VANUATU FINANCIAL

SERVICES COMMISSION

VFSC LEGAL PERSONS & UBO RISK ASSESSMENT GUIDELINE

1. Purpose

This Guideline establishes a risk-based methodology for assessing the Money Laundering (ML), Terrorism Financing (TF), Proliferation Financing (PF), beneficial ownership transparency, and regulatory compliance risks associated with legal persons registered or supervised by the Vanuatu Financial Services Commission (VFSC).

The Guideline supports:

- FATF Recommendations 1, 24 and 25.
- Vanuatu National Risk Assessment (NRA).
- VFSC Risk-Based Supervision Framework.
- Immediate Outcome 5 (Beneficial Ownership Transparency).
- Effective allocation of supervisory resources.

2. Scope

This Guideline applies to:

- International Companies
- Local Companies
- Overseas Companies
- Partnerships
- Any other legal person administered by VFSC

The assessment must be conducted:

- At registration.
- During annual review.
- Following ownership changes.
- Following adverse intelligence.
- Prior to onsite inspections.
- Following regulatory breaches.

3. Risk Assessment Principles

VFSC shall apply a Risk-Based Approach (RBA) whereby supervisory resources are directed towards entities presenting the greatest ML/TF/PF risks.

The assessment considers:

Entity Risk

- Legal structure
- Business activity
- Ownership complexity
- Geographic exposure

UBO Risk

- Nationality
- Country of residence
- PEP exposure
- Sanctions exposure

Compliance Risk

- Filing compliance
- Regulatory history
- Accuracy of information

Adverse Information Risk

- Media reports
- Law enforcement information
- Intelligence reports
- Regulatory findings

4. Risk Factors

4.1 Entity Type Risk

Entity Type	Risk Score
Charitable Association	1

Entity Type	Risk Score
Partnership	2
Local Company	3
Overseas Company	4
International Company	5

Rationale

International Companies generally present higher risks due to:

- Cross-border ownership
- Foreign UBOs
- Increased opacity
- Potential misuse for ML/TF

4.2 Business Activity Risk

Examples:

Low Risk (1-2)

- Agriculture
- Retail
- Hospitality
- Education
- Community organisations

Medium Risk (3)

- Import/export
- Construction
- Manufacturing
- Transport

High Risk (4-5)

- Real estate holding
- Trust and company services
- Investment activities
- Financial services
- Virtual assets

- Cash-intensive businesses

4.3 Ownership Structure Risk

Structure	Score
Single individual owner	1
Multiple local owners	2
Corporate shareholder	3
Multi-layer ownership	4
Complex cross-border ownership	5

Indicators include:

- Nominee arrangements
- Trust ownership
- Multiple jurisdictions
- Difficult-to-identify UBOs

4.4 Geographic Risk

Countries shall be assessed according to:

- FATF High-Risk Jurisdictions
- FATF Grey List
- UN Sanctions
- NRA findings
- Internal VFSC intelligence

Example

Country Category	Score
Low-risk FATF compliant	1
Emerging risk jurisdiction	3
FATF Grey List	4
FATF Black List / Sanctioned	5

4.5 UBO Risk

Factors include:

Nationality

Higher scores where nationality is linked to:

- High-risk jurisdictions
- Weak AML regimes

Country of Residence

Higher scores where residence is:

- Under sanctions
- Subject to FATF action
- Known secrecy jurisdictions

Politically Exposed Persons (PEPs)

Status	Score
No PEP involvement	1
Domestic PEP	3
Foreign PEP	5

4.6 Sanctions Screening

All UBOs must be screened against:

- United Nations sanctions
- OFAC sanctions
- EU sanctions
- UK sanctions
- Dow Jones / World Check (where available)

Result	Score
No Match	1
Potential Match	4
Confirmed Match	5

4.7 Compliance Risk

Assessment should consider:

- Annual returns
- Beneficial ownership updates
- Filing timeliness
- Regulatory cooperation

Example

Compliance Status	Score
Fully compliant	1
Minor issues	2
Repeated late filing	4
Serious non-compliance	5

4.8 Adverse Information Risk

Sources:

- Open-source intelligence
- Regulatory notices
- Court decisions
- Media reports
- Foreign competent authorities

Result	Score
None	1
Minor concerns	3
Significant adverse information	5

5. Red Flag Indicators

Additional risk points should be applied where:

- UBO cannot be verified.
- Nominee arrangements identified.
- Frequent ownership changes.
- Shell company characteristics observed.
- No apparent economic purpose.

- High-risk countries involved.
- Suspicious transaction reports linked.
- Complex ownership without commercial justification.
- Refusal to provide information.
- False or misleading filings.

6. Risk Rating Methodology

The assessment tool automatically calculates:

Risk Score × Weighting = Weighted Score

The weighted scores are aggregated to produce the Final Risk Rating.

7. Risk Classification

Score	Rating
1.00 – 1.99	LOW
2.00 – 2.99	MEDIUM
3.00 – 3.99	HIGH
4.00 – 5.00	EXTREME

8. Supervisory Response Matrix

LOW RISK

Due Diligence

- Simplified CDD

Supervision

- Routine monitoring

Review Cycle

- Every 5 years

Approval

- Registration Officer

MEDIUM RISK

Due Diligence

- Standard CDD

Supervision

- Offsite review

Review Cycle

- Every 3 years

Approval

- Manager Registration

HIGH RISK

Due Diligence

- Enhanced Due Diligence (EDD)

Supervision

- Annual offsite review
- Targeted onsite inspections

Review Cycle

- Every 12 months

Approval

- Registrar / Senior Officer

EXTREME RISK

Due Diligence

- Enhanced Due Diligence Plus

Supervision

- Immediate onsite inspection
- Escalation to senior management

Review Cycle

- Immediate review

Approval

- Commissioner / Executive Management

Possible outcomes:

- Refuse registration
- Suspend registration
- Regulatory enforcement action

- Referral to FIU or law enforcement

9. Assessment Frequency

A reassessment shall occur when:

Ownership Changes

- New UBO identified
- Share transfers
- Change of control

Regulatory Events

- Inspection completed
- Enforcement action initiated
- Significant non-compliance detected

Intelligence Events

- New sanctions
- Adverse media
- Foreign authority request

Periodic Reviews

- Low Risk: 5 years
- Medium Risk: 3 years
- High Risk: Annual
- Extreme Risk: Continuous monitoring

10. Documentation Requirements

Assessors must retain:

- Completed score sheet
- UBO declarations
- Identification documents
- Screening results
- Evidence supporting risk decisions
- Inspection reports
- Correspondence

Records shall be retained in accordance with VFSC record management requirements.

11. Governance and Quality Assurance

Registration Officers

- Complete assessments.
- Maintain evidence.

Manager Registration

- Review Medium and High-Risk assessments.

Commissioner

- Review Extreme Risk cases.
- Approve enforcement actions where required.

Please contact the following person should you have any questions:

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Dated on this 17th day of February 2026

COMMISSION DES AFFAIRES FINANCIERES VANUATU FINANCIAL SERVICES COMMISSION

Branan Karae

Commissioner.