

12 April 2024

Hon Andrew Bayly
Minister of Commerce and Consumer Affairs
Parliament Buildings
Wellington

Tēnā koe Minister

Thank you for your letter of 29 February where you set out the government's response to the Finance and Expenditure Committee's report on banks' processes and consumer protections for scams.

You have made three requests of the banking industry, which I am happy to address. I will also set out what the industry needs from government to progress an effective Anti-Scam Centre.

Confirmation of payee

Implementing a confirmation of payee service is a key priority for the industry. We announced this last September, along with a suite of other initiatives to further prevent scams and protect customers.

Confirmation of payee should help anyone making an online payment from one bank account to another to check the name of the account they are paying to make sure it's the right person or company.

Getting confirmation of payee designed, built, and implemented across the banking industry will be determined by a number of factors, including agreeing an account name and number matching solution, and ensuring it can be delivered by all our retail banks. The solution will also need to comply with privacy law and banks' obligations to protect customer confidentiality. Banks will need to build and implement relevant changes to their online banking and mobile app platforms. Getting confirmation of payee to go live will depend on addressing all these elements.

We are assessing a number of options to build our own confirmation of payee solution, or to partner with a third-party technology provider, of which there are several in New Zealand and overseas. To help us determine if there are any suitable third-party solutions, we are currently reviewing proposals from potential providers.



We aim to start rolling out a solution by the end of this year.

Code of Banking Practice and customer protection measures

The Code of Banking Practice sets out at a high level what customers can expect from their banks. The Code is not where we list all the things banks are doing to prevent scams.

As noted above, in September we announced a suite of anti-scam initiatives. These initiatives have superseded the committee's recommendations. They include commitments to:

- Bring in a confirmation of payee service (detailed above)
- Support the establishment of a centralised, co-ordinated, multi-sector Anti-Scam Centre, and
- Remove weblinks from texts to customers.

At this stage only banks are involved in the Anti-Scam Centre. As an initial phase, banks are identifying and sharing more information faster on mule accounts, which are used by criminals to move stolen money. Targeting money mules helps remove an essential part of how scammers operate. Since December banks have identified around 1500 mule accounts through the Anti-Scam Centre.

Banks are removing weblinks from texts to reduce the risk of criminals posing as banks to harvest personal information and access to bank accounts. Some banks have already done this, with others following as soon as they can.

Our focus is on scam prevention initiatives, which appears to have been successful in Australia, where they saw a 43% reduction in overall scam losses in the 2023 December quarter compared to the same quarter in 2022.

Voluntary reimbursement for authorised payment scams

The Code of Banking Practice sets out banks' current approach to reimbursing unauthorised fraud losses where the customer wasn't dishonest or negligent, complied with the terms and conditions, and took reasonable steps to protect their banking.

We will investigate a voluntary reimbursement scheme for customers who lose money in authorised payment scams. To do so, we will review international best practice in this area by the end of September. On the basis of that review, we will consider updating the current reimbursement approach in the Code of Banking Practice.



Government involvement in scam prevention

Scams are not only an issue for banking. Banks tend to be at the end of a chain of events that leads to criminals stealing money from their victims. Scams often start when people are deceived by fake websites, emails, texts, social media ads, and phone calls. All relevant sectors need to play their part, including government and other industries, such as telcos, social media companies, and search engines. All sectors involved in the New Zealand ecosystem need to step up and join banks in preventing scams.

A New Zealand Anti-Scam Centre (ASC) presents an opportunity for government and industry to work together. While our banks have taken the initiative to establish the first phase of the ASC, international practice is for government to own the ecosystem. Given the urgency of the scam situation, our initial request is for government operational support for the ASC.

We encourage the government to consider taking ownership of New Zealand's scam prevention. Banks are tackling digital crime as an urgent priority but cannot do this on their own.

At a high level, we ask that the government consider contributing in the following ways:

- **Collective urgency across government:** Banks are tackling digital crime as an urgent priority but cannot do this on their own. We request government agencies and departments to step up as required, especially by providing operational support.
- **Anti-Scam Centre agency involvement:** Banks request dedicated Police resource for the ASC and tackling digital crime. We also ask that other key agencies, such as GCSB and the Financial Intelligence Unit (part of the NZ Police Financial Crime Group), be involved in the ASC.
- **Regulatory waivers:** Banks request that the government engage with the industry regarding any appropriate regulatory waivers that could be considered, including for areas such as privacy, competition, and anti-money laundering obligations, to remove barriers to the ASC functioning most effectively. A broader regulatory safe harbour is an option that could be explored.
- **Other industry involvement:** As in other jurisdictions, we encourage the government to write letters of expectation to relevant industry participants (including telcos and social media companies), requesting their involvement in the ASC.
- **Co-ordination Minister:** We request that the Commerce and Consumer Affairs Minister help coordinate action from across government.



Thank you for considering how the government can support us to further protect New Zealanders from scams and online fraud. We look forward to meeting you to discuss this in further detail.

Ngā mihi

Roger Beaumont
Chief Executive