

**Vanuatu Financial Intelligence Unit  
State Law Office**



# **VFIU Annual Report**

**Republic Of Vanuatu**

**Year 2008**



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### **Vanuatu Financial Intelligence Unit (VFIU)**



#### **Foreword from the Attorney General of the Republic of Vanuatu**

It is indeed with pleasure to present the Vanuatu Financial Intelligence Unit's annual public report.

This is the Unit's first annual public report since its establishment in 2000 and is a historic milestone confirming its growth over the years. Of the eight years of operation, the Unit has expanded progressively to an adequately resourced operation as Vanuatu's national centre responsible for receiving, analysing and disseminating information relating to Money Laundering and Terrorist Financing. The Unit has contributed significantly to the global fight against money laundering and Terrorist financing as well as ensuring increased awareness of the FIU's role and responsibility nationally,

Over the years, the Unit made tremendous effort and commitment to oversee the implementation of the Financial Action Task Force's 40 recommendation and 9 special recommendations in the country.

This report highlighted several notable developments of the Unit and the country's Anti-Money Laundering and Combating Financing of Terrorism framework. The Unit has stepped up its compliance responsibility in ensuring financial institutions comply with the Financial Transaction Reporting Act [Cap. 268] by conducting several awareness workshops and commencing its comprehensive compliance examination.

However, without doubt there is more work needed to be done to safeguard the country and its financial system. The Unit will continue striving to implement the necessary action to fully satisfy the global expectations.

The annual report forms a vital channel of keeping the Unit's stakeholders both internal and external, informed of its annual public activities, its achievements as well as its priorities and vision.

The Unit aims to maintain this publication on an annual basis.

**Alatoi Ishmael KALSAKAU**

**Attorney General**

**Republic of Vanuatu**



## Government of the Republic of Vanuatu

### Vanuatu Financial Intelligence Unit (VFIU)



#### Vanuatu Financial Intelligence Unit – who we are

#### Our Objective

To positively contribute to the combating of money laundering, financing of terrorism and other financial/economic crime in Vanuatu as well as in the Pacific and broader region.

#### Mission Statement

To collect, analyse and disseminate financial information and intelligence to support the detection, investigation and prosecution of money laundering, financing of terrorism and financial/economic crimes.

#### Our Relationships:

##### Domestic

- Reporting entities and their representative associations
- National financial regulators – Reserve Bank of Vanuatu and Vanuatu Financial Services Commission
- Law Enforcement Agencies – Vanuatu Police Force, Department of Customs and Inland Revenue, Department of Immigration and Citizenship
- State Law Office, Office of the Public Prosecutor
- Vanuatu Government-Office of the Prime Minister, Ministry of Finance and Economic Management, Ministry of Foreign Affairs, Ministry of Justice and Social Welfare, Vanuatu Investment and Promotion Authority
- Vanuatu Financial Sector Assessment Group

##### International

- Foreign financial intelligence Units (FIUs)
- The Egmont Group of Financial Intelligence Units
- Other international organisations-the Asia/Pacific Group on Money Laundering (APG), Financial Action Task Force (FATF), Pacific Island Forum Secretariat's Pacific Anti-Money Laundering Program (PALP), Anti-Money Laundering Assistance Team (AMLAT),



## 1. Money Laundering Prevention Initiative

Money laundering is a process by which criminals attempt to hide and disguise the true origin and ownership of the proceeds of their criminal activities, thereby avoiding prosecution, convictions and confiscation of the criminal funds.

Such serious crime goes hand in hand with corruption and can exist anywhere in the world. Taking crime money or the profit out of crime can have a significant impact both socially and economically. It undermines the social, economic and political fabric of society and consequently affects the day to day life and environment of every citizen.

An International initiative undertaken by some of the industrialized countries formed a body known as the Financial Action Task Force (FATF). It, as a principal international standard setting body on Money Laundering (ML) & Terrorist Financing (TF), drew up in 1990 forty (40) recommendations, which coincided with the revision by the Basle Committee of Banking Supervisors of its customer due diligence requirement for banks.

Since the event of September 11, 2001 the funding of terrorist activities has been seen as a new threat and having features similar to ML so the FATF issued additional nine (9) special recommendations on TF.

Many countries in the world have been encouraged to implement these recommendations as measures against ML & TF. These countries have added to their laws and regulations so that activities designed to provide funding of terrorist activities now come under the same level of potential scrutiny as ML activities.

The Vanuatu government has joined other countries in the world by introducing such legislation to deal with this emerging threat of ML & TF known as the Financial Transaction Reporting Act. The objective of this legislation is to basically set out some of the best practices for combating ML and TF by the financial sector, which plays a vital role to the success of our national strategy against ML & TF.

In earlier days, ML was traditionally associated with banking and other similar financial institutions because criminals laundering their cash derived from drugs, utilised banking processes such as deposit takings, money transfer and lending, etc., which offered a vital laundering mechanism. Criminals are smart and now that the banks and bank like institutions are implementing AML measures, criminals have responded to the counter-measures placed by the banks. Launderers have recognized that products and services offered by other types of financial and non-financial institutions are attractive mechanisms to laundering their proceeds of crime.

Because money laundering activities is taking a different path to the traditional method of ML, governments today must adopt effective approaches to combating money laundering, which means they must scrutinize all aspects of the financial system. A government must capture non-financial business and professions, dealing with money that has already been placed into their



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financial systems and, of course, money derived from other forms of crime that has never been in the form of cash.

In 2005 the FTR Act underwent major amendments reflecting the Vanuatu Governments commitment to protect its financial system and adhere to changes recommended by the FATF such as expanded provisions in the Act dealing with reporting of financial institutions, expanding the meaning of financial institutions to cover designated non-financial businesses and professions and as well as additional roles and responsibilities of the FIU.

The Vanuatu government through the FIU urges all business houses conducting such activities covered under section 2 the FTR Act to show full commitment to implementing such measures spelt out in the FTR Act and guidance notices issued on Anti Money Laundering & Counter Financing of Terrorism (AML & CFT).

## 2. Overview

The Vanuatu Financial Intelligence Unit (Vanuatu FIU) was established under section 12 of the Financial Transaction Reporting Act [Cap. 268] (FTRA) and within the State Law Office.

Sections 13A, 13B, 13D, 13E and 13F stipulate the functions and powers of the Vanuatu FIU.

## 3. Vanuatu FIU Functions and Powers

The core functions of the Vanuatu FIU are to receive, analyse and assess any report or information from financial institutions. There are several types of information that the financial institutions are obliged to submit to the Vanuatu FIU and these are:

- ✓ Report on suspicious transactions;
- ✓ Reports on cash transactions of or exceeding VUV1 million or foreign currency equivalent
- ✓ Reports on cross border funds transfers – into and out of Vanuatu.

In addition to the Unit's core function, the Unit also receives, analyses and assesses information obtained from other sources such as the Vanuatu Immigration Department, the Vanuatu Police Force, the Customs and Inland Revenue Department, other assisting entities and even foreign law enforcement agencies. Such information and reports are developed into intelligence and disclosed to the assisting entity if the Vanuatu FIU has reasonable grounds to suspect that the report or information is relevant to the detection, investigation or prosecution of a person for money laundering (ML) offence, a financing of terrorism (TF) offence or any other serious offence.

Other core functions of the Unit are to carry out examinations of financial institutions to ensure their compliance with the FTRA; to collect relevant information on a ML offence, TF offence or



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any other serious offence whether or not the information is publicly available; and to direct financial institutions to take steps to facilitate any investigation being undertaken by the Unit or an assisting entity.

The Vanuatu FIU has the following additional functions under the FTRA, which are to: issue guidelines to financial institutions; provide training programs for financial institutions, compile statistics and records; undertake inquiries as requested by an assisting entity, conduct probity checks by Vanuatu Investment Promotion Authority, any ministry, department or agency of the Vanuatu Government; conduct research into trends and developments in the area of ML and TF, and improve ways of detecting, preventing and deterring ML and TF activities; and to educate the public and create awareness on matters relating to ML and TF.

Further, the Unit has the following powers; to examine the records and inquire into the business and affairs of any financial institution for the purpose of ensuring compliance with the FTRA; to enforce compliance on any financial institutions that fail to comply with the FTRA; and on reasonable grounds, to halt transactions or attempted transactions if it involves proceeds of ML, TF or other serious offence.

#### **4. Developments for 2007 and 2008**

##### **(a) Implementation of FTRA**

The Financial Transactions Reporting Act [CAP 269] came into force in 2000 and formed an integral portion of the Vanuatu Government's commitment to the global fight against money laundering and Terrorist Financing. Its ascension in Parliament confirmed Vanuatu's ability to respond to global trends, dictates and demands on ML & TF.

In 2005, the Vanuatu Parliament approved further major amendments to the FTRA which saw more fine tuning and inclusion of additional definitions under section 1 and financial institutions under section 2. It also provided for additional obligations on the part of financial institutions to report suspicious transactions, report financial transactions of and exceeding VUV1 million either as cash transactions or inward and outward electronic cross border transactions; and provide for legal immunity and protection of financial institutions reporting transactions.

After the publication of the amendments in the Official Gazette, the Unit agreed and allowed a grace period of 6 months for financial institutions to implement necessary policies and procedures to comply with the new FTRA amendments.



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#### **(b) Establishment of the Vanuatu FIU**

After the enactment of the FTRA in 2000, the Vanuatu FIU was established in the State Law Office as stipulated in section 12 of the FTRA.

From 2000 to 2004, the Unit was operated on a part time basis by the then State Law Office state counsel, Mrs. Viran Molisa Trief. Due to the strains of legal commitment upon the State Law Office, the Unit only worked on requests for information.

However, realizing the importance of the Unit to the Government, in 2004, a secondment contract was agreed on between the State Law Office and the Reserve Bank of Vanuatu that saw Mr. Michael Busai transferred to the FIU for a 6 month secondment and eventually, the recruitment of the first permanent FIU officer, Mr. Mackenzie Tari Obed, to the position of Financial Analyst.

In early 2005, Mr. Kevin Tari was appointed to the position of FIU compliance Officer and assumed the responsibility of assisting the Financial Analyst by ensuring financial institutions comply with the FTRA.

With the appointment of the two fulltime staff, the FIU was able to carry out its functions and responsibilities as stated in the FTRA.

In 2007, a new appointment was made that saw the Financial Analyst position taken up by Mr. Floyd Mera after Mr. Mackenzie Tari Obed vacated the position in December 2006. Mr. Mera assumed the responsibility of executing the functions of the FIU as stipulated under the FTRA and reports to the Attorney General, Mr. Alatoi Ishmael Kalsakau.

In April 2008, Ms. Kella Bellam was appointed as Data Input Officer. This is a new position created in the FIU structure and she assumes the responsibility of assisting the Financial Analyst in collating, inputting and cataloguing data received from financial institutions and other sources.

Both the Compliance Officer and Data Input Officer report directly to the Financial Analyst and with the staff addition, the FIU is now able to focus on the core functions and address the responsibilities more effectively. To assist the FIU team, there is a legal team consisting of Mrs. Viran Molisa Trief, Mr. Frederick Sam Loughman and Ms. Florence William Reur.

#### **(c) Funding and Administrative Support**

The funding and administrative support for the Vanuatu FIU is wholly provided for by the Vanuatu Government via the State Law Office. All aspects of administrative support staff such as human resource, IT, property, security, transport, training and other general administration services are provided by the State Law Office under a separate budget.



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The FIU is projecting to increase its human resources in the area of compliance, IT, administration, intelligence, dissemination, analysis, policy and training to allow maximum operation and growth. And in the new future, there will be a structure for secondment from the local law enforcement agencies so to create and foster awareness on the FIU role and functions.

#### VFIU ORGANISATION STRUCTURE

### ATTORNEY GENERAL



**KELLA BELLAM**  
Data Input Officer



**FLOYD MERA**  
Financial Analyst



**KEVIN TARI**  
Compliance Officer



**VIRAN M TRIEF**  
Lawyer



**FLORENCE WILLIAM**  
Lawyer



**FREDERICK LOUGHMAN**  
Lawyer



#### **(d) Regional Workshops for Pacific Financial Intelligence Units**

The FIU, as part of its capacity building initiative, has successfully participated in numerous workshops and conferences held in 2007 and 2008. These workshops and conferences were mostly organised in the region and focused on the AML/CFT program.

In June 2007, the Australian Attorney General's Department's Anti-Money Laundering Assistance Team (AMLAT) organized a Regional Workshop for Pacific Financial Intelligence Unit (FIU) in Sydney which saw the establishment of cooperation and communication between the Pacific FIUs. This has proven useful as most of the AML/CFT crimes are no longer national but are more transnational issues.

In December 2007, the Financial Analyst attended an AML/CFT workshop in Macau, SAR on the supervision of Casinos. This was considered particularly important for Vanuatu as we have seen the increase of casinos in the country and the trip enabled an understanding for the need for better regulation and supervision of that sector.

In April 2008, a workshop on the supervision and regulation of Charitable Organisations or Non Profitable Organisations was held in Nadi, Fiji and saw the attendance of the FIU Financial Analyst and the VFSC Commissioner. The workshop aimed to broaden guidance on supervising and regulating this section of Finance, and also to establish a forum between Pacific charity regulators and supervisors.

In June 2008, our FIU attended the annual AMLAT workshop which was held in Brisbane, Australia from the 16-20 June 2008. The objective of the workshop was to review the FATF recommendations against the current AML regime in each country where FIUs were established to determine the risks and discuss various mitigation measures each country should consider. The workshop brought together representatives from the FIUs already established in the Pacific regions.

The FIU also attended a regional FIU analysis training in Sydney, Australia from 18-20 November 2008. The training was organized by Australian's FIU, AUSTRAC. The aim of the training was to enhance analytical abilities of the FIU in developing financial intelligence for dissemination to Law Enforcement Agencies. A joint session was organized for FIU's and Transnational Crime Units (TCU) on intelligence gathering and sharing. The workshop brought together all representatives from FIUs and TCUs in the Pacific region which have established units in their country.

#### **(e) FIU Guidelines for Financial Institutions**

In 2003, the Vanuatu Financial Intelligence Unit issued its first guideline to the financial institutions of this country that outlined the requirements stipulated in the recently approved FTRA (of 2000).

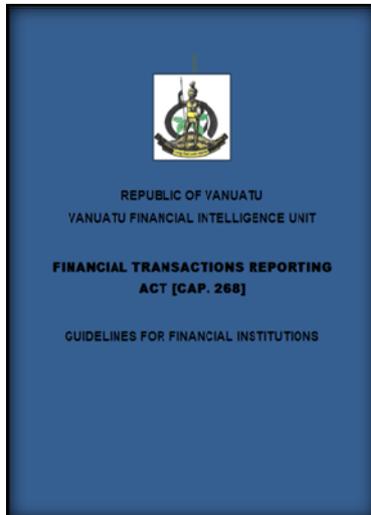


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However, over the years, further amendments were made to the FTRA (in 2002 and 2005) that warranted an updated version of the Guideline to better reflect the new obligations. This update was finally drafted in early 2008 and launched in November 2008.



The updated version provides detailed guidance to financial institutions on how to implement the provisions of the FTRA and covers most of the designated non financial businesses and professions (DNFBP) defined under section 2 of the FTRA.

The updated Guideline covered the following areas:

- ✓ -explanation of Money Laundering
  - ✓ -explanation of Terrorist Financing
  - ✓ -importance of combating ML and TF
  - ✓ -developing an effective anti-money laundering system
  - ✓ -customer due diligence
  - ✓ -customer identification
  - ✓ -record keeping
  - ✓ -monitoring
  - ✓ -education and training
- ✓ -reporting and recognition of suspicious transaction
  - ✓ -reporting of cash and electronic transaction
  - ✓ -specific information for each DNFBP sector

With regard to domestic and offshore banks, the Unit has reached an understanding with the Reserve Bank of Vanuatu for this sector to continue observing the RBV Prudential Guidelines No. 9: Customer Due Diligences. However, the sector is encouraged to periodically refer to the FIU Guidelines for Vanuatu FIU's expectations on AML/CFT.

The Vanuatu FIU sought assistance from the Pacific Island Forum Secretariat's Pacific Anti Money Laundering Program (PALP) to review and update its Guidelines.

#### (f) Transaction Reporting

As a requirement under the FTRA, financial institutions are to report financial transactions to the FIU. Financial transactions are extremely important in identifying possible money laundering and financing of terrorism occurrences. There are 4 types of financial transaction reports prescribed by Vanuatu FIU which are as follows:

1. **Suspicious Transactions Report** - for transactions or attempted transactions that give rise, on reasonable grounds, to suspect a money laundering offence, terrorist financing offence or other serious offence regardless of the sum of currency involved. The report must be submitted to the FIU within 2 working days
2. **Cash Transaction Report** - for cash transactions of or exceeding 1 million vatu or equivalent in foreign currency. The report must be submitted to the FIU within 15 days.



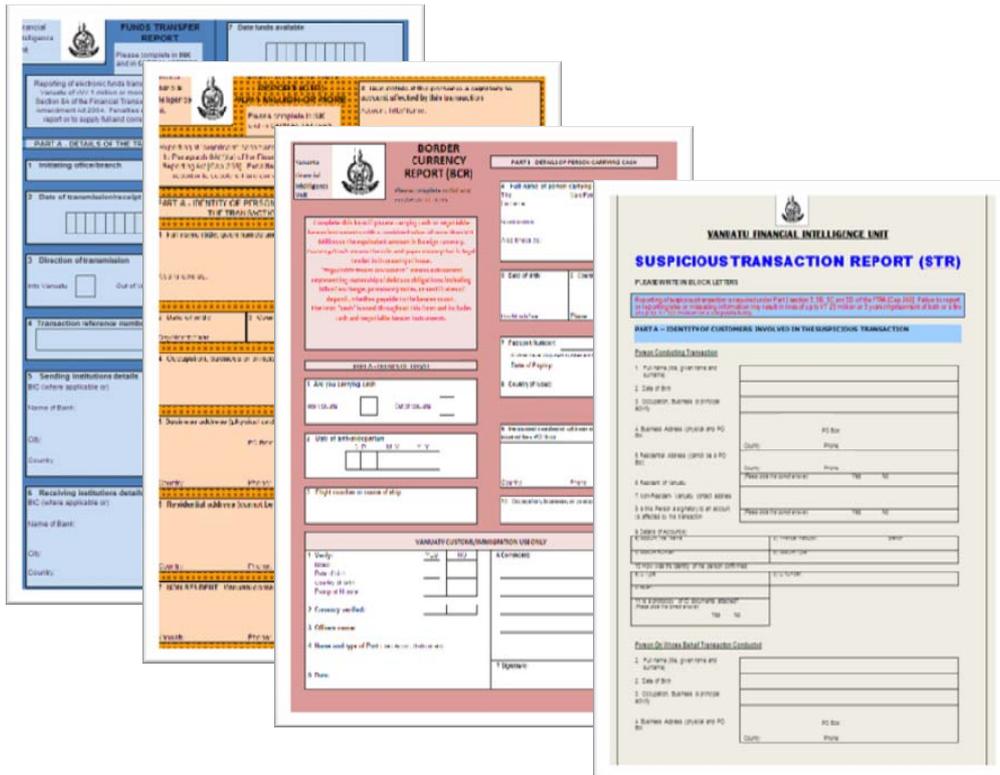
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- International Fund Transfer Report** - for electronic transactions across border (into and out of Vanuatu) of or exceeding 1 million vatu or equivalent in foreign currency. The report must be submitted to the FIU within 15 days.
- Boarder Currency Report** – for currency and other valuables total to or exceeding 1 million vatu or equivalent in foreign currency carried across the border on a passenger. The report must be submitted to the FIU within 2 days.

Picture 1: Vanuatu FIU report forms



### (g) Alert Notices to Financial Institutions

As a responsibility under the FTRA, the FIU issued several “alert notices” to financial institutions on certain individuals and/or businesses entities over the reporting period. These alert notices were raised upon receipt of reliable and sufficient information from the Vanuatu FI’s intelligence, local and international law enforcement agencies, international intelligence agencies and other reliable sources. Most of these alert notices are disseminated in the strictest of confidence for financial institutions’ internal use and awareness. Since 2000, the Vanuatu FIU has issued 20 such alert notices to financial institutions.



**(h) Public Awareness and Advisories**

Also as a responsibility of the FIU, the unit provided public awareness and advisories on matters relating to money laundering and financing of terrorism.

This responsibility saw the FIU in 2005/2006, issuing a public advice on a pyramid scheme targeting locals with the alleged promise of huge financial returns on a meagre payment or investment.

In addition in 2007/2008, the FIU issued a public advice on an alleged lottery and email/letter scam. Individual advices were also sent to the known victims of the lottery and email/letter scam.

These advisory notices were delivered in the following manner; e-mail, written letters, press releases and meetings.

**(i) Anti-Money Laundering Computer Base Training**

In 2004 the United Nations office of Drugs and Crime donated seven sets of computers to the Vanuatu government, through the Financial Intelligence Unit

The computers were equipped with AML training Program therefore no lecturer is required. The equipments have been provided specifically to facilitate training for local Law Enforcement Agencies (LEA) including staff of financial institutions.



The aim of the program is to enable staff of financial institutions and law enforcement agencies to understand, detect and report to the Unit, money laundering and related financial crimes. The training programme also covers the role of the financial intelligence unit.

The Vanuatu FIU is the managing agency and owns the training.

The total number of students enrolled for the AML course since 2005 to 2008 is 164. From the total number registered, 47 percent of students have completed their course and have been issued a certificate.

The FIU has also in its possession the AML computer based mobile training. This consists of two wireless network laptops donated by the UNODC in 2008. This laptop type training complement s the training offered at the FIU training centre.

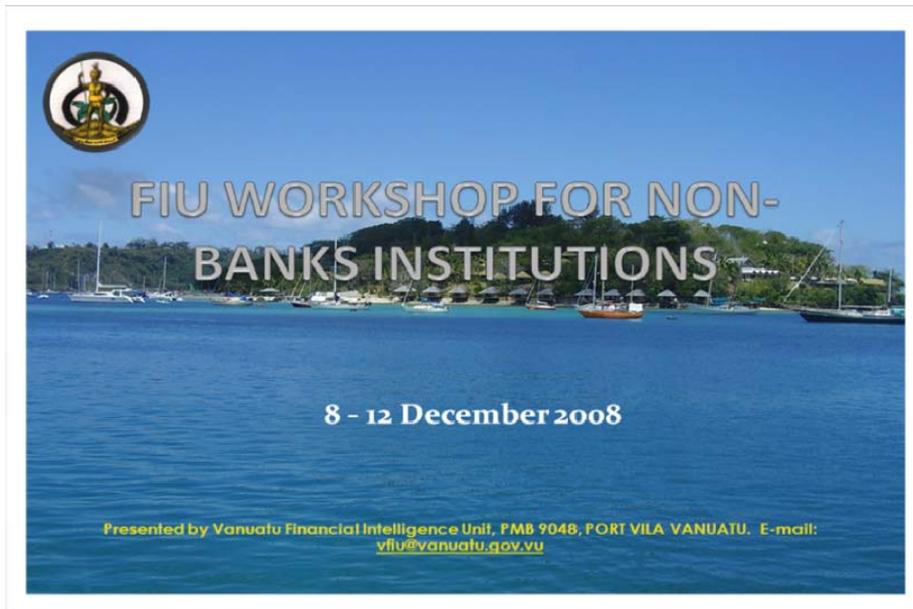
Due to the numerous advantages of the mobile training, financial institutions have shown great interest in installing the mobile training at their work place for their staff training.



**(j) Education and Awareness on the FTRA**

Under the FTR Act, the FIU may provide awareness programs to financial institutions on the requirements of the FTRA Act such as customer due diligence, reporting obligations and the identifications of suspicious transactions. This is an important function of the FIU as it educates financial institutions and other key stakeholders on the requirements of the FTR Act.

In September of 2008, FIU was invited by the Reserve Bank of Vanuatu to make a presentation on the FTRA Act.



The dialogue workshop was attended by International Banks Directors and was organized at the Reserve Bank of Vanuatu premises.

In December 2008 and February 2009 and consistent with the updated guidelines of the Unit, the FIU held a series of eight workshops for stakeholders. The purpose of the

workshop was to raise awareness of their responsibilities as financial institutions under the FTR Act.

The workshops addressed the following issues:

- Money laundering offences
- Customer Due Diligence
- Record-keeping
- Reporting of suspicious transactions
- Internal procedures and controls

The workshops were attended by the following financial institutions and businesses:

- Accounting Firms
- Casinos & Money Exchangers
- Car dealerships
- Trust and company service providers
- Law firms
- Real estates
- Insurance companies



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- Credit unions

At the end of the workshop, participants were presented with a certificate and were handed a copy of the relevant legislation and the VFIU Guidelines for financial institutions. The workshops were well attended and the attendees were fully engaged in the subjects that were covered

Evidence of attendance of any of the FIU organised workshop and training will form part of the FIU compliance inspection program, planned to commence in April 2009.



These workshops were made possible with the financial assistance of the Australian Government through AMLAT program of the Attorney General's and a special thank you to the Pacific Island Forum's Pacific Anti-Money Laundering Programme (PALP) mentors for the attending and providing technical assistance.

#### **(k) On-site Visits to Financial Institutions**

As part of the FIU compliance inspection program on Financial Institutions, from June to August 2008, familiarisation visits were conducted to local Designated Non Financial Businesses and Professions (DNFBPs).



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The visitation program was to engage the major DNFBPs in each sector by bringing to their awareness their legal obligations under the FTRA as well as providing an opportunity for the new FIU team to be familiar with the businesses and professions

Sectors visited during the program included local money remitters, money exchangers, real estates, insurance companies, law firms, accounting firms and trusts and company service providers,

#### **(l) Intelligence Assistance**

As stipulated under sections 13A and 13B of the FTRA, the FIU can provide assistance requests to local and international law enforcement agencies or supervisory bodies; overseas FIUs and international organisations established by governments of foreign states.

The Unit has been receiving requests for assistance or information and if such reports meet the internal criteria, the Unit can share the request information with the requesting body.

In the same manner the FIU can make requests to local and international law enforcement agencies or supervisory bodies and overseas FIUs.

#### **(m) Border Currency Reporting**

In the beginning of 2008 the Vanuatu FIU formed a joint working group with the Department of Customs and Inland Revenue to amend and improve existing legislation governing cross border cash movement under part 5 of the Proceeds of Crime Act [Cap. 284] (POCA).

Since 2005, issues were identified within the legislation and therefore limited customs officials from effectively carrying out their roles as stipulated in the Act.

The working group has engaged the technical assistance of PALP to draft the requested legislation and the draft legislation also underwent regular review from the Oceania Customs Organisation.

The Bill aimed to repeal Part 5 of the POCA and install a stand alone comprehensive legislation to address cash/currency movement at our borders. The Bill is now ready for submission to the Parliament.

If the Bill is approved, there will be a national training drive for all authorised officials under the new legislation (Customs, Immigration, Police and Quarantine Agencies) as well as posting of posters, signage, in and outside terminals; and advertisement in in-bound flights and cruises.



(n) Asia Pacific Money Group on Money Laundering

Vanuatu is a committed member of the Asia Pacific Group on Money Laundering (APG) among other 38 countries and jurisdictions. The APG is an international organisation with close affiliation with the Financial Action Taskforce (FATF) based in the OECD Headquarters in Paris.

As a commitment to the APG, members must effectively implement the FATF's international standards (the FATF 40 plus 9 recommendations) on Anti-Money laundering and Combating Financing of Terrorism.

APG key roles are: to assess members' compliance with the global AML/CFT standards through mutual evaluation; to coordinate technical assistance and training with donor agencies and members to improve compliance with the AML/CFT standards; to co-operate with international AML/CFT standards; to conduct research into ML and TF methods, trends, risks and vulnerabilities; and to contribute to the global AML/CFT policy development.

Vanuatu has undergone two mutual evaluations since its registration with the group. The first evaluation was in 2001 and the latest was in 2006. The Vanuatu Government is currently implementing the recommendations of the 2006 evaluation to better comply with the FATF international standards.

(o) Egmont Group of FIUs

Vanuatu is also a committed member of the Egmont Group of FIUs since 2003. This is a global grouping of Financial Intelligence Units with a goal of providing a forum of FIUs around the world to improve cooperation in the fight against money laundering and financing of terrorism and to foster the implementation of domestic programs in the fight.

5. FIU Statistics

(a) Suspicious Transaction Reporting

The FIU receives, assesses and analyses reports of suspicious transactions and other financial information raising suspicions of the commission of proceeds of crime and other related serious offences. Where the FIU determines the reports warrants detailed investigation the report is disseminated to the law enforcement agencies. Since 2000 to 2008, the FIU received a total of 321 suspicious transaction reports (STRs) from financial institutions. Table 1 provides a summary of the number of STRs received by the FIU from 2000-2008.

Year	2000/2001	2002	2003	2004	2005	2006	2007	2008	Total
2000/2001	108	34	24	35	23	46	18	33	321
STR disseminated to law enforcement agencies									8%

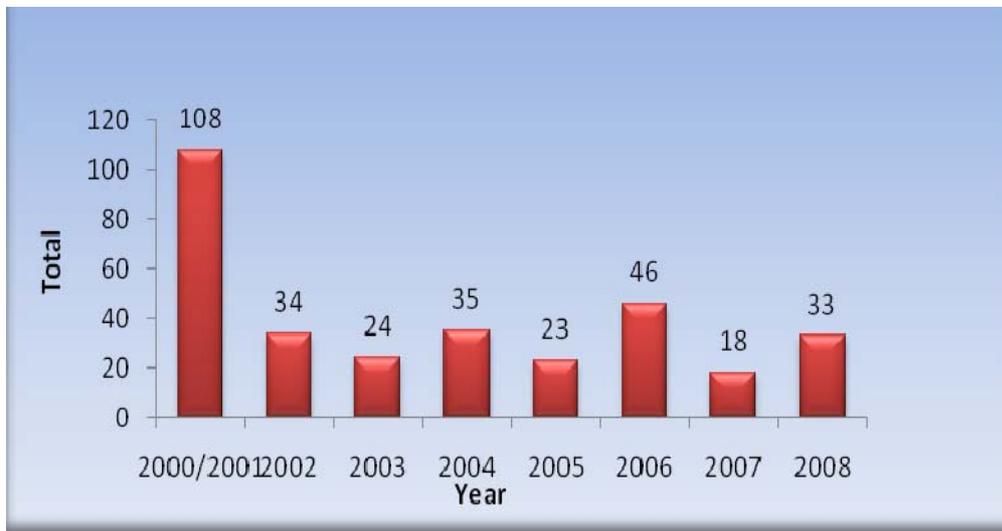


Most of the STRs submitted to the FIU were either for FIU information or through appropriate action taken by the reporting entity or via information relating to previous STR/ FIU alert notices, or fraud/scam.

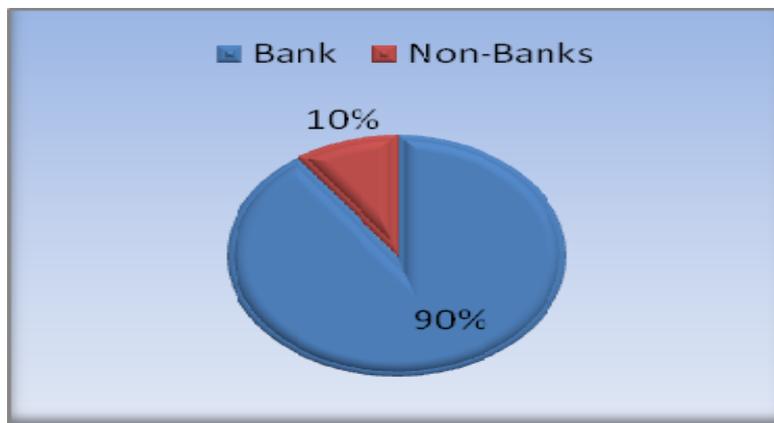
Of the total STRs received, 8% of the STR required further investigation and intelligence gathering, which STRs were developed into intelligence reports and disseminated to the law enforcement agencies for further investigations and information.

The FIU also received information which were initiated as STRs and timely disseminated to the law enforcement agencies resulting in the arrest, prosecution and conviction of the subjects.

**Graph1:** Total number of suspicious transaction reports



**Graph 2:** Analysis of suspicious transaction reports by Industries

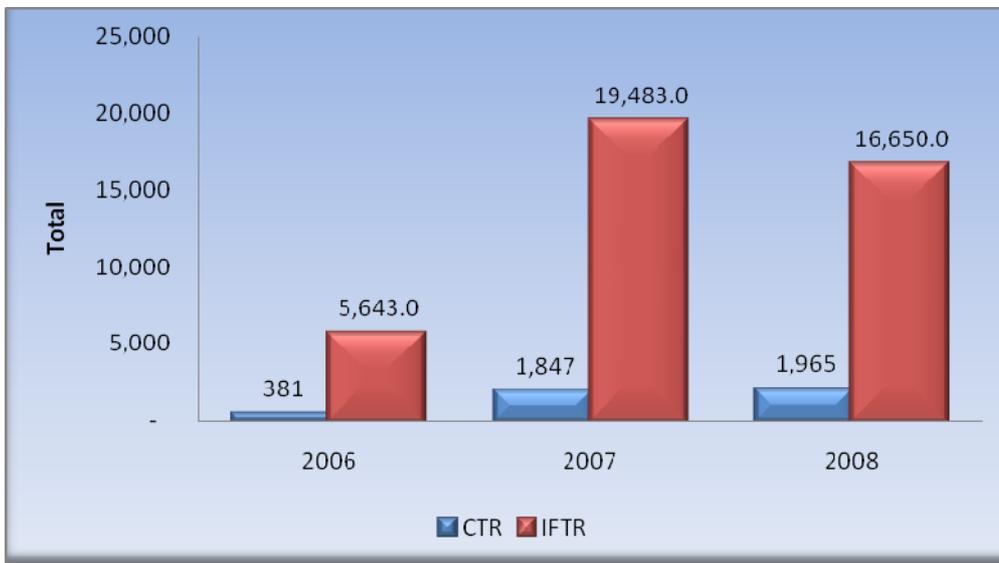




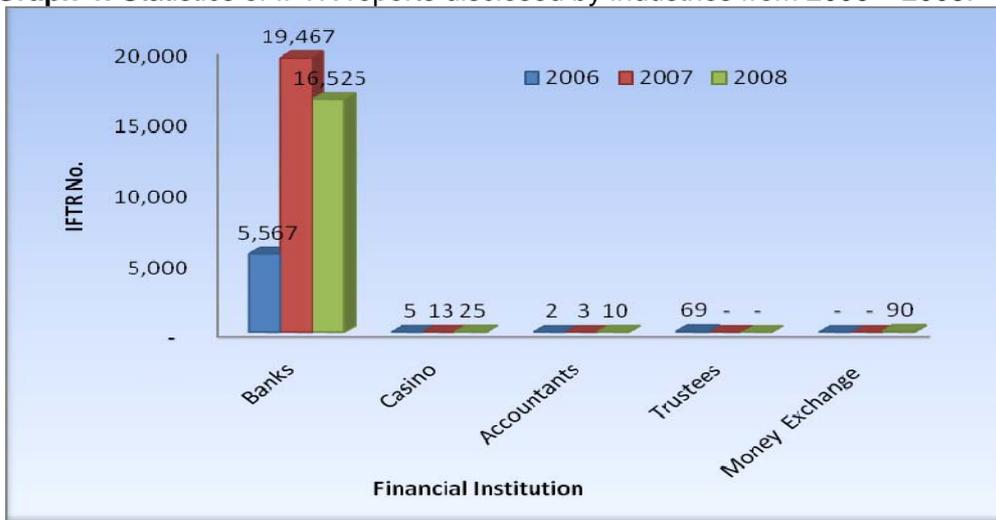
**(b) Cash Transaction Reports and International Funds Transfer Report**

In keeping with international trends, the FTRA was further amended in 2005 to tighten the standard of reporting and detection of cash transactions and movement of funds into and out of the country. This amendment created the additional obligation for financial institutions to report cash transaction and international funds transfers over the VUV1 million threshold. The reporting of Cash Transaction Report (CTR) and International Funds Transfer Reports (IFTR) came into effect in September 2006.

**Graph 3:** Statistics of transactions reports disclosed from 2006-2008

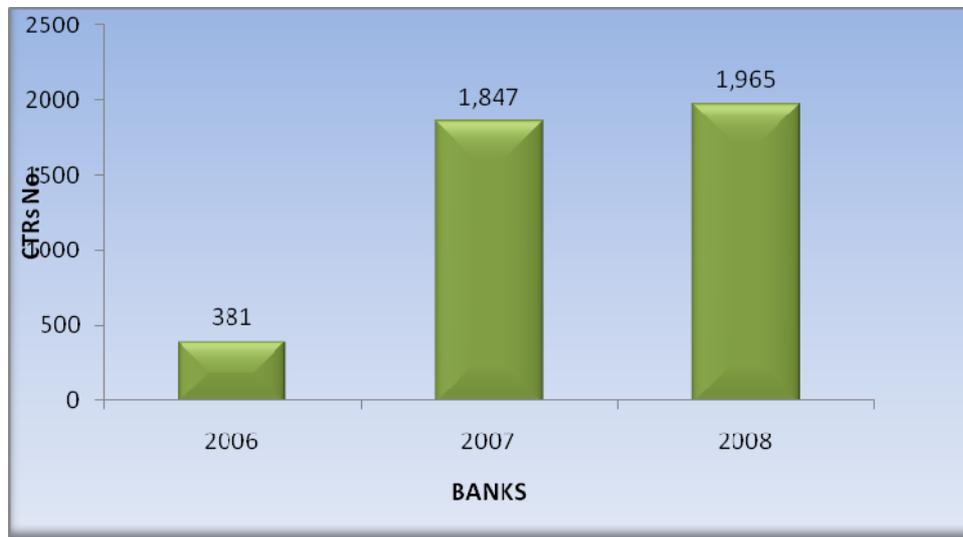


**Graph 4:** Statistics of IFTR reports disclosed by industries from 2006 – 2008.





Graph 5: Statistics of Cash Transaction reports disclosed by industries from 2006–2008



(c) Border Currency Report

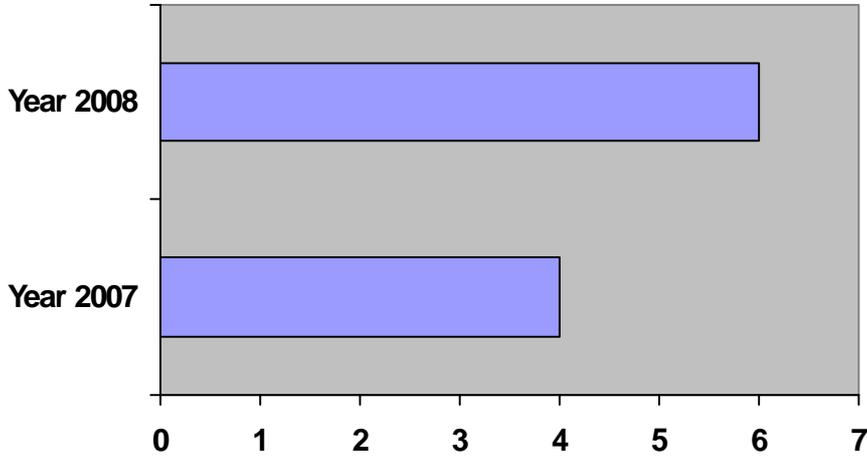
In 2005, the Proceeds of Crime Act was amended to incorporate Part 5: Suspicious Currency Movements. This amendment provided for the reporting of currency movement into and out of the ports of Vanuatu. Passengers leaving or arriving in Vanuatu must declare to the customs authority, any cash or negotiable instruments of or exceeding VUV1 million or foreign currency equivalent.

Table 2: Statistics of BCRs (Inbound and outbound)

Year 2007		Year 2008		Total
Inbound	Outbound	Inbound	Outbound	
3	1	3	3	10



Graph 6: Total number of BCR received

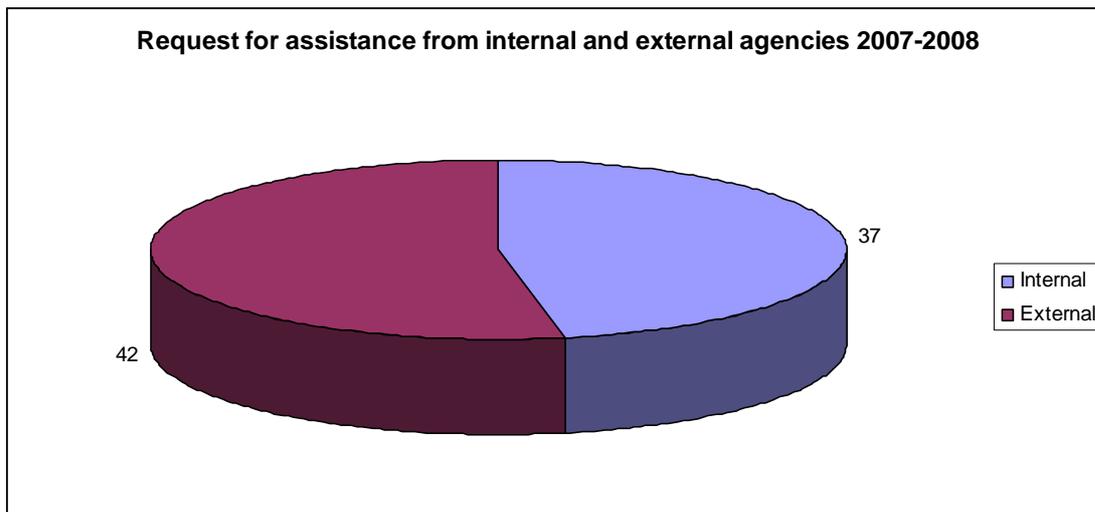


**(d) Request for Assistance (Financial Intelligence)**

The FIU can furnish financial intelligence assistance to law enforcement agencies (internal and external) as well as local government agencies. On the other hand, it can also request for assistance from the same agencies for its intelligence.

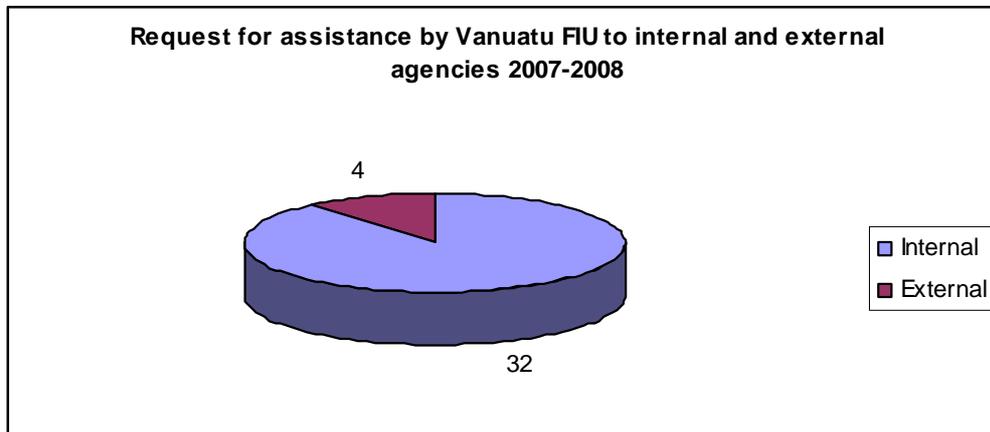
Below is a breakdown of the statistics.

Graph 7: request for assistance from internal agencies and external agencies





Graph 8: request for assistance initiated by FIU (to Internal and external agencies)



(e) Egmont Request for Assistance (Financial Intelligence)

As a full member of the Egmont Group of FIUs, the FIU has provided satisfactory responses to requests from Egmont members as well as initiate its own requests for assistance.

Table 3: total number of requests for assistance received from Egmont members

Year	2007	2008
Total number	87	65

Table 4: total number of FIU initiated requests for assistance.

Year	2007	2008
Total Number	9	24

6. Summary – Looking ahead

Vanuatu FIU looks forward to another year of increasing its knowledge, expertise and capacity.

Over the course of the next 12 to 24 months, the Unit aims to strengthen the country's AML/CFT legal framework by amending the Financial Transaction Reporting Act [CAP. 268] to effectively comply with FATF's 40 recommendations and 9 special recommendations as well as address other limitations identified during the FIU's implementation of the Act.



## Government of the Republic of Vanuatu

### Vanuatu Financial Intelligence Unit (VFIU)



The Unit will work with and assist other institutions to improve their administered legislations such as the Proceeds of Crime Act [CAP. 284] and Penal Code [CAP. 135] and the implementation of the Currency Declaration Bill to bring forward a consistent upgrade of the AML/CFT framework.

Increasing the Unit's capacity and expertise forms a vital focus of Vanuatu FIU and the Unit aims to recruit more human resources, upgrade its technology, create secondment with the local law enforcement agencies, and increase its participation in regional and international AML/CFT workshops and meetings.

The Unit seeks to improve and maintain its professional relations with the local financial institutions by providing fast feedback and timely advice to queries and to continue driving the financial sector's awareness and understanding on money laundering and terrorist financing.

It will continue to stress the obligation of each financial institution under the FTRA and looks forward to continually assist financial institutions in their compliance. Priorities in this area include regular meetings with AML compliance officers of each financial institution either on a one-to-one basis or in a sector wide approach and continuing its outreach program to new financial institutions in the local booming economy.

The Unit aims to commence its focus on report quality and quantity received from financial institutions, assessment of the risk of non-compliance, and monitoring and following up on specific instance of non-compliance. It will commence conducting financial institution examination based on the risk based approach, complete the identification of all financial institutions, and enforce the FIU Guidelines to financial institutions.

Partnership with regulatory agencies is to be a major focus of the Unit, it aims to enter into agreements with regulators to exchange information, which will permit a more efficient and effective compliance program.

Our relationship with the local law enforcement agencies will continue to be a key priority. The Unit will persist in seeking opportunities to raise and maintain awareness about its mandate and the worth of its financial intelligence product. Vanuatu FIU plans to work with partner agencies to monitor case disclosure results, enter into agreement to exchange intelligence in a more controlled and efficient manner. Further the Unit seeks to extend entering into agreement with other Government agencies as Vanuatu's commitment to effectively coordinate its information flow.

On the international front, the Unit will continue to strengthen ties with foreign FIUs and other international partners. Discussion on Memorandum of Agreement is expected to commence with several foreign FIUs. And as a member of the Egmont Group, Vanuatu FIU will continue to play a significant part in information sharing.