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Governance and Administration Committee
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SUBMISSION on Financial Markets (International Money Transfers) Amendment Bill

1. Introduction

Thank you for the opportunity to make a written submission on the Financial Markets (International Money Transfers) Amendment Bill.

This submission is from Consumer NZ, an independent, non-profit organisation dedicated to championing and empowering consumers in Aotearoa. Consumer NZ has a reputation for being fair, impartial and providing comprehensive consumer information and advice.

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2. Our view on the Bill

Consumer NZ supports the intent of the Bill to improve transparency and reduce costs in international money transfers and other consumer foreign exchange transactions. Current pricing practices obscure the true cost of transactions, particularly where fees are embedded in exchange rates rather than presented as explicit charges. This weakens competition and leads to higher costs for consumers, especially those who transfer money frequently, make purchases from overseas retailers, pay for digital

services in foreign currencies, or use payment cards for international transactions.

While the Bill correctly focuses on improving disclosure, it does not go far enough to ensure that information is clear, consistent, and meaningful for consumers. In particular, it does not adequately address the disclosure of exchange rate margins, which are a major source of hidden fees.

Strengthening the Bill to require clear, standardised disclosure of total costs, provided early in the decision-making process and consistently across all channels, is critical to achieving its objectives.

3. Our comments on the Bill

The Bill correctly identifies transparency as a core issue and seeks to improve disclosure of fees and charges. However, we do not consider the Bill, as currently drafted, will be sufficient to ensure meaningful improvements in consumer outcomes.

The Bill does not go far enough to ensure effective disclosure

A key limitation is the Bill's reliance on fair conduct programmes to deliver better disclosure. While these programmes play an important role in ensuring financial institutions meet their obligations under the Conduct of Financial Institutions regime, in our view they are not, on their own, a strong mechanism for driving consistent and comparable outcomes for consumers. There is a risk that providers will meet minimum requirements without materially improving how information is presented or understood.

In our view, the Bill should specify what information must be disclosed and how it should be presented. As drafted, the Bill leaves too much to regulation, creating uncertainty and increasing the risk that disclosure will not meet consumer needs.

Exchange rate margins must be clearly disclosed

The most significant gap relates to exchange rate margins. Consumers are often shown an exchange rate without any clear indication of how it compares to a recognised benchmark or how much of the total cost it represents. This is a major source of hidden fees and limits consumers' ability to assess the true cost of a transaction.

This issue arises not only in international money transfers, but also in foreign-currency purchases, including online shopping, travel bookings, digital subscriptions and card transactions with overseas merchants. In many cases consumers are unaware that the exchange rate applied includes a significant margin.

We consider that disclosure requirements should explicitly address this issue. Consumers should be told:

- the exchange rate being applied;
- the equivalent mid-market exchange rate at the time the quote is provided; and
- the exchange rate margin.

This information should be presented alongside the total cost of the transaction in a way that is easy to understand. The mid-market exchange rate is widely recognised as an independent benchmark and provides consumers with a meaningful basis for comparing providers.

Standardisation, timing and coverage

Standardisation is also critical. Disclosure will only support competition if consumers can readily compare providers. If each provider presents information in a different format, using different terminology or assumptions, the benefits of transparency will be limited. We consider that the legislation should require a consistent, standardised approach to presenting key pricing information.

Timing is another important consideration. Information must be provided early enough to influence behaviour. In many cases, full pricing is only revealed once a consumer has effectively decided to proceed. The Bill should make clear that consumers must receive complete pricing information before they commit to a transaction.

Disclosure requirements should also apply consistently across all channels. Consumers who use in-person or agent-based services may be at greater risk of poor disclosure, particularly where pricing information is communicated verbally or through non-standard formats. The same principles should apply to online and mobile channels, where consumers often make rapid decisions and may not realise that exchange rate margins or foreign transaction fees have been incorporated into the quoted price.

The level of protection should not depend on how a service is accessed or whether a foreign exchange charge arises through a money transfer, card payment, online purchase or other foreign-currency transaction.

Finally, disclosure needs to be designed with real-world behaviour in mind. Many consumers rely on trusted providers or default choices, meaning information must be clear, prominent and tested to ensure it is effective in practice.

Strengthening the Bill

The Bill should sit more clearly within the broader consumer protection framework. Pricing disclosures should meet the standards of the Fair Trading Act, and there should be a clear expectation that inadequate or unclear disclosure may give rise to enforcement action. The role of the Financial Markets Authority in monitoring and enforcing these requirements should also be made explicit.

To deliver meaningful improvements, the Bill should:

- require disclosure of the total cost of a transaction, including all fees, foreign transaction charges and exchange rate margins;
- require disclosure of the exchange rate used, the equivalent mid-market exchange rate, and the margin between the two;
- require this information to be presented in a clear and standardised format;
- ensure disclosure is provided before a consumer commits to a transaction;
- ensure equivalent disclosure standards apply to international money transfers, card payments and foreign-currency purchases, including online purchases and digital services; and
- ensure consistency across all distribution channels.

Without these changes, there is a risk the Bill will improve formal compliance without materially improving consumer understanding or outcomes.

ENDS