

# ASIAPAC BANKING GUIDE FOR NONPROFITS


*HOW TO OPEN AND MANAGE AN ORGANIZATIONAL  
BANK ACCOUNT*



**NEW ZEALAND**



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# 1. OPENING AN ORGANIZATIONAL BANK ACCOUNT

## a. What are the requirements to open an organizational bank account?

### i. Do organizations have to be physically present in the country to open a bank account? I.e., can they operate in country X but have a bank account in country Y? Is the presence of a statutory representative required or can the presence be fulfilled through an authorization?

In principle, foreign organizations can apply to open a business bank account online, but most banks may require the account holder to be physically present for opening the account for the purpose of verifying details (including proof of identification, address, relevant business documentation, etc.),<sup>1</sup> although we note that certain banks (e.g., Bank of New Zealand) discussed below offer online ID verification. Whether account opening can be conducted online or has to be in person may vary between banks.

The organization can operate the account overseas after it has been set up.

### ii. Are there specific requirements for CSOs to open accounts by law or asked in practice by the banks (e.g, years of operations, annual turnover, to have director or member of governing body to be national of the country)

Generally, there are no specific statutory requirements, but banks may have eligibility criteria and requirements and customer due diligence processes as discussed below. Banks usually require organizations to have a certain number of directors, trustees, partners, or officers who are authorized

<sup>1</sup> <https://wise.com/nz/blog/asb-business-account>

signatories, and require policies on how such people access accounts.<sup>2</sup>

There are no specific requirements that apply only to a civil society organization (“CSOs”), but generally, banks will need to collect information on the incorporated CSO (i.e., a legal entity for a not-for-profit group or organization<sup>3</sup>) and certain individuals associated with the CSO, including, for example:<sup>4</sup>

- Societies and Trusts register;
- New Zealand registered charity number (if applicable);
- Society rules or constitution confirming current office holders (signed and dated within the last 12 months). These requirements apply generally to non-profit organizations; and
- ID documents and foreign tax identification number of the office-holders, any other individual with control over the management of the organization’s affairs, any individuals with a greater than 25% interest in the organization’s assets, and any persons acting on behalf of the CSO (such as those with signing authority or power of attorney).

Taking Bank of New Zealand (“BNZ”) as an example, to open a non-personal account for an incorporated or unincorporated CSO, they will usually require the following:

- certificate of incorporation (for an incorporated CSO);
- meeting minutes – signed and dated;
- ID and proof of address of key persons involved in the CSO. Key persons include:
  - president;
  - chairperson;
  - secretary;
  - treasurer;

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<sup>2</sup> <https://bankomb.org.nz/guides-and-cases/quick-guides/bank-accounts/account-mandates/>

<sup>3</sup> Section 4 of Incorporated Societies Act 1908: <https://www.legislation.govt.nz/act/public/1908/0212/latest/whole.html#DLM175790>

<sup>4</sup> [https://www.westpac.co.nz/assets/Business/institutional/documents/Relationship-Management/joining\\_westpac\\_incorporatedsociety.pdf](https://www.westpac.co.nz/assets/Business/institutional/documents/Relationship-Management/joining_westpac_incorporatedsociety.pdf)

- other group members that hold key positions; and
- other group members that need to hold the account or have access to the accounts; and
- information on countries of tax residence of the organization and its key persons.

Each key person's ID needs to be verified (i) face-to-face in a BNZ branch; (ii) by certification in writing by an approved trusted referee; or (iii) online through RealMe or with photos of key person's ID.

### **iii. Who is authorized/required to open a bank account? Can this be done online, or that person needs to be present in the country?**

An individual duly authorized to act on behalf of the CSO (typically appointed by a resolution of the management body) or usually the treasurer may have the right to open and operate account for the CSO.

The authorized individual or persons on behalf of the CSO may commence the application process to open bank accounts online.<sup>5</sup> However, most banks may only allow potential customers (including a CSO) to activate the bank accounts or enjoy full access to bank accounts after they verify the identity of the customer (or the authorized individual or persons on behalf of the CSO) physically in-person.

The authorized individual or persons on behalf of the CSO may complete the signing of any relevant paperwork online and remotely and need not sign the paperwork at an embassy. However, as discussed in the paragraph above, most banks may only allow potential customers (including a CSO) to activate the bank accounts or enjoy full access to bank accounts after they verifies the identity of its customer (or the authorized individual or persons on behalf of the CSO) physically in-person.

There are some banks (e.g., BNZ) who may offer the choice of verifying ID by an approved trusted referee or other electronic means (e.g., taking photos or using RealMe® (a secure online identity verification service managed by the Department of Internal Affairs)), but these options available only to customers

<sup>5</sup> <https://www.worldremit.com/en/blog/finance/how-to-open-a-bank-account-in-new-zealand/#span-stylecolorrgb12963214can-i-open-a-new-zealand-bank-account-from-overseasspan>

live in New Zealand. <sup>6</sup>Some other banks (e.g., WestPac) would require all documents that have not been sighted by their staff as originals, or are emailed/sent to them, to be certified (officially verified) by an official trusted source.

In New Zealand, a trusted referee must be at least 16 years of age and be one of the following:

- Commonwealth representative
- Member of the police
- Justice of the Peace
- Registered medical doctor
- Kaumātua
- Registered teacher
- Minister of religion
- Lawyer
- Notary public
- New Zealand Honorary consul
- Member of Parliament
- Chartered Accountant

When certification occurs overseas, copies of international identification provided by a customer resident overseas must be certified by a person authorized by law in that country to take statutory declarations or equivalent in the customer's country.<sup>7</sup>

#### **iv. What is the process of setting up a bank account? E.g., how long it takes, is there a practice to have an interview in the bank?**

Generally, the time it takes to open a corporate bank account in New Zealand varies from bank to bank and the kind of account that is being set up, but it typically requires a few days to a few weeks.

Some banks offer special bank accounts for non-profit organizations, which allow for an easy account opening process. Thus, the bank opening the accounts will determine how long the process will take and whether further verification process (e.g., an interview) is required.

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<sup>6</sup> <https://www.bnz.co.nz/support/everyday-accounts/opening-an-account/id-requirements>

<sup>7</sup> <https://www.westpac.co.nz/assets/Business/institutional/documents/Forms/Trusted-Referee-Reference-Sheet-Westpac-NZ.pdf>

## 2. BANKING ACTIVITIES

### a. What customer due diligence requirements are in place and what is their impact on civil society organizations' banking activities?

As mentioned above, the Act requires customer due diligence (“CDD”) to be completed. The type of entity the CSO is will determine the CDD that is undertaken.<sup>8</sup> Section 11 of the Act requires CDD to be conducted on a customer, any beneficial owner of a customer, or any person acting on behalf of a customer. From the CSO, the following information is required for identification:

- Name of the CSO;
- Legal status and purpose; and
- Principal or registered office address.

A CSO's banking activities may be affected as CDD of the CSO's purpose and size may reveal information that changes its risk profile. If the CSO has a social or local community focus, its risk may be different to those that have off-shore links. Further, a risk factor to consider is whether the CSO is cash-intensive and able to be used for the placement of illicit earnings, which increases money laundering risks.

### b. Which internal principles or official (central bank) “suspicious transaction” monitoring criteria are in place affecting the civil society organizations? Is it publicly available?

The Act requires financial institutions (which would generally include account banks) to conduct a risk assessment and establish an Anti-Money Laundering (“AML”)/Combating the Financing of Terrorism (“CFT”) program. The AML/CFT program must include adequate and effective policies, procedures, and controls for preventing and detecting money laundering and terrorism financing and for reporting suspicious activity to the Financial Intelligence Unit (“FIU”).

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<sup>8</sup> <https://www.rbnz.govt.nz/-/media/project/sites/rbnz/files/regulation-and-supervision/anti-money-laundering-guidance-and-publications/customer-due-diligence-clubs-and-societies.pdf>

The FIU uses an online reporting facility, GoAML, a standard application to counter terrorist financing and money laundering.<sup>9</sup> The GoAML web application is the prescribed method by which reporting entities must submit Suspicious Transaction Reports, Suspicious Activity Reports, Large Cash Transaction reports, and International Fund Transfer reports to the FIU.

The Act requires enhanced due diligence for non-resident customers from countries with insufficient AML/CFT systems or measures. Banks are required to consider the relative AML/CTF risk of foreign jurisdictions in the context of their customer base and services offered – this is not specific to CSOs but will also apply to CSOs.

**c. Do the banks in the country of operations have any restrictions/limitations to bank transactions and transfers to certain jurisdictions (such as high-risk ones).**

**i. If yes, is the list of jurisdictions publicly available?**

Countries and regions may be considered high-risk if they are one or more of the following:

- All countries are regularly evaluated by the FATF<sup>10</sup> and by associated regional bodies such as the Asia-Pacific Group on Money Laundering (APG);<sup>11</sup>
- Countries on lists of entities and individuals associated with terrorism, money laundering, and other sanctioned activities maintained by the United States' Office of Foreign Assets Control;<sup>12</sup> and
- Non-cooperative tax jurisdictions published by Council of the European Union.<sup>13</sup>

Transparency International also provides the Corruption Perception Index, which can be an important indicator of jurisdiction risk of different jurisdictions.<sup>14</sup>

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9 <https://fiu.police.govt.nz/home>

10 <https://www.fatf-gafi.org/en/countries.html>

11 <https://www.fatf-gafi.org/en/countries/global-network/asia-pacific-group-on-money-laundering--apg-.html>

12 <https://ofac.treasury.gov/sanctions-programs-and-country-information>

13 <https://www.consilium.europa.eu/en/policies/eu-list-of-non-cooperative-jurisdictions/>

14 <https://www.transparency.org/en/countries/afghanistan?redirected=1>



**ii. What would be the procedures the bank would follow in this case for their CSO clients?**

Generally, banks will conduct CDD before entering into a business relationship with a client, and are expected to effectively manage the Money Laundering/Financing of Terrorism risks through appropriate risk management procedures. The starting point is to conduct standard CDD, and the banks will then need to determine if the client qualifies for simplified CDD, or whether they must be subject to enhanced CDD. For CSO clients, the following information may be requested by the bank:

- Simplified CDD: full legal name and any other names
- Standard CDD: type of entity and legal basis
- Enhanced CDD: source of funds or wealth (if the funds originate from member subscriptions or public donations, the financial report from the most recent year)

When it comes to practical application of CDD, for CSO clients, the banks may obtain further information on the person who has authority to act for the CSO, which may include the treasurer who is able to transact on the bank account. The banks may also obtain information to see if the president, secretary, and treasurer, and the current committee members, are beneficial owners.

### **3. OBLIGATIONS AND REPORTING REQUIREMENTS**

**a. Are banks required to provide CSO clients' financial information to CSO regulatory authorities or public officials? If yes, under what circumstances must banks do so, and what types of information must they provide?**

Banks in New Zealand have legal obligations to protect the confidentiality of their customers. However, there are certain situations where banks may be required by law to disclose confidential information about their customers. For example: When a bank takes legal action against a customer (such as to recover a debt), or defends an action from a customer and needs to provide information about the customer's affairs,

the bank may be required to disclose information. Banks in New Zealand can be required to give information to the Inland Revenue Department under the Tax Administration Act 1994, to the Ministry of Social Development under the Social Security Act 1964, and to a company liquidator under the Companies Act 1993. In addition, banks in New Zealand are required to report suspicious transactions to the Police under the Financial Transactions Reporting Act 1996 and Anti-Money Laundering and Countering Financing of Terrorism Act 2009. And if there is a danger to the state or when the wider public needs protection against crime, a bank may also be under a public duty to disclose confidential information.

The New Zealand Government has also incorporated the Common Reporting Standard and Foreign Account Tax Compliance Act into New Zealand law, which require the banks in New Zealand to report information collected (including details about the accounts and products the customer has with the bank) to New Zealand Inland Revenue, who may in turn share this information with the relevant overseas tax authorities.

## **b. What obligations do banks have to protect the privacy of clients' information?**

Banks have obligations under the Privacy Act 2020, which contains 13 privacy principles. In the banking sector, these principles govern the banks' collection and storage of clients' information, clients' rights to access and correct information about themselves, and the disclosure of personal information.

While the banks are generally prohibited from disclosing customers' personal information to third parties, certain exceptions apply, including where the disclosure is necessary to maintain the law, for the protection of public revenue, or to enable an intelligence and security agency to perform its functions.

The Banking Ombudsman Scheme may refer a privacy complaint to the Officer of the Privacy Commissioner if they consider it would be better dealt with.

## **c. Are there specific reporting obligations for banks to inform governments on civil society banking in certain circumstances?**

Except for the above, there do not appear to be specific reporting obligations unique to CSOs.

## d. Are you aware of any change in regulation/practice due to the Russian sanctions?

New Zealand has imposed sanctions on Russia in response to their invasion of Ukraine. Under the Russia Sanctions Act 2022 and the Russia Sanctions Regulations 2022, there is a range of obligations on all New Zealand persons that prohibits and restricts certain specific activities.<sup>15</sup> A “New Zealand person” would include CSOs which are deemed to carry on a business in New Zealand or incorporated or registered under New Zealand law.<sup>16</sup>

In terms of banking activities in New Zealand, banks in New Zealand are prohibited from:

- dealing with an asset that is owned or controlled by a sanctioned person;<sup>17</sup>
- dealing with any asset if doing so would (a) result in a sanctioned person owning or controlling the asset or (b) otherwise be for the benefit of a sanctioned person;<sup>18</sup>
- dealing with a service that is provided by a sanctioned person, or provided to, or for the benefit of, a sanctioned person.<sup>19</sup>

New Zealand banks will also “freeze” incoming transactions from a party in Russia if:

- the intended recipient is a sanctioned individual or entity; or
- the bank has reasonable ground to believe that the incoming funds would result in a sanctioned individual or entity owning/controlling the funds or otherwise be for the benefit of a sanctioned individual or entity.

New Zealand has designated or sanctioned a number of Russian persons, including individual banks and financial institutions. The list is subject to change from time to time. Please refer to the New Zealand Foreign Affairs and Trade website for the latest list of sanctioned person and banks.<sup>20</sup>

A consequence of the sanctioning of Russian banks is that a New

15 See: <https://www.mfat.govt.nz/assets/Countries-and-Regions/Europe/Ukraine/Guidance-Note-Banking-transactions.pdf>

16 Regulation 5(1) of the Russia Sanctions Regulations 2022.

17 Regulation 10(2) of the Russia Sanctions Regulations 2022.

18 Regulation 10(3) of the Russia Sanctions Regulations 2022.

19 Regulation 11(2) of the Russia Sanctions Regulations 2022.

20 <https://www.mfat.govt.nz/en/countries-and-regions/europe/ukraine/russian-invasion-of-ukraine/sanctions/>

Zealand person will not be able to receive money even from a non-sanctioned Russian transferor unless:

- the Russian person uses a non-sanctioned Russian bank; or
- the intended recipient is not a sanctioned person nor is owned or controlled by a sanctioned person and immediately before the Russian bank was sanctioned, the transferor had a legal obligation to pay the money to the New Zealand person.<sup>21</sup>

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21 Regulation 12(3) of the Russia Sanctions Regulations 2022.



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