

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

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Submission of the New Zealand Law Society Te Kāhui  
Ture o Aotearoa

9 April 2026

# 1. Introduction

- 1.1. The New Zealand Law Society Te Kāhui Ture o Aotearoa (**Law Society**) welcomes the opportunity to comment on the Consultation Document released by the Ministry of Justice (**Ministry**): *Anti-Money Laundering and Countering Financing of Terrorism: Levy Proposals*.
- 1.2. We note at the outset that law firm reporting entities<sup>1</sup> will have a wide range of views as to how the levy should be applied and calculated, and as a sector within the AML/CFT regime, it is complex and highly diverse. Law firm reporting entities differ in size, structure, practice area (including in terms of the range and proportion of captured activities they undertake), and revenue. Where they practice (for example, in the regions, isolated communities, cities, or as part of an international network) also has an impact on the type of law they practice and how they practise it, as well as the challenges they face. These differences mean that the AML/CFT risk of law firms differs significantly.
- 1.3. In preparing this submission, the Law Society has:
  - Advertised the consultation in LawPoints, encouraging law firm reporting entities to either make their own submissions, or provide feedback to the Law Society for inclusion in this submission.
  - Engaged with, and received feedback from, its local branches.
  - Received feedback from a working group of lawyers and firms who have regularly assisted the Law Society in recent submissions on AML/CFT consultations.
- 1.4. We acknowledge here the work undertaken by the Ministry, Department of Internal Affairs (**DIA**), and the Police's Financial Intelligence Unit (**FIU**) to engage with reporting entities throughout this process, including the series of industry engagement sessions offered throughout the country and online. We also acknowledge that this is the second opportunity to provide feedback as the levy design work progresses – such an approach is commendable. The Law Society recognises the importance of a well-functioning AML/CFT regime and lawyers' roles in that, and supports efforts (including increased industry engagement) to improve and enhance DIA's supervisory activities.
- 1.5. While views vary within the legal sector, it is important they are each put forward and considered. This submission therefore specifies where it is conveying views specific to certain lawyers (or groups of lawyers).

## Executive summary

- 1.6. The Law Society continues to hold serious concerns that insufficient work has been done to justify and design the levy. We remain of the view that the levy cannot be equitably applied within the legal sector or vis-à-vis other sectors, and that its imposition on the legal profession has not been justified in accordance with the accepted principles of cost recovery.

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<sup>1</sup> 'Law firm reporting entities' refers to both law firms and sole practitioners.

- 1.7. This submission begins with general comments, before addressing relevant questions from the Consultation Document. In summary:
- a. The Consultation Document indicates there is not a robust understanding of legal practice and law firm reporting entities, and further sector-specific analysis is required. This extends to the purported justification for imposing a levy on the legal sector: no club goods are identified, and the sector already bears significant compliance costs, in circumstances where the proposal fails to identify club goods or more than negligible direct benefits for the sector from participation in the regime.
  - b. Limited information is provided on the purported club goods more generally, and the Law Society does not agree that costs such as Financial Action Task Force (**FATF**) membership and participation (including international travel) should be covered by the levy.
  - c. The Law Society suggests the 2026/27 'deficit' ought not to be recovered. If it is, it should apply only to expenditure that occurs from the date of the regulations coming into effect. The spread of that cost across five years is preferred.
  - d. The Law Society agrees that banks should pay the majority of the levy, for the reasons set out in the Consultation Document. However, the Consultation Document is not transparent as to how the levy has been apportioned across sectors.
  - e. The submission outlines varying views as to which levy option is preferable. The Law Society emphasises the broad range of law firm reporting entities and cautions against an assumption that seemingly modest levy amounts will be affordable (noting also that those amounts will only increase).
  - f. More fundamentally, there are methodological issues including the unclear differentiation between sole practitioners and law firms, the use of compliance assessments as a proxy for risk (and therefore allocation of cost), and the suggested settings for the metric of customer numbers.
  - g. The profession holds concerns about the impact of the levy on regional law firm reporting entities, which typically provide a broad range of legal services and may look to withdraw from captured activities, to the detriment of local communities.
- 1.8. If the levy is to proceed for law firm reporting entities, significantly more work is required. The Law Society recommends further engagement across the whole of the sector.

## 2. General comment

There appears to be limited understanding of legal practices and legal work

- 2.1. The Consultation Document, at section five, differentiates between 'Law firms' and 'Barrister and Solicitor', applying different levy rates to each under options two and three. The Law Society sought clarification, and it was confirmed that the category of 'Barrister and Solicitor' is intended to refer to sole practitioners.

- 2.2. Sole practitioners can employ lawyers (and other staff), while law firms can be comprised of only one or two lawyers. The basis for differentiation solely on practice structure is unclear and suggests there is not a robust understanding of the legal sector.
- 2.3. The consequences of this differentiation are significant and possibly unintended. For example, where a sole practitioner has three employed lawyers, they would pay \$190 per annum under option two, while a law firm comprised of two lawyers would pay \$600. Under option three, a sole practitioner with one employee, who has had 101 customers in a year, will pay \$564. A law firm of two lawyers that has also had 101 customers would pay no levy. The only difference would be the structure under which they have chosen to practise.
- 2.4. This could have been addressed by engagement during preparation of the proposed options, and it is unclear why this has not occurred. Further comment is set out in response to option three, and we look forward to discussing this further with the Ministry.
- 2.5. Further, and expanded on below, the Consultation Document demonstrates little understanding of the extent to which the legal sector derives a direct benefit (if at all) from the AML/CFT regime. Discussion in this regard is limited to financial institutions. This was raised in the Law Society's submission on the first levy consultation (May 2025) and is yet to be addressed.

## Law firm reporting entities already contribute financially to AML/CFT regulation

- 2.6. Relatedly, there appears to be limited understanding (acknowledging this is perhaps reflective of limited information) and accounting for the existing compliance costs that law firm reporting entities already absorb, the output of which is intelligence that accrues for the benefit of law enforcement agencies. This benefit was emphasised in the industry engagement sessions; it being acknowledged that Designated Non-Financial Businesses and Professions (**DNFBPs**) are relied on for the intelligence they provide the FIU.
- 2.7. Feedback received from the profession was clear that such costs ought to be accounted for before imposing a levy on a sector that derives little direct benefit from the AML/CFT regime, and emphasised the extent of this existing compliance cost. The Anti-Money Laundering and Countering Financing of Terrorism Act 2009 (**AML/CFT Act**) requires that law firm reporting entities:
  - design, implement and maintain risk assessment and compliance programmes, including internal procedures, policies and controls to detect and manage the risks of ML/FT;
  - appoint dedicated AML/CFT compliance officers;
  - conduct customer due diligence (standard, enhanced, and simplified) on clients;
  - monitor ongoing business relationships and transactions;
  - file suspicious activity reports and prescribed transaction reports;
  - train and retrain staff on AML/CFT obligations;

- submit annual reports to the supervisor;
  - establish a record keeping system and maintain records for the prescribed period;
  - arrange bi-annual independent audits of the firm's AML/CFT compliance programme; and
  - respond to supervisor inquiries, inspections, and compliance assessments.
- 2.8. None of these activities generate revenue. They are an overhead that must be absorbed into the cost of practice. This means the proposed levy imposes a third layer of cost on law firm reporting entities:
- First layer: the direct costs of building and maintaining the compliance infrastructure detailed above.
  - Second layer: the opportunity cost of practitioner time spent on compliance rather than fee-earning or client-service work. As a professional service industry reliant on time to generate income, this is significant. For sole practitioners and small firms, it can be particularly acute.
  - Third layer: a levy to fund the supervisor and other government agencies to oversee the compliance work that firms are already performing and funding themselves.
- 2.9. Although it is suggested in the Consultation Document that the levy funding will enable improved regulation and therefore reduce compliance cost in the medium-to-long term (in tandem with other reforms that are progressing), it is not clear this will result in the meaningful reduction of direct or opportunity costs. The likely impact of that reduced compliance has not been quantified, and law firms are therefore required to pay now for benefits that are not guaranteed, uncertain in scale, and deferred.

## 3. Consultation Document questions

### Cost recovery principles

- 3.1. This section of the Consultation Document concludes that:
- Sufficient information has been provided to enable stakeholders to understand and assess costs, and make an informed submission.
  - The costs are justifiable.
  - Agencies have presented the lowest cost options possible, but there is no measure that can advise costs are efficient.
- 3.2. The Law Society does not agree with these conclusions. We observe that the Consultation Document suffers in each respect from an absence of information. In particular:
- It does not detail the 'club goods' identified or engage with the full range of 'public goods'. This information is not provided in respect of the overall AML/CFT regime, and is not analysed in terms of the individual sectors subject to the levy.

- It does not disclose the percentage of the regime’s cost that is intended to be recovered, even indicatively. As the levy is intended to provide only *partial* cost recovery, this information is important. The Law Society is advised that it cannot be known at this time because the Crown contribution will be determined at each Budget cycle. However, the absence of even a general indication (or upper limit in percentage terms) restricts the value of the already limited detail on what activities/costs will be covered by the levy. Examples of these costs are provided in broad terms throughout the Consultation Document (for example, ‘statutory functions’ or activities that ‘include.....’) and Appendix C lists generic cost categories. Overall, this obscures whether an appropriate proportion of Crown funding (for public goods) will be maintained and restricts the ability of submitters to provide feedback on the figures suggested. This is important, as they correlate directly to the amount that a reporting entity will pay.
- No information is provided to substantiate the conclusion that the lowest cost options have been provided by the recipient agencies.

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

- 3.3. The Law Society does not agree with the Consultation Document’s categorisation of costs as club goods. It relies on a bare statement that all reporting entities receive direct benefit from the AML/CFT regime: it does not identify the purported club goods across sectors or across the functions of each funded agency.
- 3.4. The only specific club good (briefly) identified in the Consultation Document is access to international financial markets. At page 13, the Consultation Document more generally states that benefits in the form of New Zealand’s reputation as ‘a safe place to do business’ are club goods, but this is followed by a statement clearly acknowledging that this is in respect of financial institutions. Similarly, other often suggested benefits of FATF compliance (not stated in the Consultation Document) such as continued foreign investment, would not typically accrue to the legal sector.<sup>2</sup> Overwhelmingly, the feedback the Law Society has received is that these benefits are negligible for the legal sector.
- 3.5. The Law Society supports the Ministry’s reference to cost recovery guidelines provided by Treasury and the Auditor General, but the analysis so far appears to have been superficial, and the public good component of AML/CFT regulation is at the same time both underdeveloped and downplayed. The Law Society suggests that:
- If there are club goods beyond access to international financial markets, those ought to be detailed for the benefit of reporting entities to whom the levy is proposed to apply.
  - There should be detailed analysis of how (and to what extent) each of those identified club goods arises in respect of each of the sectors proposed to be levied.

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<sup>2</sup> We would suggest that FATF compliance enabling access to international financial markets, and the potential to then advise a client on international markets (if that argument were contemplated) is somewhat remote, and not comparable to the direct benefit that accrues to financial institutions.

- The benefits of AML/CFT regulation are primarily public goods. The above points should not be taken to suggest that the Law Society sees no benefit accruing from the AML/CFT regime. Rather, we consider those benefits to be predominantly public goods. This needs to be acknowledged and better reflected in the levy settings (including differentially across sectors). For example, and as noted above, reporting entities are a primary source of intelligence for law enforcement agencies. The prevention and detection of crime are public goods for which reporting entities are already contributing to at their own cost.
- 3.6. We draw the Ministry’s attention to the Report of the 2021 Statutory Review, which records that quantified benefits for phase 2 of the AML/CFT regime (which included law firm reporting entities) relate to disruption of illegal drugs and fraud, with more strategic (non-quantified) benefits arising from the disruption of broader criminal activity (including because offenders would have less money to reinvest into illegal ventures or will be deterred from committing crimes), and reduction in social harm.<sup>3</sup> These are public goods. In contrast, quantified benefits from phase 1 included “improved international reputation, improved efficiency in the economy, improved risk management, and improved competitiveness.”<sup>4</sup> This emphasises the stark difference when considering club goods and public goods on a sector-by-sector basis.
- 3.7. We emphasise here that we are not suggesting that levied reporting entities must each directly benefit from all of the club goods that are identified and therefore recovered – some measure of cross-subsidisation will inevitably occur across and within sectors. Rather, in justifying the imposition of a levy in circumstances where there are significant public goods, and where only certain sectors will be levied, some direct benefits must be identified as accruing to each subject sector.

**‘Improved’ regulation costs as club goods**

- 3.8. The broad statement made at page 7 appears to suggest that the increased costs of improving the regulator’s performance – even if the regulation itself offers no club goods – can be attributed to a club good:

*The costs of the AML/CFT system are generally club goods as a well-functioning system benefits the regulated entities.*

- 3.9. This continues at page 11, where it appears to be asserted that improvements to guidance, outreach and supervision more generally are club goods.
- 3.10. We agree that improved guidance, outreach, and supervision, are appropriate activities. However, we do not agree with the assertion that they are themselves club goods that justify imposing the levy, or that they are solely club goods. The identified ‘club goods’ for the purpose of justifying cost recovery via the levy should be those benefits that accrue to reporting entities as a consequence of the AML/CFT regime itself. Decisions on the funds necessary to cover the cost of regulation (including improved regulation) follow once the levy itself is justified, and should recognise the public good component that arises from

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<sup>3</sup> *Report on the review of the Anti-Money Laundering and Countering Financing of Terrorism Act 2009* (Ministry of Justice, 2022), at p. 85.

<sup>4</sup> *Ibid.*

reporting entity compliance with the regime (for example, efficient reporting of suspicious activities and other data to the FIU).

### **FATF membership and associated costs as club goods**

3.11. In the Law Society's view, costs associated with FATF and Asia-Pacific Group membership, preparation for mutual evaluations, and associated international travel by the Ministry, are not appropriately covered by the levy. Country membership of FATF is a political decision, and reporting entities cannot scrutinise or have meaningful involvement in its activities. It has strong public good characteristics and is tied to the policy functions that will not be recovered, and should be Crown-funded rather than levy-funded. We note that this is not expenditure proposed for the supervisor, for whom membership of relevant bodies (and associated activities) can more reasonably be connected to achieving improved regulation and operational activities.

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

- 3.12. Collection of the levy will not commence until 1 July 2027, some time after the regulations come into effect. The Consultation Document suggests this will create a 'deficit' that must be recovered over subsequent years.
- 3.13. While it is appropriate to ensure adequate notice is provided of the levy, the Law Society (and feedback received from the profession) considers it is objectionable in principle to require reporting entities to retrospectively fund expenditure that occurred prior to the levy framework being finalised and coming into effect. The timing indicated for regulations coming into effect suggests that pre-regulation expenditure in the 2026/27 year will be recovered. Depending on when the Anti-Money Laundering and Countering Financing of Terrorism (Supervisor, Levy, and Other Matters) Amendment Bill (**Amendment Bill**) is enacted, this may extend to funding of expenditure that occurred prior to the levy empowering provision even existing at law.
- 3.14. The suggestion that a 'deficit' will be established is not particularly convincing. Irrespective of the label applied, it would simply be the continuation of the status quo (Crown funding) until such time as the levy comes into force. There is nothing in the Bill that requires the immediate imposition of the levy, and no broader reasoning is provided in the Consultation Document. Regulations could instead apply to recover expenditure from 2027/28 onwards.
- 3.15. Where feedback from the profession did comment on the preferred option for recovery of the 2026/27 'deficit', it supported the Ministry's preferred option of recovery over five years. Recovery in a single year would impose an unreasonable financial burden, particularly on smaller reporting entities.
- 3.16. Finally, we note that the expenditure associated with retrospectively recovered 'deficit' should be reported on transparently and subject to the same scrutiny as ongoing levy expenditure.

## The Levy

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

- 3.17. The Law Society agrees that banks should pay the majority of the total levy cost. As noted in the Consultation Document, banks are almost always involved in any transaction involving another regulated entity, most payments go through banks, and they remain the highest risk sector. We would add to this that they are the primary (club good) beneficiaries of a well-functioning AML/CFT system (access to international financial markets). They operate at economies of scale that enable more efficient compliance and – it is presumed – efficient recovery of the levy cost from consumers.
- 3.18. Feedback from the profession supported increasing the bank share above 85%, with the additional revenue used to reduce the burden on other sectors, particularly professional services firms where captured activity is incidental rather than core business.
- 3.19. How the proposed bank share of 85% was determined is not clear. The Consultation Document is not transparent about how the Ministry reached that figure, and more specifically, the 6% figure for Other Financial Institutions (**OFIs**) and DNFBPs. While it goes into detail on the apportionment of that 6% across the OFI/DNFBPs (under the three proposals), the crucial initial apportionment of total levy costs is not explained. This correlates directly to the amount that a reporting entity will be required to pay, and it is unsatisfactory that this information is not available to submitters.

### **Broader considerations given the indicated approach to the levy**

- 3.20. If the levy settings are not recalibrated to better reflect the points discussed in this submission, there is perhaps a broader issue to address. As put forward, the proposal is for the levy to be applied to all high and medium-high risk sectors, irrespective of whether they derive club goods from the AML/CFT regime, and without accounting for the compliance cost already borne.
- 3.21. At the same time, it is suggested that the levy is intended to fund reform of the AML/CFT regime and the supervisory approach, to ensure it is operating in a risk-based manner and to reduce compliance cost in the long-term. This will involve, amongst other things, provision of greater guidance and support to reporting entities.
- 3.22. With this being the primary focus and sectoral club goods not being considered, it is not clear on what basis any sector could be excluded, including those with risk assessment ratings of medium and below. Those lower risk sectors will also benefit from the above, including any reduction in compliance burden.

### Would the introduction of a levy incentivise reporting entities to take steps to reduce their risk to the AML/CFT system?

- 3.23. It is not clear how this could be the case. The levy is to be applied to reporting entities within high and medium-high risk sectors, with no variation according to the risk profile of *individual* reporting entities. This is perhaps understandable, given the complexity that would introduce. However, the sectoral risk assessment is largely outside of the control of reporting entities and it appears the levy will be applied on the basis of inherent, rather

than residual risk. This makes it highly unlikely the levy could operate as such an incentive.

- 3.24. Feedback provided to the Law Society suggests it is more likely to incentivise sole practitioners and small firms to avoid engaging in captured activities. Firms' AML/CFT risk profile is largely a function of the *type* of legal work they do, and not discretionary business choices. A conveyancing firm cannot reduce its AML/CFT risk without ceasing to do conveyancing.

## DNFBP-specific questions

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

3.25. A range of feedback was received:

- Feedback that addressed the proposed measure relating to compliance assessments was consistent in the view that this is not appropriate.
- Feedback from sole practitioners and small firms preferred option 3 and saw this as the most equitable approach. Some large law firms that provided feedback indicated that this cost would be marginal and unobjectionable (at present), though disproportionate to what they'd consider to be their ML/FT risk.
- The Law Society also received feedback from a large firm, in favour of option one. This was seen to be equitable in that it applies across all reporting entities without exception, while also being simple to administer and consistent with the cost recovery principles of proportionality and predictability.

3.26. Further detail on each of the options is provided below. For the most part, the Law Society's feedback is limited to identifying where further information appears to be required, and where anomalies and inconsistencies arise.

### **Option One: flat rate**

3.27. The Consultation Document notes this option would be simple to apply and to collect, and affordable, but notes that it would not be equitable. As noted above, there was a view expressed that this option was more equitable in that it would be levied against all reporting entities without exception.

3.28. The Law Society received feedback that a levy of \$404 should not be assumed to be affordable. There will be sole practitioners and small firms for whom it is not, as it will apply additional to the existing costs of practice, and the AML/CFT compliance costs that must already be absorbed.

3.29. Further, the cost will inevitably increase over time, and ongoing affordability can also not be assumed.

### **Option Two: flat rate based on number of compliance assessments**

3.30. Under this option, the number of compliance assessments conducted within a sector will determine the proportion of costs that the sector is to cover, from which a flat rate will be calculated and applied to all reporting entities. Law firms are allocated 41.85% of the

OFI/DNFBP levy pool (\$676,000 of \$1.615 million), by far the largest allocation of any sector in this group.

- 3.31. Under this approach, the number of compliance assessments is treated as a proxy for risk. However, there are two issues with this assumption:
- The number of assessments reflects the supervisory approach, not risk.
  - The calculation offered in the Consultation Document does not relate to *comparative* risk.
- 3.32. On the first point, the number of assessments undertaken within a sector is entirely at the discretion of the supervisor. It could fluctuate over time for a range of reasons (even if steady at present), resulting in potentially artificial measures and therefore inequitable allocation of levy share. The number of assessments could, legitimately, reflect the supervisor's decision to focus in any given year on a particular sector (or part of a sector, such as a type of legal practice), for reasons other than present risk or higher risk in comparison to other sectors. While it is also suggested that the number of compliance assessments indicates where supervisor resource has been focused, such an assumption is open to the same criticism. It is also not clear how frequently this would inform a revision of levy allocation. Reporting entities will not have sufficient certainty for business planning.
- 3.33. Further, option two relies on apportioning the share of costs according to the percentage share of total assessments. Using raw assessment numbers as a proxy for risk allocation is methodologically flawed and produces an inequitable outcome.
- 3.34. For those sectors with a higher number of reporting entities, the number of assessments will be greater, and if relying on the number of assessments in total rather than the number of assessments proportional to number of reporting entities, the outcome is not an indication of risk. The assessment-to-entity ratio for law firms (15.3%) is comparable to or lower than many other sectors. This may be an oversight.
- 3.35. At a minimum, the allocation methodology for the OFI/DNFBP levy pool should be revised so that the number of compliance assessments is normalised against the number of entities in each sector, rather than using raw assessment numbers. However, in the Law Society's view, these concerns indicate that compliance assessments may not be a suitable measure by which to equitably and justifiably calculate levy share.

### **Option Three: Tiers based on value of transactions or customer numbers**

- 3.36. This approach raises the same concerns as option two, regarding the use of compliance assessment numbers. It then introduces tiers based on the number of customers of a reporting entity (customers for whom customer due diligence (**CDD**) was completed, as reported to the supervisor in the annual report).
- 3.37. With the exception of the feedback referenced above as preferring option one, feedback received was either supportive of including a customer threshold below which the levy would not be payable or did not make comment on this aspect.
- 3.38. The Law Society supports the decision not to rely on law firm earnings to calculate levy liability (for the reasons set out in our previous submission). However, there are issues

with the tiers established, when compared between sole practitioners and law firms. This is possibly reflective of the misunderstandings identified under 'General comments', above, but overall the reasoning underlying the tiers is unclear. For example:

- A sole practitioner will pay a levy of \$564 where they have between 100 and 499 customers, whereas a firm with the same number of customers will pay nothing.
- A sole practitioner with 501 customers will pay \$1,965, whereas a firm with 501 customers will pay \$1,779.
- Inexplicably (given the first two examples), once the number of customers exceeds 1,001, the law firm pays the higher levy of \$3,094, compared to \$2,358 for the sole practitioner.

3.39. These outcomes seem incoherent and may not be intended, particularly as the Consultation Document elsewhere appears to assume sole practitioners are always a smaller undertaking than law firms. Under option two, a sole practitioner pays significantly less than a law firm, whereas under option three they pay more until the tier of 1,001 customers is reached.

3.40. Affordability may also be an issue. In practice, CDD numbers are heavily influenced by the nature of a firm's work. For example, a smaller firm with a high volume of property transactions may face a greater levy burden than a larger firm focused on other areas, while having considerably less income from which to pay the levy.

3.41. There is insufficient data in the Consultation Document, and further work is required to understand the practical application of this option and to recalibrate the tiers and levy rate. While again acknowledging that there will be cross-subsidisation across some reporting entities, in the sense that customer tiers (or indeed, other metrics) necessitate some broad-stroke application, this option as presented will create inconsistencies that are not coherent in their application. We urge further engagement with the sector before finalising these settings.

[What is the likely impact of the options on your business? How likely is it to change any business practices?](#)

3.42. We rely here on feedback received from the profession in response to this consultation, and on concerns raised with the Law Society throughout the course of its regular engagements with the profession.

3.43. The likely impact of the levy proposals on legal practice in the regions is a matter of concern. Members report that AML/CFT compliance is already a significant burden for smaller and medium-sized firms. The addition of a levy, even at (initially) relatively modest individual amounts, compounds an existing problem.

3.44. For sole practitioners and small firms operating on thin margins, particularly those in smaller towns, the cumulative cost of AML/CFT compliance plus a levy may tip the balance towards ceasing to offer captured services. Residential conveyancing and basic trust work are already marginal activities for some firms. If these firms withdraw from captured activities, it will reduce access to legal services in communities that are already underserved.

- 3.45. Lawyers who advise law firm reporting entities on AML/CFT issues have also anecdotally reported an increase in clients seeking advice around withdrawal from captured activities.
- 3.46. We note that the Consultation Document acknowledges this risk at a general level but does not adequately grapple with its implications for access to justice in New Zealand, and in regional New Zealand in particular.

## 4. Conclusion

- 4.1. The Law Society continues to recommend that the levy is not applied to the legal sector. Costs with strong public good characteristics should be predominantly Crown-funded and levy funding should only apply where there are clearly identifiable direct benefits that accrue to the sector.
- 4.2. The current proposals do not give adequate weight to the substantial uncompensated contribution the legal profession already makes through its compliance activities, and fail to justify the levy in terms of any material direct benefit that law firm reporting entities derive from the AML/CFT regime.
- 4.3. If the levy is to proceed, we strongly recommend that the Ministry addresses the information and analysis gaps identified throughout this submission and undertakes further engagement with the sector, with a view to revising the present options. Sound and equitable metrics and methodology are required, with an understanding of how the calculations would apply across such a diverse sector of reporting entities.
- 4.4. Once more, thank you for the continued opportunity to provide feedback throughout the course of this work. We look forward to further discussion.



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David Campbell  
**President**