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Vanuatu Financial Intelligence Unit

Policy Guideline on Simplified Due Diligence (SDD)

Issued by the Vanuatu Financial Intelligence Unit (FIU)

1 July 2026

This is an enforceable Policy Guideline issued pursuant to the functions of the FIU under Section 8A(2)(e) of the AML/CTF Act.

INTRODUCTION

1.1 Reporting entities are required under Vanuatu's AML/CTF/CPF framework to identify and verify their customers. "Reporting Entity" is defined under section 2 of the AML/CTF Act and includes financial institutions, designated non-financial businesses and professions, and virtual asset service providers.

1.2 Following the FATF's February 2025 revisions, countries are encouraged to allow and promote simplified measures where lower risks are identified.

1.3 This Guideline provides detailed and practical guidance on how reporting entities may apply Simplified Due Diligence (SDD) measures in circumstances of lower risk.

1.4 The Guideline is structured into five parts:

- Part 1: General principles and requirements for SDD.
- Part 2: Circumstances for applying SDD.
- Part 3: Safeguards and limitations.
- Part 4: Supervisory guidance and accountability.
- Part 5: Conclusion.

PART 1: GENERAL CUSTOMER IDENTIFICATION REQUIREMENTS UNDER SDD

2.1 SDD refers to proportionate customer due diligence measures applied where risks of money laundering, terrorist financing, or proliferation financing are assessed as lower.

2.2 The principle of the Risk-Based Approach (RBA) is:

- Higher risk → Enhanced Due Diligence (EDD); or
- Lower risk → Simplified Due Diligence (SDD).

2.3 SDD neither exempt reporting entities from conducting ongoing monitoring obligations nor KYC obligation.

PART 2: WHEN AND HOW CAN A FINANCIAL INSTITUTION SIMPLIFY IDENTIFICATION REQUIREMENTS?

3. Circumstances for SDD

3.1 A reporting entity shall be permitted and strongly encouraged to apply simplified due diligence measures, which are proportionate to the low-risk factors, by reducing or simplifying its customer identification requirements, processes, and procedures in any of the following circumstances:

- Where a customer is assessed as low risk for ML/TF/PF through national risk assessment, sectoral risk assessment and entity level risk scoring; or
- Where information on the identity of the customer is publicly available and there is no suspicion of ML/TF/PF; or
- Where adequate checks and controls on the customer exist in Vanuatu (e.g., regulated professions such as medical practitioners, accountants, lawyers, teachers, police officers).

3.2 Examples of low-risk customers may include:

- For financial institutions, certain sole trader low value retail businesses (e.g., rural small and micro- neighborhood shops), students, rural farmers, rural dwellers, casual employees, children or minor (where guardian fell under the stated categories, government entities and statutory bodies and /or similar category of customer as described;
- For DNFPBs, low risk local clients (e.g. simple property lease, basic legal services, notaries, small transactions significantly lower the CDD thresholds and/or where similar services and situation exists);
- For VASPs, ONLY low value and low frequency wallet activity, small retail crypto purchase, fully KYC customer use highly regulated exchange, transfer between highly regulated exchange with strict travel rule requirements.

4. Minimum Customer Details under SDD

4.1 The minimum customer details a financial institution must identify and verify when undertaking a simplified identification process are:

- Customer's full name; and

- Customer’s permanent residential address in Vanuatu; and
- Customer’s occupation or principal activity.

4.2 Verification may be achieved by:

- At least one identification document listed in Appendix 1 (Primary Documents); and
- Any other reliable document or source listed in Appendix 2 (Secondary Documents) to verify residential address and occupation.

4.3 Reporting entities must:

- Document justifying SDD (which may include either risk classification, or justification note, or justified customer profile along with compliance officer’s certification).
- Maintain SDD register/log (along with monitoring plan and review date.
- Periodically review risk classification.
- Upgrade to full CDD when risk changes.

4.4 This means that:

- **Low risk must be demonstrable**: A reporting entity must be able to actively prove and demonstrate that the specific customer or transaction poses a low level of risk.
- **The assessment must be documented**: The findings of initial risk assessment must be written down and recorded.
- **The decision must be auditable**: The rationale behind applying the specific simplified due diligence process must be recorded in a way that regulators or auditors can review and trace later.
- **The simplification must remain proportionate**: Any reduction in compliance measures must be strictly proportional to the actual risks identified, meaning a reporting entity cannot scale back CDD checks beyond what the low-risk profile objectively justifies.
- **No documented low-risk scenario equals no SDD**: If a reporting entity does not have a written-down, low-risk scenario, it is not permitted to use SDD.

PART 3: SAFEGUARDS AND LIMITATIONS

5. When application of SDD Prohibited?

5.1 SDD must not be applied where higher risks are present, including:

- Politically Exposed Persons (PEPs) and their close associates.
- Cross boarder corporates structures.
- Existence of complex beneficial ownership.
- Customer with direct and/or indirect sanction exposure.
- Non-resident customers or customers permanently residing outside Vanuatu.
- Non-face-to-face customers (except under certain circumstances determined by the FIU).

- Customers previously reported in FIU alerts.

5.2 Once a low-risk customer is suspected of engaging in ML/TF/PF activities, the customer must immediately be reclassified as high risk and subjected to enhanced due diligence.

5.3 Customers under SDD may be subject to routine monitoring of transactions. Enhanced monitoring must be applied only where higher risks are present.

5.4 A reporting entity must have mechanism to identify risk escalation from low to high.

5.5 The SDD does not override the following:

a) Monitoring of accounts (reduce monitoring is needed).

b) Sanction Screening (it is mandatory, no simplification allowed, although this may be delayed under certain rules or conditions).

c) Record keeping requirements (Minimum 6 years).

d) Beneficial Ownership obligation (simplified verification relying on company registry where required).

PART 4: SUPERVISORY GUIDANCE AND ACCOUNTABILITY

6. SUPERVISORY GUIDANCE

6.1 The FIU may:

- Issue sector-specific guidance on SDD as and when needed; and
- Conduct outreach and training; and
- Provide illustrative examples of proportionate SDD practices.

7. ACCOUNTABILITY

7.1 The FIU and/or relevant supervisory authority may monitor implementation and assess compliance with this Guideline during off-site, on-site or surprise examinations.

7.1.1 The use of SDD also to be reviewed by internal and/or external audit activities.

7.2 Non-compliance may result in sanctions as specified in the AML/CTF Act.

7.3 This Guideline is effective from 1 July 2026 and is applicable to all reporting entities as defined under the AML/CTF Act.

PART 5: CONCLUSION

8.1 This Guideline formally authorizes all reporting entities, including financial institutions, VASPs and DNFBPs, to implement Simplified Due Diligence measures where lower risks are identified.

8.2 Entities are strongly encouraged to update and align their internal policies and procedures to reflect this approach.

8.3 By embedding proportionality into Vanuatu's AML/CTF/CPF framework, the Guideline gives practical effect to the FATF's revised standards.

8.4 Reporting entities are also expected to support supervisory objectives and national priorities, particularly in advancing financial inclusion and contributing to sustainable economic development.

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APPENDICES

- Appendix 1: Identification Documents – List A (Primary)
- Appendix 2: Identification Documents – List B (Secondary)
- Appendix 3: Suitable Referees
- Appendix 4: Minimum Details Required under SDD
- Appendix 5: Exemptions and Thresholds
- Appendix 6: Certificate of Referee Template
- Appendix 7: Internal Policy Checklist for Applying SDD

APPENDIX 1: Identification Documents – List A (Primary)

The following documents may be used to verify a customer's **name**:

1. Current and valid passport.
2. Vanuatu National Identity Card.
3. Birth certificate (for minors or rural dwellers).
4. Current and valid driver's license.
5. Vanuatu Electoral Registration Card.
6. Other government-issued photo identification card.
7. Other documents that may be determined by the FIU.

APPENDIX 2: Identification Documents – List B (Secondary)

The following documents may be used to verify a customer's **residential address and occupation**:

1. Utility bill (electricity, water, telecommunications).
2. Letter from employer confirming occupation and residential address.
3. Certificate/letter from a suitable referee (e.g., village chief, area administrator, religious leader, district officer, justice of peace, employer, teacher, etc.).
4. Lease or tenancy agreement.
5. Bank statement if showing residential address of the account holder.
6. Letter from a government agency confirming address or occupation.

APPENDIX 3: Suitable Referees

Where customers have insufficient or no official identification documents, financial institutions may rely on certificates or letters from suitable referees. Examples include:

- Village chief, sub-chief / ward chief, head of tribe, customary chief, community / village liaison officer, or community leader.
- Area administrator, provincial administrator area council chairperson, town clerk, or district officer.
- Religious or church leader, pastor, church elder, or a VNWC village representative.
- Employer (current or former).
- Teacher or school principal or headmaster (for minors or students).
- Justice of Peace, Commissioner for Oaths, or Notary Public.
- Vanuatu Government agency officials (health center, police station, social welfare office, etc.).

Certificates or letters must include:

- Customer's name, address, and occupation.
- Referee's name, occupation, and contact details.
- Statement of how long the referee has known the customer.
- Confirmation that the referee knows the customer by the stated name and address.
- Signatures of both customer and referee, with date.

APPENDIX 4: Minimum Details Required under SDD

When applying simplified identification, institutions must at least collect and verify:

- Customer's full name.
- Permanent residential address in Vanuatu.
- Occupation or principal activity.

APPENDIX 5: Exemptions and Thresholds

Financial institutions may apply exemptions or simplified measures in the following cases:

- Occasional transactions below threshold as determined by the FIU.
- Low-value consumer credit or microfinance transactions below threshold as determined by the FIU.
- Domestic money transfers below threshold as determined by the FIU, not involving foreign currency.
- Government ministries or statutory authorities engaging in employer-funded group policies.

Model Certificate of Referee template may be used by reporting entities for rural, certain low-risk or low-document customers under the SDD Policy Guideline.

APPENDIX 6: Certificate of Referee Template

Certificate of Referee for Customer Identification

Customer Details

- Full Name: ____
- Residential Address: _______________________________________
- Occupation / Nature of Employment: ________________________

Referee Details

- Full Name: ____
- Residential Address: _______________________________________
- Occupation / Position: ______________________________________
- Contact Number / Email: ____________________________________

Referee's Statement:

I, _______________________________________ (Referee's name), hereby certify that:

1. I have personally known _______________________________________ (Customer's name) for a period of ____________ years/months.
2. I confirm that the customer is known to me by the stated name above.
3. I confirm that the customer resides at the stated residential address.
4. I confirm that the customer's occupation/nature of employment is as stated above.
5. To the best of my knowledge, the information provided herein is true and correct.

Signatures

- Customer's Signature: ______------------------------------------ _ Date: ___________
- Referee's Signature: ______________________________ Date: ___________

Notes for Financial Institutions

- This certificate must be accompanied by at least one primary identification document (see Appendix 1).
- Referees must be individuals listed under Appendix 3 (e.g., village chief, area administrator, religious leader, district officer, justice of peace, employer, teacher, etc.).
- Institutions must retain this certificate as part of the customer's identification record for a minimum of 7 years.

This template ensures **consistency, reliability, and auditability** in cases where customers lack standard identification documents. It also aligns with FATF's emphasis on proportionate measures for lower-risk customers while maintaining safeguards.

Model Internal Policy Checklist is designed as a tool for frontline staff of reporting entities to help them decide when SDD is appropriate and to ensure consistency across institutions.

APPENDIX 7: Internal Policy Checklist for Applying SDD

Purpose:
This checklist assists financial institutions and DNFBPs in determining whether Simplified Due Diligence (SDD) can be applied to a customer or transaction, in line with Vanuatu's AML/CTF/CPF framework and FATF standards.

Step 1: Risk Assessment

- [ ] Has the customer been assessed as **low risk** for ML/TF/PF?
- [ ] Is the customer profile consistent with national or sectoral risk assessments?
- [ ] Is the product/service low-value, limited-functionality, or domestic-only?

Step 2: Customer Profile

- [ ] Is the customer a minor, student, rural farmer, or casual employee?
- [ ] Is the customer a government entity or statutory body?
- [ ] Is the customer engaged in a regulated profession (e.g., teacher, doctor, lawyer, police officer)?
- [ ] Is the customer's information publicly available or easily verifiable?

Step 3: Minimum Identification Requirements

- [ ] Full name obtained and verified.
- [ ] Permanent residential address in Vanuatu obtained and verified.
- [ ] Occupation or principal activity obtained and verified.
- [ ] At least one **primary identification document** (Appendix 1) provided.
- [ ] At least one **secondary document or referee certificate** (Appendix 2/3) provided.

Step 4: Safeguards

- [ ] Customer is **not** a Politically Exposed Person (PEP) or close associate.
- [ ] Customer is **not** a non-resident or permanently residing outside Vanuatu.
- [ ] Customer relationship is **not** non-face-to-face.
- [ ] Customer has not been flagged in FIU alerts.

Step 5: Monitoring & Escalation

- [ ] Ongoing monitoring procedures are in place.
- [ ] Staff are trained to escalate to Standard or Enhanced Due Diligence if risk indicators change.
- [ ] Documentation of rationale for applying SDD is recorded in customer file.

Compliance Note:
Failure to apply SDD appropriately may result in regulatory sanctions and penalties. Reporting entities must retain completed checklists as part of customer records for a minimum of 7 years.
This checklist makes the PG **operational and practical** — frontline staff can literally tick through the steps before applying SDD.