STRATEGIC ANALYSIS REPORT

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MONEY LAUNDERING THROUGH REAL ESTATE SECTOR

Vanuatu Financial Intelligence Unit

Strategic Analysis Report

Vanuatu Financial Intelligence Unit strategic analysis reports deliver actionable insights to the Vanuatu Government, AML/CTF competent authorities, and reporting entities on money laundering, terrorism financing, and related illicit activity, including associated risks, trends, and typologies.

These reports support designated AML/CTF authorities, National Coordination Committee members, reporting entities and operational users by providing focused intelligence to identify and mitigate misuse of businesses by criminals and to strengthen regulatory, investigative, and prosecutorial responses.

This information will:

- **Improve sector risk awareness and clarify emerging threats.**
- **Inform AML/CTF programs, policies, and procedures used by reporting entities.**
- **Guide management of real estate–related risks.**
- **Enhance the effectiveness of regulation, investigation, and prosecution.**

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PURPOSE

The purpose of this report is to equip the Vanuatu Financial Intelligence Unit and its stakeholders with a clear understanding of the patterns, vulnerabilities, and indicators linking real estate activity to money laundering in Vanuatu.

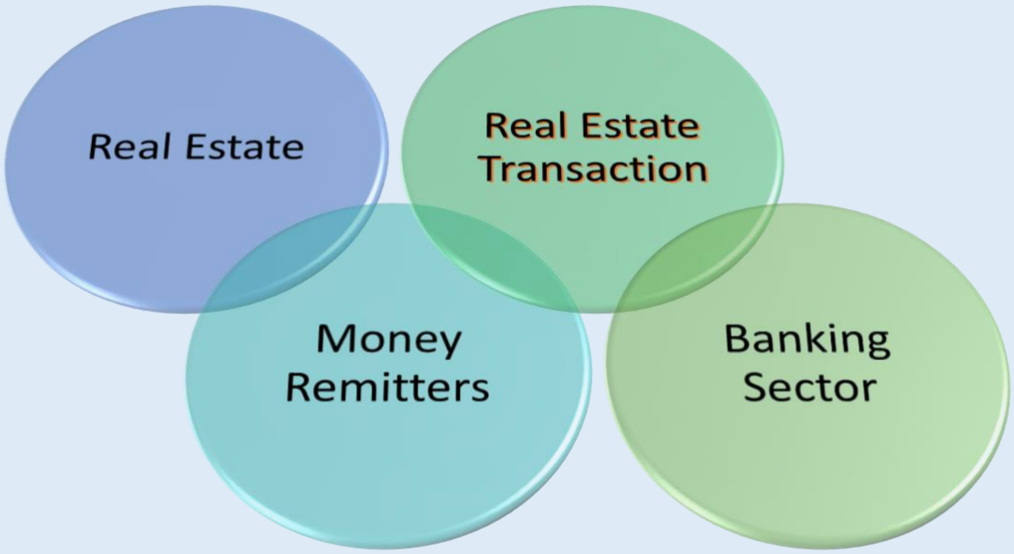
It also provides evidence-based input to shape policy and operational priorities for detecting, deterring, disrupting, suppressing, and preventing money laundering through real estate and other Designated Non-Financial Business and Professions identified in the Vanuatu National Risk Assessments (2015, 2017, 2018–2023, and 2024).

Key objectives:

- **Identify** common typologies and red flags in real estate transactions associated with money laundering.
- **Assess** sectoral vulnerabilities and how they enable predicate offences.
- **Inform** policy formulation and regulatory measures to close identified gaps.
- **Prioritise** operational actions for supervision, investigation, and prosecution.
- **Support** reporting entities and DNFBPs in implementing effective risk mitigation and compliance measures.

KEY POINTS

- **FIU findings:** Real estate transactions, services, and related products are used to channel, transfer, and launder criminal proceeds.
- **Banking abuse:** Banks and banking products are exploited as entry points into the financial system for laundering and moving illicit funds.
- **Remittance channels:** Money remittance services are used to send illicit funds abroad to criminal actors.
- **Emerging trend:** Organized crime groups are increasingly likely to rely on real estate services and products as a preferred method to disguise and integrate proceeds from illegal activity.



BACKGROUND

- Real estate as a laundering vehicle
  - Real estate transactions can absorb large sums in a single deal, providing an efficient way to integrate illicit funds into the legitimate economy.
  - Common methods include over- or under-pricing sales, using cash or opaque financing, multiple rapid resales, and converting property into rental income or foreign-held equity to mask origins.
  - The sector's relative lack of continuous transaction monitoring, combined with complex ownership structures, creates opportunities for concealment and integration of proceeds.
- Specific vulnerabilities observed in Vanuatu
  - High-value asset purchases, land transfers, and property development have been identified as significant channels for laundering proceeds locally.
  - Weaknesses appear across conveyancing, limited beneficial-ownership transparency, informal payment methods, and gaps in due diligence by intermediaries and service providers.

    - Cross-border transfers tied to property purchases, and the use of third-party buyers or nominee owners, increase the difficulty of tracing illicit funds back to their true source.
- Increasing complexity and organised-crime involvement
    - Organised crime groups are combining specialist services and financial products—opaque corporate vehicles, layered transactions, remittances, and professional intermediaries—to create sophisticated laundering chains.
    - These schemes often exploit jurisdictional differences, delay reporting, and use legitimate business fronts to legitimize proceeds, raising detection and prosecution challenges.
    - Effective disruption requires strengthened interagency information-sharing, enhanced DNFBP supervision, targeted intelligence on typologies, and improved beneficial-ownership and transaction transparency.
- Operational implications
    - Supervisory authorities must prioritise targeted guidance, training, and compliance checks for real estate professionals and other DNFBPs.
    - FIU and law enforcement should develop tailored red-flag indicators, improve cross-sector data linkages, and pursue coordinated investigations that follow the money chain from origin to integration.
    - Policy responses should include clearer beneficial-ownership rules, enhanced recordkeeping, mandatory customer due diligence for high-risk transactions, and stronger cross-border cooperation to close identified gaps.

The Vanuatu FIU published strategic analysis on Money laundering Trend, and the update National Risk Assessment (NRA) of 2015, 2018 to 2023 and 2024. Both reports have listed out that real estate sector is a risk sector and can be exposed to security threats[1].

📌 Executive Summary

- Real estate remains a **high-risk sector** for money laundering in Vanuatu.
- Criminals exploit **third parties, loans, mortgages, and structured deposits** to disguise illicit funds.

[1] *Vanuatu National Risk Assessment, Money Laundering and Terrorist Finance, ADB Report, June 2017 (https://fiu.gov.vu/view-publications)*

- **Foreign investment programs (CIIP/VERP/DSP)** present vulnerabilities if not adequately monitored.
- Weak supervision and the prevalence of **unregistered land** increase exposure to ML/TF risks.
- Stronger **compliance, supervision, and due diligence** are required to mitigate risks.

📊 Key Findings (Infographic Suggestion)

- **23** registered real estate businesses (Reporting Entity dealing in real estate, purchasing and hiring vehicles).
- **31** vehicle dealerships
- **5** high-value commodity shops
  (All designated reporting entities under AML/CTF Act)

🏛 Context

- Real estate is globally recognized as a **preferred laundering channel** due to high-value transactions.
- Vanuatu's **NRA (2015, 2017, 2018 to 2023 and 2024)** consistently identifies real estate as a **high-risk sector**.
- Criminals exploit **regulatory gaps, weak supervision, and foreign investor programs**.

⚖ Regulatory & Reporting Framework

AML/CTF Legal Framework

- Governed by the **AML/CTF Act 2014 (as amended)**.
- Captures all financial and non-financial reporting entities.

Reporting Obligations

- Entities must file **SARs, STRs, CTRs, IFTRs** with the FIU.
- Real estate agents are required to register with FIU before commencing business.

🏘 Money Laundering Methods in Real Estate

Method	Description	Example
Third Parties	Criminals use relatives/associates as legal owners	"Cleanskin" buyers
Loans & Mortgages	Loan-back schemes disguise illicit funds	Offshore company lending
Structured Deposits	Cash deposits below VUV 1M threshold	Multiple small deposits
Rental Income	Fake rental agreements to legitimize funds	Inflated rental contracts
Professional Facilitators	Lawyers/agents assist in layering	Complicit professionals

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🏠 Vulnerabilities

- **Unregistered/indigenous land** transactions.
- **Foreign ownership with no restrictions**.
- **Payments in foreign currency**.
- **Weak supervision** of real estate agents.

🚩 Red Flag Indicators

- Frequent **cash deposits just below threshold**.
- **Unexplained wealth** of buyers.
- **Use of nominees or shell companies**.
- **Rapid resale of properties** at inflated values.

✅ Summary Recommendations

1. Strengthen **supervision of real estate agents**.
2. Enhance **due diligence** for foreign investors.
3. Review **CIIP/VERP/DSP programs** for ML/TF risks.

4. Increase **awareness and training** for reporting entities.
5. Improve **inter-agency coordination** (FIU, Lands Dept., Immigration).

REPORTING ENTITY, AML/CTF LEGAL FRAMEWORK AND FINANCIAL STRUCTURE

Vanuatu's AML/CTF regime is established under the *Anti-Money Laundering and Counter-Terrorism Financing Act 2014* (AML/CTF Act) as amended. Vanuatu's AML/CTF regime captures all financial transactions by way of SAR, STR, CTR, IFTR, BCR and CCR.

Reporting Obligations under AML/CTF Act (as amended)

Under section 6 (20), (21), (22), (23) (24) & (28) of the AML&CTF Act (as amended), all reporting entities – including Real estate have obligations to provide reports and report on all financial transactions and non-financial (SAR, STR, CTR &IFTR) to the Vanuatu Financial Intelligence Unit[2]

The Vanuatu Financial Structure

In June 2017 with the update records, the Vanuatu FIU has enlisted approximately twenty-three (23) real estate businesses including real agents' businesses, thirty-one (31) Vehicle dealerships and five high value commodity shops as reporting entities under the *Anti-Money Laundering and Counter-Terrorism Financing Act 2014* (AML/CTF Act) as amended – refer Figure 1.0.

Reporting entities specifies under section 2 of the said act are required to registered their names and details with the FIU AML&CTF Registered before commencement of business, providing a service or establishing a business relationship with customer. The reporting entity – definition as required by the AML&CTF Act, persons carrying on the following businesses are reporting entities under the said Act:[3]

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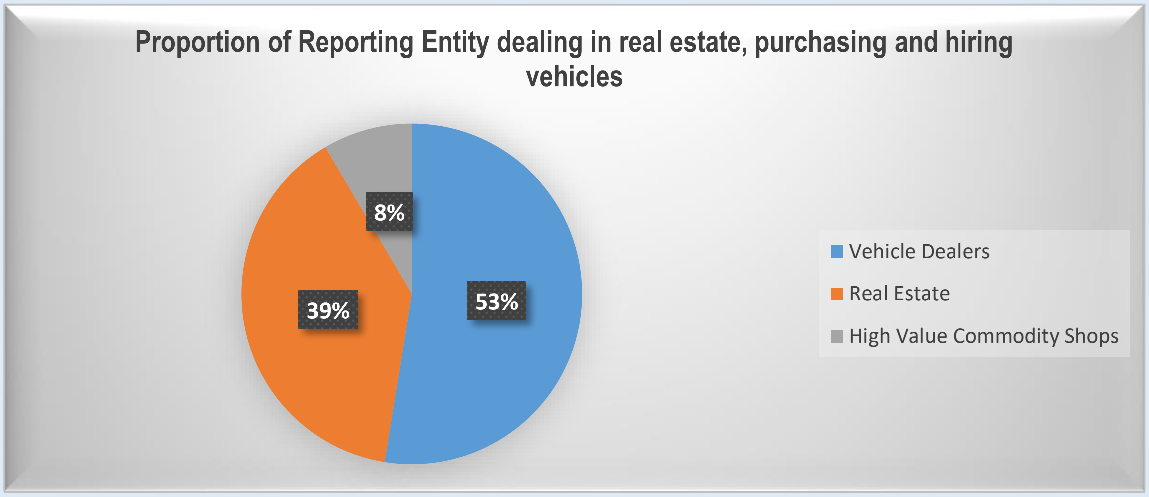
[2] The *Anti-Money Laundering and Counter-Terrorism Financing Act 2014 (AML/CTF Act) as amended – viewed 08 September 3017 (https://fiu.gov.vu/view-legislation)*

[3] The *Anti-Money Laundering and Counter-Terrorism Financing Act 2014 (AML/CTF Act) as amended Reporting Entity– viewed 10 September 3017 (https://fiu.gov.vu/reporting-entity)*

(r) a person carrying on the business of:(xi) dealing in real estate or sale or hire of motor vehicles; or(xii) dealing in property (other than real estate) exceeding VT 1 million or such other amount as may be prescribed;

Figure1.0: Reporting Entity dealing in real estate, purchasing and hiring vehicles



FIU Source

Real estate agents are not subject to the provisions of the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (AML/CTF Act). However, real estate transactions most commonly go through a financial institution – for example, as loans, deposits or withdrawals.

At this stage, real estate transactions intersect with the regulated AML/CTF sector. Reportable transactions which intersect with the regulated sector (banks and other financial institutions) provide authorities with some visibility of potential money laundering through real estate.

MONEY LAUNDERING METHODS

An examination of all the reports received by Vanuatu FIU reveals some common methods of money laundering through real estate. These are listed below. In Vanuatu, crooks are known to use a combination of these methods to launder illicit funds through real estate, Financial Institutions and Money Remitters.

Method 1 – Use of third parties

Summary

This case study examines the common typology of criminals purchasing real estate through third parties or family members to distance themselves from illicit funds, obscure beneficial ownership, and frustrate asset recovery efforts. The analysis draws on documented methods, observed vulnerabilities, investigative impacts, and practical mitigation measures supported by industry reporting and case studies.

Background

Third-party purchases and nominee ownership are well-established money-laundering techniques in the real estate sector, used because single property transactions can absorb large sums and provide durable, saleable value. Criminals exploit gaps in beneficial-ownership transparency, weak due diligence by intermediaries, and the ability to route payments through third-party bank accounts or remittance services to conceal the true source of funds.

Case details

- Modus operandi
    - A criminal provides illicit proceeds to a third party or family member to acquire property in the third party's name, keeping the criminal off title while retaining effective control of the asset.
    - Third parties range from complicit "cleanskins" with no criminal record to unwitting nominees acting for convenience or under coercion.
    - Payment paths include direct deposits into a third-party bank account, layered transfers through multiple accounts or remittance services, and cash injections converted into bankable instruments for property settlement.
- Transactional techniques that increase concealment
    - Use of nominee purchasers and rapid onward transfers or "flipping" to degrade audit trails.
    - Structuring payments to avoid reporting thresholds, or routing funds through related corporate entities and trust structures.
    - Employing professional intermediaries (conveyancers, agents, accountants) to provide apparent legitimacy and to manage documentation and escrow arrangements.

Indicators and red flags

- Ownership and payment anomalies
    - Property registered to individuals with limited income or recently formed companies that lack credible business activity.
    - Payments for purchase or deposit made from accounts not held in the purchaser's name or from multiple unrelated third-party accounts.
    - Unusual use of cash, cheques, or remittance services to fund deposits or settlement, particularly when inconsistent with declared source of wealth.
- Behavioural and documentary red flags
    - Reluctance or inability of the named owner to provide a coherent explanation of the source of funds or to attend meetings in person.
    - Frequent changes in ownership, rapid resale, or sale shortly after acquisition at a loss or inflated price.
    - Use of opaque corporate structures, trusts, nominees, or power of attorney arrangements that limit transparency.
- Professional and market indicators
    - Intermediaries pushing for expedited transactions or resisting normal checks.
    - Transactions involving jurisdictions known for limited beneficial-ownership disclosure or weak AML controls.

Impact on investigations and asset recovery

- Investigation complexity
    - Third-party ownership severs direct documentary links between the criminal and the illicit funds, forcing investigators to pursue financial linkages and informal networks rather than title records alone.
    - Layering through nominee accounts and cross-border remittances increase the number of jurisdictions and entities involved, slowing tracing and requiring mutual legal assistance and coordinated financial intelligence work.
- Challenges to confiscation and prosecution
    - Nominee titleholders may assert legal ownership, requiring civil forfeiture, restraint orders, or criminal prosecution supported by financial evidence to secure assets.

    - Lack of timely or detailed records from intermediaries and correspondent financial institutions undermines evidential chains and raises the cost and duration of cases.

Recommendations and conclusion

- Strengthen due diligence and beneficial-ownership transparency
    - Require rigorous identity verification and source-of-fund checks when purchaser and payer differ, and mandate enhanced due diligence for high-value transactions and politically exposed persons.
    - Improve beneficial-ownership registers and make nominee arrangements subject to mandatory disclosure to competent authorities.
- Enhance sector supervision and professional obligations
    - Issue targeted guidance and red-flag checklists for real estate agents, conveyancers, notaries, and DNFBPs; require suspicious transaction reporting and regular AML training.
    - Enforce sanctions and supervisory follow-up where intermediaries fail to apply adequate controls.
- Improve intelligence and cross-agency coordination
    - Prioritise FIU analytical products that map third-party networks and payment flows, and create fast-track channels for law enforcement to obtain transaction records and freeze assets.
    - Expand international cooperation and mutual legal assistance readiness for cases involving cross-border remittances and layered corporate structures.
- Operational practices for investigators and reporting entities
    - Trace funds from ultimate source to settlement, examine third-party accounts and remittance records, and use financial intelligence to corroborate or refute nominee explanations.
    - Where ownership is contested, pursue civil recovery options in parallel with criminal investigations to preserve value and accelerate disruption.

Implementing these measures will reduce the attractiveness of third-party purchases as a laundering technique, narrow opportunities for concealment, and strengthen VFIU-led detection and enforcement capabilities against property-based money laundering.

Method 2 – Use of Loans and Mortgages

Criminals use loans or mortgages to layer and integrate illicit funds into high-value assets such as real estate. Loans or mortgages are essentially taken out as a cover for laundering criminal proceeds. Lump sum cash repayments or smaller ‘structured’ cash amounts are used to repay loans or mortgages. This allows illicit funds to be commingled with legitimate funds. ‘Loan-back’ schemes are an example of this method.

Loan-back schemes involve criminals borrowing their own illicit funds. Foreign offshore companies controlled by criminals are used as an apparently ‘arms-length’ lender. The loan is then used to buy real estate and repayments are made using illicit funds. This process hides the true nature of the funds and gives the loan repayments an appearance of legitimacy.

Method 3 – Structuring of cash deposits to buy real estate

Summary

This case study examines the deliberate structuring of cash deposits to purchase real estate, a typology where cash is broken into smaller amounts below reporting thresholds, routed through multiple accounts or branches, and converted into bank instruments used to settle property transactions. The technique is employed to evade threshold reporting, obscure the origin of funds, and complicate detection and asset recovery.

Background

Structuring, also called smurfing, involves splitting large cash sums into smaller deposits to avoid triggering threshold transaction reports required by financial intelligence units and regulators; this behaviour is a recognised money-laundering tactic in multiple jurisdictions. Vanuatu’s AML/CTF framework requires reporting of suspicious activity and sets reporting obligations for threshold transactions, making structuring a deliberate method to circumvent local detection and reporting systems.

Modus Operandi

- Cash collection: Criminals accumulate illicit cash from predicate offences and prepare it for placement into the financial system.
- Deposit structuring: Funds are deposited in amounts below the VUV 1,000,000 reporting threshold, spread across multiple banks, branches, and accounts to avoid automated reporting triggers.
- Account dispersion: Deposits target numerous accounts and different account holders, sometimes using third parties or temporary accounts to further dilute audit trails.

- Conversion to instruments: Once deposited, funds are consolidated and used to obtain bank cheques or banker's drafts, which are then used to pay for property settlements, escrow, or developer invoices.
- Settlement: Property is purchased using apparent legitimate funds, leaving minimal direct evidence linking the asset to the original illicit source.

Typical red flags and indicators

- Repeated cash deposits just below the reporting threshold into single or multiple accounts across different branches.
- Multiple deposits from unrelated geographic locations or different tellers that lack a plausible business explanation.
- Rapid consolidation of small cash deposits into cashier's cheques, bank drafts, or wire transfers shortly before a property settlement.
- Purchases of property with cashier's cheques whose funding traces back to numerous small cash deposits.
- Customers who show limited, inconsistent, or implausible explanations for the source of funds, or who avoid formal banking channels until settlement.
- Use of nominees, third parties, or transient account holders as intermediaries for deposits and withdrawals.

Investigation and forensic challenges

- Fragmented audit trail: Multiple sub-threshold transactions generate voluminous records that must be aggregated and correlated to identify a single underlying source.
- Cross-institutional tracing: Structuring across different banks and branches requires rapid access to records and coordinated FIU requests to reconstruct the flow of funds.
- Timeliness and retention: short retention periods for branch records, delayed reporting by obliged entities, or limited historical access can degrade evidential value.
- Legal thresholds: Proving intent to avoid reporting thresholds may require showing patterns of behaviour and linking deposits to the ultimate property settlement.
- Conversion opacity: Once converted into bank cheques or drafts, funds appear as legitimate bank instruments, complicating provenance analysis.

Operational recommendations

- Enhanced monitoring rules
  - Implement automated aggregation and pattern-detection systems that flag rapid sequences of sub-threshold deposits across accounts, branches, and related entities.
  - Set behavioural and velocity rules for teller systems to alert when cash flows to or from linked accounts show structuring patterns.
- Strengthened reporting and due diligence
  - Require enhanced customer due diligence and source-of-fund verification for buyers of real estate and for transactions involving multiple recent cash deposits or consolidated bank instruments prior to settlement.
  - Issue sector guidance and red-flag checklists to banks, conveyancers, and real-estate professionals that explicitly reference structuring indicators.
- Interagency coordination and investigative tools
  - Develop fast-track FIU-to-law-enforcement workflows for suspected structuring cases, including expedited requests for interbank records and teller logs.
  - Use case typologies to prioritise targeted enquiries and apply civil preservation orders or temporary restraints where there is credible evidence of concealment.
- International and legal measures
  - Strengthen mutual legal assistance and information-sharing channels to trace funds moved between jurisdictions or remitted abroad after structuring.
  - Consider lowering or recalibrating reporting thresholds for high-risk products or introducing mandatory reporting of aggregated cash flows over defined windows to close structuring gaps.

Example investigative steps

- Aggregate deposits: Pull teller logs and account statements across branches and financial institutions for the period preceding the purchase and aggregate to identify the structured total.
- Link consolidation instruments: Trace the origin of cashier's cheques or drafts used in settlement back to the deposit transactions and the depositing accounts.
- Interview subjects: Obtain explanations from purchasers, nominees, and bank staff about the timing and rationale for deposits and conversions.

- Asset follow-up: Freeze or restrain settlement proceeds where legal thresholds and evidence permit while pursuing parallel civil and criminal measures.

Conclusion

Structuring of cash deposits to acquire real estate is a deliberate and effective laundering method that exploits reporting thresholds, fragmented banking practices, and conversion into bank instruments. Detecting and disrupting this method requires transaction-aggregation analytics, enhanced due diligence for property purchases, timely FIU–law-enforcement cooperation, and targeted sector guidance for banks and real-estate professionals to close existing gaps in Vanuatu's detection and enforcement framework.

MONEY LAUNDEROING VULNERABILITIES – VANUATU REAL ESTATE SECTOR

Summary

The real estate sector in Vanuatu is exposed to multiple money-laundering vulnerabilities driven by customary land regimes, lease practices, currency flexibility, weak supervision, and transactional behaviours that facilitate concealment and integration of illicit funds. These vulnerabilities enable use of leases, third-party purchases, cash-intensive settlements, and cross-border flows to launder proceeds through property transactions.

Context

- **Land ownership structure:** The majority of land in Vanuatu is held under customary (indigenous) tenure; leasehold is the formal route for use by non-customary parties and must be registered.
- **Market role:** Real estate agents primarily facilitate lease and freehold transactions and interact directly with customary owners, developers, and buyers.
- **Regulatory environment:** Historical allegations of criminal activity in real estate have prompted legislative reforms, but gaps in supervision and practice persist, particularly around informal payments to customary owners and cross-border currency use.

Identified vulnerabilities

- Customary land and informal payments
    - Small cash payments to customary owners for undervalued leases create opportunities for placement of illicit cash into property

deals and weaken audit trails. Transactions outside formal banking channels reduce traceability and increase risk that proceeds of crime enter the land market undetected.

- Weak beneficial-ownership and nominee risk
  - Lack of robust verification of ultimate beneficial owners in lease and purchase arrangements enables nominees, third parties, and cleanskins to hold title while criminals retain control, complicating detection and recovery.
- Currency flexibility and cross-border flows
  - Payments may be made in Vatu or any foreign currency; this flexibility, combined with inbound remittances and offshore actors, facilitates layering and cross-border movement of illicit funds before property settlement.
- Fragmented registration and recordkeeping
  - Unregistered customary land, varying registration practices for leases, and inconsistent documentation from intermediaries create gaps that obstruct financial tracing and due-diligence verification.
- Limited sector supervision and DNFBP controls
  - Real estate agents, conveyancers, and other DNFBPs operating without targeted AML supervision or sector-specific guidance increase the chance of missed reporting and inadequate customer due diligence.
- Cash intensity and threshold avoidance
  - Use of cash or small payments to avoid reporting thresholds and convert proceeds into lease agreements weakens the efficacy of formal reporting channels and FIU detection.
- Market opacity and pricing anomalies
  - Undervalued lease payments, opaque valuation, and rapid informal transfers of rights can disguise transfers of value and conceal the true economic owner.

Risk assessment (impact × likelihood)

- High risk — Placement via informal cash payments to customary owners (High likelihood; High impact).
- High risk — Use of nominees and opaque ownership structures (High likelihood; High impact).
- Medium–high risk — Cross-border and currency-diverse settlement flows (Medium likelihood; High impact).

- Medium risk — Insufficient DNFBP supervision and weak recordkeeping (High likelihood; Medium impact).
- Medium risk — Pricing manipulation and undervaluation in leases (Medium likelihood; Medium impact).

Operational impacts

- Investigations are hindered by lack of formal payment trails and by title held in third-party names.
- Asset confiscation and civil recovery are complicated by customary ownership frameworks and incomplete registries.
- FIU analytic capacity is strained by fragmented data from multiple non-bank sources and cross-border elements.
- Compliance burden on banks increases when property settlements involve mixed currency and informal funding sources.

Recommendations & Next Steps

- Strengthen DNFBP regulation and supervision
    - Extend targeted AML/CTF obligations and supervision to real estate agents, conveyancers, and other intermediaries; mandate registration, regular audits, and mandatory suspicious transaction reporting for high-risk transactions.
- Improve beneficial-ownership transparency and registration
    - Require disclosure of ultimate beneficial owners for lease and purchase transactions; standardise lease registration processes and ensure searchable, timely registries accessible to competent authorities.
- Formalise customary-land transaction processes
    - Introduce mandatory bank mediation or escrow for lease payments to customary owners above defined risk thresholds; document all cash payments with verified receipts and supporting source-of-fund evidence.
- Enhance transaction monitoring and thresholds
    - Require reporting or aggregation of multiple small cash payments related to property transactions and implement FIU-driven pattern analytics to detect structuring or layering across accounts and branches.
- Strengthen cross-border cooperation and currency controls
    - Improve information-sharing protocols with correspondent banks and foreign jurisdictions; vet offshore lenders or purchasers

involved in property financing and require source-of-fund checks for foreign currency settlements.

- Build sector capacity and public awareness
    - Deliver targeted training, red-flag checklists, and compliance toolkits for agents, customary leaders, and local authorities to recognise and report suspicious offers, unusually undervalued lease proposals, or third-party funded purchases.
- Legal and civil tools for asset protection
    - Expand civil restraint and forfeiture powers applicable to property acquired with suspected illicit proceeds and fast-track access to registries and escrow records during investigations.

- Prioritise supervision of reporting entities, including the real estate sector.
- Publish relevant typologies and strategic analysis reports or any short-term analytic project to identify recent suspicious lease/payment patterns, so that the reporting entities and other stakeholders have a better understanding of ML and TF risks and vulnerabilities associated with this sector.
- Launch coordinated stakeholder engagement with customary owner representatives, real estate professionals, banks, and offshore liaison points to implement escrow and source-of-fund measures.

Conclusion

The real estate sector will remain a persistent laundering avenue unless addressed through coordinated policy, supervision, and operational action. Vanuatu's mix of customary land regimes, flexible currency use, cash-intensive transactions, and gaps in beneficial-ownership and DNFBP oversight create attractive pathways for criminals to place, layer, and integrate illicit proceeds into property markets. Strengthened visibility and controls where real estate transactions intersect regulated financial services are essential to reduce these vulnerabilities.

Key findings

Real estate transactions continue to present high-value opportunities for concealment through third-party ownership, nominee arrangements, and informal payments to customary owners.

- Credit instruments, including loans, mortgages, and loan-back schemes, provide documentary legitimacy that obscures the true origin of funds and facilitate commingling of illicit and legitimate funds.

- Structuring of cash deposits below reporting thresholds and dispersal across branches and accounts remains an effective method for converting cash into bank instruments used for property settlement.
- Weak supervision of real estate professionals and inconsistent registration practices for leases and customary land reduce traceability and hinder timely investigation and asset recovery.

Strategic implications

- The VFIU's visibility improves where property transactions touch regulated financial channels, but that visibility is incomplete; illicit flows that remain outside formal banking, or are routed through opaque offshore lenders and nominee structures, will continue to evade detection.
- National reforms and international peer scrutiny are reshaping Vanuatu's AML/CTF environment, presenting an opportunity to tighten controls on property-based laundering ahead of upcoming global assessments.
- Persistent international concerns about historical AML/CTF weaknesses reinforce the need for demonstrable, sustained improvements in DNFBP supervision, beneficial-ownership transparency, and cross-border cooperation.

Priority actions

- Strengthen DNFBP framework: mandate AML/CTF obligations for real estate agents, conveyancers, and related professionals; require enhanced due diligence, mandatory suspicious-activity reporting, and targeted supervision.
- Close registration and transparency gaps: standardise lease and title registration, require disclosure of ultimate beneficial owners, and digitise registries to support rapid checks by FIU and investigators.
- Tackle cash structuring and loan abuse: implement aggregation rules and transaction-velocity analytics, require source-of-fund verification for loan disbursements and repayments tied to property, and mandate escrow or verified banking channels for high-risk lease payments.
- Strengthen interagency and international cooperation: establish fast-track FIU–law-enforcement protocols, prioritise mutual legal assistance for offshore lender records, and coordinate with regional partners on typologies and asset-preservation tools.
- Build capacity and market awareness: deliver targeted training, red-flag toolkits, and compliance support for customary-land intermediaries, community leaders, and market participants to reduce informal cash dealings and improve reporting.

Expected outcomes

- Greater detection and disruption of property-based laundering through improved data aggregation, clearer ownership records, and mandatory oversight of DNFBPs.
- Faster, more effective investigations and asset preservation through streamlined information requests, improved registries, and coordinated domestic and international action.
- Reduced attractiveness of Vanuatu real estate as a laundering vehicle as legislative and supervisory measures increases the cost and risk for criminals.

Final statement

Real estate will continue to be exploited as long as transactional opacity, weak DNFBP oversight, and cross-border conduits persist. By prioritising targeted supervision, transparency reforms, transaction analytics, and stronger FIU-led coordination, Vanuatu can substantially reduce the vulnerability of its property market and demonstrate meaningful progress in countering property-based money laundering.

MITIGATING STRATEGIES

Overview

- **Objective:** Reduce property-based money-laundering risks by strengthening oversight, closing procedural gaps, improving investor screening, and raising sector awareness.
- **Approach:** Combine regulatory reform, targeted supervision, mandatory due diligence, transaction controls, capacity building, and enforcement to make real-estate laundering harder, costlier, and riskier for criminals.

Regulatory and supervisory measures

- **Mandate AML/CTF obligations for DNFBPs**: Require real estate agents, conveyancers, notaries, developers, and high-value asset sellers to register with a supervisory authority and comply with customer due diligence (CDD), recordkeeping, and suspicious transaction reporting (STR) requirements.

- **Designate competent supervisors**: Assign clear supervisory responsibility to the VFIU (or Lands Department in coordination) with powers to licence, inspect, sanction, and guide DNFBPs.
- **Periodic compliance audits**: Implement risk-based inspections and mandatory independent AML audits for high-volume or high-risk market participants, with public reporting of enforcement outcomes.
- **Regulatory harmonisation**: Align land registration, lease registration, and AML reporting requirements so that registry entries trigger or feed into FIU screening processes.

Transactional controls and detection

- **Mandatory escrow or verified banking channels**: Require all lease and purchase payments above defined thresholds to be made through escrow accounts or verified bank channels; prohibit direct cash settlement for high-risk transactions.
- **Aggregate cash reporting and structuring rules**: Mandate reporting of aggregated cash receipts related to single property transactions across defined time windows and apply transaction-velocity rules to flag structuring.
- **Enhanced transaction monitoring**: Deploy FIU and banking analytics to detect: repeated sub-threshold deposits feeding property purchases; rapid consolidation into bank cheques; loan repayments inconsistent with borrower profile; and nominee ownership patterns.
- **Automatic registry-FIU linkage**: Create electronic feeds from land and lease registries to the FIU to enable automated cross-checks of beneficial-ownership disclosures and recent suspicious activity.

Investor and citizenship-by-investment controls

- **Strengthen CIIP/VERP/DSP safeguards**: Require independent source-of-fund and source-of-wealth verification for all investment-linked citizenship or residency applicants with periodic post-grant review of transactions linked to those investors.
- **Enhanced vetting for foreign investors**: Implement multi-layered background checks including international PEP screening, adverse media, sanctions list, and corporate-ownership tracing for investors and lenders involved in property deals.
- **Ongoing monitoring of granted investors**: Institute periodic re-screening of investors and close associates for suspicious activity and require notification of significant asset purchases within a defined window after citizenship/residency is granted.

- **Conditional approvals and clawback clauses**: Attach legal conditions to CIIP/VERP/DSP transactions that allow revocation, fines, or asset recovery if investments are later shown to involve illicit funds.

Due diligence, transparency and beneficiary controls

- **Mandatory beneficial-ownership disclosure**: Require declaration and verification of ultimate beneficial owners for all purchasers, lenders, and nominee arrangements used in property transactions; publish searchable extracts for competent authorities.
- **Loan and mortgage scrutiny**: Apply enhanced due diligence where mortgages or loans finance property purchases, including verification of lenders, loan-back detection rules, and tracing of repayment sources.
- **Nominee and third-party controls**: Require documented, verifiable justification for any nominee ownership; mandate risk-based enhanced checks when third parties act as purchasers or funders.
- **Record retention and access**: Extend retention periods for transaction, escrow, teller, and conveyancing records and ensure timely legal access for FIU and law-enforcement requests.

Capacity building, outreach and enforcement

- **Targeted training and guidance**: Provide sector-specific guidance, red-flag checklists, and recurring training for real estate agents, customary owner representatives, banks, conveyancers, and registry staff.
- **Public awareness and community engagement**: Run awareness campaigns for customary landowners about risks of undervalued cash deals and legal safeguards to protect legitimate value and traceability.
- **Stronger enforcement and sanctions**: Use a graduated sanctioning regime for non-compliance (administrative fines, licence suspension, criminal referral) and publish enforcement actions to deter malpractice.
- **Interagency and international cooperation**: Establish fast-track FIU–law-enforcement procedures, MOUs with registry and immigration authorities, and strengthened mutual legal assistance protocols for cross-border lender and investor records.

Implementation priorities

- **Immediate (0–6 months):** Issue DNFBP guidance and red-flag checklists; mandate escrow for high-risk transactions; begin register–FIU data feed pilot.
- **Short term (6–18 months):** Enact supervisory framework for real-estate DNFBPs; require beneficial-ownership disclosure in registries; deploy basic monitoring rules for structuring and loan anomalies.
- **Medium term (18–36 months):** Roll out analytics for cross-institution pattern detection; operationalise investor re-screening procedures; introduce statutory sanctions and audit regime.
- **Ongoing:** Regular policy reviews, international cooperation, public awareness, and capacity building to adapt to emerging typologies.

Implementing these measures will materially reduce the attractiveness of Vanuatu's property market to money launderers, increase the cost and complexity of laundering schemes, and significantly improve the ability of the VFIU and partners to detect, investigate, and recover illicit proceeds.

RECOMMENDATIONS

- The VFIU, with the Lands Department, must ensure that Real Estate agents and others are aware and comply with their obligations with regard to Vanuatu's AML/CTFT program, and ensure that they are adequately supervised.

- The VFIU must ensure that all sellers of high value assets are aware and comply with their obligations with regard to Vanuatu's AML/CTF program, and ensure that they are adequately supervised.

- The Vanuatu Government must review their CIIP/VERP &DSP program to ensure that any resultant investment does not involve illicit funds and that the program is not being abused.

- The Vanuatu Government must ensure that full due diligence is undertaken in respect of potential investors into Vanuatu and is periodically reviewed, particularly in respect of those foreign persons who are seeking, or who have obtained citizenship under the CIIP/VERP & DSP program.

- The Vanuatu government must ensure that new citizens are fully aware of Vanuatu's AML/CTF program and fully abide by all of its requirements.

🔑 Acronyms

Acronym	Definition
AML	Anti-Money Laundering
CTF	Counter-Terrorism Financing
FIU	Financial Intelligence Unit
STR	Suspicious Transaction Report
SAR	Suspicious Activity Report
CTR	Cash Transaction Report
IFTR	International Funds Transfer Report
FATF	Financial Action Task Force
NRA	National Risk Assessment
DSP	Development Support Program
CIIP	Capital Investment Immigration Program
VERP	Vanuatu Economic Rehabilitation Program

APPROVAL

Report signed on this 2nd ___Day of April 2026

Statement by: ……………………

Deputy Director
Financial Intelligence Unit

Authorized by: ………………………..

Teddy GARAE LULUMELE
Director
Financial Intelligence Unit