

## APG PUBLIC STATEMENT ON VANUATU - UPDATE FEBRUARY 2018

Despite significant progress since the initial adoption of this statement in October 2014, the APG is concerned about the remaining strategic deficiencies in Vanuatu's anti-money laundering and combating the financing of terrorism (AML/CFT) system.

Vanuatu's latest [mutual evaluation report](#), adopted by the APG membership in July 2015, found significant gaps with its legal and institutional framework and that its system demonstrated low levels of effectiveness in implementing all of the FATF's global AML/CFT standards.

In February 2016, Vanuatu made a high-level political commitment to work with the FATF and APG to address its strategic AML/CFT deficiencies, adopting an action plan which identified eight strategic deficiencies.

Since that time, Vanuatu has made significant progress to rectify its deficiencies. In its November 2017 public statement (<http://www.fatf-gafi.org/publications/high-riskandnon-cooperativejurisdictions/documents/fatf-compliance-november-2017.html>), the FATF noted that Vanuatu has taken steps towards improving its AML/CFT regime, including by completing an offshore sector and terrorist financing risk assessment.

As of November 2017, only three of the original eight strategic deficiencies identified in Vanuatu's action plan remained. Vanuatu should continue to work on implementing its action plan to address its remaining deficiencies, including by:

- (1) establishing transparency for the financial sector, and for legal persons and arrangements;
- (2) implementing a risk-based AML/CFT supervisory and oversight programme for the entire financial sector, as well as trust and company service providers; and
- (3) establishing appropriate channels for international co-operation and domestic coordination regarding policies and actions on identified risks and ensuring effective implementation.

The APG notes that in December 2017, Vanuatu enacted a further 19 pieces of legislation designed to address its deficiencies. The FATF will further review Vanuatu's progress at its plenary meeting in February 2018. The APG encourages Vanuatu to continue implementing its action plan and take other measures to expeditiously address the remaining deficiencies and to enhance the effectiveness of its system to combat money laundering and terrorist financing. This statement, which was first issued in October 2014, will remain in place until the most important deficiencies are adequately addressed, as determined by the APG membership, informed by its peer monitoring, including FATF International Cooperation Review Group (ICRG) review, and the APG follow-up process.

### Background

In July 2015, the APG adopted Vanuatu's third mutual evaluation report. The evaluation was conducted under the FATF's 2013 assessment methodology which focuses on effectiveness. The report reflected low levels of effectiveness across all of the FATF's 11 Immediate Outcomes. In light of these serious deficiencies and the length of time that they had been outstanding, in August 2015 the APG membership referred Vanuatu to the FATF's ICRG for further action and scrutiny.

The ICRG accepted the APG's referral in October 2015 and in February 2016 adopted an action plan for Vanuatu to address its strategic deficiencies.

In October 2015, the AML/CTF Amendment Act and the AML/CTF Amendment Regulation entered into force to address some of the deficiencies with obligations relating to customer due diligence, internal controls and foreign branches. Since February 2016, Vanuatu has made significant further progress to address its strategic deficiencies, both through legislative and regulatory changes and through improved implementation of existing and new AML/CFT measures. Vanuatu passed 12 priority bills in June 2017 which establish the key building blocks for reforms, and a further 19 Bills in December 2017.

Vanuatu has, inter alia, removed the barrier to information sharing between the FIU, regulators and law enforcement; established a comprehensive legal framework and guidance to give effect to UN targeted financial sanctions to freeze assets associated with terrorism or proliferation of WMD; amended the Proceeds of Crime Act, Mutual Assistance in Criminal Matters Act and the International Companies Act; completed an assessment of offshore financial sector risks and terrorist financing risks; introduced a statutory scheme to include foreign tax offences as money laundering predicate offences; and removed secrecy provisions and impediments to international cooperation. Extension of AML powers and international cooperation provisions to cover foreign tax offences removed previous significant impediments to lifting the veil of secrecy on Vanuatu legal persons and financial services. The resources and capacity of the Vanuatu FIU and the Vanuatu Police Force have also been enhanced.