

REPUBLIC OF VANUATU

BILL FOR THE INTERNATIONAL BANKING (AMENDMENT) ACT NO. OF 2026

Explanatory Note

This Bill amends the International Banking Act [CAP 280] (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 the Bill are to:

- (a) change the institutional responsible for the implementation of this Act from the Reserve Bank to the Vanuatu Financial Services Commission; and
- (b) strengthen the Vanuatu Financial Services Commission powers to supervise licensed international banks, obtain and share information, cooperate with other authorities and enforce the law; and
- (c) improve risk-based supervision and controls relating to ownership, management and targeted financial sanctions; and
- (d) provide for a penalty notice process that allows the Vanuatu Financial Services Commission to deal with non-compliance by issuing a penalty notice as an alternative to commencing court proceedings.

Minister of Finance and Economic Management



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Arrangement of Sections

1	Amendment	2
2	Commencement.....	2

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An Act to amend the International Banking Act [CAP 280].

Be it enacted by the President and Parliament as follows-

1 Amendment

The International Banking Act [CAP 280] 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 INTERNATIONAL BANKING ACT [CAP 280]

1 Whole of the Act

Delete “Reserve Bank”, substitute “Vanuatu Financial Services Commission”

2 Subsection 13(1)

Repeal the subsection, substitute

“(1) The functions of the Vanuatu Financial Service Commission 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, terrorist 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; and
- (f) undertaking, in accordance with this Act and the regulations, the prudential supervision of the international banking business of licensees; and
- (g) reviewing international banking business and implementing internationally accepted standards for the prudential supervision of international banking business; and
- (h) recommending to the Minister such amendments to this Act and the regulations as the Vanuatu Financial Service Commission considers necessary to enable it to supervise international banking business in accordance with internationally accepted standards.”

3 After paragraph 13(2)(g)

Insert

“(ga) the money laundering, terrorist financing and proliferation risks affecting the licensee; and”

4 After subsection 13(5)

Insert

“(6) In carrying out the supervision under this Act, the Vanuatu Financial Service Commission must apply a risk-based approach having regard to:

- (a) the money laundering risk; and
- (b) terrorist 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.”

5 After section 13

Insert

“13A Supervision of targeted financial sanctions

- (1) The Vanuatu Financial Service Commission 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 Vanuatu Financial Service Commission 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.

13B Risk assessment

The Vanuatu Financial Service Commission may require a licensee to:

- (a) prepare institutional money laundering, terrorist financing and proliferation financing risk assessments; and
- (b) submit those assessments; and

- (c) review them periodically; and
- (d) revise them following material changes.

13C Directions relating to targeted financial sanctions

- (1) If the Vanuatu Financial Service Commission considers that a licensee has failed to comply with obligations relating to targeted financial sanctions under section 13A, 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) Any licensee who fails to comply with a direction under this section commits an offence punishable on conviction by a fine not exceeding VT25,000,000.”

6 After section 15B

Insert

“15C Anti-Money Laundering, Counter-Proliferation Financing and Counter-Terrorism Financing Review Report

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

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

15D Cooperation with foreign competent authorities

- (1) For the purposes of this section and section 15E, 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 Vanuatu Financial Service Commission 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 Vanuatu Financial Service Commission 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 Vanuatu Financial Service Commission may enter into memoranda of understanding or other cooperation arrangements with foreign competent authorities.

15E Assistance to foreign competent authorities

The Vanuatu Financial Service Commission may, on behalf of a foreign competent authority:

- (a) obtain information; and
- (b) require production of documents; and
- (c) interview officers; and

- (d) conduct on-site examinations; and
- (e) verify compliance with prudential or Anti-Money Laundering, Counter-Proliferation Financing and Counter-Terrorism Financing requirements; and
- (f) provide supervisory findings.

15F Exchange of information with the Financial Intelligence Unit

- (1) Despite any other provision of this Act, the Vanuatu Financial Service Commission may disclose confidential information to the Financial Intelligence Unit where the disclosure is necessary for preventing or detecting:
 - (a) money laundering; or
 - (b) terrorist 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 Commission 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 be used only for lawful supervisory purposes.

15G Joint supervision

The Vanuatu Financial Service Commission 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.

15H Information requests by competent authorities

- (1) The Vanuatu Financial Service Commission 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;
- (2) The Vanuatu Financial Service Commission may require a licensee to produce documents or information necessary for responding to a request under subsection (1).
- (3) Information may include:
 - (a) customer records; or
 - (b) beneficial ownership information; or
 - (c) account information; or

- (d) transaction records; or
 - (e) governance records; or
 - (f) internal compliance reports; or
 - (g) group-wide information.
- (4) A licensee must comply within the period specified by the Vanuatu Financial Service Commission.
- (5) The Vanuatu Financial Service Commission may request the licensee to submit a certificate from its auditor verifying the accuracy of information furnished under subsection (4).
- (6) If a licensee:
- (a) fails to submit or delays the submission of any information required under subsection (4); 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.
- (7) If a licensee is required under subsection (5) 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.

15I Administrative enforcement measures

If the Vanuatu Financial Service Commission 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 Vanuatu Financial Service Commission 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.”

7 After subsection 18(4)

Insert

“(4A) An examination under this section may include 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.”

8 After section 26

Insert

“26A 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 an Act or any Act prevents implementation, the licensee must notify the Vanuatu Financial Service Commission immediately.”

9 After section 27A

Insert

“27B 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 Vanuatu Financial Service Commission.
- (2) The Vanuatu Financial Service Commission 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, terrorist financing or proliferation financing risk.”

10 After section 41

Insert

“41A Penalty notice

- (1) The Vanuatu Financial Service Commission may serve a penalty notice on a person if it appears to the Vanuatu Financial Service Commission 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, within the time and to the person specified in the notice, pay the amount of the penalty stated in the penalty notice.
- (3) A penalty notice may be served personally or by post.
- (4) If the amount of the 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 the 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 the penalty that 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.”