



GUIDELINES ON PROLIFERATION FINANCING FOR MUTUAL FUNDS

(February 2026)

SUPERVISION DEPARTMENT

Application of Guidelines

Applies to all Mutual Funds (MF) and relevant licensees. It should be read together with the Act, the AML framework in Vanuatu, and VFSC/FIU directions.

Purpose

This Guideline establishes the scope and application of measures that MF in Vanuatu must implement to identify, assess, mitigate, and report risks related to **Proliferation Financing (PF)**, in accordance with:

- The laws and regulations of Vanuatu, including AML/CFT/CPF legislation;
- Requirements issued by the Vanuatu Financial Services Commission (VFSC);
- Obligations under United Nations Security Council Resolutions (UNSCRs) relating to proliferation financing; and
- International standards issued by the Financial Action Task Force (FATF).

Scope

This policy applies to all business lines, products, services, channels, legal entities and personnel (directors, managers, principals, representatives, agents, contractors) of the FDL & CTPS licensees, including correspondent relationships and virtual asset service provider (VASP) activities where applicable.

Objective

The objective of this Guideline is to ensure that these MF:

- Understand their exposure to proliferation financing risks;
- Implement risk-based controls to prevent the misuse of legal persons and arrangements;
- Detect and report suspicious transactions or activities linked to the proliferation of weapons of mass destruction (WMD);
- Comply with targeted financial sanctions (TFS) obligations.

Entities Covered

This Guideline applies to all MF licensed or registered in Vanuatu, including those providing:

1. Formation and registration services
2. Provision of registered office, business address, or accommodation address
3. Acting as (or arranging for another person to act as):
 - Director or alternate director
 - Secretary of a company
 - Partner of a partnership
 - Trustee of an express trust
4. Nominee shareholder services
5. Trust formation and administration services
6. Provision of resident agents for International Companies

The Guideline applies to both domestic and international client relationships.

Risk-Based Application

MF must apply a **risk-based approach (RBA)** to proliferation financing risks. The scope includes:

- Business-wide PF risk assessments;
- Customer-level PF risk assessments;
- Transaction monitoring and screening processes;
- Controls proportionate to the identified risk level.

The RBA must consider:

- Geographic risk (including high-risk jurisdictions subject to sanctions or linked to WMD proliferation);
- Customer risk (including beneficial owners and controllers);
- Service/product risk (complex structures, shell entities, nominee arrangements);

- Delivery channel risk (non-face-to-face onboarding, intermediaries).

Proliferation Financing Risk Exposure for MF

Given the nature of services provided, MF are vulnerable to misuse through:

- Creation of complex corporate structures to obscure beneficial ownership;
- Use of nominee directors and shareholders to conceal links to sanctioned entities;
- Establishment of shell companies involved in trade-based proliferation financing;
- Trust structures used to hold assets on behalf of sanctioned persons or designated entities.

This Guideline therefore covers both:

- Direct exposure (where an Institution unknowingly services a sanctioned or proliferation-linked person); and
- Indirect exposure (where a structure is used to facilitate procurement, shipping, or financial flows linked to WMD programs).

Targeted Financial Sanctions (TFS)

The scope of this Guideline includes compliance with:

- UN Security Council Resolutions relating to non-proliferation;
- Designations under relevant sanctions regimes;
- Domestic implementation mechanisms applicable in Vanuatu.

Mutual Funds must:

- Screen clients, beneficial owners, directors, trustees, protectors, and controlling persons against relevant sanctions lists;
- Freeze assets without delay when required by law;
- Refrain from providing services to designated persons or entities;

- Report matches to the competent authority.

Business Relationships Covered

This Guideline applies to:

- New client onboarding;
- Existing client reviews;
- Ongoing monitoring;
- Occasional transactions (where applicable);
- Changes in ownership, control, or structure;
- Termination of relationships where PF risk becomes unacceptable.

Group and Cross-Border Application

Where an Institution operates as part of an international group:

- Group-wide PF policies must be implemented;
- Information-sharing arrangements must support PF risk mitigation;
- Overseas branches and subsidiaries must apply standards consistent with Vanuatu requirements, or higher where required.

Exclusions

This Guideline does not replace:

- AML/CFT obligations;
- Counter-terrorism financing (CTF) requirements;
- Other regulatory compliance obligations.

However, PF risk must be assessed as a **distinct and standalone risk**, even where it overlaps with AML/CFT frameworks.

Proportionality

The scope of implementation should reflect:

- Size of the MF;
- Nature and complexity of services offered;
- Geographic exposure;
- Client base profile.

Smaller MF may adopt simplified documentation processes, but not simplified risk assessment standards.

Effective Date and Review

This Guideline applies from the date of issuance by the Vanuatu Financial Services Commission and must be reviewed periodically to reflect:

- Changes in legislation;
- Updates to FATF standards;
- Emerging proliferation financing typologies;
- Updates to UN sanctions regimes.

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