



VFSC RISK-BASED OVERSIGHT & MONITORING PROCEDURES FOR NPOS

May 2026

LEGAL DEPARTMENT

1. Purpose

To establish a structured, risk-based framework for supervising nonprofit organizations (NPOs) in Vanuatu, ensuring compliance with AML/CTF obligations and preventing misuse of the sector for illicit activities.

This procedure ensures VFSC applies proportionate oversight, focusing resources where risks are highest, while empowering NPOs to operate responsibly and transparently.

2. Scope

Applies to all NPOs registered with VFSC, with oversight tailored to their risk profile based on funding sources, activities, and geographic exposure.

3. Legal Basis

These approaches are 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

3. Responsibilities

- **VFSC Compliance Unit:** Conducts risk assessments, onsite inspections, and monitoring.
- **NPO Management:** Ensures accurate disclosure of beneficial ownership, financial records, and cooperation during inspections.
- **FIU & Law Enforcement:** Receives referrals and intelligence where suspicious activity is identified.

4. Procedures

Step 1: Risk Assessment

- Classify NPOs into low, medium, and high-risk categories based on:
 - Source of funds (domestic vs. foreign).
 - Geographic reach (local vs. cross-border).
 - Nature of activities (humanitarian vs. politically sensitive).
- Update risk profiles annually or when significant changes occur.

Step 2: Registration & Beneficial Ownership Verification

- Require full disclosure of beneficial owners and board members.
- Verify information against official registries and international watchlists.

Step 3: Ongoing Monitoring

- **Low-risk NPOs:** Desk-based reviews of annual reports and financial statements when filing annual reports
- **Medium-risk NPOs:** Periodic onsite inspections and targeted reviews.
- **High-risk NPOs:** Enhanced monitoring, including transaction analysis and frequent inspections.

Step 4: Onsite Inspections

- Conduct structured onsite visits to review governance, donor records, audited financial statements and AML/CTF controls.
- Document findings in inspection reports, highlighting compliance gaps and risks.

Step 5: Information Sharing & Reporting

- Require NPOs to report suspicious transactions to the FIU.
- Share VFSC findings with FIU, Customs, and law enforcement under MOUs.

Step 6: Capacity Building

- Provide training sessions, outreach to communities and guidance notes to NPOs on AML/CTF obligations.
- Promote best practices in financial management and donor transparency.

Step 7: Enforcement Actions

- Issue warnings, fines, or suspend registration for non-compliant NPOs.
- Refer serious breaches to FIU and law enforcement for investigation.

Step 8: Audit & Review

- Conduct risk-based audits focusing on high-risk NPOs.
- Use audit findings to refine oversight procedures and strengthen preventive measures.

Please contact the following person should you have any questions:

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

Dated this 7th day of May 2026



.....
Branan Karae
Commissioner

