

## **AML-CFT LEVY PROPOSALS CONSULTATION**

**Submissions on behalf of The Law Association of  
New Zealand by the AML & CFT Law Committee**

**13 April 2026**

## INTRODUCTION

The Law Association of New Zealand (TLANZ) is an independent membership organisation representing over 9,000 legal professionals across New Zealand. TLANZ expert law committees regularly contribute to law reform and policy development in many areas of law and regulation.

This submission is made by TLANZ's specialist AML & CFT Committee of TLANZ (**Committee**). This Committee comprises more than a dozen senior practitioners, in-house counsel, compliance officers, and members of the independent bar with extensive experience advising on AML/CFT compliance and implementing it in their own firms. Members of the Committee are drawn from a diverse range of legal practices, including sole practitioner solicitors and barristers sole, small, mid-sized, and large commercial practices, and are therefore well placed to comment on the practical implications of the proposed levy for various professionals.

## EXECUTIVE SUMMARY

1. The Committee appreciates the opportunity to respond to the Ministry of Justice's AML/CFT Levy Proposals Consultation Document of March 2026 (**Consultation Document**). The Committee supports the objective of maintaining a robust, effective, and internationally aligned AML/CFT system, and acknowledges that the introduction of a levy now forms part of the Government's decided policy direction.
2. However, some context to this levy costings Consultation Document is important to reiterate:
  - 2.1. The Committee maintains its earlier position that the justification for a levy remains contested, particularly considering the public good nature of core AML/CFT governmental functions. No clear evidential platform of need for a new levy has been made out.
  - 2.2. Further, the consultations previously run by the Ministry of Justice largely avoided the question of whether there was any clear evidential basis for a levy, treating that as a fait accompli matter already decided by Cabinet.<sup>1</sup> That approach means broad public input on the foundational question 'should there be a levy?' has been truncated.
3. Having recorded those consistent concerns that the Committee raised in the previous consultations listed on page 2 of this Consultation Document, we recognise that the current Consultation Document is focused on the design and implementation of the levy cost-recovery framework already determined.
4. The Committee notes that the current proposals reflect a positive shift from earlier Targeted Industry Consultation in 2025, including a more risk-based approach and the introduction of tiered and threshold-based mechanisms. These developments are broadly consistent with matters raised in earlier submissions and should lead to a more graduated position.
5. Notwithstanding this progress, key issues or concerns remain unresolved, including:
  - the allocation of costs between public and private benefit;
  - the reliance on proxy measures that may not accurately reflect AML/CFT risk; and
  - the lack of clarity around how thresholds and tiering will operate in practice.

---

<sup>1</sup> The first levy consultation paper, *An Industry Levy to Sustainably Fund New Zealand's AML/CFT System: Initial Levy Design Consultation*, 11 April 2025, merely recorded (pg 3) that: "Cabinet has agreed that an appropriately designed levy, paid by reporting entities, is the best way for the private sector to fund part of the AML/CFT system. This will support ongoing regulatory, policy, and intelligence functions."

6. The Committee also notes differing views within its membership as to the preferred levy model, reflecting a broader tension between simplicity and proportionality. The final framework must strike an appropriate balance between these considerations, which is difficult across so many disparate types of reporting entities.
7. In practice, the levy is likely to operate primarily as a further compliance cost, with costs absorbed by firms or passed on to clients. Other larger reporting entities or those with multiple products and market power are likely to be better placed to pass the cost on to consumers. It is therefore, in outcome, going to be a funding mechanism imposing cost, rather than a tool for influencing behaviour or risk levels.
8. The Committee's central position remains that the levy framework must be fair, proportionate, and workable in practice, supported by clear design, transparency, and appropriate sector-specific calibration. It should aim to have the least impact on those entities least able to recover the cost from anyone else.

## **SUBMISSIONS**

### ***Turning To Specific Submissions***

9. We note that the Consultation Document refers to legal reporting entities as either "*Barristers and Solicitors (excluding barrister sole)*" or "*Law firms*". In our submissions, when we refer to "law firms" or "firms" we are using that term to represent both classes of Reporting Entity.

### ***Cost Recovery Approach***

#### ***Q1: Do you agree with how costs have been categorised as "club goods"?***

10. The Committee acknowledges the conceptual utility of distinguishing between "club goods" and "public goods". However, the current application of this framework continues to raise significant problematic issues.
11. As previously explained in earlier submissions (in response to the Initial Levy Design Consultation of 11 April 2025), the Committee's view is that most of the AML/CFT regime is fundamentally directed toward public outcomes. That includes the prevention and detection of criminal activity, the support of law enforcement and intelligence functions, providing base information for criminal proceeds recovery actions, and the preservation of New Zealand's international financial integrity.
12. Being essential central government services, and hitherto funded from general taxation and policing appropriations, the Committee maintains that many functions underpinning the AML/CFT system are more appropriately characterised as public goods. They are not legitimately seen as services delivered for the direct or exclusive benefit of reporting entities, who have no choice whether to participate in the regulatory system.
13. In substance, the primary beneficiaries of the AML/CFT system are the general public and law enforcement agencies. To that extent, the current categorisation overstates the extent to which reporting entities are beneficiaries of the system. Reporting entities are regulated participants within a mandatory regime, not voluntary recipients of discretionary or user-driven services.
14. Recent feedback Committee members have received reinforces this position, while also reflecting divergence in how the framework may be interpreted. In particular:

- some consider that functions performed by the Financial Intelligence Unit, given its placement within the New Zealand Police, are more appropriately characterised as core law enforcement activity;
  - others observe that Ministry functions support system-wide participation in international financial markets, and meet FATF commitments entered into by the government, therefore generating benefits that are diffuse and public in nature; and
  - there is a shared concern that the categorisation exercise is inherently subjective. Its current application appears broad and insufficiently delineated.
15. It is helpful that the current Consultation Document provides further articulation of the “club goods” framework. However, it does not fully resolve the underlying dilemma as to where the boundary between public and private benefit should properly be drawn. This remains an area of ongoing uncertainty, both within the Committee and across the wider stakeholder community.
16. Whatever classification system is adopted has direct implications for cost allocation and therefore requires careful, transparent, and principled justification. In particular, where costs are to be recovered from reporting entities, there should be a clear and demonstrable connection between those costs and any identifiable benefit to those entities. That remains elusive.
17. Accordingly, the Committee considers that:
- the categorisation of “club goods” should be revisited and more narrowly defined;
  - greater weight should be given to the public good nature of core AML/CFT functions;
  - cost recovery should be limited to those functions that can be clearly and directly attributed to reporting entities, consistent with more unequivocal ‘user pays’ principles; and
  - officials should clearly direct the Minister/Cabinet, when it considers in future whether the whole or a portion of the system costs will be met by the levy, that the extent of ‘club good’ elements is far from agreed amongst stakeholders.

**Q2: Preferred period to recover the 2026/27**

18. The Committee supports recovery over a five-year period, consistent with the position outlined in its earlier submission on the Initial Levy Design Consultation paper of 11 April 2025.
19. This position reflects that implementation of the levy should not result in sudden financial impacts or disproportionate new costs, particularly for smaller reporting entities and those with more limited AML/CFT exposure. As noted in earlier submissions, the legal sector comprises a large number of firms for whom AML/CFT-regulated activities form only a partial component of their overall practice, and who are already managing significant compliance obligations.
20. In that context, a longer recovery period is considered necessary to support an orderly and proportionate transition to the levy framework. A five-year period would:
- a) allow reporting entities sufficient time to adjust business practices, pricing structures, and internal cost allocation mechanisms;
  - b) reduce the likelihood of abrupt cost pass-through to clients, or retreat from some types of services, which may have downstream impacts on access to justice; and

- c) support a smoother system transition, particularly given the large number of other structural reforms to the AML/CFT regime being implemented in parallel.
21. TLANZ members providing feedback to the Committee indicate that shorter recovery periods would place undue financial and operational pressure on smaller law firms and sole practitioners, which are already required to absorb the cumulative costs of AML/CFT compliance. A compressed recovery timeframe risks undermining the objective of a proportionate and sustainable funding model, particularly where entities have limited capacity to absorb or redistribute additional costs.

### ***Levy Design***

#### ***Q3: Who should pay the levy, and why?***

22. The Committee accepts that reporting entities will contribute to the cost of the AML/CFT system. The key issue is therefore not whether they should contribute, but how that contribution is set so that it reflects actual AML/CFT risk and exposure.
23. Unlike banks or casinos, the legal sector and other DNFBP groups present particular challenges. AML/CFT obligations apply only to specific defined types of work, and many firms carry out a large amount of other work that is not captured by the regime. This means that a one-size-fits-all approach focused on size metrics is unlikely to be appropriate.
24. For this reason, the Committee again cautions against relying on simple proxy measures such as firm size, revenue, number of clients or number of staff. These do not reliably reflect AML/CFT risk and may result in some firms being overcharged relative to their actual exposure.
25. Recent feedback from Committee members confirms this concern. In practice, many firms have mixed or limited AML/CFT exposure, and broad measures risk overstating their level of risk. The Committee also notes wider stakeholder concerns about the breadth and flexibility of the levy-setting power, particularly the uncertainty around how liability will ultimately be determined. This reinforces the need for clear and transparent design.
26. We acknowledge that the current Consultation has taken steps to address these issues by:
- focusing the levy on what the DIA has determined as medium-high and high-risk sectors; and
  - proposing threshold-based approaches, including excluding smaller entities in some cases (levy design option 3).
27. The Committee considers this to be a positive development, as it recognises that the levy should reflect differences in scale and risk. Small and micro-firms should remain outside the levy ambit.
28. However, further detail is needed on how this will work in practice. In particular, the Committee considers that clarification is required on how thresholds will be set and reviewed over time; how they will be applied consistently across different sectors; and how firms with varying or intermittent AML/CFT activities will be treated. Without this clarity, there is a risk that the levy may still produce inconsistent or unfair outcomes, particularly for sectors like legal services where exposure is not uniform.
29. The Committee therefore considers that:
- a) levy settings should include sector-specific calibration measures, and exclusion thresholds;
  - b) thresholds and adjustments be used to account for low-risk or low-activity entities; and

c) significant and meaningful Crown funding remains necessary, given the ongoing public interest nature of the AML/CFT system.

30. A well-designed risk-based approach has the potential to improve the fairness and workability of the levy. The Committee encourages further refinement to ensure this is achieved in practice.

**Q4: Would the levy incentivise reporting entities to reduce AML/CFT risk?**

31. All experts on the Committee take the view, based on their own reporting entities and those they consult to or advise, that the levy is going to be seen purely as a new cost imposition, and is unlikely to act as a meaningful driver of behavioural change. It is insufficiently targeted and includes too many costs or proportion of cost in the general government public good territory to be perceived as a legitimate risk-based conditioning exercise.

32. Feedback to and within the Committee suggests the levy will most likely be treated as a fixed cost of compliance, with firms either absorbing the cost or passing it on to clients. There is also a limited connection between the amount of the levy and the level of AML/CFT risk posed by an entity. The criteria seemingly to be applied in measuring risk levels include:

a) By broad sub-sector category only (Consultation Document, Table 7), which overlooks that DNFBP firms are massively more variable in nature than those in a bank, casino, money remitter or VASP category. A broad-brush DIA description of “medium-high risk” lawyers masks the fact that there will be many firms in the sector with actually low or very low AML risk.

b) By number of compliance assessments carried out by the DIA, without explaining at all the basis on which the DIA has reached that number, how it is related to resourcing or random selection, and whether it has evidence-based underpinnings to reflect actual AML risk.

c) By the number of clients to be reported during each AML/CFT annual report, which is back to a blunt size-based metric. That tells the Supervisor or others in the sector little about the degree of risk within that client base. Some firms may have a large number of clients with one-off projects or many very low risk transactions.

33. This reflects a broader concern raised in earlier submissions (TLANZ, 2025), namely that financial levies, on their own, do not generally lead to improved compliance where the underlying regulatory obligations remain unchanged.

34. The Committee considers that behavioural change is more effectively achieved through:

- clear, accessible guidance or Codes of Practice with more safe harbours and specificity;
- consistent and proportionate supervision, articulating why some firms/activity is considered higher risk; and
- predictable and well-communicated enforcement practices, rather than variability and occasional spikes, which may be detected towards the period of a FATF evaluation exercise.

35. Accordingly, the levy is going to be understood by DNFBPS as primarily a funding mechanism, rather than a tool for influencing behaviour or giving them clear signals that identify lower risk activities. Its design should therefore focus on fairness, proportionality, and ease of implementation, rather than behavioural outcomes.

### **Q9: Preferred levy model**

36. The Committee has found there are significantly differing views among its members regarding the preferred levy model. We expect those differences may also be reflected across various sub-sectors of reporting entities. These differences reflect a broader design tension, between administrative simplicity and equity – how to land upon a fair, explicitly risk-based allocation.
37. Some members note that simpler models may reduce administrative and implementation costs, which may in turn reduce the overall levy burden across the system. Anything that does not add further complexity to an already complex system is worth considering. A flat fee Option 1, therefore, finds some support, but only if accompanied by a *de minimis* carve out threshold for small and sole practitioner reporting entities. It is also observed that some smaller reporting entities may, in some cases, require relatively greater supervisory support (as they do not have the luxury of an expert or large compliance team), which may not be appropriately reflected in models that significantly reduce or remove their contribution.
38. Other members favour a more differentiated or risk-based approach, on the basis that a flat-rate model does not adequately account for differences in AML/CFT risk or supervisory intensity across sectors and entities. These members may favour Option 2, or consider that a uniform levy may produce inequitable outcomes, particularly where entities have quite different levels of exposure.
39. As the Consultation Document sets out three potential models, including a tiered approach based on transaction value or customer numbers (Option 3), which is identified as the Ministry's preferred approach, the Committee scrutinised that closely. Inclusion of a tiered model (with the ability for small-micro firm exclusion is a positive development, and reflects the Committee's earlier feedback emphasising the need for proportionality and better alignment between levy contributions and actual levels of captured activity.
40. In particular, a tiered approach recognises that:
  - a) entities within the same sector may operate at very different scales;
  - b) AML/CFT risk exposure is not uniform across reporting entities – activities, transaction values, and client base characteristics all vary significantly; and
  - c) smaller or lower-activity entities should not bear the same levy burden as larger participants.
41. The Committee as a collective supports the underlying rationale of a tiered model. A slim majority of our members prefer Option 3, but even they note that important practical and conceptual issues remain. In particular, the Committee notes that:
  - a) the use of transaction value or customer numbers as proxy measures may not accurately reflect AML/CFT risk in all sectors, or obvious variations within a sector;
  - b) these metrics may introduce variability and unpredictability, particularly where activity fluctuates over time, or the entity may feel it needs to reduce or remove an area of legal practice that is otherwise of utility to society;
  - c) there is limited clarity as to how tiers will be defined, applied, and updated in practice; and
  - d) the potential for distorting threshold effects, where entities operating near a tier boundary may face materially different levy outcomes despite having similar risk profiles – a jump akin to a tax band change, rather than a graduated spectrum.
42. We also understand that from the Ministry's final Q+A consultation session conducted on 8<sup>th</sup> April 2026 some of the figures underlying the sector tables shown from page 26 onwards in the Consultation Document may need adjustment or correction. If that is correct, it suggests

a possible lack of data robustness, which must be clarified and explained before finalising a tiered approach option. Coming to light late in the consultation period, such data issues should really lead to a further discrete targeted consultation to be held around Option 3 (using corrected and audited figures) if that is to be proceeded with as the preferred option.

43. Therefore, while the Committee supports the direction toward a tiered approach, it considers that greater clarity is required regarding the design and operation of tiers. Further, the choice of metrics should be carefully assessed on a sector-by-sector basis, and safeguards should be included to avoid arbitrary or disproportionate outcomes.
44. Overall, a slender majority of the Committee considers that a version of Option 3 would be preferred. But regardless, any model must strive to strike an appropriate balance between administrative simplicity, fairness and proportionality, and practical workability across different sectors, recognising that these objectives may not always align.

### ***Alternative approaches***

45. The Committee's earlier submissions in 2025 recommended the use of tiered or threshold-based approaches to support proportionality, particularly for sectors with a wide range of entity sizes and risk profiles. The Committee is pleased that the March 2026 Consultation Document now incorporates such approaches, including tiered levy structures based on transaction value or customer numbers, and the exclusion of smaller or lower-activity entities in certain cases. This is an important and appropriate development towards equitable outcomes and better targeting.
46. The Committee further notes that views expressed in relation to levy models (above) reinforce the need for flexibility in how these mechanisms are designed and applied.
47. However, the Committee remains concerned that:
  - the application of thresholds is not yet consistent across sectors;
  - there is limited transparency as to how thresholds will be set or adjusted over time; and
  - reliance on proxy metrics may not adequately reflect sector-specific characteristics, particularly within the legal profession – especially if erroneously estimated figures in the tables reveal some data uncertainty within the Supervisor or Ministry.
48. Given the significant discretion left to be implemented later by Regulation, greater clarity at the policy stage is essential to ensure that implementation aligns with these principles.
49. In a previous 2025 submission, we noted a lack of innovative thinking around levy contribution sources. For example, no consideration was given to whether the currently unregulated set of auditors and compliance consultants who offer evaluation services to the reporting entity market could also be included, given their participation in some ways adds cost/complexity to the regime, while they also profit from the regulatory obligations imposed upon captured entities.
50. The Committee therefore recommends that to improve the fairness, proportionality, and acceptability of the levy framework, it should:
  - a) adopt a clear and principled approach to thresholds and tiering, including transparency around methodology;
  - b) make thresholds to be subject to regular review and stakeholder engagement; and
  - c) prioritise sector-specific calibration to ensure that levy outcomes reflect actual AML/CFT exposure, rather than broad or indirect proxies.

### **Q10: Impact on business and business practices**

51. The Committee anticipates that the levy will have a direct and immediate financial impact on law firms. Consistent with our earlier observations in 2025, the Committee considers that, in practice, these costs are likely to be either absorbed by firms or passed on to clients. Given the structure of regulated legal services and billing practices, there may be limited ability to align levy costs with specific AML/CFT-regulated activities.
52. As a result, firms are likely to adopt simplified pricing approaches, such as applying generalised or flat-rate charges across services, rather than incur further cost attempting to allocate costs with precision. While this may be administratively efficient, it can also reduce transparency for clients and create challenges in ensuring that costs are proportionately attributed to regulated work.
53. The Committee considers that these impacts may have broader implications for the legal sector. In particular, the pass-through of costs may affect access to legal services, especially for individuals and smaller businesses. In addition, there is likely to be an increase in administrative burden associated with managing levy-related costs and integrating them into existing processes – a productivity cost imposed.
54. And of course, all other reporting entities sectors will be doing the same analysis of their own ability to pass through the levy cost imposition. No attempt has been made by the Ministry to estimate the overall inflationary effect this will have across the financial and professional services sectors of the New Zealand economy.
55. The Committee also notes potential for unintended behavioural effects. For example, firms may seek to structure their activities in a way that aligns with particular levy categories or thresholds, or to limit engagement in AML/CFT-captured work if commercially feasible. In a tiered model, firms may also need to consider how their activities affect their position within levy bands, which may influence operational and commercial decision-making. While these responses are rational from a business perspective, they may have unintended consequences for the overall AML regime.
56. Overall, the Committee considers that the levy will function primarily as a cost pressure within the system, rather than as any useful targeted or activity-specific charge. This reinforces the importance of ensuring a levy framework is proportionate, predictable, and workable in practice.

### **Implementation and System Design Considerations**

57. The success of the levy framework will depend not only on its design, but also on its implementation and ongoing operation. A well-designed model will not achieve its intended outcomes unless applied in a way that is transparent, consistent, and practical for all entities.
58. In earlier submissions in 2025, the Committee highlighted the importance of transparency in cost allocation, clear articulation of the benefits delivered to reporting entities, and accountability for the use of levy funds. These considerations remain central to the Committee's assessment of the current proposals.
59. The Committee notes that recent legislative developments recognise the importance of transparent reporting of levy collection and expenditure. A substantive selection of the Committee members appeared keen for more detailed disclosure of how levy funds are applied. This is a positive step, but the fact is that further clarity is required as to how these new obligations will operate in practice.

60. In particular, future reporting on levy use should be clear, disaggregated, and meaningful, so that reporting entities can understand how funds are being allocated across the AML/CFT system. It is also important that reporting entities have visibility of how their contributions translate into tangible system improvements. Material improvements to supervision, guidance and consistency of enforcement will be the minimum expectation, upon which the Supervisor must be evaluated.
61. We emphasise that ongoing engagement with affected sectors will be critical to developing confidence in the levy framework. Regular communication, consultation, and transparent feedback mechanisms will assist in ensuring that the framework remains responsive and aligned with the practical realities faced by reporting entities already battling painful cost escalations.
62. The Committee also considers that implementation should include public education to support understanding of AML/CFT requirements. This should involve clear, accessible information—such as guidance and FAQs—explaining what financial disclosures may be requested by reporting entities and why. Improving public awareness will help reduce friction in client interactions, minimise delays, and support more effective compliance.

## CONCLUSION

The Committee supports the development of a sustainable and effective AML/CFT system. At this stage, the key issue is ensuring any levy framework is proportionate, fair and workable in practice.

The Committee considers that addressing the issues outlined above will be critical to ensuring that the levy aligns with the underlying objectives of the AML/CFT regime and maintains the confidence of the regulated community.

Should any aspect of this submission require further clarification, we would be pleased to discuss in more detail. Please contact Moira McFarland, Committee Executive, [moira.mcfarland@tlanz.nz](mailto:moira.mcfarland@tlanz.nz) to arrange a meeting or to address any queries.

Ngā mihi,



**Gary Hughes**  
Convenor  
TLANZ AML/CFT Law Committee



**Claudia Shan**  
Deputy Convenor  
TLANZ AML/CFT Law Committee

## REFERENCES:

- Ministry of Justice, *An industry levy to sustainably fund New Zealand's AML/CFT system: Initial levy design consultation* (Targeted Industry Consultation, 11 April 2025).
- The Law Association of New Zealand, submission to *An industry levy to sustainably fund New Zealand's AML/CFT system: Initial levy design consultation* (TLANZ, 30 May 2025).
- Ministry of Justice, *Departmental report: Anti-Money Laundering and Countering Financing of Terrorism (Supervisor, Levy and Other Matters) Amendment Bill* (Departmental Report, 2025).
- Ministry of Justice, *Anti-Money Laundering and Countering Financing of Terrorism: Levy proposals consultation* (March 2026 – this Consultation Document).