



**VANUATU FINANCIAL**  
**= SERVICES COMMISSION =**

# Guideline for Suspension or Revocation of a Mutual Fund or Administrator License

Issued Pursuant to the Mutual Funds Act No. 38 of 2005 (Consolidated Edition 2026)

**Issued By:** Supervision Department

**Effective Date:** 3 June 2026

**Status:** Official Guideline

## 1. PURPOSE

This Guideline is designed to help mutual fund licensees and administrators understand the operational processes, standard procedures, and potential outcomes associated with the suspension or revocation of a license under the Mutual Funds Act No. 38 of 2005 (Consolidated Edition 2026) (“the Act”).

The Guideline is intended to assist licensed mutual funds, administrators, promoters, operators, directors, equity controllers, beneficial owners, and other stakeholders in understanding:

- The statutory circumstances that may result in regulatory intervention;
- The due process requirements that must be followed before a license is suspended or revoked;
- The rights of affected persons to make representations and seek judicial review; and
- The legal consequences arising from suspension or revocation.

This Guideline should be read together with the Act and any other applicable legislation administered by the Vanuatu Financial Services Commission (“the Commission”).

## PART I – STATUTORY GROUNDS FOR SUSPENSION OR REVOCATION

### 2. GENERAL PRINCIPLES

Pursuant to section 19 of the Act, the Commission may suspend or revoke a mutual fund license or an administrator license where one or more statutory grounds have been established.

The Commission will exercise these powers where necessary to:

- Protect investors and fund participants;
- Preserve market integrity and public confidence;
- Ensure compliance with applicable laws and regulatory obligations;
- Safeguard the international reputation of the Republic of Vanuatu; and
- Mitigate risks to the financial system.

### 3. REGULATORY, OPERATIONAL, AND SOLVENCY FAILURES

**Statutory Basis:** *Sections 19(1)(a) and 19(1)(b), read together with Section 17(1) of the Act*

The Commission may suspend or revoke a license where continuation of the licensed business is no longer consistent with investor protection, sound administration, or the public interest.

### **SPECIFIC GROUNDS**

Regulatory action may be taken where:

- Intervention is necessary to protect the interests of investors;
- The licensee has ceased conducting the mutual fund business for which it was licensed;
- The licensee is insolvent or unable to meet its liabilities as they become due;
- The licensee is subject to liquidation, dissolution, receivership, administration, or winding-up proceedings;
- The business is operated without a valid license or contrary to license conditions;
- Business activities are conducted unlawfully or outside the scope of the license granted;
- Operations are carried on in a manner prejudicial to investors, creditors, the public interest, or the reputation of Vanuatu as an international financial center; or
- The licensee has engaged in material misrepresentation concerning its regulatory status, authority, or business activities.

## **4. ANTI-MONEY LAUNDERING AND COUNTER-TERRORISM FINANCING BREACHES**

**Statutory Basis:** *Section 19(1)(aa) of the Act*

The Commission may suspend or revoke a license where a licensee has contravened the provisions of the Anti-Money Laundering and Counter-Terrorism Financing legislation and has been subjected to an enforcement measure under Part 10AA of that legislation.

### **EXAMPLES OF RELEVANT BREACHES**

Examples include, but are not limited to:

- Failure to conduct customer due diligence;
- Failure to maintain adequate AML/CFT compliance systems and controls;
- Failure to submit suspicious transaction reports where required;
- Failure to implement sanctions screening procedures;
- Failure to maintain records required by law; or
- Repeated or systemic non-compliance with AML/CFT obligations.

The Commission will assess the seriousness, frequency, and regulatory impact of the breach when determining the appropriate enforcement response.

## 5. FIT AND PROPER PERSON AND SOURCE OF FUNDS DEFICIENCIES

**Statutory Basis:** *Sections 19(1)(ab), 19(1)(ac), and 19(1)(ad) of the Act*

The Commission must remain satisfied that persons controlling, managing, or benefiting from a licensed mutual fund structure meet the required standards of fitness, propriety, integrity, and competence.

### PERSONNEL-RELATED GROUNDS

Regulatory action may be taken where the Commission determines that any promoter, operator, director, manager, equity controller, or beneficial owner is no longer a fit and proper person within the meaning of the Act.

### SOURCE OF FUNDS AND CAPITAL GROUNDS

Regulatory action may also be taken where the Commission is not satisfied regarding:

- The legitimacy of the source of equity of a mutual fund;
- The source of funds used to establish or maintain the operating capital of an administrator; or
- The transparency, traceability, and lawful provenance of funds invested in the structure.

### ASSESSMENT FACTORS

In determining whether a person remains fit and proper, the Commission may consider:

- Criminal convictions or pending criminal proceedings;
- Regulatory sanctions or disciplinary actions;
- Inclusion on domestic or international sanctions lists;
- Evidence of dishonesty, misconduct, or lack of integrity;
- Financial soundness;
- Competence, qualifications, and experience; and
- Any other matter relevant to the protection of investors and the public interest.

## 6. CONTINUOUS DISCLOSURE AND NOTIFICATION FAILURES

**Statutory Basis:** *Section 10A and Section 19(1)(ae) of the Act*

Administrators are subject to ongoing disclosure obligations designed to ensure that the Commission remains informed of material changes affecting ownership, control, governance, and funding arrangements.

### **MANDATORY NOTIFICATION REQUIREMENT**

An administrator must notify the Commission in writing within fourteen (14) days of any material change relating to operators, promoters, equity controllers, beneficial owners, sources of fund equity, or sources of administrator capital.

### **GROUNDINGS FOR REGULATORY ACTION**

A license may be suspended or revoked where:

- The required notification is not submitted within the prescribed fourteen-day period;
- Information provided to the Commission is false, misleading, inaccurate, or incomplete;
- Newly appointed persons fail to satisfy fit and proper requirements; or
- The Commission is not satisfied regarding the legitimacy of revised ownership or capital arrangements.

## **7. TRANSITIONAL COMPLIANCE REQUIREMENTS**

**Statutory Basis:** *Transitional Provisions – Act No. 26 of 2017*

Entities operating under legacy licensing arrangements remain subject to transitional compliance requirements incorporated into the Consolidated Edition of the Act.

### **GROUNDINGS FOR REGULATORY ACTION**

The Commission may suspend or revoke a license where a legacy entity fails to:

- Regularize ownership structures;
- Identify and disclose ultimate beneficial ownership;
- Provide satisfactory evidence regarding the source of historical equity capital; or
- Comply with transitional requirements established under the Act.

## PART II – STATUTORY DUE PROCESS PROCEDURE

### 8. PROCEDURAL FAIRNESS REQUIREMENTS

Before suspending or revoking a license, the Commission must comply with the procedural safeguards established under sections 19(2) and 19(3) of the Act. These safeguards ensure that affected persons are provided with adequate notice and a reasonable opportunity to be heard before a final decision is made.

### 9. REGULATORY ENFORCEMENT PROCESS

#### STEP 1 – DETECTION OF REGULATORY CONCERNS

Potential breaches may be identified through on-site inspections, off-site supervisory monitoring, AML/CFT examinations, investor complaints, auditor reports, regulatory filings, intelligence received from domestic agencies, or information received from foreign regulatory authorities. The Supervision Department shall conduct a preliminary assessment and compile supporting evidence.

#### STEP 2 – PRELIMINARY ASSESSMENT AND EVIDENCE REVIEW

The Commission shall evaluate the facts and circumstances, applicable statutory provisions, seriousness of the conduct, potential risks to investors and creditors, and whether sufficient grounds exist to commence formal enforcement action.

#### STEP 3 – ISSUANCE OF WRITTEN NOTICE

##### **Statutory Basis: Section 19(2)**

Before suspending or revoking a license, the Commission must issue a written notice to the affected licensee detailing the proposed action, statutory provisions relied upon, a summary of findings, reasons, and an invitation to submit written representations.

**Minimum Response Period:** The licensee must be provided with not less than **twenty-one (21) days** from the date of receipt of the notice to submit representations.

## STEP 4 – REPRESENTATION AND RESPONSE PERIOD

During the notice period, the licensee may submit written representations, provide additional information, challenge factual findings, address legal issues, present mitigating circumstances, and demonstrate remedial actions undertaken to rectify deficiencies. The Commission shall consider all relevant submissions.

## STEP 5 – FINAL REVIEW AND DETERMINATION

Upon expiry of the notice period, the Commission shall review the gathered evidence, representations, remediation adequacy, investor protection considerations, and public interest implications. Following review, the Commission may issue one of the following outcomes:

**Outcome A – No Further Action:** Where satisfied that issues have been addressed, the Commission may discontinue proceedings, issue supervisory recommendations, issue a warning letter, or impose additional license conditions.

**Outcome B – Suspension or Revocation:** Where unsatisfied, or where no response is received, the Commission may issue a final written decision suspending or revoking the license, stating the reasons and effective date.

## 10. RIGHT OF APPEAL

**Statutory Basis:** *Section 21 of the Act*

Any person aggrieved by a decision of the Commission to suspend or revoke a license may appeal the decision to the Supreme Court of the Republic of Vanuatu in accordance with the Act and applicable court procedures. The filing of an appeal does not automatically stay the effect of the Commission's decision unless otherwise ordered by the Court.

## PART III – EFFECT OF SUSPENSION OR REVOCATION

### 11. LEGAL CONSEQUENCES

Upon service of a final suspension or revocation order, the following consequences may apply:

### 11.1 CESSATION OF LICENSED ACTIVITIES

The entity must immediately cease carrying on the licensed mutual fund business to the extent specified in the Commission's order.

### 11.2 RESTRICTIONS ON OPERATIONS

The Commission may impose restrictions on investor transactions, asset transfers, business operations, and other activities necessary to protect investors and creditors.

### 11.3 COURT APPLICATIONS FOR ASSET PROTECTION

**Statutory Basis:** *Section 18 of the Act*

The Commission may apply to the Supreme Court for orders relating to the preservation of assets, control of books and records, protection of investor interests, and other relief deemed necessary by the Court.

### 11.4 APPOINTMENT OF SUBSTITUTE ADMINISTRATOR

**Statutory Basis:** *Section 17(2)(b) of the Act*

The Commission may appoint a substitute administrator to manage the affairs of the mutual fund where necessary for investor protection. Any associated costs may be borne by the affected entity in accordance with the Act.

### 11.5 REGULATORY COOPERATION

Information relating to enforcement action may be shared with relevant domestic and foreign regulatory authorities in accordance with section 24 of the Act and other applicable laws.

## 12. RECORD KEEPING

The Supervision Department shall maintain complete records of investigations, notices issued, representations received, decisions made, enforcement actions taken, and related correspondence in accordance with the Commission's record management policies and applicable legal requirements.

---

## REGULATORY CONTACT

For enquiries concerning this Guideline or for submissions made pursuant to section 19(2) of the Act:

**Mr. Joshua Tari**

Manager – Supervision Department

Email: [tjoshua@vfsc.vu](mailto:tjoshua@vfsc.vu)

Telephone: (+678) 22247

## APPROVAL

Approved and issued by the Commissioner of the Vanuatu Financial Services Commission.

  


**Branan Karae**

Commissioner

Vanuatu Financial Services Commission

**Effective Date:** 3 June 2026

