



Te Tari Taiwhenua
Internal Affairs

Te Kāwanatanga o Aotearoa
New Zealand Government

Guidance:

New AML/CFT regulations for virtual asset service providers

Background

1. Effective 1 June 2024, various amendment regulations took effect for virtual asset service providers (**VASPs**) that introduce or further define requirements of the Anti-Money Laundering and Countering Financing of Terrorism (**AML/CFT**) Act 2009 (the **Act**). This follows the introduction of a definition of “virtual asset” on 31 July 2023.
2. The new regulations impact VASPs relating to their wire transfer, prescribed transaction reporting and occasional transaction requirements. These regulatory amendments accord with recommendations from the Ministry of Justice’s AML/CFT [Statutory Review](#), which was completed in 2022.
3. This guidance is intended to inform VASPs of the changes to the requirements of the Act and associated regulations. You should ensure you understand the new regulations, how they impact on your compliance with the Act and that your AML/CFT programme is updated. This guidance does not constitute legal advice.

Definition of virtual asset

4. Effective 31 July 2023, [Regulation 4](#) of the AML/CFT (Definitions) Regulations 2011 defines “virtual asset”. A virtual asset:
 - (a) means a digital representation of value that can be -
 - (i) digitally traded or transferred; or
 - (ii) used for payment or investment purposes; but
 - (b) does not include -
 - (i) a digital representation of fiat currency; or
 - (ii) a financial product within the meaning of [section 7](#) of the Financial Markets Conduct Act 2013
5. A common example of a virtual asset is a cryptocurrency such as Bitcoin.

Definition of transaction

6. Effective 1 June 2024, new [Regulation 24AA](#) of the AML/CFT (Definitions) Regulations 2011 states that “...the deposit, withdrawal, exchange, or transfer of a virtual asset is declared to be a transaction for the purposes of the Act”¹. This ensures that all requirements of the Act relating to “transactions” apply to any dealings involving virtual assets.

¹ Declared (for the avoidance of doubt) pursuant to (b)(ii) of the definition of transaction in s5(1) of the Act.

What is a virtual asset service provider?

7. The term “virtual asset service provider” is not used or defined in the Act or regulations. However, it is a widely used term to describe any business that provides activities and services involving transactions or dealings in “virtual assets”.
8. You are subject to the new regulations (and should you consider yourself a VASP) if you are a financial institution under the Act that, in the ordinary course of business, carries out one or more of the following financial activities and this involves virtual assets (as defined):
 - accepting deposits or other repayable funds from the public;
 - transferring money or value for, or on behalf of, a customer;
 - issuing or managing the means of payment;
 - money or currency changing, or
 - providing safekeeping or administration of virtual assets on behalf of any person².
9. Accordingly, VASPs include:
 - providers of virtual asset exchange services, custodian wallet providers, virtual asset brokers and Initial Coin Offering (ICO) or other token providers; and
 - any other financial institution that provides services relating to virtual assets alongside a primary service involving fiat currency. For example, a money remitter that **may** accept, or buy and sell, cryptocurrency for a customer.³

Wire transfer requirements (also known as the ‘travel rule’)

10. Prior to the new regulations, a VASP was only required to comply with the wire transfer requirements of the Act⁴ relating to fiat currency, or fiat currency to virtual asset transfers (i.e. on-ramp/off-ramp transactions). These are transactions carried out by electronic means with a view to making an amount of money available to a beneficiary (who may also be the originator) at another reporting entity. Accordingly, they meet the current definition of wire transfer in section 5(1) of the Act.
11. Effective 1 June 2024, a new category of wire transfer has been prescribed. New [Regulation 24AB](#) of the AML/CFT (Definitions) Regulations 2011 now declares that the definition of wire transfer includes:
 - (a) a virtual asset to virtual asset transfer:
 - (b) a virtual asset to fiat currency transfer (or vice-versa)⁵.
12. A virtual asset to virtual asset transfer includes any transfer where the value is in the form of a virtual asset **at each end**, (i.e. it is not limited to conversions from one type of virtual asset to another). Therefore, it includes a transfer of the same type of virtual asset from one wallet to another. Note however that the wire transfer requirements do not apply if the transfer of a virtual asset is to an un-hosted/self-hosted wallet in circumstances when there is **no other VASP** (or equivalent entity overseas) involved.
13. All VASPs should review the types of transactions they carry out involving virtual assets and ensure they comply with these updated wire transfer requirements. This includes when engaging with third-party platforms or conducting transactions with other financial institutions.

2 Refer (i), (iv), (v) and (xiii) of the definition of ‘financial institution’ in s5(1) of the Act. Also Reg.10AAA AML/CFT (Definitions) Regulations 2011.

3 In addition to its core service of transferring money or value between New Zealand and another country.

4 Sections 22(3), 27-28, 27A of the Act.

5 Declared pursuant to (b) of the definition of wire transfer in s 5(1) of the Act.

14. Note: Importantly, the new regulations mean that a VASP will often have to comply with two sets of wire transfer requirements in relation to the same dealings with a customer. This will apply to any VASP involved in buying or selling virtual assets for a customer or exchanging one virtual asset for another (refer to the examples on page four).

Application of wire transfer requirements

15. The application of the wire transfer requirements is dependent on whether a VASP is an ordering, intermediary or beneficiary institution⁶ in relation to each transaction conducted.
16. You should consider which of the following definitions you meet for any transfers of fiat currency or virtual assets you make or receive for a customer as follows:
- **Ordering Institution** - means a VASP who has been instructed by a person (the payer) to electronically transfer funds⁷ controlled by the payer to a person (the payee) who may or may not be the payer on the basis that the transferred funds will be made available to the payee by a beneficiary institution.
 - In most circumstances, you will be an ordering institution when you receive or hold fiat currency or virtual asset for a customer, and on instruction of that customer, settle that instruction by transferring the fiat currency or virtual asset to a beneficiary/payee at another reporting entity. This could be a transfer of fiat currency to an account held with another reporting entity, or a transfer of virtual assets to a wallet held with another VASP.
 - **Beneficiary institution** - in relation to a wire transfer from an ordering institution, means a VASP who receives those funds and then makes those funds available to a person (the payee) by— (a) crediting it to an account held by the payee; or (b) paying it to the payee.
 - You will be a beneficiary institution when you receive fiat currency or virtual assets for a customer, and that fiat currency or virtual asset is credited to an account or wallet of the beneficiary/payee (who is usually your customer).
 - **Intermediary Institution** - in relation to a wire transfer, is a VASP that participates in a transfer of funds that takes place through more than one institution but is not an ordering institution or a beneficiary institution.
 - There are limited circumstances when a VASP will be an intermediary institution of a wire transfer.

6 As defined in s5(1) of the Act.

7 Note that the Department of Internal Affairs considers that a virtual asset is considered as "funds" for the purpose of applying the wire transfer requirements of the Act.

Examples of wire transfer requirements in practice

a) **Purchase of virtual assets** - A VASP receives fiat currency from a customer by bank transfer, alongside an instruction from the customer to purchase a virtual asset and transfer it to a wallet hosted by another VASP. The VASP is likely to be a beneficiary institution of the inbound transfer of fiat currency, and an ordering institution of the subsequent transfer of virtual assets to a wallet (on instruction of the customer).

b) **Sale of virtual assets** - A VASP receives a virtual asset from a customer into its wallet, alongside an instruction from the customer to sell the virtual assets and pay fiat currency out to a bank account. The VASP is likely to be a beneficiary institution of the inbound transfer of virtual assets, and an ordering institution of the subsequent transfer of fiat currency out to the bank account (on instruction of the customer).

c) **Exchanging virtual assets** - A VASP receives a virtual asset from a customer into its wallet, alongside an instruction from the customer to exchange this for a different type of virtual asset and transfer it to a wallet hosted by another VASP. The VASP is likely to be a beneficiary institution of the inbound transfer of virtual assets, and an ordering institution of the subsequent transfer of the different virtual asset to the wallet (on instruction of the customer).

Requirements for an ordering, beneficiary, and intermediary institution

Ordering institutions

17. For a wire transfer of NZD\$1,000 (or equivalent value of the virtual asset) or more, you must identify and verify the identity of the payer/originator and obtain information regarding the beneficiary.⁸
18. Required information includes the originator's full name, an account number and either their postal address, national identity number, customer identification number or place and date of birth. This information must, according to the level of risk involved, be verified so you are satisfied it is correct.⁹
19. Note that in most circumstances, the originator will already be your customer under the Act with whom you have a business relationship. This means you will have already conducted customer due diligence and obtained and verified the required originator information.¹⁰
20. In relation to the beneficiary, you are only required to obtain their name, and an account number or any unique transaction reference associated with them.¹¹ This could include a wallet address. You are not required to verify this information as part of your wire transfer obligations.¹²

8 This information must also be obtained for wire transfers under NZD\$1,000 but does not need to be verified unless there are grounds to report a suspicious activity. Refer Regulation 15A AML/CFT (Requirements and Compliance) Regulations 2011.

9 Sections 27-28 of the Act. Note that for a wire transfer that is solely domestic (i.e. all institutions are in New Zealand), an ordering institution is only required to obtain the originator's account number, as long as this allows the transaction to be traced back to the originator within three working days of a request being made by a beneficiary institution.

10 There is an exception – refer paragraphs [32] – [35] below relating to occasional transactions.

11 Section 27A of the Act.

12 Note however that you may be required to consider the beneficiary of a wire transfer as part of meeting enhanced CDD requirements under new Regulation 12AB of the AML/CFT (Requirements and Compliance) Regulations 2011.

21. As an ordering institution, you must transmit the relevant originator and beneficiary information to the beneficiary institution, or to any intermediary institution in the chain. The beneficiary institution therefore has visibility of who is sending fiat currency or virtual assets to its customer.¹³

Beneficiary institutions

22. As a beneficiary institution, if you do not receive the required information with a wire transfer, you are required to use appropriate risk-based procedures for handling the wire transfer and consider whether it constitutes suspicious activity.

Intermediary institutions

23. In the limited circumstances in which a VASP is an intermediary institution, there are obligations to provide all required information received from the ordering institution to the beneficiary institution as soon as practicable.¹⁴ Intermediary institutions are also required to have procedures, policies and controls to identify international wire transfers that lack the required information, as well as have risk-based processes to respond to any wire transfer that does not.¹⁵
24. For full requirements for ordering, intermediary and beneficiary institutions, refer to sections 27-28 of the Act and Regulation 15F AML/CFT (Requirements and Compliance) Regulations 2011.

Virtual asset transfers to be treated as international wire transfer

25. Effective 1 June 2024, new [Regulation 15A](#) to [Regulation 15L](#) of the AML/CFT (Requirements and Compliance) Regulations 2011 requires a VASP to treat a virtual asset to virtual asset, or a virtual asset to fiat currency (or vice versa), wire transfer as if it was an international wire transfer.
26. The only exception to this is if you are satisfied that **all the parties** to the wire transfer are in New Zealand. These parties are your customer, any other party to the transaction (i.e. the payer/originator or beneficiary/payee) and any other financial institution or VASP. If you are satisfied all these parties are in New Zealand, only the domestic virtual asset to virtual asset, or a virtual asset to fiat currency (or vice versa) transfer requirements apply.
27. You should have procedures, policies, and controls in place to determine the circumstances in which you can be satisfied that all the parties to the wire transfer are in New Zealand. You should also record how you are satisfied that all the parties to a wire transfer are in New Zealand. If in doubt, the wire transfer should be treated as if it was an international wire transfer.

VASPs to submit prescribed transaction reports

28. For all international wire transfers (including those treated as such due to Regulation 15L) of NZD\$1,000 or more, an international funds transfer (**IFT**) prescribed transaction report (**PTR**) must be submitted to the New Zealand Police Financial Intelligence Unit (**FIU**).¹⁶
29. An IFT-PTR must be submitted within ten working days from the date of the transaction through the FIU's [goAML](#) system.
30. Note: When you are an ordering institution of a wire transfer, you should ordinarily hold all the information required to be reported under the AML/CFT (PTR) Regulations 2016.

13 If the transfer is to an un-hosted wallet, the requirement to transmit the relevant originator and beneficiary information does not apply
14 Section 27(6) of the Act.
15 Regulation 15E AML/CFT (Requirements and Compliance) Regulations 2011.
16 Section 48A of the Act.

31. However, when you are a beneficiary institution, you may not always receive the required originator information (refer paragraph 22 above) that should ordinarily be reported in the “From” / “Not my client” side of the PTR. In these circumstances, you are only required to report the information that you do hold/receive regarding the originator (for example the wallet number and any details on the wallet owner or location as provided by the customer or verified using a reliable blockchain analysis tool).
32. If you require further information regarding the reporting process through the goAML system, please contact the FIU on goaml@police.govt.nz.

Occasional transactions

33. Effective 1 June 2024, new [Regulation 15AA](#) of the AML/CFT (Definitions) Regulations 2011 declares a virtual asset transaction or a virtual asset-to-virtual asset transaction of NZD\$1,000 or more that occurs **outside of a business relationship** to be an “occasional transaction” for the purposes of the Act.¹⁷
34. Any person seeking to conduct such a transaction is your “customer” for the purposes of the Act and must be subject to customer due diligence.¹⁸ This includes a transfer of virtual assets to an un-hosted or self-hosted wallet that is not subject to the wire transfer requirements (refer paragraph 12 above).
35. Note that this regulation applies to a transaction of NZD\$1,000 or more carried out in a single operation, but also if the NZD\$1,000 threshold is met across several operations that appear to be linked.¹⁹ You should therefore ensure you have procedures, policies and controls in place to identify linked transactions that, in combination, are of NZD\$1,000 or more.

Transactions under occasional transaction threshold

36. You should also note that, in certain circumstances, you are required to conduct customer due diligence for a virtual asset transaction under NZD\$1,000 (that is outside of a business relationship).
37. However, under new [Regulation 15K](#) of the AML/CFT (Requirements and Compliance) Regulations 2011, this only applies where there are grounds to report suspicious activity.

Establishing business relationship

38. You should also ensure you have procedures, policies, and controls in place to determine when a person has undertaken a number of transactions with you intermittently, such that a business relationship is commenced.²⁰ Once your transactional relationship with a person has “an element of duration”, it constitutes a business relationship.
39. A good test of whether the threshold for a ‘business relationship’ is met is if you reasonably expect that the person is likely to return to conduct transactions in the future.
40. Once you have a business relationship with a customer, you must ensure you apply full AML/CFT obligations in relation to this person. This includes obtaining information on the nature and purpose of the business relationship and undertaking ongoing customer due diligence and account monitoring.²¹

¹⁷ Note there are other prescribed types of occasional transaction in the Act that may also apply to VASPs. This includes Regulation 13A AML/CFT (Definitions) Regulations 2011 for wire transfers of NZD\$1,000 or more, and Regulation 14 for currency exchange transactions of NZD\$1,000 or more.

¹⁸ Section 14(1)(b) of the Act.

¹⁹ Regulation 15AA of the AML/CFT (Definitions) Regulations 2011.

²⁰ A business relationship is defined in s5(1) of the Act as “...a business, professional, or commercial relationship between a reporting entity and a customer that has an element of duration or that is expected by the reporting entity, at the time when contact is established, to have an element of duration.”

²¹ Section 17 and 31 of the Act.

AML/CFT Programme

41. All VASPs should ensure their AML/CFT programmes are updated to reflect these new requirements.
42. Note other AML/CFT obligations not impacted by the new regulations (or detailed in this guidance) continue to apply to VASPs (including enhanced customer due diligence when required, account monitoring, record keeping and suspicious activity reporting).
43. If you require further information on the application of these amendment regulations to VASPs, please contact Department of Internal Affairs (**DIA**) AML/CFT Group on amlcft@dia.govt.nz.

Disclaimer

Note: This guidance has been produced by the Department of Internal Affairs under s132(2)(c) of the Act for virtual asset service providers. This guidance does not set out all obligations under the Act, its associated regulations, and codes of practice. Examples are not exhaustive and are illustrative in nature. This guidance does not constitute legal advice.

Version history

Version	Date	Author	Description of changes
1.0	June 2024	Department of Internal Affairs	Initial version