



NEW ZEALAND'S EXCHANGE  
TE PAEHOKO O AOTEAROA

NZX Limited  
Level 1, NZX Centre  
11 Cable Street  
Wellington 6140  
New Zealand

[www.nzx.com](http://www.nzx.com)

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AML/CFT Act Consultation Team  
Ministry of Justice  
DX Box SX10088  
Wellington

By email: [aml@justice.govt.nz](mailto:aml@justice.govt.nz)

## **NZX Submission on 'AML/CFT "Early" Regulatory Package: Exposure Draft'**

### **Background**

1. NZX Limited (**NZX**) submits this response to the Ministry of Justice's (**Ministry**) exposure draft on its AML/CFT 'Early' Regulatory Package (**Consultation Document**) and amended Anti-Money Laundering and Counter Financing of Terrorism Regulations Amendment Regulations 2023. We thank the Ministry for the opportunity to make this submission. We look forward to contributing towards the ongoing development of Anti-Money Laundering and Countering Financing of Terrorism (**AML/CFT**) regulations within New Zealand.
2. NZX is a licensed market operator and New Zealand's exchange. NZX operates New Zealand's securities, debt, funds, derivatives and electricity markets. NZX has approximately 200 listed issuers with a total market capitalisation of approximately \$220 billion, who may be affected by the matters raised in the Consultation Document.
3. In 2019, the NZX and FMA co-sponsored an industry-led group to identify ideas to improve and grow New Zealand's capital markets. The group published the Capital Markets 2029 report in September 2019 which outlined a 10-year growth agenda for New Zealand's capital markets, with the aim of strengthening and enhancing our capital markets for future growth, innovation and increased global competitiveness. The Capital Markets 2029<sup>1</sup> outlined New Zealand's AML/CFT regulations as an area in need of review<sup>2</sup>.
4. NZX supports the Ministry's common goal of improving the efficiency, effectiveness, and competitiveness of New Zealand's capital markets and financial industry. NZX notes that many of the proposed amendments outlined within the Consultation Document and Amended Statute relate to AML/CFT practices of entities within

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<sup>1</sup> Growing New Zealand's Capital Markets 2029 is available linked [here](#).

<sup>2</sup> Ibid., 39

industries and markets beyond our operation as an exchange. We therefore remain guided by the submission feedback of these entities on the suitability of the proposed AML/CFT amendments.

5. Nothing in this submission is confidential.

## Response to consultation

### Shared principles

6. We support the shared goals outlined in both the Capital Markets 2029 report and the Consultation Document on the AML/CFT Act. We recognize the importance of improved regulatory efficiency, which streamlines regulations, ensures they are fit-for-purpose, and reduces the costs of compliance for businesses. We also endorse enhanced information sharing and collaboration between agencies observing money laundering and other harms, noting that this was also called for as one of the recommendations within Capital Markets 2029 report.
7. We believe that removing barriers to competition is crucial for promoting a healthy financial market, and we appreciate the Ministry's efforts to address onerous obligations and outdated definitions that contribute to higher compliance costs and impede new service providers' entry. We support the emphasis of these amendments towards facilitating international cooperation, such as the Capital Markets 2029 report's recommendation to explore reciprocity for customer onboarding with the Australian AML/CFT regulator, and the Ministry's efforts to ensure New Zealand's compliance with international standards like the Financial Action Task Force (FATF) recommendations.

### AML/CFT Regulatory Recommendations

8. NZX acknowledges that the Ministry's current proposed amendments are intended on being an 'early' regulatory package, however we would like to take this opportunity to suggest potential areas in need of development within our AML/CFT regulatory settings.
9. There is currently no central process for customer onboarding under the general know-your-client (KYC) procedures and the Anti-Money Laundering and Countering Financing of Terrorism Act. Each capital market participant must undertake its own onboarding process for new customers, resulting in duplicated efforts and inefficient use of resources. There are also inconsistencies in onboarding processes between participants. Difficult onboarding processes discourage customers from signing up for new services or switching between providers and act as a barrier to entry for new service providers in an already concentrated market.
10. To address this issue, NZX urges the Ministry to consider the recommendations of Capital Markets 2029 relating to the centralisation of AML onboarding by leveraging existing databases or requiring appropriate regulators to conduct this onboarding. This would reduce the duplication of efforts and inefficient use of resources, allowing investors to complete the onboarding process only once, rather than having to repeat it for each interaction with a new capital market participant.

11. NZX also recommends that the Ministry explore reciprocity for customer onboarding with AUSTRAC, the Australian AML/CFT regulator. Furthermore, any customer onboarding undertaken by capital market participants should be streamlined and proportionate to remove unnecessary compliance costs. Such reciprocity would encourage greater access to services for both New Zealand and Australian residents, and thus benefit our capital markets.

### **Closing comments**

12. The key changes within New Zealand's AML settings that were identified by Capital Markets 2029 to improve efficiency, reduce costs for investors and institutions, and promote competition between market participants were: the reduction in the duplication of current AML onboarding processes; introduction of a trans-Tasman reciprocity regime; and better streamlining of onboarding processes for new customers. We support these recommendations and encourage the Ministry to bring these suggestions within the current review.
13. NZX thanks the Ministry for this opportunity to provide our input on the AML/CFT regulatory changes. We support the Ministry in their ongoing efforts to review and improve our existing regulatory settings and look forward to upcoming developments within this field.

Yours faithfully,



Jasveet Sandhu  
Solicitor  
Policy and Regulatory Affairs  
NZX Limited