs	Appropriate and proportionate compliance costs	Medium	Medium - The industry noted that they are often already required to comply with corresponding obligations in offshore jurisdictions.
Additional benefits of the preferred option compared to taking no action			
Regulators	Helps ensure that all VASPs have full visibility about the underlying parties to the transaction irrespective of the type of virtual asset being transacted.	Medium	Medium
Others (eg, wider govt, consumers, etc.)	Achieves FATF compliance.	High	High
Non-monetised benefits	Helps improve transparency of transactions and achieve FATF compliance.	Medium	Medium

Section 2B: remittance networks

What options are being considered?

Because Money Value Transfer Service (MVTS) providers (or 'remitters') can be involved in both sides of the transaction, they may be in a position to spot suspicious activity that otherwise might not be spotted. The FATF recommends MVTS providers which control both the ordering and beneficiary end of a wire transfer should consider information from both sides of the transfer to determine whether a suspicious activity report (SAR) is required. If a SAR is required, this should be submitted to the FIU in any of the countries affected by the suspicious transfer.

Option One – Status Quo

Option Two - Issue regulations to state that a MVTS provider that controls both the ordering and beneficiary ends of a wire transfer is required to consider both sides of the transfer to determine whether a SAR is required.

How do the options compare to the status quo/counterfactual?

	Option One	Option Two

Effectiveness	0	++ This would likely be highly effective due to the unique position of MVTS to spot suspicious activity that otherwise might be missed.
Workability	0	++ The workability would be reasonable, as the provider has access to all information required for such consideration, compliance costs would not be high. Guidance could be issued for clarity to the MVTS providers required to submit SARs.
Cost Efficiency	0	0 Neutral
International Compliance	0	++ Yes - the FATF expects regimes to have this in place.
Constitutional appropriateness	0	0
Overall assessment	0	++

What option is likely to best address the problem, meet the policy objectives, and deliver the highest net benefits?

Option Two – regulations should be issued to require MVTS providers that control both the ordering and beneficiary side to consider both sides of the transaction to determine whether a SAR should be submitted. Not only will this comply with the FATF Standards, but it may also better address risks involving MVTS providers and wire transfers.

What are the marginal costs and benefits of the option?

Affected groups	Comment	Impact	Evidence Certainty
Additional costs of the preferred option compared to taking no action			
Regulated groups	Adds some compliance costs due to the additional information needed to determine if a SAR is required	Medium	Medium
Additional benefits of the preferred option compared to taking no action			
Regulators	This would improve oversight due to MVTS providers' unique insight.	Medium	Medium
Others (eg, wider govt, consumers, etc.)	Achieves FATF compliance.	High	High
Non-monetised benefits		Medium	Medium

Section 2C: Information Sharing

Several key Acts are currently not included under section 140 of the AML/CFT Act; either through the statutory list or through regulations as provided for under section 140(2)(x). The key agencies responsible for the listed legislation have observed money laundering and other harms but are currently unable to share information with the AML/CFT agencies.

Option One – Status Quo

Option Two - Include within scope of section 140 the following Acts: Agricultural Compounds and Veterinary Medicines Act 1997, Animal Products Act 1999, Animal Welfare Act 1999, Biosecurity Act 1993, Child Support Act 1991, Commerce Act 1986, Corrections Act 2004, Defence Act 1990, Environment Act 1986, Fisheries Act 1996, Food Act 2014, Forests Act

1949, Gaming Duties Act 1971, Immigration Act 2009, Policing Act 2008, Student Loans Scheme Act 2011, Trusts Act 2019 and Wine Act 2003

How do the options compare to the status quo/counterfactual?

	Option One	Option Two - regulations
Effectiveness	0	++ There is only one option to do this and issuing regulations to include other acts is likely highly effective in terms of outcomes.
Workability	0	++ High workability and enables long term information sharing across acts administered by different agencies.
Cost Efficiency	0	N/A
International Compliance	0	+ Yes
Constitutional appropriateness	0	0 – Privacy considerations: existing section140 safeguard applies - "if the disclosing entity has reasonable grounds to believe that the disclosure of that information is necessary or desirable for the purpose of ensuring compliance with this Act and regulations." Additionally, there are privacy safeguards in the proposed Acts.
Overall assessment	0	++

What option is likely to best address the problem, meet the policy objectives, and deliver the highest net benefits?

Option Two – this will enable long term information sharing across acts administered by different agencies under which responsible agencies have observed money laundering and other harms but are currently unable to share information with the AML/CFT agencies.

What are the marginal costs and benefits of the option?

Affected groups	Comment	Impact	Evidence Certainty
Additional costs of the preferred option compared to taking no action			
Regulated groups	Potential privacy impact due to the expanded ability for information to be shared however this is balanced by the fact that under s140 there is an inherent privacy safeguard as information can only be shared if there is reasonable grounds to believe that the disclosure of that information is necessary or desirable for the purpose of ensuring compliance with the AML/CFT Act and regulations	Low	Medium
Additional benefits of the preferred option compared to taking no action			
Regulators	Supervisors will be able to receive information when other agencies observe money laundering.	High	High

Others (eg, wider govt, consumers, etc.)	Other agencies will be able to share when they observe money laundering.	High	High
Non-monetised benefits	Ability for information to be shared about money laundering when observed by other agencies.	High	High

Section 2E: Clarifying Obligations

Customer Due Diligence

(1) CDD: beneficial owner - process for legal persons

The current definition of beneficial owner applies across all types of legal person or legal arrangement; this means that there is a level of over-compliance for persons that should not be considered beneficial owners for types of legal persons or legal arrangements.

Option One – Status Quo

Option Two – Prescribe who the beneficial owner is (and all persons, such as settlors, protectors, trustees of trusts, that must be identified/verified) for different types of legal person or legal arrangement.

How do the options compare to the status quo/counterfactual?

	Option One – *Status Quo*	Option Two – Prescribe who the beneficial owner is
Effectiveness	0	++ Clarifying the persons that meet the definition of beneficial owner and otherwise need to be identified/verified would better enable businesses to comply with obligations and mitigate the risks.
Workable	0	++ Clarifying persons that should be captured by the definition would provide certainty to businesses and regulators.
Cost effective	0	++ Clarity regarding definition would provide clearer obligations for reporting entities potentially leading to some cost savings once PPCs are implemented.
Internationally compliant	0	Yes
Constitutionally appropriate	0	Yes
Overall assesment	0	++ - Providing clarity, clearer requirements and/or a resource than can be accessed by businesses would better mitigate the risks, while also leading to cost savings.

What option is likely to best address the problem, meet the policy objectives, and deliver the highest net benefits?

Option Two - this will ensure that those persons intended to meet the criteria for beneficial owner are identified and verified, while concurrently reducing a need for over-compliance for persons that should not be considered beneficial owners.

What are the marginal costs and benefits of the option?

Affected groups (identify)	Comment nature of cost or benefit	Impact	Evidence Certainty
Additional costs of the preferred option compared to taking no action			
Non-monetised costs	-	-	-
Additional benefits of the preferred option compared to taking no action			
Regulated groups	Reducing a need for over-compliance for persons that should not be considered beneficial owners.	Medium	Medium – we do not have data on how much over-collection there currently is, but this was frequently raised during consultation
Regulators	This will ensure that those persons intended to meet the criteria for beneficial owner are identified and verified	High - Understanding underlying ownership or control of legal persons or legal arrangements is a core requirement of the Act.	High
Non-monetised benefits	Regulated groups have clarity on who information needs to be collected on, and regulators receive the right information.	High	Medium

(2) CDD - ongoing CDD - information for account monitoring

Section 31 combines ongoing CDD and account monitoring obligations together. It is not always clear what is needed for each, and how to apply a risk-based approach to these obligations.

Option One – Status Quo

Option Two – Introduce Regulations that articulate what is required for ongoing CDD and account monitoring respectively and the application of a risk-based approach.

Option Three - Establish a code of practice that sets out what is required for ongoing CDD and account monitoring respectively and the application of a risk-based approach.

Option Four - Issue further guidelines around what is required for ongoing CDD and account monitoring respectively and the application of a risk-based approach.

Option Five – Issue regulations to explicitly require that reporting entities risk-rate new customers as well as require reporting entities to consider and update risk ratings as part of ongoing customer due diligence and account monitoring over the course of a business relationship.

Option Six- Issue regulations to require reporting entities to, according to the level of risk involved and as part of ongoing customer due diligence, update (for customers where CDD has already been undertaken pursuant to the AML/CFT Act) or obtain (for customers where

the business relationship was formed before the reporting entity became part of the AML/CFT regime) customer due diligence information if required.

	1	2	3	4	5	6
Effectiveness	0	+ Providing clarity regarding what is required, and how it must be achieved, would ensure reporting entities understand requirements.	+ Providing clarity regarding what is required, and how it must be achieved, would ensure reporting entities understand requirements.	+ Providing guidance regarding what is required, and how it must be achieved, would assist reporting entities understand requirements.	++Including a requirement to risk rate and to use this as a basis for ongoing monitoring would assist reporting entities discharge obligations in a risk-based way.	++ Introducing a requirement to update CDD (which applies to existing customers as well) better mitigate ML/TF risks.
Workable	0	+ Would give reporting entities a process and framework to follow	+ Would give reporting entities a process and framework to follow	No significant change	++ Would give reporting entities a basis to implement a framework	++ Would give reporting entities a basis to implement a framework
Cost effective	0	- Implementing a process through regulations that must be followed may increase costs.	- Implementing a code of practice process that must be followed may increase costs.	No significant change	No significant change	-May increase costs slightly as more information must be collected
Internationally compliant	0	++ Yes	++ Yes	++ Yes	++ Yes	++ Yes
Constitutionally appropriate	0	0 Yes	0 Yes	0 Yes	0 Yes	0 Yes
Overall assessment	0	+ would provide clarity but without a requirement to risk-rate from the beginning unlikely to	+ would provide clarity but without a requirement to risk-rate from the beginning unlikely to	+ would provide clarity but without a requirement to risk-rate from the beginning unlikely to	++	++

		become fully risk-based	become fully risk-based	become fully risk-based		

What option is likely to best address the problem, meet the policy objectives, and deliver the highest net benefits?

Options Five and Six together:

- issuing regulations to explicitly require businesses to risk-rate customers as part of CDD, including ongoing CDD, will assist and support businesses in navigating the Act's risk-based requirements. For those smaller businesses with less sophisticated compliance models, we anticipate this will better signpost the AML/CFT Act and enable them to understand and direct their resource at the areas of higher risk.
- introducing a requirement to update or obtain information as part of ongoing CDD would better enable reporting entities to mitigate the risks associated with customers once a business relationship has been established.

Affected groups (identify)	Comment nature of cost or benefit	Impact	Evidence Certainty
Additional costs of the preferred option compared to taking no action			
Regulated groups	Some increased compliance costs due to need to collect more information on an ongoing basis.	Medium - with other submitters stating that they do this already; take a risk-based approach to avoid a potentially significant compliance cost.	Medium – mixed feedback from statutory review about impact
Additional benefits of the preferred option compared to taking no action			
Regulated groups	This would assist and support businesses in navigating the Act's risk-based requirements. For those smaller businesses with less sophisticated compliance models, we anticipate this will better signpost the AML/CFT Act and enable them to understand and direct their resource at the areas of higher risk.	Medium	Medium

(3) CDD: ongoing CDD – non-financial transactions

Section 31 of the AML/CFT Act only contains explicit requirements to monitor financial transactions. There is no accompanying requirement to monitor other activities, including DNFBP activities within a business relationship, such as actions as a nominee or trustee, real estate agency work or providing a business or correspondence address.

Option One – Status Quo

Option Two – Introduce regulations to require reporting entities to regularly review any customer's activities described in the definition of designated non-financial business or profession in section 5(1) of the AML/CFT Act where applicable.

Option Three - Issue further guidance for designated non-financial business or professions (DNFBPs) on what is expected for ongoing CDD and account monitoring in the absence of any transactions, and in accordance with a risk-based approach.

	Option One – *Status Quo*	**Option Two – Regulations**	**Option 3 - Guidance**
Effectiveness	0	++ Providing clarity regarding monitoring obligations in relation to non-financial activities would close the loophole and better mitigate the ML/TF risks associated with non-financial activities.	+ Providing clarity through guidance regarding monitoring obligations in relation to non-financial activities may assist but would not provide full legal certainty.
Workable	0	++ Yes. It will bring clarity to an issue that is currently an area of confusion.	0
Cost effective	0	Some compliance costs in terms of increased monitoring (-)	Some compliance costs in terms of increased monitoring (if guidance prompts this to happen) (-)
Internationally compliant	0	Y	Y
Constitutionally appropriate	0	Y	Y
Overall assessment		++ Providing clarity regarding monitoring obligations in relation to non-financial activities would close the loophole and better mitigate the ML/TF risks associated with non-financial activities.	+ Providing clarity through guidance regarding monitoring obligations in relation to non-financial activities may assist, but would not provide full legal certainty

What option is likely to best address the problem, meet the policy objectives, and deliver the highest net benefits?

Option Two - extending ongoing monitoring obligations to activities undertaken by DNFBPs as this is the only option that will close the loophole. However, as with monitoring of accounts and transactions, these requirements should only be according to the level of risk. Noting the scope of the Act, we do not consider it necessary to include other types of activities other than DNFBP activities.

Affected groups (identify)	Comment nature of cost or benefit	Impact	Evidence Certainty
Additional costs of the preferred option compared to taking no action			
Regulated groups	Increased compliance costs / monitoring	Low	medium
Non-monetised costs	Increased compliance costs / monitoring	Low	Medium
Additional benefits of the preferred option compared to taking no action			
Regulated groups			
Regulators	Better able to understand activities in the DNFBP sector and identify ML/TF risks.	Medium	Medium
Others (eg, wider govt, consumers, etc.)	Clarification on expectations for these situations would better enable non-transaction based ML/TF risks to be addressed.	Medium	Medium
Non-monetised benefits		Medium	Medium

Reliance on CDD conducted by another party

A fundamental AML/CFT principle is that each business is responsible and liable for conducting CDD on its customer to the level required by the Act. That said, both the AML/CFT Act and the FATF Standards include mechanisms for a business to rely on CDD conducted by another party, without needing to conduct it again in full. This includes relying on another unrelated reporting entity (or equivalent business overseas) that already has a business relationship with the customer.

There are some circumstances where conditions for relying on a third party do not comply with the FATF standards. This arises in relation to record keeping and reliance on a third party in an overseas jurisdiction, which poses some vulnerability to the AML/CFT system. Closing these gaps will ensure that ML/TF risks are mitigated.

Option One – Status Quo

Option Two - Prescribe that the relying party must consider the level of country risk if the relied-on party is not in New Zealand when engaging in section 33(2)(e)[4] reliance.

How do the options compare to the status quo/counterfactual?

	Option One	Option Two
Effectiveness	0	+ Closes the gap and slight improvement to effectiveness of AML/CFT controls overall.

[4] Reliance on other reporting entities or persons in another country.

Workability	0	0 No significant changes anticipated
Cost Efficiency	0	0 No significant changes anticipated
International Compliance	0	++ Yes
Constitutional appropriateness	0	0 - Yes
Overall assessment	0	+

What option is likely to best address the problem, meet the policy objectives, and deliver the highest net benefits?

Option Two - issuing regulations will remediate the two deficiencies identified by the FATF in relation to section 33. We consider these to be minor amendments that will close a gap.

What are the marginal costs and benefits of the option?

Affected groups	Comment	Impact	Evidence Certainty
Additional costs of the preferred option compared to taking no action			
Reporting entities	This will have a moderate increase on businesses' administrative burden.	Medium	Medium
Additional benefits of the preferred option compared to taking no action			
Others (e.g., wider govt, consumers, etc.)	Will remediate the two deficiencies identified by the FATF.	High	High

Clarifying obligations – use of new technologies

Developing new products, new delivery mechanisms, and using new or developing technologies can expose a business to emerging risks not previously considered. As a result, the FATF Standards require businesses to identify, assess, and mitigate the risks associated with developing or using new products, practices, and technologies. Section 30 of the AML/CFT Act only specifies that additional measures must be taken if the new technology or the product favours anonymity. There is no explicit requirement for a risk assessment.

Option One – Status Quo

Option Two – Require businesses to assess the ML/TF risks associated with new products and new business practices. The risk assessment should consider new delivery mechanisms, as well as the use of new or developing technologies for new and existing products. The risk assessment must be conducted before the technology or product is used.

Option Three - Non legislative changes such as guidance to clarify section 30

How do the options compare to the status quo?

	Option One	Option Two – regulations	Option Three - guidance
Effectiveness	0	++ New regulations allow for clear specific capture, to ensure new and developing technologies that pose risk of anonymity. .	0 It is unlikely that guidance would provide the clarity required due to the specificity of VASPs.
Workability	0	++ Regulations would provide clarity by setting out the factors of consideration for reporting entities.	- While more efficient and easier to produce, this option doesn't have a very high workability as it is non-binding and doesn't provide the obligations required.
Cost effective	0	0 Costs would be the same as any other risk assessment.	0 - Costs to industry would come from legislative/regulation obligations
Internationally compliant	0	++ Yes – closes loophole and meets FATF compliance	0 No
Constitutionally appropriate	0	0 no significant change	0 no significant change
Overall assessment	0	++	0

What option is likely to best address the problem, meet the policy objectives, and deliver the highest net benefits?

Option Two - issuing regulations to require businesses to assess the risks associated with the development of new products and new business practices. This should include new delivery mechanisms and the use of new or developing technologies for both new and existing products. The risk assessment should be conducted prior to implementation of the new product, delivery mechanism or use of new or developing technology. This regulation will then align with the requirements of section 57(1)(f) and (i) of the AML/CFT Act to manage and mitigate risks and prevent new products and technologies being used for money laundering or terrorist financing.

Affected groups	**Comment**.	**Impact**.	**Evidence Certainty**.
Additional costs of the preferred option compared to taking no action			
Regulated groups	Regulated groups will need to invest and complete risk assessments prior to the use of a new technology	Medium – regulated groups will be impacted by this assessment of risk in the short term	Medium

Additional benefits of the preferred option compared to taking no action			
Regulated groups	Regulations will lead to launch of better designed and safer products.	Medium	Medium
Others (eg, wider govt, consumers, etc.)	Compliant with FATF standards to identify, assess and mitigate the risks associated with new tech, less susceptible to money-laundering	High	High
Non-monetised benefits	New technologies will be designed and safer for the purpose of AML	This is a positive impact on the businesses who invest in and conduct new technologies	Medium/high

Section 2F: Providing regulatory relief

(1) Trustee or nominee services

Many Designated Non-Financial Businesses and Professions (DNFBPs) provide 'acting as a trustee or nominee' services by establishing one or more separate companies. Typically, these are wholly owned and controlled subsidiaries of a DNFBP that have obligations under the Act, including in circumstances when the parent DNFBP also has the same obligations. Many trustee or nominee companies are genuinely set up for administrative purposes only and do not pose any additional risks that cannot be effectively mitigated under the parent reporting entity's AML/CFT programme. There is an opportunity to provide regulatory relief to these types of companies in certain situations.

Option One – Status Quo

Option Two - Issue a regulatory exemption for all corporate trustees/nominee companies

Option Three - Issue a regulatory exemption for all corporate trustees/nominee companies associated or controlled by DNFBP, must be included in compliance programme of DNFBP

Option Four – Issue a regulatory exemption to allow DNFBPs to conduct a risk-based approach about when corporate trustees must comply with AML/CFT obligations

Option Five - partially exempt corporate trustees/nominee shareholders from certain functions where that has been carried out by "associated" entity. Require some compliance e.g. ECDD

How do the options compare to the status quo/counterfactual?

	Option One	Option Two	Option Three
Effectiveness	0	+ This would be helpful for reporting entities but would create a vulnerability where trustee-nominee companies could be set	++ This would simplify compliance for DNFBPs with trustee/nominee companies,

		up outside of DNFBPs without AML/CFT oversight	without creating a new national vulnerability.
Workability	0	+ This would be helpful for reporting entities (REs), but would have complexity for government as agencies would not have access to information in some circumstances where the company is not controlled by a DNFBP	++This option would provide a workable solution for those entities impacted by the problem without complicating agency operations.
Cost Efficiency	0	+Would significantly reduce the cost of compliance for effected DNFBPs but may cost more for agencies to obtain required information.	++ Would significantly reduce the cost of compliance for effected DNFBPs
International Compliance	0	-- Not compliant.	- Partially compliant.
Constitutional appropriateness	0	0	0
Overall assessment	0	+	++

	Option Four	**Option Five**
Effectiveness	+ This would be helpful for reporting entities (REs) but not effective at monitoring the risks of trustees/nominee	++ This would be a good approach to manage ML/TF risks as well as provide simplicity for reporting entities. Issuing a regulation, as opposed to a discretionary exemption adds more certainty.
Workability	+ This would be helpful for REs but have complexity for government in maintaining consistency across the regime.	++ Yes, this would be practical and helpful for effected reporting entities.
Cost Efficiency	++ Would significantly reduce the cost of compliance for effected DNFBPs	++ Would significantly reduce the cost of compliance for effected DNFBPs
International Compliance	-- Not compliant.	- Partially compliant - in line with the FATF's preference for a risk-based regime.
Constitutional appropriateness	0	0
Overall assessment	+	++

What option is likely to best address the problem, meet the policy objectives, and deliver the highest net benefits?

Option Five - we consider that an exemption should apply to trustee or nominee companies that are wholly owned subsidiaries of a parent DNFBP that is a reporting entity in New Zealand. The parent DNFBP should be required to account for the companies in its compliance programme, maintain a list of the companies, and report on them as part of the annual report.

What are the marginal costs and benefits of the option?

Affected groups	Comment	Impact	Evidence Certainty
Additional costs of the preferred option compared to taking no action			
Non-monetised costs	-	-	-
Additional benefits of the preferred option compared to taking no action			
Reporting entities	Reduced compliance costs for affected businesses.	Medium	Medium
Regulators	Some reduced supervision.	Low	High
Non-monetised benefits		Medium	Medium

(2) Crown entities

Problem/opportunity: a regulatory exemption could be issued to exempt Crown entities, agents, and companies; however, the exemption would need to be risk based and not introduce vulnerabilities into the AML/CFT regulatory regime. Seventeen Crown entities, agents, or companies currently have at least a partial exemption from the Act, generally in relation to specific products or ventures.

Option One – Status Quo

Option Two - Exempt Crown-Owned Enterprises, Crown agents and other relevant Crown entities from AML/CFT obligations where the Crown is the sole customer of the activity as well as where the Crown entity uses public funds to provide loans to the public with appropriate conditions necessary to manage any residual risks.

How do the options compare to the status quo/counterfactual?

	Option One	Option Two
Effectiveness	0	+ This would reduce compliance costs on a group of low-risk reporting entities dealing with low risk customers. Given the low level of risk, it would have minimal impact on ML/TF risk management. .
Workability	0	+ This is a practical solution that will be clear for Crown entities.
Cost Efficiency	0	++ This will reduce costs without any additional cost
International Compliance	0	++ Yes
Constitutional appropriateness	0	0

Overall assessment	0	++

What option is likely to best address the problem, meet the policy objectives, and deliver the highest net benefits?

Option Two - Exempt Crown-Owned Enterprises, Crown agents and other relevant Crown entities from AML/CFT obligations where the Crown is the sole customer of the activity as well as where the Crown entity uses public funds to provide loans to the public with appropriate conditions necessary to manage any residual risks To help reduce compliance costs while avoiding the introduction of AML/CFT risks and vulnerabilities.

What are the marginal costs and benefits of the option?

Affected groups	Comment.	Impact	Evidence Certainty
Additional costs of the preferred option compared to taking no action			
Non-monetised costs	-	-	-
Additional benefits of the preferred option compared to taking no action			
Reporting Entities	Reduced compliance costs for Crown entities.	Medium	High

(3) Registered charities

Problem: Low-value loans can play an important role in providing support to communities in need, and the funds are typically provided by charities and used to support community projects and social outcomes. However, providing loans attracts AML/CFT obligations, which can make it harder for organisations to provide this support, and these organisations often seek to be granted an exemption.

Option One – Status Quo

Option Two – Issue ministerial class exemption for registered charities from AML/CFT obligations providing loans to customers below NZD 6,000. This exemption should include conditions which limit the loans to one per customer and restrict the ability to repay loans quickly and in cash.

How do the options compare to the status quo/counterfactual?

	Option One	Option Two
Effectiveness	0	++ The risks associated with such loans are minimal and compliance costs can erode the benefit of providing the loans.
Workability	0	+ This is a practical solution that will be clear for effected charities and mean currently exempted charities will not have to reapply.
Cost Efficiency	0	++ Will only reduce costs for effected charities and their service providers.
International Compliance	0	++ Yes
Constitutional appropriateness	0	0

Overall assessment	0	++

What option is likely to best address the problem, meet the policy objectives, and deliver the highest net benefits?

Option Two - issuing a Ministerial class exemption for low value loan providers where they are registered charities, and where the maximum amount loaned to a customer does not exceed NZD 6,000 per annum. This exemption would cover all existing individual Ministerial exemptions that have been granted and remove the need for those entities to reapply when their exemption eventually expires.

What are the marginal costs and benefits of the option?

Affected groups	Comment.	Impact	Evidence Certainty
Additional costs of the preferred option compared to taking no action			
Non-monetised costs	-	-	-
Additional benefits of the preferred option compared to taking no action			
Regulated groups	Reduced compliance costs for charities and remove the need for currently exempted entities to reapply when their exemption eventually expires.	High	High
Non-monetised benefits		High	High

(4) Address verification

Problem: Address verification imposes compliance costs disproportionate to the risk being mitigated. Reducing verification requirements would be cost saving for businesses.

Option One – Status Quo

Option Two – Issue regulations to exempt requirement for address to be verified for all types of person (natural or entities).

Option Three – Issue regulations to exempt all reporting entities from conducting address verification for all customers, beneficial owners and persons acting on behalf of a customer other than when enhanced CDD is required and instead require businesses to verify, according to the level of risk, that an address as genuine.

Option Four – Issue regulations to exempt requirement for address to be verified for all types of person (natural or entities) unless subject to enhanced CDD.

Option Five – Issue regulations to exempt requirement for address to verified for all natural persons unless subject to enhanced CDD.

How do the options compare to the status quo/counterfactual?

	Option One	Option Two - regulations	Option Three - regulations
Effectiveness	0	- Not verifying addresses is unlikely to have a significant impact as false addresses are rarely provided to	0 The impact on effectiveness would be minimal, as the option would ensure that genuine address information is reported

		reporting entities; however, not ensuring that a correct (genuine) address is provided is likely to impact data integrity in reporting.	to the FIU. In practice, there is little difference between genuine and verified addresses for intelligence.
Workability	0	++ Removing the requirement entirely would be easy and clear for government, reporting entities and third parties to implement.	++ Removing the requirement entirely for all natural persons would be easy and clear for government, reporting entities and third parties to implement. The additional requirement to verify that the address is genuine is not onerous and can be conducted online
Cost Efficiency	0	++ Significant cost saving for reporting entities	++ Significant cost saving for reporting entities
International Compliance	0	-- No	0 Yes
Constitutional appropriateness	0	0	0
Overall assessment	0	0	+

	Option Four	**Option Five**
Effectiveness	0 This would have no impact on effectiveness as the verified information is only required in circumstances were EDD is conducted.	0 This would have no impact on effectiveness as the verified information is only required in circumstances were EDD is conducted.
Workability	+ This would remove an onerous compliance burden for most transactions; although it would not reduce the compliance burden for EDD	+ This would remove an onerous compliance burden for most transactions involving natural persons, although it would not reduce the compliance burden for EDD or when dealing with legal persons/arrangements.
Cost Efficiency	+ Some cost saving for reporting entities	+ Some cost saving for reporting entities
International Compliance	0 Yes	0 Yes
Constitutional appropriateness	0	0
Overall assessment	0	+

What option is likely to best address the problem, meet the policy objectives, and deliver the highest net benefits?

Option Three - significantly reducing address verification requirements through issuing regulations will enable businesses to better deploy their finite compliance resource to other

AML/CFT obligations and take a more risk-based approach. However, we also consider that a requirement to verify a person's address is useful in some higher risk circumstances to deter criminals from providing a false address and support law enforcement investigations.

What are the marginal costs and benefits of the option?

Affected groups	Comment	Impact	Evidence Certainty
Additional costs of the preferred option compared to taking no action			
Non-monetised costs	-	-	-
Additional benefits of the preferred option compared to taking no action			
Reporting entities	Significantly reduces compliance costs	High	High
Others (eg, wider govt, consumers, etc.)	This would provide relief in obligations for people to provide evidence for an address, particularly beneficial for people who find it difficult to provide this evidence.	High	High
Non-monetised benefits		High	High

Section 3: Delivering an option

How will the new arrangements be implemented?

These options will all be given effect to through issuing new or amending existing AML/CFT regulations. The Ministry intends to consult on an exposure draft of the regulations over a three month period before seeking LEG approval.

The AML/CFT supervisors (DIA, RBNZ and FMA) have all been involved in the development of these options and as such will promptly update their guidance for reporting entities in meeting these new or amended regulations. This will also be reflected in the AML/CFT National Strategy Action Plan.

How will the new arrangements be monitored, evaluated, and reviewed?

Under Section 149 of the AML/CFT Act, the Ministry is responsible for:

> (a) advising the Minister on outcomes and objectives for AML/CFT regulation and how best to achieve these (including links to other Government initiatives relevant to the purposes of this Act); and
>
> (b) monitoring, evaluating, and advising the Minister on the performance of the AML/CFT regulatory system in achieving the Government's outcomes and objectives for it; and
>
> (c) advising the Minister on any changes necessary to the AML/CFT regulatory system to improve its effectiveness; and

Regulators have an opportunity to raise concerns about these proposals through their role on the National Co-ordination Committee which, under Section 152(f) of the AML/CFT Act has the function of "provid[ing] a forum for examining any operational or policy issues that have implications for the effectiveness or efficiency of the AML/CFT regulatory system.

In addition, New Zealand is obliged to report to the FATF on progress towards remedying areas where do not meet FATF standards. In seeking a re-rating FATF will evaluate whether these changes meet FATF standards.

Lastly, the entire AML/CFT regime will be reviewed again in 2029 in our next FATF mutual evaluation.

Thematic area / issue	Recommendation	Statutory Review Report paras	Exempt? If Yes, state why
Addressing areas of risk – *cash*	1. Amend the definition of "stored value instruments" in clause 15 of AML/CFT (Definitions) Regulations 2011 and clause 15 of the AML/CFT (Exemptions) Regulations 2011 to be technology neutral to capture electronic or digital forms of stored value.	548-551	Clarifies an area of current law consistent with the objectives of that regulatory system
	2. Amend the exemption to no longer apply to pawnbroker activities that meet the definition of high-value dealer and clarify that pawning is not captured under the Act as providing a loan.	518-522	N
	3. Require people to submit border cash reports when moving stored value instruments and casino chips into or out of New Zealand.	939-946	Clarifies an area of current law consistent with the objectives of that regulatory system
	4. Require border cash reports to be submitted 72 hours before the cash arrives in or leaves New Zealand for unaccompanied cash movements.	947-949	Clarifies an area of current law consistent with the objectives of that regulatory system
	5. Exempt certain vessels, such as cruise ships, from border cash reporting requirements for cash being carried for vessel-related purposes that does not leave the vessel.	953-958	Technical adjustments that do not fall under the technical or case-specific exemptions but are likely to have no or very low impacts
	6. Exempt persons from being required to submit a border cash report if they have received an accompanied cash movement to ensure that BCRs are only required in respect of receiving unaccompanied cash.	953-958	Technical adjustments that do not fall under the technical or case-specific exemptions but are likely to have no or very low impacts
Addressing areas of risk – *high-risk countries*	7. Prohibit businesses from establishing or maintaining correspondent relationships with Democratic People's Republic of Korea banks, in line with the Call for Action issued by the Financial Action Task Force.	881-885	Technical adjustments that do not fall under the technical or case-specific exemptions but are likely to have no or very low impacts
Addressing areas of risk – *high-risk customers*	8. Prescribe that customer due diligence must be conducted if a person seeks to conduct an activity or transaction through a reporting entity that is (a) outside a business relationship, (b) not an occasional transaction or activity, and (c) where there may be	705-707	It codifies, rather than changes, an existing practice

	grounds to report a suspicious activity as per section 39A of the Act		
	9. Prescribe that reporting entities must obtain, as part of customer due diligence, information about legal form and proof of existence, ownership and control structure, and powers that bind and regulate, and verify this information according to the level of risk.	690-692	N
	10. Prescribe that reporting entities must differentiate in their AML/CFT compliance programme when information must be obtained and verified regarding source of wealth or source of funds, or both, as is required to mitigate the risks.	693-700	N
	11. Prescribe that reporting entities must implement any additional enhanced customer due diligence measures at the start and for the duration of a business relationship as are required to mitigate the risks and provide a list of potential additional measures the reporting entity may apply.	693-700	N
	12. Declare that simplified CDD is not appropriate where there may be grounds to report a suspicious activity as per section 39A of the AML/CFT Act.	738-740	Technical adjustments that do not fall under the technical or case-specific exemptions but are likely to have no or very low impacts
Addressing areas of risk – *virtual assets*	13. Define virtual asset service providers as a type of reporting entity using the definition provided by the Financial Action Task Force	490-494	N
	14. Prescribe that all virtual asset transactions at or above NZD 1,000 are occasional transactions, including virtual asset to virtual asset transfers.	495-498	N
	15. Prescribe virtual asset transfers as international wire transfers unless the entity is satisfied otherwise. Appropriate identity and verification requirements should also be prescribed that reflect the nature and risk of the underlying transactions, such as differentiating between hosted and unhosted wallets.	499-503	N

Clarifying definitions and exemptions	16. Define that a reporting entity that undertakes captured activities other than relating to its category of reporting entity must comply with the Act.	535-536	Clarifies an area of current law consistent with the objectives of that regulatory system
	17. Exclude from the definition of "trust and company service provider" persons whose only activity is "managing client funds (other than sums paid as fees for professional services), accounts, securities, or other assets" if that person is already captured as a financial institution.	537-538	Clarifies an area of current law consistent with the objectives of that regulatory system
	18. Specify that "sums paid as fees for professional services" in the definition of "managing client funds" only applies to the reporting entity's own professional fees.	539-541	Clarifies an area of current law consistent with the objectives of that regulatory system
	19. Clarify the scope of "engaging in or giving instructions on behalf of a customer to another person" and the extent to which it captures processing or preparing invoices and applies to real estate transactions.	542-545	Clarifies an area of current law consistent with the objectives of that regulatory system
	20. Limit the exclusion of cheque deposits in the definition of "occasional transaction" only to deposits made at a bank, non-bank deposit taker, or similar institution in line with the original policy intent.	426-552	Clarifies an area of current law consistent with the objectives of that regulatory system
	21. Define "legal arrangement" to include unincorporated societies and any other types of legal arrangements to ensure that forming or operating those arrangements attracts AML/CFT obligations	426-552	Technical adjustments that do not fall under the technical or case-specific exemptions but are likely to have no or very low impacts
	22. Amend clause 15 of the AML/CFT (Definitions) Regulations 2011 and clause 15 of the AML/CFT (Exemptions) Regulations 2011 to clarify the extent to which they apply to the bulk-selling of stored value instruments to a corporate customer, in circumstances in which each stored value instrument complies with the relevant threshold and is intended for a different recipient.	426-552	Clarifies an area of current law consistent with the objectives of that regulatory system

	23. Clarify that the definition of "debt collection services" in clause 22 of the AML/CFT (Exemptions) Regulations 2011 only relates to the collection of unpaid debt rather than the collection of any funds owed by one person to another.	581-582	Clarifies an area of current law consistent with the objectives of that regulatory system
	24. Clarify that the exemption provided by clause 9 of the AML/CFT (Exemptions) Regulations 2011 applies to hotel providers which only undertake currency exchange transactions below NZD 1000.	581-582	Clarifies an area of current law consistent with the objectives of that regulatory system
	25. Amend the definition of nominee director in clause 11 of the AML/CFT (Requirements and Compliance) Regulations 2011 to exclude instances where the director is required or accustomed to follow the directions of a holding company or appointing shareholder.	738-740	Technical adjustments that do not fall under the technical or case-specific exemptions but are likely to have no or very low impacts
	26. Revoke clause 21 of the AML/CFT (Definitions) Regulations 2011 and replace with a more tailored exemption for online marketplaces following a risk assessment of the relevant activities.	569-572	N
	27. Clarify the scope of clause 18A of the AML/CFT (Definitions) Regulations 2011, by limiting the application of the exclusion to financial institutions only.	575-576	N
Clarifying obligations – *customer due diligence*	28. Require reporting entities to obtain the identity of the settlor or protector of a trust, nominees in relation legal persons, and other equivalent positions for other types of legal arrangements to ensure reporting entities are taking reasonable steps to verify the beneficial ownership of these customers.	679-689	N
	29. Clarify that the definition of beneficial owner includes a person with ultimate ownership or control, and only applies to a "person on whose behalf a transaction is conducted" that meets this threshold, whether directly or indirectly.	679-689	Clarifies an area of current law consistent with the objectives of that regulatory system
	30. Revoke clause 24 of the AML/CFT (Exemptions) Regulations 2011 in relation to trust accounts.	679-689	Technical adjustments that do not fall under the technical or case-specific exemptions but are likely to have no or very low impacts

	31. Explicitly require that reporting entities risk-rate new customers as well as require reporting entities to consider and update risk ratings as part of ongoing customer due diligence and account monitoring over the course of a business relationship.	717-719	N
	32. Clarify that the requirement of section 31(4)(a) and (b) to review a customer's account activity, transaction behaviour and customer due diligence information (or for an existing customer, other information held) is according to the level of risk involved.	720-725	Clarifies an area of current law consistent with the objectives of that regulatory system
	33. Require reporting entities to, according to the level of risk involved and as part of ongoing customer due diligence, update (for a post-Act customer) or obtain (for an existing customer) customer due diligence information if required.	720-725	N
	34. Require reporting entities to regularly review any customer's activities described in the definition of designated non-financial business or profession in section 5(1) of the Act where applicable.	726-727	N
	35. Clarify the application of AML/CFT obligations in circumstances where a designated non-financial business or profession has a repeat client butt does not have ongoing instructions, activities, or transactions occurring within a business relationship.	738-739	Clarifies an area of current law consistent with the objectives of that regulatory system
	36. Clarify the point at which customer due diligence is required by a designated non-financial business or profession if a non-captured activity transitions into a captured activity.	738-739	Clarifies an area of current law consistent with the objectives of that regulatory system
	37. Prescribe that when establishing a facility for a trust, the relevant trust is the customer (and not the trustee(s) who may be the facility holder).	729-732	Clarifies an area of current law consistent with the objectives of that regulatory system
	38. Prescribe appropriate customer due diligence obligations for the formation of a legal person or legal arrangement. This should include a requirement to identify and verify the identities of the beneficial owners of the (to be formed) legal person or arrangement, as well as any person acting on their behalf.	729-732	Clarifies an area of current law consistent with the objectives of that regulatory system

	39. Prescribe the customer as the relevant legal person or arrangement when acting or arranging for someone to act as a nominee director, nominee shareholder or a trustee.	729-732	Clarifies an area of current law consistent with the objectives of that regulatory system
	40. Prescribe that the references to countries with insufficient AML/CFT systems or measures in place in sections 22(1)(a)(ii), 22(1)(b)(ii), and 57(1)(h) refers exclusively to those countries identified by the Financial Action Task Force as being high-risk jurisdictions subject to a Call to Action.	877-880	Clarifies an area of current law consistent with the objectives of that regulatory system
	41. Clarify that a conjunction agent (acting for a real estate agent whose client is a vendor) does not have any direct obligations to conduct customer due diligence on the vendor, but that suspicious activity reporting obligations continue to apply.	738-740	Clarifies an area of current law consistent with the objectives of that regulatory system
	42. Amend clause 12 of the AML/CFT (Requirements and Compliance) Regulations 2011 to state "a customer ...that is b) a limited partnership or overseas limited partnership with a nominee general partner".	738-740	Clarifies an area of current law consistent with the objectives of that regulatory system
Clarifying obligations – *record keeping*	43. Require reporting entities to keep records of prescribed transaction reports, account files, business correspondence, and written findings for five years.	746-748	Clarifies an area of current law consistent with the objectives of that regulatory system
Clarifying obligations – *reliance*	44. Prescribe that the relying party must consider the level of country risk if the relied-on party is not in New Zealand when engaging in section 33(2)(e) reliance.	834-841	N
	45. Prescribe that the relying party to take steps to satisfy itself when engaging in section 33(2)(e) reliance that the relied-on party has record keeping measures in place and will make verification information available as soon as practicable on request, but within five working days	834-841	Technical adjustments that do not fall under the technical or case-specific exemptions but are likely to have no or very low impacts
	46. Prescribe that the relevant AML/CFT supervisor is required to approve formation of a designated business group.	853-861	Clarifies an area of current law consistent with the objectives of that regulatory system

	47. Prescribe that an overseas member of a designated business group must conduct customer due diligence to level required by the AML/CFT Act.	853-862	It has localised impacts, or the implications are limited to a small group of affected people or parties
	48. Clarify that "verification information" (for the purposes of these sections 32 to 34 of the AML/CFT Act) means a copy of the records used by the relied-on party to verify customer identity.	853-862	Clarifies an area of current law consistent with the objectives of that regulatory system
Clarifying obligations – *use of new technologies*	49. Require businesses to assess the money laundering and terrorist financing risks associated with new products and new business practices. The risk assessment should consider new delivery mechanisms, as well as the use of new or developing technologies for new and existing products. The risk assessment must be conducted before the technology or product is used.	806-809	N
Improving transparency of payments	50. Prescribe that all forms of money or value transfer service systems, including informal remittance, are subject to wire transfer provisions.	810-814	Clarifies an area of current law consistent with the objectives of that regulatory system
	51. Require ordering institutions to obtain and transmit name and account or transaction numbers for an originator and beneficiary of an international wire transfer below NZD 1,000 and specify that this information does not need to be verified unless there may be grounds to report a suspicious activity report.	815-818	It has localised impacts, or the implications are limited to a small group of affected people or parties
	52. Issue regulations to require an ordering institution to keep records of then beneficiary account number or unique transaction numbers for five years.	819-823	Technical adjustments that do not fall under the technical or case-specific exemptions but are likely to have no or very low impacts
	53. Require intermediary institutions to include in their compliance programme the reasonable steps they will take to identify wire transfers lacking required information and the risk-based policies and procedures they will apply when a wire transfer lacking the required information is identified.	824-829	Clarifies an area of current law consistent with the objectives of that regulatory system

	54. Require intermediary institutions to keep records for five years where technological limitations prevent the relevant information about the parties from being transmitted with a related domestic wire transfer.	824-829	Technical adjustments that do not fall under the technical or case-specific exemptions but are likely to have no or very low impacts
	55. Require beneficiary institutions to specify in their compliance programme the reasonable steps they will take to identify international wire transfers lacking required originator and beneficiary information. These measures should be risk-based and can include post-event or real time monitoring where feasible and appropriate.	830-833	Technical adjustments that do not fall under the technical or case-specific exemptions but are likely to have no or very low impacts
	56. Prescribe or exempt specific transactions (e.g., MT202s and certain currency exchange transactions) from requiring prescribed transaction reporting, including requiring reports when a remittance provider deposits cash into a beneficiary's bank account to settle an inbound remittance.	918-921	Clarifies an area of current law consistent with the objectives of that regulatory system
	57. Require designated non-financial businesses or professions to submit a prescribed transaction report when undertaking or receiving international wire transfers through another reporting entity on behalf of an underlying client. The report should include relevant information it holds as well as information necessary to enable the FIU to match complementary prescribed transaction reports submitted by other businesses.	922-926	Clarifies an area of current law consistent with the objectives of that regulatory system
	58. Declare that a designated non-financial business or profession is not the ordering or beneficiary institution of a wire transfer when undertaking or receiving international wire transfers through another reporting entity on behalf of an underlying client.	922-926	Clarifies an area of current law consistent with the objectives of that regulatory system

Information sharing	59. Include within scope of section 140 the following Acts: Agricultural Compounds and Veterinary Medicines Act 1997, Animal Products Act 1999, Animal Welfare Act 1999, Biosecurity Act 1993, Child Support Act 1991, Commerce Act 1986, Corrections Act 2004, Defence Act 1990, Environment Act 1986, Fisheries Act 1996, Food Act 2014, Forests Act 1949, Gaming Duties Act 1971, Immigration Act 2009, Policing Act 2008, Student Loans Scheme Act 2011, Trusts Act 2019 and Wine Act 2003	454-459	N
Providing regulatory relief	60. Exempt companies that act as a trustee or nominee from AML/CFT obligations where the company is controlled by and delivering services on behalf of a parent reporting entity in New Zealand that has full AML/CFT responsibilities for activities of the nominee or trustee company.	583-586	N
	61. Exempt Crown-Owned Enterprises, Crown agents and other relevant Crown entities from AML/CFT obligations where the Crown is the sole customer of the activity as well as where the Crown entity uses public funds to provide loans to the public with appropriate conditions necessary to manage any residual risks.	587-590	N
	62. Exempt registered charities from AML/CFT obligations providing loans to customers below where the maximum amount that can be loaned to a customer is no more than NZD 6,000. This exemption should include conditions which limit the loans to one per customer and restrict the ability to repay loans quickly and in cash.	591-594	N
	63. Exempt non-court appointed liquidators from appropriate and relevant AML/CFT obligations where they are incompatible with the nature of the liquidator's work where there is a low risk of money laundering and terrorism financing.	581	Clarifies an area of current law consistent with the objectives of that regulatory system

	64. Exempt all reporting entities from conducting address verification for all customers, beneficial owners and persons acting on behalf of a customer other than when enhanced CDD is required and instead require businesses to verify, according to the level of risk, that an address as genuine.	672-676	N
	65. Declare that reporting entities can use reliable (but not independent) verification data, documents, or information in circumstances where a reliable and independent source of information does not exist. This does not apply to biographical information or information regarding source of wealth or source of funds.	677-678	Technical adjustments that do not fall under the technical or case-specific exemptions but are likely to have no or very low impacts
	66. Prescribe the process that reporting entities must follow when conducting enhanced customer due diligence on trusts, including identifying types of trusts that are suitably low risk and other factors to consider when assessing the level of risk. Where trusts are suitably low-risk, exempt reporting entities from the requirement to verify relevant information about the source of wealth or source of funds.	701-704	Technical adjustments that do not fall under the technical or case-specific exemptions but are likely to have no or very low impacts
	67. Enable a senior manager of a customer (that has been identified and verified in accordance with sections 19-20) to delegate authority to employees to act on behalf of the customer by electronic means with appropriate conditions and requirements to manage any residual risks.	714-716	Technical adjustments that do not fall under the technical or case-specific exemptions but are likely to have no or very low impacts
	68. Extend the timeframe for law firms to submit a suspicious activity report to allow enough time for law firms to determine whether any information within a SAR is privileged.	905-909	Technical adjustments that do not fall under the technical or case-specific exemptions but are likely to have no or very low impacts

	69. Extend the timeframe for submitting PTRs from 10 to 20 days.	936-938	Technical adjustments that do not fall under the technical or case-specific exemptions but are likely to have no or very low impacts
	70. Expand the exemption in clause 24AC of the AML/CFT (Exemptions) Regulations 2011 to include reporting entities subject to an order issued under section 252 of the Customs and Excise Act 2018 as well as in respect of any suspicious associates who are identified in the process of complying with the relevant order.	581-582	Technical adjustments that do not fall under the technical or case-specific exemptions but are likely to have no or very low impacts
	71. For a customer that is a vendor, amend clause 24A of the AML/CFT (Definitions) Regulations 2011 to require customer due diligence to be conducted prior to listing the property, or prior to the sale and purchase agreement being signed (whichever is earlier).	738-740	Technical adjustments that do not fall under the technical or case-specific exemptions but are likely to have no or very low impacts
	72. Issue regulations to enable members of a designated business groups to share a compliance officer.	853-862	Technical adjustments that do not fall under the technical or case-specific exemptions but are likely to have no or very low impacts
Remitters	73. Require reporting entities to include in their compliance programme relevant policies, procedures, and controls for the functions undertaken by an agent on its behalf, training and vetting of agents, and a requirement to maintain a list of its agents.	628-632	Clarifies an area of current law consistent with the objectives of that regulatory system
	74. Exempt master agents from being a reporting entity in relation to training, monitoring and other assurance activities undertaken for a network of sub-agents (on behalf of a remittance provider) to clarify that in these circumstances, the master agent acts on behalf of the principal remittance provider.	798-802	Technical adjustments that do not fall under the technical or case-specific exemptions but are likely to have no or very low impacts

	75. Exempt a remitter, its master agent and if necessary, any sub-agent, from tipping off restrictions under section 46, to ensure remitters, master agents, and sub-agents can share information about suspicious activities between themselves when necessary for the purposes of AML/CFT compliance.	798-802	Clarifies an area of current law consistent with the objectives of that regulatory system
	76. Require remitters who control both the ordering and beneficiary end of a wire transfer to consider information from both sides of the transfer to determine whether a suspicious activity report is required. If so, the report should be submitted to the Financial Intelligence Unit in any countries affected by the suspicious transfer.	803-805	N
	77. Amend clause 6A AML/CFT (Exemptions) Regulation 2011 to exclude remitters or money or value transfer service businesses from the scope of the exemption.	927-928	Technical adjustments that do not fall under the technical or case-specific exemptions but are likely to have no or very low impacts
	78. Clarify that the originator or beneficiary of a wire transfer is the underlying customer, not the remittance provider's agent.	819-823	Technical adjustments that do not fall under the technical or case-specific exemptions but are likely to have no or very low impacts
Removing redundant regulations	79. Revoke clause 10 of the AML/CFT (Exemptions) Regulations 2011 which provides a limited exemption for special remittance cards, subject to final confirmation that it is no longer in use.	573-574	Would repeal or remove redundant legislative provisions
	80. Revoke clause 8 of the AML/CFT (Exemptions) Regulations 2011 applying to a transaction that occurs outside of a business relationship but is not an occasional transaction.	746-747	Would repeal or remove redundant legislative provisions