

REPUBLIC OF VANUATU

BILL FOR THE MUTUAL FUNDS (AMENDMENT) ACT NO. OF 2026

Explanatory Note

This Bill amends the Mutual Funds Act No. 38 of 2005 (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 Vanuatu fully complies with the FATF standards.

The key features of this Bill include:

- (a) the expansion of the definition of “beneficial owner” to include fund beneficiaries and classes of beneficiaries, and any natural person exercising ultimate effective control over the mutual fund; and
- (b) the requirement for mutual funds to disclose beneficiaries upon application for a licence and on an ongoing basis, and to maintain a register of beneficial owners and beneficiaries for inspection by the Commission; and
- (c) the introduction of risk-based supervision, allowing the Commission to determine the frequency and extent of supervision based on the fund’s risk profile; and
- (d) the requirement for the Commission to apply consolidated group supervision to mutual funds that are part of a group of entities; and
- (e) the introduction of proliferation financing controls requiring mutual funds and administrators to establish internal controls, carry out risk assessments, and provide training to employees; and
- (f) the addition of failure to comply with proliferation financing controls as a ground for suspension or revocation of a licence; and
- (g) the strengthening of record-keeping requirements, with penalties of up to VT 25 million for individuals and VT 125 million for bodies corporate for non-compliance.

Minister of Finance and Economic Management



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An Act to amend the Mutual Funds Act No. 38 of 2005.

Be it enacted by the President and Parliament as follows-

1 Amendment

The Mutual Funds Act No. 38 of 2005 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 MUTUAL FUNDS ACT NO. 38 OF 2005

1 Subsection 1A(1)

Repeal the subsection, substitute

- “(1) A beneficial owner of a person or entity is a natural person who ultimately owns or ultimately controls the person or entity, and includes:
- (a) any equity controller of the mutual fund; and
 - (b) any administrator, promoter, or operator of the mutual fund; and
 - (c) any beneficiary of the mutual fund; and
 - (d) if the beneficiaries are a class of persons, any natural person falling within that class; and
 - (e) any natural person who exercises ultimate effective control through direct or indirect ownership, a chain of ownership or indirect control, or a trust, agreement, arrangement, understanding, or practice.”

2 At the end of section 12

Add

- “(2) A mutual fund must, upon application for a licence and on an ongoing basis, disclose to the Commission:
- (a) the name, address, and identification details of each beneficiary of the mutual fund; and
 - (b) if the beneficiaries are a class of persons, a description of that class and the criteria for membership; and
 - (c) the nature and extent of the beneficial interest of each beneficiary.
- (3) A mutual fund and a mutual fund administrator must:
- (a) keep and maintain a register of the information disclosed under subsections (1) and (2) at the registered office; and
 - (b) allow the Commission to inspect the register if requested by the Commission.

- (4) A mutual fund and a mutual fund administrator must update the register within 14 days of any change to the information.
- (5) A mutual fund or mutual fund administrator that fails to comply with this section commits an offence and is liable on conviction:
 - (a) in the case of an individual, to a fine not exceeding VT 25 million or imprisonment for a term not exceeding 15 years, or both; or
 - (b) in the case of a body corporate, to a fine not exceeding VT 125 million.”

3 After subsection 15(1)

Insert

“(1A) For the purpose of this section, “consolidated group supervision” means the supervision of a group of entities, including:

- (a) the parent entity; and
- (b) all subsidiaries and affiliates; and
- (c) any other entity that is part of the same group,

to assess and mitigate money laundering, terrorist financing, and proliferation financing risks at the group level.

(1B) The Commission must supervise mutual funds and mutual fund administrators on a risk-based basis.

(1C) Without limiting subsection (1B), the Commission may determine the frequency and extent of supervision based on:

- (a) the mutual fund’s or mutual fund administrator’s risk profile; and
- (b) the mutual fund’s or mutual fund administrator’s size, nature, and complexity; and
- (c) the mutual fund’s or mutual fund administrator’s compliance history; and
- (d) the mutual fund’s or mutual fund administrator’s exposure to money laundering, terrorist financing, and proliferation financing risks; and
- (e) any other criteria the Commission considers necessary.

- (1D) The Commission must apply consolidated group supervision to mutual funds and mutual fund administrators that are part of a group of entities.
- (1E) In applying consolidated group supervision, the Commission must coordinate and cooperate with the following authorities:
- (a) the Financial Intelligence Unit; and
 - (b) a supervisor within the meaning of the Anti-Money Laundering and Counter-Terrorism Financing Act No. 13 of 2014; and
 - (c) the Sanctions Secretariat; and
 - (d) a law enforcement agency; and
 - (e) a domestic regulatory authority; and
 - (f) a foreign government agency that carries out functions corresponding or similar to the functions carried out by a body or agency referred to in paragraph (a), (b), (c), (d) or (e)."

4 After section 18A

Insert

"18B Proliferation financing controls

- (1) A mutual fund and a mutual fund administrator must establish, maintain, and implement internal controls, policies, and procedures to identify, assess, and mitigate the risks of proliferation financing.
- (2) The internal controls, policies, and procedures must include:
- (a) a risk assessment of the mutual fund's or mutual fund administrator's exposure to proliferation financing risks, which the mutual fund or mutual fund administrator must carry out:
 - (i) when obtaining a licence; and
 - (ii) at least once every 12 months; and
 - (iii) when there is a significant change in business activities, customer base, or operating environment; and
 - (b) procedures to identify and report to the Commission any transaction or activity that may relate to proliferation financing; and

- (c) procedures to comply with targeted financial sanctions under the United Nations Financial Sanctions Act No. 6 of 2017; and
 - (d) procedures to freeze, without delay, the funds or assets of designated persons or entities under the United Nations Financial Sanctions Act No. 6 of 2017; and
 - (e) procedures to prohibit making funds or assets available to designated persons or entities; and
 - (f) training programmes for employees and officers on proliferation financing risks and compliance with targeted financial sanctions; and
 - (g) record-keeping procedures to retain all information relating to proliferation financing controls for a period of 6 years.
- (3) A mutual fund and a mutual fund administrator must, at the request of the Commission, provide the Commission with:
- (a) a copy of the risk assessment carried out under paragraph (2)(a); and
 - (b) a copy of the internal controls, policies, and procedures established under subsection (1); and
 - (c) evidence of compliance with the training requirements under paragraph (2)(f).
- (4) A mutual fund or mutual fund administrator that fails to comply with this section commits an offence and is liable on conviction:
- (a) in the case of an individual, to a fine not exceeding VT 25 million or imprisonment for a term not exceeding 15 years, or both; or
 - (b) in the case of a body corporate, to a fine not exceeding VT 125 million.”

5 After paragraph 19(1)(ae)

Insert

“(af) if the licensee fails to comply with its obligations under section 18B; or”