Transaction monitoring

A strategic imperative for New Zealand banks



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April 2026

Transaction Monitoring (TM) is a cornerstone of Anti-Money Laundering (AML) compliance and financial crime prevention.

New Zealand banks continue to face regulatory scrutiny, rising transaction volumes and evolving criminal tactics.

Recently, the Reserve Bank of New Zealand (RBNZ) reinforced the importance of a robust transaction monitoring framework through a thematic review on transaction monitoring across New Zealand's major banks.

In this report, we summarise some key challenges and recommendations we have observed for banks in Aotearoa New Zealand.



1

Over-reliance on rule-based monitoring

Most banks still depend heavily on static, rule-based systems. While these frameworks provide a baseline for compliance, they often fail to detect complex or evolving money laundering scenarios and typologies.

To enable more effective transaction monitoring, traditional rule-based systems should be supplemented by advanced analytics and network analysis. While advanced analytics enables dynamic detection of anomalies and evolving patterns, network analysis can visually depict the relationships between customers, accounts and transactions, uncovering hidden connections.

2

False positive rates

New Zealand banks continue to struggle with high false positive rates. This often leads to increased compliance costs and resource constraints. High false positive rates may also lead to analyst fatigue and increases the risk of missing genuine suspicious activity due to alert overload.

Banks can actively reduce false positive rates by deploying machine-learning driven alert scoring, to prioritise high-risk cases. Additionally, regular testing and tuning of alert rules and the integration of contextual data (customer risk, transaction history) also reduces false positive rates.

3

Quality of alert disposition

When closing alerts, providing consistent and auditable rationales remains a challenge. Analysts often lack clear guidance or sufficient training to appropriately close alerts, resulting in potential audit findings and increased regulatory risk.

New Zealand banks can mitigate this issue by standardising disposition processes, with clear documentation requirements. Additionally, enhanced scenario-based training and continuous feedback loops will help improve the process. Similarly, continued attention to quality assurance reviews will help to drive consistency and quality.

4

Data quality and integration

Banks continue to face challenges in creating a single customer view due to fragmented data sources and legacy systems. Poor data quality undermines monitoring effectiveness and prevents effective use of machine learning and advanced analytics techniques.

To enable more data-driven transaction monitoring, New Zealand banks should continue to invest in data integration platforms to consolidate internal and third-party data sources. Ensuring real-time updates will drive the accuracy and quality of risk scoring and transaction monitoring.

5

Full lineage from risk assessment to monitoring

Effective transaction monitoring starts with a robust AML risk assessment. Banks must ensure clear lineage between identified risks and monitoring rules. Especially for newly emerging threats or complex typologies, such as proliferation financing the lineage between the risk assessment and the transaction monitoring rules is often lacking.

It remains critical to conduct a comprehensive AML risk assessment and regularly revise and update for emerging threats. Banks should align risk scenarios with the transaction monitoring rules and document lineage for transparency.

How KPMG can help

Strong data lineage, clear ownership, and robust analytics capabilities are critical to leading transaction monitoring functions. Together, these elements form a strategic defence in the fight against financial crime, supported increasingly by the use of AI. By embracing advanced analytics, improving data quality, and remaining vigilant to emerging risks, New Zealand banks can take the next step in more effectively combating financial crime.

At KPMG, we bring deep expertise and innovative solutions to help our clients accelerate their transaction monitoring journey. Together, we can build monitoring frameworks that are agile, intelligent and future-ready.

Want to know more? Please get in touch, and watch this space, as new transaction monitoring market insights are coming soon.

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Document classification: KPMG Public