



# **GUIDANCE TO NPOs ON TERRORIST FINANCING RISK AND INTERNAL CONTROLS**

**May 2026**

**LEGAL DEPARTMENT**

## 1. Purpose

This guidance is issued by the Vanuatu Financial Services Commission (VFSC) to assist Non-Profit Organizations (NPOs) in identifying, mitigating, and managing risks related to terrorist financing. It outlines expectations for internal controls, governance, and reporting obligations to ensure NPOs operate with integrity and transparency.

## 2. Scope

This guidance applies to all NPOs registered and operating under the jurisdiction of the VFSC. It covers both domestic NPOs and international NPOs conducting activities in Vanuatu.

## 3. Legal Basis

This guidance is issued under -

- Section 15A, 15AA, 15AB and 15AC of the Charitable Associations (Incorporation) Act [Cap 140], and
- Part 7 of the Foundations Act No. 38 of 2009

## 4. Key Risks for NPOs

NPOs are vulnerable to misuse for terrorist financing due to their reliance on donations, cross-border activities, and humanitarian operations. Risks include:

- **Misuse of funds:** Donations or grants diverted to finance terrorism or use of NPOs as cover for illicit financial flows.
- **Vulnerable activities:** Humanitarian aid, cross-border transfers, and cash-based operations.
- **Weak oversight:** Lack of governance, poor record-keeping, or inadequate monitoring of beneficiaries.

## 5. Internal Controls Required

NPOs must implement the following minimum internal control measures:

### 1. Governance & Oversight

- Establish a Board-approved anti-terrorist financing policy.
- Each NPO shall appoint a Compliance Officer with responsibility for monitoring and reporting risks.
- Conduct annual risk assessments of activities, beneficiaries, and funding sources.

### 2. Financial Controls

- NPOs must maintain segregated bank accounts for donations and operational expenses.

- Require dual authorization for large transactions.
- Prohibit anonymous donations above a set threshold.

### 3. Record-Keeping

- NPOs must keep detailed records of donors, beneficiaries, and disbursements for at least 7 years.
- Due diligence checks on donors, partners, and beneficiaries shall be documented and retained.
- Records shall be readily available for inspection by VFSC.

### 4. Monitoring & Reporting

- All donors, beneficiaries, and partners shall be screened against UN and VFSC sanctions lists.
- NPOs shall establish procedures for identifying and reporting suspicious transactions to the Financial Intelligence Unit (FIU).
- An annual compliance report shall be submitted to VFSC detailing risk management measures

## 6. Risk-Based Approach

NPOs should adopt a risk-based framework:

- Enhanced due diligence shall be applied to **high-risk activities**, including cross-border transfers and cash-intensive projects.
- Simplified controls may be applied to **low-risk activities**, such as local community projects with transparent funding.

## 5. Training & Awareness

- Provide annual training for staff and volunteers on terrorist financing risks.
- Ensure Board members understand their fiduciary responsibilities.
- Promote a culture of compliance and accountability.

## 6. VFSC Expectations

- NPOs must demonstrate effective internal controls during VFSC's onsite inspections.
- Failure to comply may result in administrative sanctions, deregistration, or referral to law enforcement.
- VFSC will provide ongoing guidance and outreach to support compliance.

## 7. Conclusion

NPOs play a vital role in Vanuatu's social and economic development. By implementing strong internal controls and adopting a risk-based approach, NPOs can safeguard their operations from terrorist financing threats and maintain public trust.

Please contact the following person should you have any questions:

Mr. John Stephens Tougon  
Manager, Legal Department  
Email: [jstougon@vfsc.vu](mailto:jstougon@vfsc.vu)  
Phone: (678) 22247

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Branan Karae  
Commissioner

