

BILL FOR THE FINANCIAL INSTITUTIONS (AMENDMENT) ACT NO. OF 2026

Explanatory Note

This Bill amends the Financial Institutions Act [CAP 254] (“the Act”).

Vanuatu’s laws generally reflect FATF standards by criminalising money laundering and terrorist financing and providing for financial reporting, beneficial ownership, asset confiscation and international cooperation. However, gaps remain and full compliance has not yet been achieved. This Bill is required to address those gaps and ensure that Vanuatu fully complies with the FATF standards.

The key features of this Bill are to:

- (a) strengthen the Reserve Bank’s powers to supervise licensed financial institutions, obtain and share information, cooperate with other authorities and enforce the law; and
- (b) improve risk-based supervision and controls relating to ownership, management and targeted financial sanctions; and
- (c) provide for a penalty notice process that allows the Reserve Bank to deal with non-compliance by issuing a penalty notice as an alternative to commencing court proceedings.

Minister of Finance and Economic Management



REPUBLIC OF VANUATU

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REPUBLIC OF VANUATU

BILL FOR THE FINANCIAL INSTITUTIONS (AMENDMENT) ACT NO. OF 2026

An Act to amend the Financials Institution Act [CAP 254].

Be it enacted by the President and Parliament as follows:

1 Amendment

The Financial Institutions Act [CAP 254] is amended as set out in the Schedule.

2 Commencement

This Act commences on the day on which it is published in the Gazette.

SCHEDULE

AMENDMENTS OF THE FINANCIALS INSTITUTION ACT [CAP 254]

1 Subsection 21(1)

Repeal the subsection, substitute

“(1) The functions of the Reserve Bank include:

- (a) prudential supervision of licensees; and
- (b) supervision of compliance by licensees with the Anti-Money Laundering and Counter-Terrorism Financing Act No. 13 of 2014, the United Nations Financial Sanctions Act No. 6 of 2017 and any other legislation relating to money laundering, terrorism financing or proliferation financing; and
- (c) promoting the safety and soundness of licensees; and
- (d) protecting depositors; and
- (e) maintaining the integrity of the financial system.”

2 After paragraph 21(2)(f)

Insert

“(fa) the money laundering, terrorism financing and proliferation financing risks affecting the licensee.”

3 After subsection 21(2C)

Insert

“(2D) In carrying out supervision under this Act, the Reserve Bank must apply a risk-based approach having regard to:

- (a) the money laundering risk; and
- (b) terrorism financing risk; and

- (c) proliferation financing risk; and
- (d) ownership structure; and
- (e) governance; and
- (f) products and services; and
- (g) delivery channels; and
- (h) customer profile; and
- (i) geographic exposure; and
- (j) volume of transactions; and
- (k) previous compliance history; and
- (l) any other relevant risk factor.”

4 After section 21A

Insert

“21B Supervision of targeted financial sanctions

- (1) The Reserve Bank is responsible for supervising compliance by licensees with obligations imposed under the United Nations Financial Sanctions Act No. 6 of 2017 and any other law relating to targeted financial sanctions.
- (2) Without limiting subsection (1), the Reserve Bank may:
 - (a) issue directives concerning compliance with targeted financial sanctions; and
 - (b) require a licensee to establish and maintain policies, procedures, systems and controls for implementing targeted financial sanctions without delay; and

- (c) require a licensee to conduct customer, beneficial ownership and transaction screening against applicable sanctions lists; and
 - (d) require a licensee to maintain records demonstrating compliance; and
 - (e) conduct examinations for the purpose of assessing compliance; and
 - (f) require a licensee to provide information relating to compliance with targeted financial sanctions.
- (3) A licensee must comply with any directive issued under this section.

21C Risk assessments

The Reserve Bank may require a licensee to:

- (a) prepare Money Laundering, Terrorism Financing or Proliferation Financing institutional risk assessments; and
- (b) submit those assessments; and
- (c) review them periodically; and
- (d) revise them following material changes.”

5 After section 25

Insert

“25A Anti-Money Laundering, Counter-Proliferation Financing and Counter-Terrorism Financing Review Report

- (1) If the Reserve Bank considers it necessary, it may require a licensee to appoint an independent, suitably qualified person approved by the Reserve Bank to prepare a report on compliance with Anti-Money Laundering, Counter-Proliferation Financing and Counter-Terrorism Financing obligations.
- (2) The report may include information on:
 - (a) governance of the financial institution; and

- (b) customer due diligence; and
- (c) sanctions; and
- (d) correspondent banking; and
- (e) transaction monitoring; and
- (f) beneficial ownership; and
- (g) internal controls; and
- (h) effectiveness testing.”

6 At the end of section 28

Add

“(7) An examination under this section may include an examination of:

- (a) Anti-Money Laundering, Counter-Proliferation Financing and Counter-Terrorism Financing policies; and
- (b) customer due diligence; and
- (c) beneficial ownership procedures; and
- (d) sanctions screening; and
- (e) transaction monitoring; and
- (f) suspicious transaction reporting; and
- (g) internal controls; and
- (h) governance; and
- (i) independent audit; and
- (j) employee training; and

- (k) group-wide Anti-Money Laundering, Counter-Proliferation Financing and Counter-Terrorism Financing programmes.”

7 After section 34

Insert

“34A Group-wide Anti-Money Laundering, Counter-Proliferation Financing and Counter-Terrorism Financing programmes

- (1) A licensee that forms part of a financial group must implement group-wide policies and procedures for:
 - (a) customer due diligence; and
 - (b) beneficial ownership; and
 - (c) sanctions screening; and
 - (d) transaction monitoring; and
 - (e) suspicious transaction reporting; and
 - (f) record keeping; and
 - (g) internal reporting; and
 - (h) Anti-Money Laundering, Counter-Proliferation Financing and Counter-Terrorism Financing training; and
 - (i) independent audit.
- (2) Overseas branches and subsidiaries must implement equivalent measures to the extent permitted by local law.
- (3) If local law prevents implementation, the licensee must notify the Reserve Bank immediately.”

8 After section 45

Insert

“45A Directions relating to targeted financial sanctions

- (1) If the Reserve Bank considers that a licensee has failed to comply with obligations relating to targeted financial sanctions under section 21B, it may issue written directions requiring the licensee to:
 - (a) cease the contravention; or
 - (b) implement corrective measures; or
 - (c) strengthen internal controls; or
 - (d) undertake independent testing or audit; or
 - (e) provide periodic reports.
- (2) A licensee that fails to comply with a direction under this section commits an offence punishable on conviction by a fine not exceeding VT25,000,000.”

9 After section 50A

Insert

“50B Approval of significant ownership changes

- (1) A person must not acquire, directly or indirectly, at least 10% of the voting rights or ownership of a licensee without the prior written approval of the Reserve Bank.
- (2) The Reserve Bank may refuse approval where it is not satisfied that the proposed owner is fit and proper or that the acquisition would expose the licensee to money laundering, terrorism financing or proliferation financing risk.”

10 Section 55A

Repeal the section, substitute

“55A Cooperation with foreign competent authorities

- (1) For the purposes of this section and section 55B, foreign competent authority includes an authority or agency of another jurisdiction responsible for:

- (a) banking supervision; or
 - (b) financial sector supervision; or
 - (c) Anti-Money Laundering, Counter-Proliferation Financing and Counter-Terrorism Financing supervision; or
 - (d) implementation of financial sanctions; or
 - (e) financial intelligence; or
 - (f) law enforcement.
- (2) The Reserve Bank may cooperate with a foreign competent authority.
- (3) Cooperation may include:
- (a) exchange of information; or
 - (b) spontaneous disclosure of relevant information; or
 - (c) responding to requests; or
 - (d) obtaining information; or
 - (e) conducting inquiries; or
 - (f) conducting inspections; or
 - (g) sharing examination findings; or
 - (h) sharing beneficial ownership information; or
 - (i) coordinating supervisory action.
- (4) The Reserve Bank may disclose confidential information where satisfied that:

- (a) the recipient is subject to confidentiality obligations substantially equivalent to those applying under this Act; and
 - (b) the information will be used only for lawful regulatory or enforcement purposes.
- (5) The Reserve Bank may enter into memoranda of understanding or other cooperation arrangements with foreign competent authorities.

55B Assistance to foreign competent authority

The Reserve Bank may, on behalf of a foreign competent authority:

- (a) obtain information; or
- (b) require production of documents; or
- (c) interview officers; or
- (d) conduct on-site examinations; or
- (e) verify compliance with prudential or Anti-Money Laundering, Counter-Proliferation Financing and Counter-Terrorism Financing requirements; or
- (f) provide supervisory findings.”

11 After section 57A

Insert

“57B Exchange of information with the Financial Intelligence Unit

- (1) Despite any other provision of this Act, the Reserve Bank may disclose confidential information to the Financial Intelligence Unit where the disclosure is necessary for preventing or detecting:
 - (a) money laundering; or
 - (b) terrorism financing; or
 - (c) proliferation financing; or

- (d) implementation of financial sanctions; or
 - (e) supervision under the Anti-Money Laundering and Counter-Terrorism Financing Act No. 13 of 2014.
- (2) The Financial Intelligence Unit may disclose information to the Reserve Bank for prudential supervision or Anti-Money Laundering, Counter-Proliferation Financing and Counter-Terrorism Financing supervision.
- (3) Information received under this section remains confidential and may only be used for lawful supervisory purposes.

57C Joint supervision

The Reserve Bank may cooperate with the Financial Intelligence Unit by:

- (a) conducting joint inspections; or
- (b) sharing supervisory findings; or
- (c) coordinating enforcement action; or
- (d) participating in joint risk assessments; or
- (e) developing supervisory policies.”

12 Section 58

Repeal the section, substitute

“58 Information requests by competent authorities

- (1) The Reserve Bank may request a licensee to submit, within such time and in such form as the Reserve Bank specifies, such information as the Reserve Bank determines necessary for the purpose of this Act.
- (2) The Reserve Bank may provide information obtained under this Act to the following authorities upon request if the information is reasonably required for investigating or prosecuting money laundering, terrorism financing, proliferation financing or any other serious offence:
 - (a) the Financial Intelligence Unit; or

- (b) the Commissioner of Police; or
 - (c) the Public Prosecutor; or
 - (d) Customs; or
 - (e) the Sanctions Secretariat; or
 - (f) any domestic regulatory authority.
- (3) The Reserve Bank may require a licensee to produce documents or information necessary for responding to a request under subsection (2).
- (4) Information may include:
 - (a) customer records; and
 - (b) beneficial ownership information; and
 - (c) account information; and
 - (d) transaction records; and
 - (e) governance records; and
 - (f) internal compliance reports; and
 - (g) group-wide information.
- (5) A licensee must comply within the period specified by the Reserve Bank.
- (6) The Reserve Bank may request the licensee to submit a certificate from its auditor verifying the accuracy of information furnished under subsection (5).
- (7) If a licensee:

- (a) fails to submit or delays the submission of any information required under subsection (5); or
- (b) submits any false or inaccurate information required under that subsection;

the licensee commits an offence punishable on conviction by a fine not exceeding VT75,000,000.

- (8) If a licensee is required under subsection (6) to submit an auditor's certificate and the licensee fails to request the certificate from its auditor, the licensee commits an offence punishable on conviction by a fine not exceeding VT75,000,000."

13 After section 59

Insert

"59A Administrative enforcement measures

If the Reserve Bank is satisfied that a licensee has contravened this Act, the Anti-Money Laundering and Counter-Terrorism Financing Act No. 13 of 2014, the United Nations Financial Sanctions Act No. 6 of 2017, any prudential standard or any directive issued under this Act, the Reserve Bank may:

- (a) issue a warning; or
- (b) issue a compliance direction; or
- (c) require a remediation plan; or
- (d) require an independent review; or
- (e) restrict business activities; or
- (f) remove directors or senior management; or
- (g) impose additional licence conditions; or
- (h) issue a penalty notice as prescribed by the Regulations; or

- (i) revoke the licence where appropriate.”

14 After section 59A

Insert

“59B Penalty notice

- (1) The Reserve Bank may serve a penalty notice on a person if it appears to the Reserve Bank that the person has committed an offence under any provision of this Act or its Regulations.
- (2) A penalty notice is a notice to the effect that if the person served does not wish to have the matter determined by a court, the person may pay within a time and to a person specified in the notice, the amount of penalty stated in the penalty notice.
- (3) A penalty notice may be served personally or by post.
- (4) If the amount of penalty prescribed for the purposes of this section for an alleged offence is paid under this section, no person is liable to any further proceedings for the alleged offence.
- (5) Payment under this section is not to be regarded as an admission of liability for the purpose of, nor in any way affect or prejudice, any civil proceeding arising out of the same occurrence.
- (6) The Regulations may:
- (a) prescribe the amount of penalty payable for the offence if dealt with under this section; and
 - (b) prescribe different amounts of penalties for different offences or classes of offences.
- (7) The amount of a penalty prescribed under this section for an offence must not exceed the maximum amount of penalty which could be imposed for the offence by a court.
- (8) This section does not limit the operation of any other provision of, or made under, this or any other Act relating to proceedings that may be taken in respect of offences.”