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Financial services sector

Trends & insights

JULY 2026

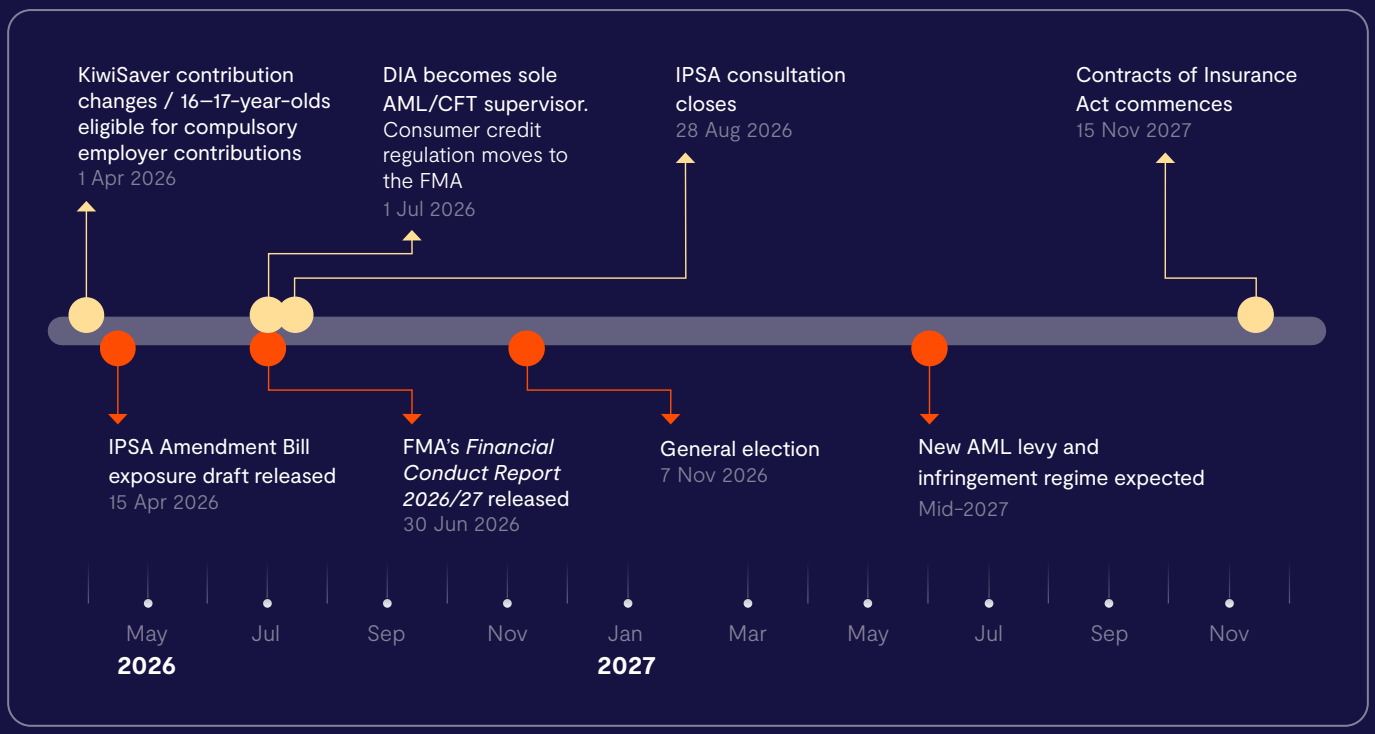
Contents

2026/27 to bring more regulation and heightened scrutiny for financial services

We predicted in our 2025/26 edition that the regulatory roller coaster ride that has been tossing financial services firms around over recent years still had a way to go – and that remains our prediction for this year, with yet more regulation and increased scrutiny hurtling down the line.

The good news is that many of the proposed reforms will be largely positive from an industry perspective – designed to enhance regulatory clarity and efficiency, keep pace with developing technology and regulatory gaps, all while keeping a laser focus on fair treatment of customers.

But even positive change is still change, requiring providers to adapt their systems in response. While welcoming sensible initiatives, we sense some appetite from the industry for regulatory certainty and stability, so that providers can focus on customer experience rather than inwardly on system upgrades and compliance. Based on the level of reform ahead, however, there still seems to be some way to go.



Key regulatory developments expected

Musical chairs amongst the regulators

A sea-change for AML/CFT

The Anti-Money Laundering and Countering Financing of Terrorism (Supervisor, Levy, and Other Matters) Amendment Act 2026 established the Department of Internal Affairs (DIA) as the sole supervisor for New Zealand's AML/CFT regime on 1 July 2026.

This Act also provides for a new levy structure and infringement regime, expected to commence in mid-2027. It will be critical that the DIA is sufficiently resourced to fulfil its new responsibilities while also engaging constructively with industry during what is an already busy period of regulatory upheaval.

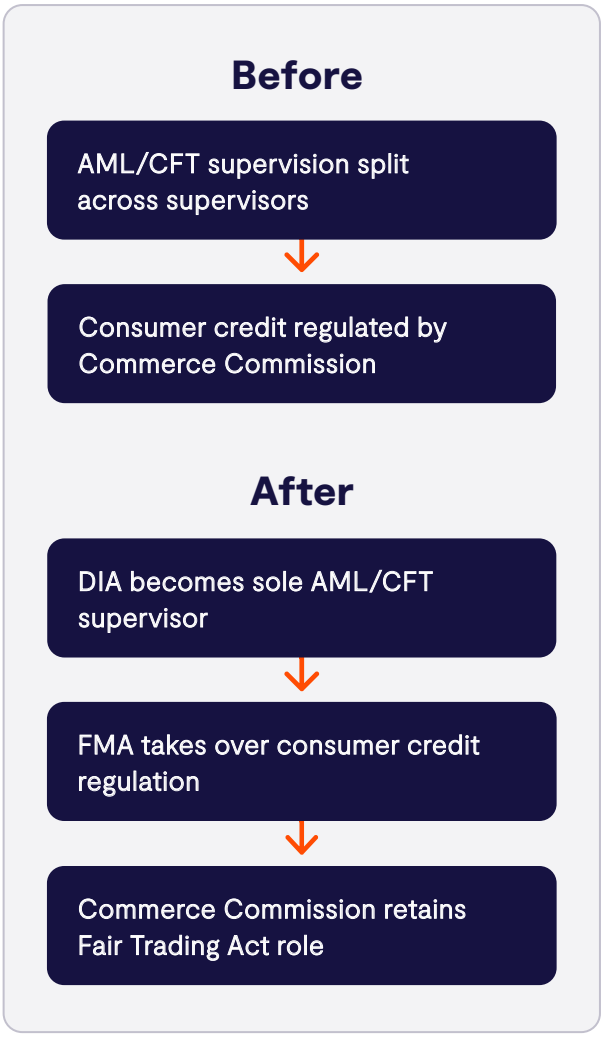
Consumer credit responsibility moves to the FMA

The Credit Contracts and Consumer Finance Amendment Act 2026 transferred responsibility for consumer credit regulation from the Commerce Commission to the Financial Markets Authority (FMA) on 1 July 2026. The FMA is equipped with a wider range of regulatory tools than have been available to the Commission.

The Commission retains jurisdiction in relation to consumer credit contracts under the Fair Trading Act 1986. For lenders, this means a jurisdictional overlap between the FMA and Commerce Commission in respect of misleading and deceptive conduct and (when the provisions come into force) unfair contract terms. It is not clear how this duplication will be managed, but it has the potential to materially undermine one of the aims of the reform – less red tape and a more streamlined regulatory system.

Challenges for regulated entities

Implementation of these changes will present a significant operational challenge for the regulators involved including, among other things, engaging with a new cohort of entities, transferring responsibility for ongoing litigation and grappling with the transfer of staff and records – not to mention the critical need to maintain continuity of institutional knowledge.



Key challenge: overlap between FMA and Commerce Commission may create duplication for lenders.

Structural change	Legislative reform	Future modernisation
DIA is the sole supervisor from 1 July 2026	Amendments simplify trust verification and clarify “beneficial owner”	More risk-based customer due diligence, updated penalties and more scope for digital KYC

Further AML law reform

The Anti-Money Laundering and Countering Financing of Terrorism Amendment Act became law on 18 May 2026. This Act incorporates feedback from the Financial Action Task Force 2019–2021 review and streamlines aspects of the AML/CFT regime. This includes changes to simplify the verification of trust customers and clarification of the definition of “beneficial owner”.

The Government has also signalled an omnibus pre-election bill to modernise the powers and penalties of the AML/CFT Act and to enable a “risk-based and common-sense approach” to customer due diligence (CDD) – an initiative we strongly support. This would be further to the more relaxed CDD requirements around address verification introduced in November 2025.

And the Government’s newly published 2026 to 2030 national strategy for AML/CFT expressly holds out the prospect of further reform by observing that AML/CFT rules have become an expensive “box-ticking” exercise when the intention is that the new system will be truly risk-based.

The updated Identity Verification Code of Practice (IVCOP) was released on 4 June 2026. It ensures modern customer identification practices and technologies are supported. Key changes include:

- applying IVCOP to high-risk customers in addition to low and medium-risk customers
- reducing verification steps in certain cases for beneficial owners and persons acting on behalf of a customer
- expressly recognising verification using a person’s RealMe identity, or a Digital Identity Services Trust Framework service, and
- extending the certification period for identity documentation to 12 months from the current three month period.

Most IVCOP requirements took effect on 1 July 2026, with a limited number of provisions commencing on 1 July 2027.

Reporting entities should leverage changes intended to streamline compliance, particularly in relation to CDD. Technical changes and clarifications should be captured in reporting entities’ AML risk assessments and compliance programmes.

Two big reform initiatives – the modernisation of the Insurance (Prudential Supervision) Act (IPSA) and the impending commencement of the Contracts of Insurance Act 2024 (COIA) – will keep the insurance sector under the spotlight this year.

IPSA

The exposure draft of the Insurance (Prudential Supervision) Amendment Bill, released by the Reserve Bank of New Zealand (RBNZ) on 15 April, seeks to shift the sector to a more risk-based, proactive and intensive prudential supervision model. The key features of the proposals are:

ADJUSTED REGULATORY SCOPE

Licensing requirements are to be removed for overseas reinsurers and captive insurers. Licensing will be required for New Zealand incorporated insurers, whether or not they have New Zealand policyholders.

ENHANCED PRUDENTIAL STANDARDS

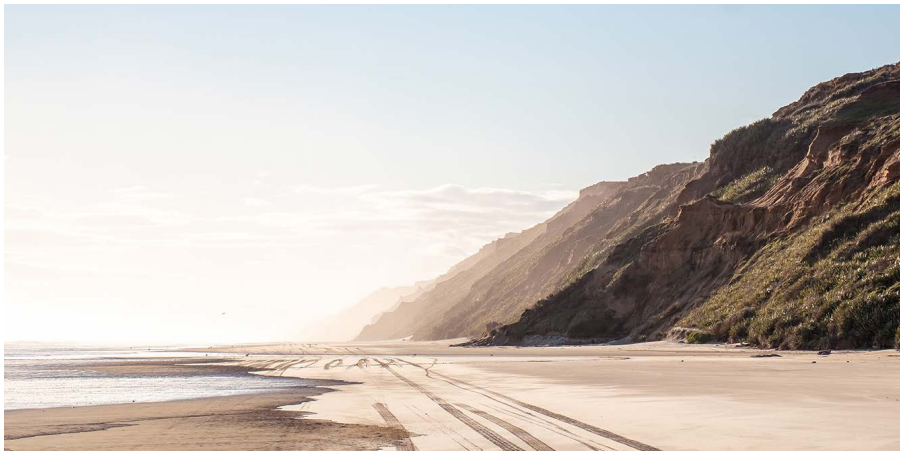
RBNZ is to be empowered (after notifying the Minister of Finance and consulting the Council of Financial Regulators (CoFR) and affected parties) to issue new standards covering a broader range of prudential requirements (e.g., solvency, governance, risk management, disclosure, contingency and recovery plans, fit and proper requirements, actuarial advice, outsourcing and related party exposures).

PROPORTIONALITY PRINCIPLE

Two principles in the Deposit Takers Act 2023 are to be carried over into the amended IPSA: the desirability of taking a proportionate approach to regulation and the need to maintain awareness of international regulatory practices and standards. The RBNZ will also be required to prepare and publish a proportionality framework, setting out how it will take proportionality into account when developing standards.

GRADUATED APPROACH TO SOLVENCY

IPSA's single solvency margin is to be replaced with a two-tiered solvency framework that will also incorporate a prudential margin and will give RBNZ the power to impose dividend restrictions on licensed insurers.



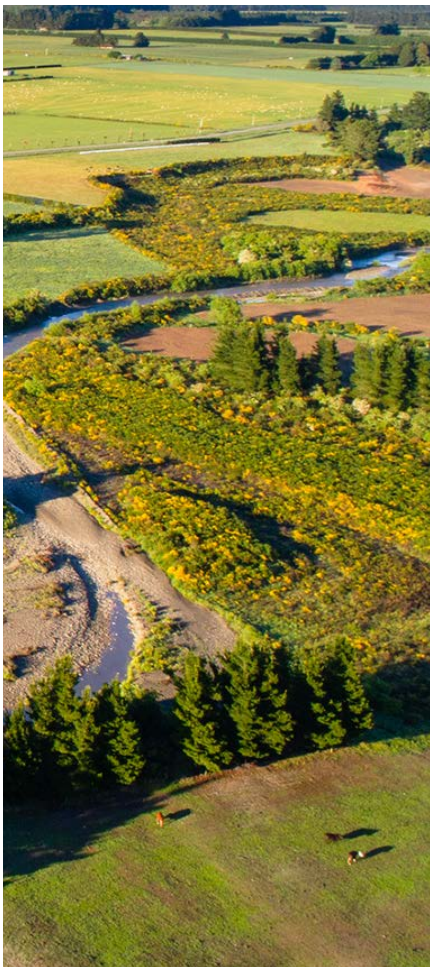
An outlook on New Zealand's insurance sector

BROADENED RBNZ SUPERVISORY AND ENFORCEMENT

New powers, including information-gathering and on-site inspection powers, a self-reporting breach regime to monitor compliance, the power to issue remedial notices and accept enforceable undertakings, and civil pecuniary penalties to replace certain criminal penalties for breaches of standards and conditions of licence.

SIMPLIFIED REGULATORY APPROVALS PROCESS FOR TRANSACTIONS

Thresholds and approval processes are to be amended for certain M&A transactions involving insurance businesses. These changes generally simplify and streamline the existing law.



28 August 2026
consultations will conclude

The RBNZ expects to introduce the Bill next year with a view to enactment in late 2028. Further consultations on new standards under IPSA (including the Final Solvency Standard) are expected to continue over the course of 2027 and 2028. See our commentary here.

ENHANCED DISTRESS MANAGEMENT FRAMEWORK

This framework is to be aligned with the provisions of the Deposit Takers Act including designating the RBNZ as the resolution authority, introducing new resolution trigger conditions and distress management purposes, and expanding direction powers to require that licensed insurers do not renew existing insurance contracts and comply with dividend-related requirements.

Contracts of Insurance Act: from enactment to implementation

To support implementation of the Contracts of Insurance Act, Cabinet has signalled a tightly scoped package of targeted regulations: standard-form disclosure notifications for insurers; a prescribed interest rate on life insurance payouts; and a small, assigned life policy threshold for handling without probate or letters of administration.

Consultation on proportionate settings to regulate the use of genetic test results in life and health insurance underwriting is underway, drawing on the experience of overseas jurisdictions.

A sharper lens on conduct and consumer outcomes

The thematic review by the FMA on financial institutions' product and service reviews identifies specific areas for further work. For the insurance sector, these include a continuing reliance on legacy technology, systems, manual controls and processes, inadequate internal training and a need to develop a genuine consumer-outcomes lens, proactive governance, oversight and escalation.

Making KiwiSaver great again?

We anticipate wide political support in the 7 November general election for progressively higher KiwiSaver contribution rates, but diverging views on both the extent and the pace of those increases and on other aspects of KiwiSaver policy.

Despite indicatively bipartisan support for further increases to default minimum KiwiSaver contribution rates (over the long term anyway), we expect diverging policy positions on other topics:

- 'total remuneration' packages (where both employee and employer contributions are deducted from pay) – these will remain in the spotlight, particularly as (without corresponding pay increases) the recent and future increases in default minimum KiwiSaver employer contribution rates will result in corresponding reductions in take-home pay for affected employees
- the targeting of government contributions and/or other retirement savings support for lower income-earners, and
- changes to withdrawal settings (noting there are existing proposals before Cabinet to amend the KiwiSaver scheme rules to permit increased access to first home withdrawals).

The default minimum rates of employee and employer contributions increased from 3% to 3.5% on 1 April 2026, and will increase again to 4% on 1 April 2028. An employee can opt down to a 3% contribution rate for a renewable period of up to 12 months, during which their employer can also choose to reduce its own contribution rate to 3%.

Also on 1 April 2026, 16- and 17-year-olds became eligible for compulsory employer contributions while making employee contributions to KiwiSaver.

Notably, the National Party has released its election year KiwiSaver policy package. The headline policy is a commitment, if re-elected, to legislate to make contributory membership of KiwiSaver (or, indicatively, an existing workplace savings scheme with acceptable contribution and withdrawal settings) compulsory for all workers from 1 July 2028.

Contributions suspensions would remain permissible, but only in cases of significant financial hardship.

This policy builds on National's previously announced policy of increasing the default employee and employer contribution rates to 6%, in further annual increments of 0.5% of salary, over the period 1 April 2029 to 1 April 2032.

Commentators have rightly characterised this as an ambitious goal over a relatively brief timeline.

National's KiwiSaver policy package also includes the following commitments, which would apply from 1 July 2027:

- automatically enrolling every child born in New Zealand into KiwiSaver at birth, and contributing a $1,500 "Baby Boost" payment to their account
- providing Government contributions during periods of paid parental leave (even if the parent isn't currently contributing), and
- requiring employers to maintain their KiwiSaver contributions for employees aged 65 and over.

The appropriateness of 6% default rates is in our view debate-worthy, including because employee contributions are deducted from after-tax pay.

The Society of Actuaries' Retirement Income Interest Group (RIIG) suggested in its September 2025 report *Retirement saving: A framework for adequacy*, that (albeit assuming uninterrupted contributions and no early withdrawals):

- only 5% employee and employer contribution rates may be needed to achieve an adequate rate of replacement income in retirement for median earners in a balanced fund, and
- 4% contribution rates may suffice if investing in a growth fund.

The RIIG also stated that 3% remained appropriate as a permitted minimum rate, citing concerns some lower earners could otherwise over-save.

And in the UK, the Institute for Fiscal Studies recently proposed raising default rates only for people earning at or above typical income levels, on the basis that raising contribution rates for people already under pressure can deepen hardship.

In a June 2026 follow-up report, RIIG extended its analysis to consider the implications of increasing default KiwiSaver contribution rates to 6%. The conclusions from its testing included that:

- 6% rates may suit median earners contributing throughout their careers and making first home withdrawals in their thirties, but 5% rates *"could be a better fit for those contributing throughout their career and not making a first home withdrawal"*, and
- for minimum wage earners *"a 6% KiwiSaver contribution may be excessive, as it could result in them having higher spending capacity after retirement than before retirement"*.

The RIIG's view remains that under current superannuation settings, 5% contribution rates suitably balance pre-retirement and retirement spending capacity, particularly for lower earners.

It will also be interesting to see the political response to certain other more incremental KiwiSaver reforms (of the "quick wins" variety) recommended in the Retirement Commission's November 2025 *Review of Retirement Income Policies*. These included targeting government contributions more tightly towards lower earners by:

- reducing the annual income cap from $180,000 to $58,000, and
- increasing those contributions back to the more meaningful level of 50c per dollar saved, up to a maximum government contribution of $500 a year.

The Retirement Commission has also made higher-level recommendations for an improved stewardship model in the retirement incomes context, including establishing a new cross-party accord, a parliamentary working group to develop a 10-year "roadmap" covering KiwiSaver, NZ Super and private savings, and a Commission-led cross-sector group to develop and implement the roadmap.

Increasing private assets in KiwiSaver

As investment in private assets increases, the FMA has signalled it will engage further with fund managers and supervisors to understand how private asset risks are managed and identify strategies to reduce risks over time. Fund managers considering expanding into private assets should take note of the FMA's comments in this report on valuation, governance and risk management.

The FMA published a report in April – *Private assets in managed funds* – following an earlier Ministry of Business, Innovation and Employment (MBIE) policy consultation on increasing KiwiSaver investment in private (or unlisted) assets.

Based on a survey of local managed investment scheme (MIS) managers, the FMA confirmed New Zealand's exposure to private assets remains low compared to international peers – private assets accounted for only 2.4% of total KiwiSaver assets as at June 2025, compared to around 16% for Australian superannuation schemes as at December 2023.

But this gap may be about to narrow: all seven New Zealand fund managers who advised (in response to the survey) that they had exposure to private assets reported making new investments within the past three years, with six expecting to expand their allocations over the next three years. And a further three managers indicated they may begin investing in private assets. This aligns with global trends: private markets have tripled in size over the past decade, and retail participation is forecast to rise from 16% to over 22% globally by 2032.

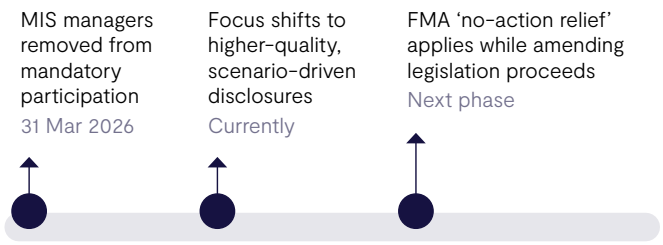
The FMA was encouraged by current valuation practices with respect to private assets, finding that most managers follow international standards, use independent valuers, adopt multiple valuation methodologies to cross-check results, and maintain a clear separation of duties between those preparing and those approving valuations. However, the report identified areas for improvement, including the need for more frequent valuations (with annual valuations creating a risk of stale pricing) and formal provision for out-of-cycle valuations during market volatility, better visibility of third-party valuation inputs and assumptions, and enhanced investor communication about how private asset valuations affect daily unit pricing.

There is currently no government interest in allowing investors to agree with KiwiSaver providers to "lock-in" their investments for a fixed period, so their duration can match private asset allocations.

Climate-related disclosures: leaner regime, bigger opportunity

A reset toward proportionality without lowering expectations

New Zealand's climate-related disclosures (CRD) regime has had a major policy reset, the most significant element of which was the removal on 31 March 2026 of MIS managers from mandatory participation. On 18 June 2026, the Government also announced health and life insurers would be removed from the regime. The FMA has issued 'no-action relief' to affected entities while the amending legislation passes into law (see following page).



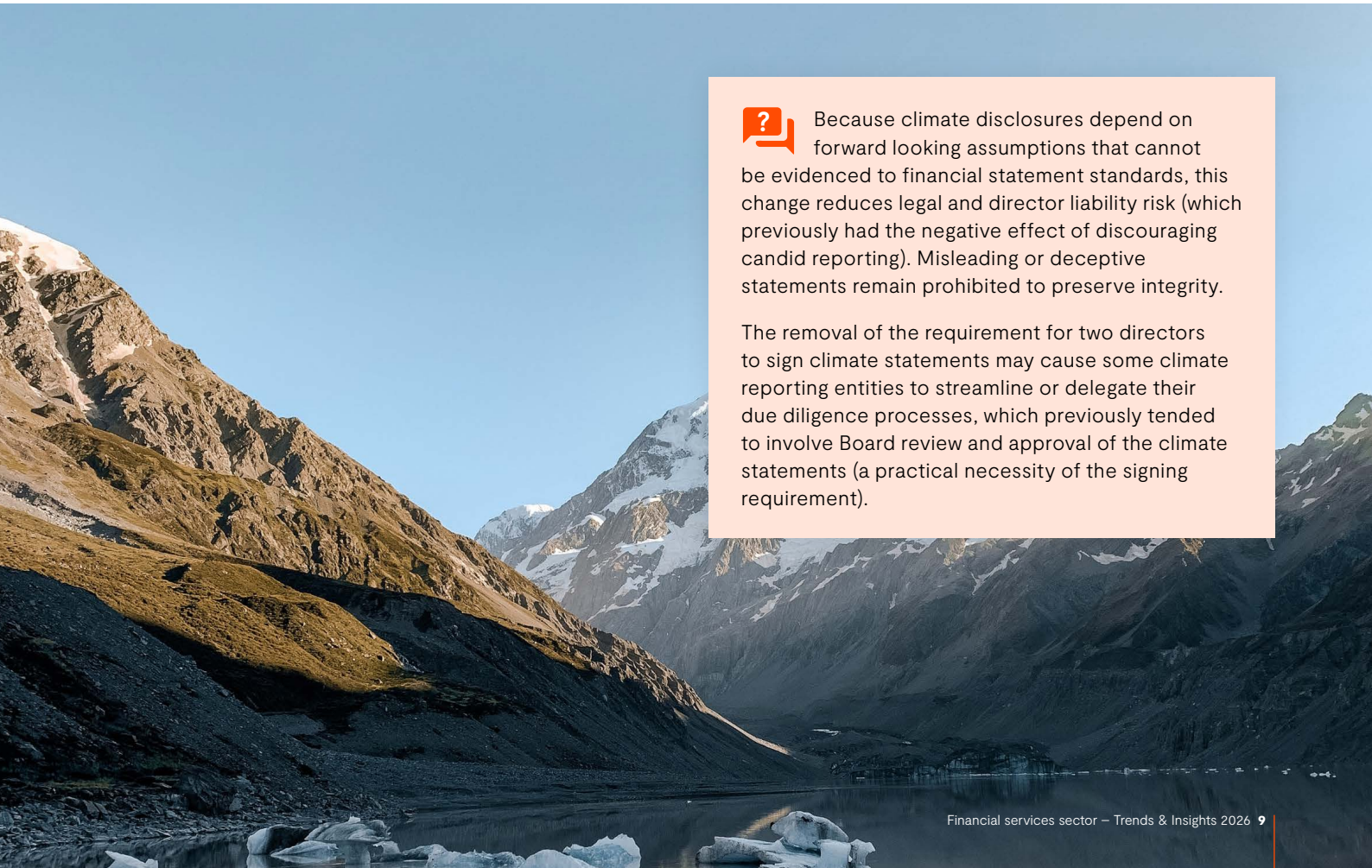
Those who had published climate commitments under the mandatory regime may now be tempted to retreat from those undertakings. However, some of the larger operators may see value in maintaining some form of voluntary climate reporting to meet investor expectations.

Listed issuers, banks and general insurers remain within scope, but the listed issuer threshold has been raised to $1b (from $60m) in market capitalisation.

Reporting entities must produce clear, credible, scenario driven transition pathways that align with strategy, capital allocation and long term financial resilience. The extension by the External Reporting Board of adoption provisions for Scope 3 and anticipated financial impact disclosures offers short term relief, but the expectation is that this time will be used to lift disclosure quality rather than defer it.

The FMA's *Climate-related Disclosures: Insights from our reviews 2026* report has found that while climate reporting by New Zealand entities is improving, disclosures often lack sufficient detail, particularly on physical risks, supporting data, and links to impacts and strategy, reducing their usefulness for primary users and requiring further improvement.

Read our commentary:
More changes to climate-related disclosure settings.



Because climate disclosures depend on forward looking assumptions that cannot be evidenced to financial statement standards, this change reduces legal and director liability risk (which previously had the negative effect of discouraging candid reporting). Misleading or deceptive statements remain prohibited to preserve integrity.

The removal of the requirement for two directors to sign climate statements may cause some climate reporting entities to streamline or delegate their due diligence processes, which previously tended to involve Board review and approval of the climate statements (a practical necessity of the signing requirement).

Progress report on FMC Amendment Bill

The Financial Markets Conduct Amendment Bill 2025 (FMC Bill) has been reported back from select committee with a number of welcome changes, but with an extended power for the FMA to conduct "without notice" site inspections.

The Bill will implement the Government's "fit for purpose" regulatory changes to the Financial Markets Conduct Act 2013 (FMC Act) and the Financial Markets Authority Act 2011. Key provisions include:

- a new "change in control" approval process for licensed firms (and authorised bodies) for transactions involving a person obtaining "significant influence" over a licensee or where the licensee intends to enter a "significant transaction" relating to a material part of the licensee's business, or amalgamate with another person
- a single licence for market services, and automatic consolidation of existing licences into a single licence
- "without notice" on-site inspection powers for the FMA
- provisions to simplify and clarify minimum requirements for fair conduct programmes (FCP), allowing more flexibility and reducing compliance costs, and
- technical changes to the FMCA, including reforms to the CRD regime, modernising provisions relating to keeping financial product registers and accounting records, and making permanent a number of exemptions already made under the FMA's exemption powers.

The committee noted, but largely dismissed, industry and legal submissions to the effect that the "change in control" approval provision would create unnecessary delays, cost and uncertainty. But it has proposed amendments to clarify and tighten the scope of the approval process.

In addition, despite significant submitter concern, rather than constrain the FMA's new on-site inspection powers, the committee has recommended that they be extended to include all entities regulated under Part 2 of the FMC Act. This will capture all wholesale offerors of financial products and all other financial service providers who are not regulated by the FMC Act other than under the fair dealing provisions in Part 2. This expanded power, if enacted, increases the FMA's ability to scrutinise what would otherwise be "private market" transactions.

While many of the changes to the FMC Amendment Bill will be welcomed, affected firms will wish to consider how the FMA's broadened powers of on-site inspection and change in control approval may impact them, and use the transitional period to engage with the FMA on the practical aspects of these new powers.

FMA priorities

The FMA's priorities, as outlined in its second Financial Conduct Report (FCR) published on 30 June 2026, signal a further evolution of its outcomes-focused approach. Key cross sector priorities include:

- managing conflicts from remuneration structures
- product design for new and redesigned products
- insights from the use of complaints data, and complaints processes and handling
- detection and prevention of insurance, mortgage, and KiwiSaver withdrawal fraud.

Several sector-specific themes from the FMA's inaugural Financial Conduct Report in June 2025 remain on the agenda, including custodial reform, misleading disclosure by wholesale issuers, and improving access to financial advice.

What to watch

1. Thematic reviews of AI in financial advice and conflicted remuneration.
2. Ongoing monitoring of fraud and complaints.
3. Licensing of custodians will come into sharper focus.

Custody of client assets – regulatory settings under scrutiny

The FMA is reviewing the regulatory framework for the custody of client assets to ensure that it is fit for purpose and to bring New Zealand into closer alignment with international practice.

A discussion document was released on 23 June 2026, and identifies several issues with the existing regulatory regime, including:

- complex and fragmented application of obligations
- uncertain and/or overlapping treatment of licensed entities, outsourced custodians, and sub-custodians
- a lack of business continuity, and
- concentration risk in the New Zealand market.

The consultation document asks whether and how the existing regime could be improved. We expect that licensing requirements for custodians will potentially result from this review. The IMF recommended in 2017 that New Zealand consider separate licensing and direct supervision of custodians for MIS.

Our detailed thoughts on the discussion document are available here.

Cyber-risk – frauds and scams

Wholesale issuers

Areas of particular concern that the FMA has raised (including in its most recent FCR) are:

- the trend toward more active marketing of wholesale offers via both traditional and social media, putting less-sophisticated investors at greater potential risk, and
- the extent to which eligible investor certificates are used and relied on in the wholesale investment sector. The FMA recommends that investors, entities and financial advisers seeking to rely on the wholesale exclusion continue to refer to FMA guidance on wholesale investments and advertising.

Wholesale offers

These are subject to fair dealing requirements, including prohibitions against misleading or deceptive conduct, false or misleading representations, and unsubstantiated claims, with which the FMA supervises compliance, even where retail disclosure obligations don't apply.

Eligible investor certificates

The FMA has been particularly active in investigating the use of eligible investor certificates by wholesale property developers and the scrutiny by accountants and lawyers who provide confirmations of eligible investors' certifications. The FMA also sought clarification of the legal position last year from the High Court.

Read our commentary: High Court confirms the ability to rely on eligible investor certificates.

The Court confirmed that a certificate does not need explicitly to describe a person's previous experience, or how it assists their investment decision-making, and that the offeror does not need to evaluate whether the investor's grounds are sufficient provided they are not, on their face, insufficient.

The FMA has expressed concerns that the current regime may not provide adequate protections for investors. In our view, the fallout from the high-profile regulatory interventions for Du Val Group and Chance Voight could result in legislative changes.

Active Investor Plus visa

"Active Investor Plus", New Zealand's golden visa programme, provides a residency pathway for investor migrants who make "acceptable" investments into the New Zealand economy. As at 11 June 2026, 734 applications had been received amounting to a potential total minimum investment of NZD 4.29b.

As the rules around "acceptable" investments continue to be developed, we can expect to see further activity in the ever-expanding list of "acceptable" managed funds, direct investments, listed equities, philanthropic investments, bonds, and property developments.

A shake-up for financial advice

Following a settled period since the introduction of the Financial Services Legislation Amendment Act 2019 (FSLAA), the regulatory regime for financial advice is set for a shake-up following the findings of the FMA "Access to financial advice in New Zealand" review, completed this year. (See our commentary here).

Reform themes from the review include:

- right-sizing the nature and scope of financial advice to suit different consumers, circumstances, and channels
- ensuring ongoing advice and support is available
- banks holding a FAP licence taking conservative approaches to offering advice through their own advisers and nominated representatives, particularly for everyday products
- reducing the "advice gap" around decumulation of retirement savings, and
- addressing barriers for Māori to accessing financial advice.

The FMA is going to undertake further targeted consultation on these themes, including targeted roundtables with FAPs, professional bodies, deposit takers, insurers, fintech providers, education providers and consumer groups.

The FMA will also undertake a thematic review of the use of AI in financial advice. We expect this to consider whether further regulation is needed. The number of providers offering digital advice facilities increased by 21% in the year to 30 June 2025, and the FMA wants to facilitate further growth in this area.

It is coming up to 20 years since the enactment of the Financial Advisers Act 2008, the first major reform in the financial adviser arena. Since then, there has been a regular cycle of reforms, all well-intentioned, but the financial adviser community will likely welcome a period of sustained regulatory stability.

Other regulatory priorities

Fees and conflicts of interest

The FCR confirms that fees and conflicts of interest will remain squarely in the spotlight for 2026/27. We expect particular scrutiny of the Discretionary Investment Management Services (DIMS) and financial advice sectors in relation to:

- the transparency of disclosure of fees and costs
- performance fees charged by underlying managed funds
- adviser remuneration structures (including consumer harm from high up-front commissions, and
- overtrading in commission-based portfolios.

The FMA is expected to continue to shift its approach from education-based to enforcement-based responses. Providers will need to ensure that their processes concerning product design, disclosure, and the management of conflicts of interest are sufficiently robust.

Disclosure of sustainability-related claims

On 12 May 2026, the FMA released its final guidance on sustainability-related disclosures, following a consultation in 2025. This guidance replaces the FMA's often-criticised 2020 Disclosure Framework for Integrated Financial Products. The new guidance will be of interest to issuers of financial products which involve sustainable, ethical, or climate-related claims.

We encourage issuers to review their disclosure documentation and other collateral, and have separately commented on the new guidance here.

Further guidance expected in 2026

Further FMA and RBNZ guidance workstreams are either in progress or in prospect for 2026, including:

- draft guidance released for consultation on 4 May 2026 in respect of related party transactions involving managed investment schemes (which appears to have been prompted in part by the FMA's proceedings against Booster Investment Management Limited)
- consultation was released on 18 June 2026 in relation to various new standards under the Deposit Takers Act 2023, as well as the RBNZ's new approach to crisis preparedness
- updates to the "intermediated distribution" CoFI guidance to cover sales incentives and the points made in the Commerce Commission's 2024 market study into personal banking services
- consultation on the proposed new prudential levy on banks, insurers, non-bank deposit takers and financial market infrastructures announced in Budget 2026. The levy regime will, when introduced, help fund the costs of the services provided by the RBNZ, and is expected to come into force in August 2027, and
- potential guidance on the Contracts of Insurance Act 2024 and operational resilience against the ever-increasing risks of cyber-crime.

Cyber-risk – frauds and scams

Cyber risk is no longer treated as a technology or operational issue but has moved to centre-stage and is now firmly positioned by regulators as a conduct, governance and consumer outcomes risk.

The FMA has highlighted the growing scale and sophistication of investment scams affecting New Zealand consumers and has reinforced that its focus will be on how firms respond in real time: how quickly a firm can identify new scam typologies, whether it can interrupt high-risk transactions, and how effectively it mitigates consumer harm once a risk crystallises.

Recent scam patterns in New Zealand include the impersonation of well-known domestic brands, cloned communications purporting to come from banks or investment providers, and AI-enabled social engineering tailored to local language and events. The FCR also identifies insurance, mortgage, and KiwiSaver withdrawal fraud as key risks to the financial services sector.

For banks, the sector-specific scam protection and compensation commitments under the Banking Code of Practice came into effect on 30 November 2025. They commit members to reimburse scam losses where a bank has failed to meet one of five anti-scam protection commitments.

Fintech, payment services and technology

Payments regulation

The number of regulators and agencies, each with overlapping but distinct mandates, involved in payments reform activity presents a real risk of fragmentation. While each consultation acknowledges the importance of inter-agency collaboration, that collaboration must be sustained and effective in practice. Without it, the current fractured approach risks becoming more entrenched, leading to inconsistent regulatory treatment, duplicated effort and gaps that undermine the coherence of reform.

New Zealand's relatively small market also means that any payments infrastructure must serve both retail and institutional participants, particularly for cross-border digital payments. New Zealand is unlikely to have the scale or investment appetite to support separate systems for different market segments, so current infrastructure choices will need to serve consumers, small businesses and wholesale market participants alike.

The pace of international developments adds urgency to these reforms. Major jurisdictions are already well ahead of New Zealand, in deploying real-time payments systems, regulating stablecoins and piloting tokenised settlement. The window for New Zealand to remain connected to and competitive with international markets is narrowing. A clear, coordinated and timely approach to reform is essential if New Zealand is to avoid being left behind.

New Zealand's payments landscape may be entering a period of significant change, with multiple concurrent reform programmes underway across a number of regulators. Three common themes emerge across these initiatives: modernising infrastructure, keeping pace internationally and ensuring regulatory settings are clear, fit for purpose and encourage innovation and growth in a payments landscape that is increasingly shaped by developing technologies.

RBNZ and domestic payments modernisation

At the end of 2025, the RBNZ announced it would lead a programme to investigate and develop a plan to modernise New Zealand's domestic retail payments infrastructure, including the legislative, regulatory and governance settings needed to support it.

As the only OECD country without a modern real-time payments system, the RBNZ views New Zealand as at risk of falling behind on competition and connectivity with global markets. In response it has taken a leading role in the modernisation programme, on the basis that stronger public sector leadership is needed to support timely delivery. Priorities include delivery of real-time payments, fraud prevention and government use cases.

Working with public and private sector stakeholders, the RBNZ aims to set strategic direction and develop a delivery roadmap covering preferred solutions, key requirements, and the rules needed to support a modern payments system that offers greater choice, reliable infrastructure, competition and efficiency.

MBIE and potential payment services regulation

In parallel, MBIE has launched a foundational consultation on whether New Zealand's regulatory framework for payment services is clear and fit for purpose, with submissions having closed on 3 July 2026. Where overseas jurisdictions have introduced, or are introducing, dedicated licensing and safeguarding frameworks for payment services providers, New Zealand does not yet have a dedicated regime, which may create uncertainty and impede investment, growth and innovation.

The consultation is wide-ranging, covering front-end payment services (both payment facilitation and stored value), digital token services including stablecoins, cross-border matters, and the safeguarding of customer money. Possible outcomes range from maintaining the status quo through to baseline legislative rules or a full licensing regime with tiers based on risk and size. MBIE notes that it is coordinating with the RBNZ and the FMA to ensure any resulting initiatives operate together.

Open banking continues to evolve

MBIE also continues to refine the regulated open banking framework introduced by the Customer and Product Data Act, which came into force in December 2025. Following industry consultation in April 2026, open banking regulations were amended to extend from 1 June 2026 to 1 June 2027 the deadline for banks to make open banking available to a broader range of customers, including businesses, and to provide systems allowing customers to delegate open banking authorities. The regulations are intended to facilitate open banking access for customers most likely to use it, while better reflecting how the technology is built and accessed in practice. In particular, banks are exempted from providing open banking for accounts on electronic facilities used primarily by large entities, which are seen as less likely to use it.

Consultation has recently closed on the systems banks must have in place to allow individuals to act on behalf of customers to authorise data requests and the treatment of professional trust accounts.

Meanwhile, industry development of open banking continues apace, with Kiwibank recently announcing that it is the first bank to roll out open banking through all its digital channels for both individual and business customers, and BNZ-owned Blinkpay testing real-time payment functionality through open banking. We expect further innovation will rapidly emerge in this area.

MBIE has also released a roadmap setting out how it intends to develop guidance in relation to the consumer data right and open banking.

Digital payments infrastructure

Internationally, there is growing recognition that digital forms of payment, such as stablecoins and tokenised bank deposits, could significantly reduce settlement times and costs, particularly in cross-border and institutional transactions. Jurisdictions including the United States, Europe, Singapore and Australia are advancing their payment systems variously through regulatory reform and cross-industry pilot projects. The pace of growth is also significant: the European Central Bank notes that stablecoins have grown from less than US$10b six years ago to more than US$300b in 2026.

In New Zealand, activity is less advanced. In March 2026, the FMA reported on its 2025 high-level consultation on tokenisation in financial markets, noting both a strong economic and regulatory case for tokenisation and submitter interest in the rapid overseas growth of stablecoins. The FMA has indicated that it will continue to advise government, work with industry to improve regulatory clarity, and monitor domestic and international developments in tokenisation. It has also published a summary of insights from its 2025 regulatory sandbox pilot (see 4.4 below), setting out an 18 to 24 month workplan that includes a focus on industry engagement on tokenisation and market infrastructure in financial services, and the development of a multi-year work programme for virtual assets and payment service providers informed by the feedback from its 2025 consultation.

Given that regulation of stablecoins and digital currencies more generally sits largely within the RBNZ's remit, and the likelihood that tokenised assets and digital currencies will rely on the same or similar digital infrastructure, a coordinated approach across both the FMA and the RBNZ is, in our view, important to ensure consistency in regulatory treatment, standards, risk management and market integrity.

Sandbox update

The FMA's successful regulatory sandbox initiative (which launched in late 2024 and, while closed to new participants, continues to run) has encouraged innovation and competition in New Zealand's financial services sector. It allows firms to test innovative products, services or business models, lowering barriers to entry for fintech providers and accelerating the development of new products.

In March 2026 the FMA announced a proposed expansion of its sandbox pilot to introduce an 'on-ramp' or restricted market service licence. The finer details of these proposals have not yet been released, but the proposals are intended to support firms to gain market access with restrictions in place that can be removed as they grow. Further consultation on these proposals is expected in 2026.

The FMA published a further update in May 2026 containing insights from its sandbox pilot to date. This confirmed that the sandbox contributed to a clearer understanding by the FMA of emerging issues, including:

- the payments and e-payments service provider landscape
- the potential limitations of bare trust arrangements and their relationship to the Depositor Compensation Scheme
- tokenisation and stablecoin models
- how Māori start-ups aligned with tikanga interact with current financial services regulation, and
- gaps in how Māori businesses can access capital.

Past and current participants in the FMA's sandbox include stablecoin and neobank providers, fractional ownership schemes, and co-investment platforms.

Retail Payment System Act – Interchange fee cap changes and proposed ban on merchant surcharging

The Retail Payment System Act 2022 charges the Commerce Commission with regulating designated retail payment networks (currently only the Mastercard and Visa debit and credit networks), including by the issue of network standards, to "promote competition and efficiency in the retail payment system for the long-term benefit of merchants and consumers (including businesses) in New Zealand".

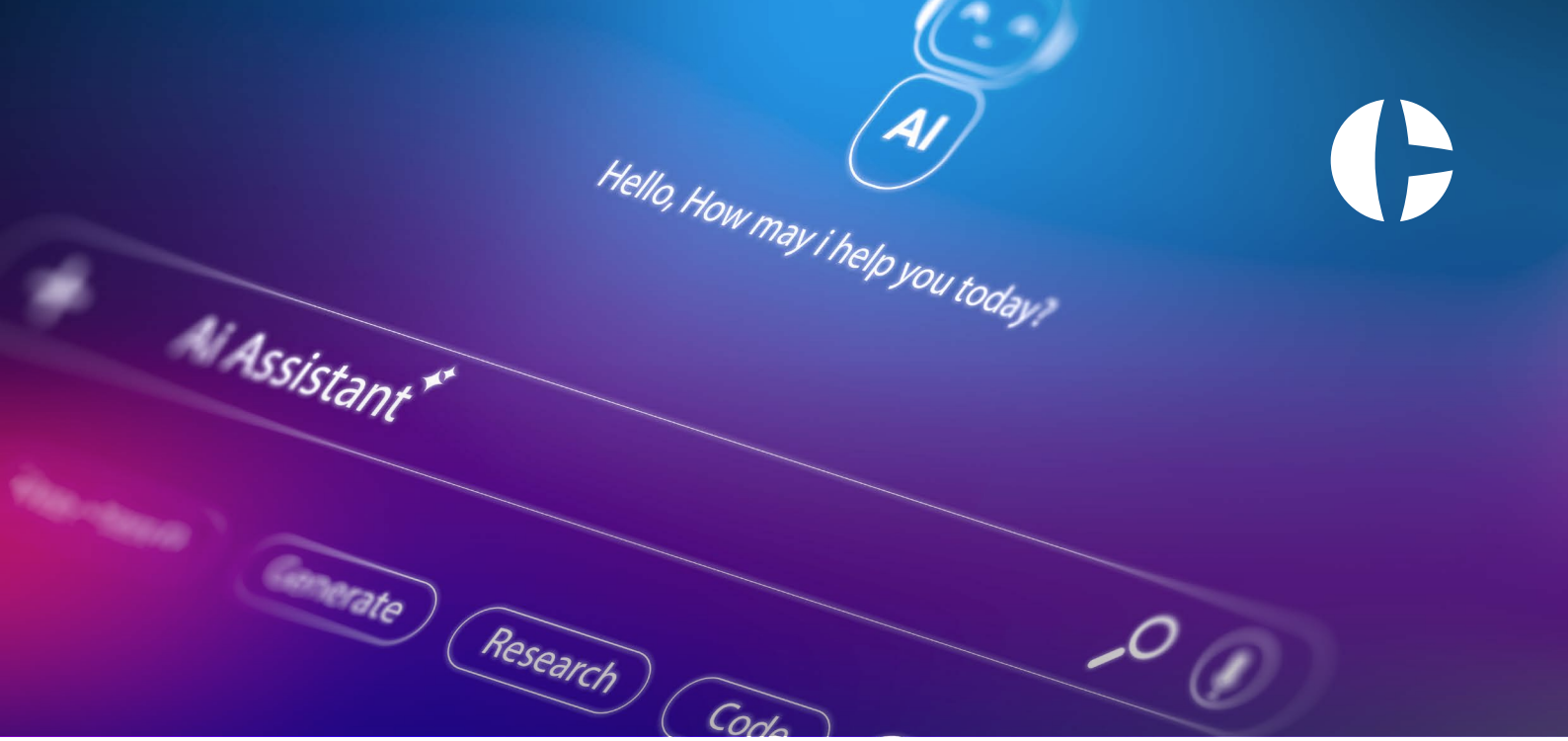
This has been an area of significant change in recent times:

- effective from 1 December 2025, lower domestic retail credit interchange fee caps (debit caps remain at the same level, to allow new entrants and smaller providers to compete for business)
- effective from 1 May 2026, new interchange fee caps for on-line and in-person payments using foreign-issued credit and debit (including prepaid) cards
- introduced on 16 September 2025, a Bill to ban merchant surcharging, with the Commission estimating over-recovery of $45m-$65m a year. This has now been stalled, with the Government committing to further policy analysis, and
- on 4 June 2026, the Commerce Commission released a draft decision for consultation, proposing new interchange fee caps on the Mastercard and Visa domestic and foreign commercial credit card networks.

The decision merely to stall the introduction of merchant surcharging bans is out of line with international trends away from surcharging caps to surcharge bans - including in the European Union, the United Kingdom and Malaysia and soon to include Australia. However, the Commerce Commission is likely to revisit this in the near future if the benefits of interchange fee caps are not passed on to consumers through reduced surcharging.

New Zealand and international surcharge regulation

Jurisdiction	Approach
New Zealand	Proposed ban stalled
Europe	Ban
United Kingdom	Ban
Malaysia	Ban
Australia	Moving to ban



Rise of AI

AI adoption across the sector

AI adoption in the New Zealand financial services sector is arguably conservative by international standards and is out of sync with the FMA's desire to promote innovation. But the FMA has indicated in the recently published findings from its 'Access to Financial Advice' review that it wants more action in this area in relation to financial advice.

The most recent FCR also flags an upcoming thematic review into the use of AI in the financial advice sector.

Read our commentary:
FMA's financial advice review findings.

Generative AI sits uneasily with the conduct, competency, and disclosure obligations in the existing FSLAA regime.

This means the use cases for generative AI are likely to be limited to aids or tools for humans delivering financial advice, subject to further law reform.

Notably, many overseas large language models currently allow New Zealand consumers to freely access regulated financial advice without the consumer protection safeguards in the FMC Act.

Further reforms will need to ensure that the protection of consumers and the promotion of innovation are carefully balanced. We wrote about this here.

Despite the FMA's public wish for further innovation, and its apparent disappointment at the lack of uptake of digital advice services, the current state of affairs reflects practical challenges in developing legally compliant digital advice propositions.

Financial services providers are increasingly deploying AI across a range of functions, including customer service chatbots and virtual assistants; fraud detection and AML/CFT monitoring; regulatory compliance and reporting automation; and back-office processing.

The pace of adoption has accelerated significantly with the emergence of generative AI, which offers new capabilities but also introduces new risks around accuracy, explainability and potential for bias.

Regulatory expectations: principles over prescription

New Zealand regulators have taken a principles-based approach to AI in financial services, relying on existing regulatory frameworks rather than AI-specific rules. The regulatory focus in 2026 to 2027 is expected to include:

- ensuring AI is not deployed in ways that result in unfair discrimination or bias
- maintaining transparency and explainability in automated decision-making
- ensure appropriate human oversight of AI systems, and
- managing operational and cyber resilience risks associated with AI deployment.

International developments and cross-border considerations

New Zealand financial services providers, particularly those with cross-border operations or global parent companies, will need to monitor international regulatory developments.

The European Union's AI Act, which commenced in 2024 and will be fully implemented this year, imposes significant obligations on high-risk AI systems, including those used in credit scoring and insurance underwriting. While not directly applicable in New Zealand, the extraterritorial reach of the EU AI Act and its influence on global standards means New Zealand providers may face indirect compliance pressures, particularly where they are part of international groups or serve EU customers.

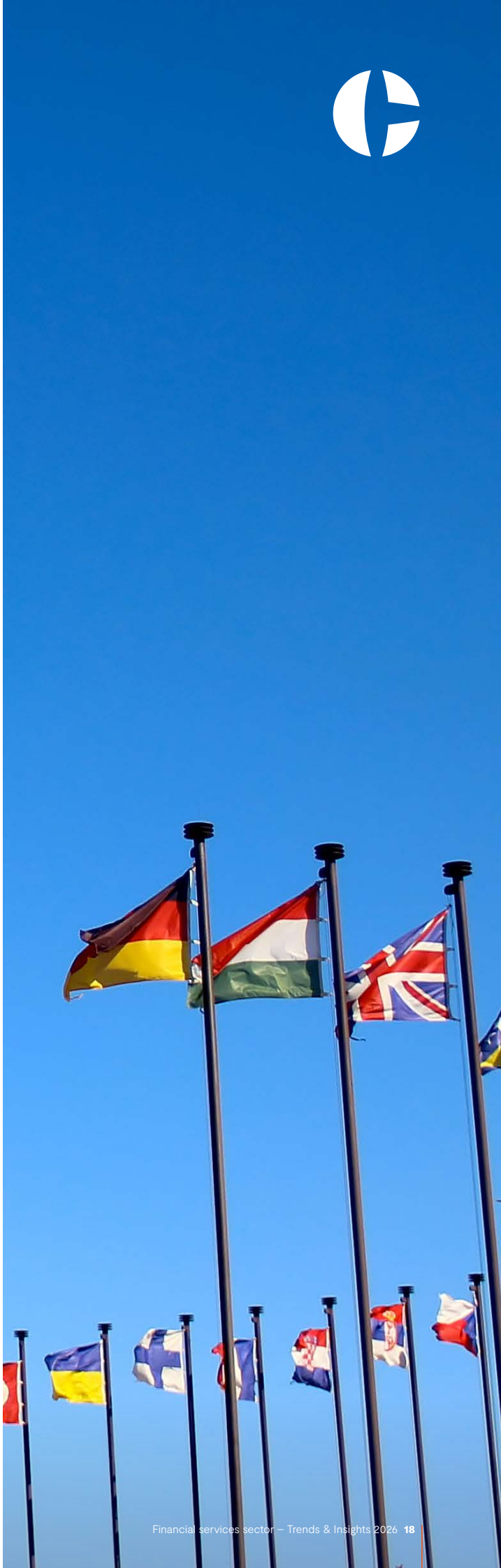
Looking ahead

Although there are no current proposals to create a specific regulatory regime for AI in New Zealand's financial services sector, providers should not be complacent. The regulatory direction of travel internationally is toward greater oversight in high-risk contexts, and New Zealand regulators have demonstrated a willingness to apply existing conduct and governance frameworks to new technologies. Further developments specific to the financial advice sector are possible, given the thematic review on this topic foreshadowed in the FMA's 2026/27 FCR.

Financial services providers that invest now in robust AI governance, explainability, and fair outcomes testing will be better positioned for the regulatory developments which emerge in the years ahead.

As AI becomes more embedded in financial services operations, boards and senior management are expected to ensure appropriate governance frameworks are in place.

This includes clear accountability for AI-related decisions, documented policies on AI development and deployment, robust testing and validation processes, ongoing monitoring for bias and model drift, and incident response protocols for AI failures. Regulators increasingly expect governance frameworks to keep pace with technological capabilities, particularly given the potential for AI systems to cause significant customer harm if not properly managed.



Other changes on the perimeter

Beyond the core regulatory developments outlined above, financial services providers should be aware of several other regulatory changes on the horizon that will affect their operations in 2026/27 and beyond.

Financial services providers should ensure they are monitoring developments across these adjacent regulatory areas and engaging with consultation processes where relevant. The cumulative compliance burden of changes across multiple regulatory regimes underscores the importance of a coordinated approach to regulatory change management, with clear governance structures for tracking emerging obligations and implementing necessary changes.

Engagement with industry bodies and regulators remains essential to ensure that the practical implications of proposed changes are well understood before they take effect.

Privacy Act reforms: preparing for enhanced obligations

From 1 May 2026, the Privacy Act incorporates new Information Privacy Principle 3A. Agencies are required to inform a client when they collect personal information from the client. IPP3A extends this requirement where the client's information is being collected from a third party.

This change requires financial services providers to update their disclosures, privacy policies and compliance frameworks. The intersection with open banking and the CDR regime will also require careful navigation to ensure compliance across multiple overlapping frameworks.

Tax changes affecting financial products

In December 2025, Inland Revenue (IR) released a draft Interpretation Statement, "GST financial services – Services supplied in relation to retirement schemes", providing guidance on the GST treatment of services supplied by the manager of a retirement scheme to the scheme, as well as services supplied by third-party outsourced providers to the scheme manager.

IR's view is the term "management of a retirement scheme" (an exempt supply for GST purposes) refers to the control, direction, planning and decision-making relating to the scheme. In practice, this includes services typically provided by the fund manager. A manager may also outsource the management of a retirement scheme to a third-party provider, with the effect that the outsourced services are also exempt supplies of managing a retirement scheme (although complete outsourcing is rare in practice).

However, IR's view is that where only part of the manager's role is outsourced, the GST treatment will depend on the nature of the outsourced services (broadly similar to IR's view expressed in IS 25/05 which extends to managed funds excluding retirement schemes). Some outsourced services will be taxable supplies and therefore subject to GST, such as outsourced administrative services. Depending on the nature of the services provided, outsourced investment management services can be either an exempt supply of financial services or a taxable supply of advice. In some cases, consideration will need to be given to whether taxable services are reasonably incidental and necessary to exempt services.

Consumer protection developments

The Commerce Commission has signalled increased scrutiny of consumer lending activities under the Fair Trading Act 1986, particularly for vulnerable borrowers. With the FMA also having jurisdiction over misleading conduct in relation to financial products and services, providers must ensure their consumer communications meet the expectations of both regulators.

Fund managers should consider the GST treatment of outsourcing arrangements because if GST is payable on outsourced services, there could be tax leakage in the fund structure. The tax leakage arises because the manager is unlikely able to be able to claim an input tax credit for the GST on the outsourced services (increasing management costs), which may not have otherwise arisen if there was no outsourcing or if outsourcing arrangements were structured differently.

We understand IR is considering submissions made on the draft statement, some of which have highlighted the potentially adverse impact on KiwiSaver members that may arise if the GST treatment changes from positions currently adopted.

Our team of experts

Penny Sheerin
Partner, Auckland
T: +64 9 358 9817 M: +64 27 556 6516
E: penny.sheerin@chapmantripp.com

Tim Williams
Partner, Auckland
T: +64 9 358 9840 M: +64 27 243 1629
E: tim.williams@chapmantripp.com

Bradley Kidd
Partner, Wellington
T: +64 4 498 6356 M: +64 27 224 1271
E: bradley.kidd@chapmantripp.com

Bevan Miles
Partner, Auckland
T: +64 9 357 8986 M: +6421 240 7387
E: bevan.miles@chapmantripp.com

Emma Peart
Partner, Wellington
T: +64 4 498 6986 M: +64 27 541 1950
E: emma.peart@chapmantripp.com

Janko Marcetie
Partner, Auckland
T: +64 9 357 9696 M: +64 27 342 7429
E: janko.marcetic@chapmantripp.com

Luke Ford
Partner, Auckland
T: +64 9 357 9298 M: +64 27 242 8143
E: luke.ford@chapmantripp.com

Nicola Swan
Partner, Wellington
T: +64 4 498 6389 M: +64 27 308 6000
E: nicola.swan@chapmantripp.com

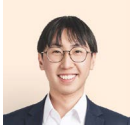
Emma Dale
Special Counsel, Auckland
T: +64 9 357 9291 M: +64 27 589 1978
E: emma.dale@chapmantripp.com

Kara Daly
Consultant, Wellington
T: +64 4 460 6913 M: +64 27 450 0693
E: kara.daly@chapmantripp.com

Mike Woodbury
Consultant, Wellington
T: +64 4 498 6324 M: +64 27 459 9014
E: mike.woodbury@chapmantripp.com

Charlotte Montgomerie
Senior Associate, Wellington
T: +64 4 498 4923
E: charlotte.montgomerie@chapmantripp.com

Nick Beresford
Senior Associate, Auckland
T: +64 9 357 9044 M: +64 27 294 8790
E: nick.beresford@chapmantripp.com



Doug Tang
Senior Associate, Wellington
T: +64 4 498 6332 M: +64 27 366 9421
E: doug.tang@chapmantripp.com

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AUCKLAND

Level 34, PwC Tower
15 Customs Street West
PO Box 2206, Auckland 1140
New Zealand

T: +64 9 357 9000

WELLINGTON

Level 6
20 Customhouse Quay
PO Box 993, Wellington 6140
New Zealand

T: +64 4 499 5999

CHRISTCHURCH

Level 5
60 Cashel Street
PO Box 2510, Christchurch 8140
New Zealand

T: +64 3 353 4130

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