



Port Vila, Vanuatu

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PRESS STATEMENT

Vanuatu FIU Issues Simplified Due Diligence Policy Guideline for Reporting Entities

The Vanuatu Financial Intelligence Unit (VFIU) is proud to announce the finalisation and issuance of its **Simplified Due Diligence (SDD) Policy Guideline**, a landmark step in strengthening financial inclusion, supporting economic growth, and enhancing Vanuatu's compliance with the risk-based international Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF) standards.

What is the SDD Guideline?

The Director of the VFIU, Mr. Teddy Garae, said that "the SDD Guideline provides reporting entities with a clear framework to apply **simplified customer due diligence measures** for low-risk customers. He said that instead of requiring extensive documentation and multiple visits to financial institutions, customers can now rely on proportionate measures such as national ID cards, basic verification, and limited monitoring. This will **substantially reduce the time taken to open bank accounts**, eliminating past burdensome requirements that forced villagers and maritime citizens to travel long distances to financial institutions".

Why FATF Reduced the Threshold

The Financial Action Task Force (FATF) revised its approach to customer due diligence after recognising that overly strict requirements were creating **unintended consequences** by placing **disproportionate obligations** on individuals and businesses. In many countries, low-risk individuals and small businesses were excluded from the financial system because compliance costs and documentation demands were too high. This led to financial exclusion, discouraged innovation, and even weakened AML/CTF effectiveness by pushing transactions into informal channels. FATF therefore encouraged countries to adopt **simplified measures for low-risk customers**, balancing strong safeguards with proportionate requirements that promote access to financial services and economic participation.

Unlocking Economic Benefits

By streamlining processes, the Guideline will help stimulate economic activity, empower small businesses, and encourage innovation in the financial sector.

Advancing Financial Inclusion

It ensures that **ordinary citizens, especially those in rural and remote islands, market vendors, farmers, students, and micro-entrepreneurs, can access banking and financial services more easily.**

Supporting MSMEs and National Growth

Micro, Small, and Medium Enterprises (MSMEs) are the backbone of Vanuatu's economy. FIU's SDD Guideline provides them with simplified pathways to financial services, reducing barriers to entry and enabling them to grow, create jobs, and contribute to national prosperity.

Strengthening Correspondent Banking Relationships

By aligning with global best practices and FATF standards, the Guideline enhances Vanuatu's credibility in the international financial system. This will help **restore and strengthen correspondent banking relationships**, address de-risking concerns, and ensure that Vanuatu remains connected to the global economy.

Director's Statement

Mr. Teddy Garae, further stated:

"This Guideline represents a turning point for Vanuatu. It balances our responsibility to protect the financial system with our duty to empower our people. By simplifying due diligence for low-risk customers, we are opening doors for thousands of citizens and businesses to access financial services, while maintaining strong safeguards against misuse."

He added:

"The SDD Guideline is not just a regulatory tool, it serves as a catalyst for economic growth, financial inclusion, and national resilience. It signals to the global community that Vanuatu pairs rigorous compliance standards with a commitment to local economic opportunity. Reporting entities that are covered under the AML/CTF Act, such as, domestic banks, finance companies and other designated non-financial businesses and professions, are now authorized and encouraged to implement proportionate compliance measures for low-risk scenarios. By simplifying customer identification and onboarding procedures, this framework provides a practical pathway to bring our unbanked communities into the formal financial system."

Mr. Teddy Garae

Director

Vanuatu Financial Intelligence Unit