



EUROPEAN COMMISSION

DIRECTORATE-GENERAL FOR FINANCIAL STABILITY, FINANCIAL SERVICES AND CAPITAL
MARKETS UNION

The Director General

Brussels
FISMA.D.2/MB

H.E. Johnny Koanapo Rasou
Minister of Finance and Economic
Management
PMB 058, Kumul Highway, Port Vila,
Vanuatu

**Subject: EU list of jurisdictions with strategic deficiencies in their regimes on anti-money laundering and countering terrorist financing:
Finalisation of EU benchmarks for the de-listing of Vanuatu**

Your Excellency,

I am contacting you in relation to the fact that Vanuatu is included in the EU list of third countries having strategic deficiencies in their regimes on anti-money laundering and countering the financing of terrorism (AML/CFT).

The European Union attaches great importance to the fight against money laundering and terrorism financing, in cooperation with its international partners. Therefore, the European Union has considerably strengthened its legal framework on preventing money laundering and terrorism financing in recent years, in line with international standards adopted by the Financial Action Task Force (FATF).

Under the EU Anti-Money Laundering Directive (AMLD), the Commission also has a legal obligation to identify high-risk third countries having strategic deficiencies in their regimes on anti-money laundering and countering terrorism financing. The objective of the EU list of high-risk third countries is to protect the Union's internal market, through application of enhanced due diligence measures by obliged entities. In this context, the Commission adopted Delegated Regulation (EU) 2016/1675 that identifies third countries having strategic deficiencies in their regimes on anti-money laundering and countering the financing of terrorism (AML/CFT) – hereafter “EU list on AML/CFT”.

Vanuatu is currently included in the EU list on AML/CFT. By means of this letter, I would like to give you some explanations on the requirements in order to be removed from the EU list on AML/CFT.

On 7 May 2020, the European Commission issued a revised Methodology (SWD(2020)99) that specifies its approach with regard to removal from the EU list. According to this Methodology, the Commission services assess whether the Action Plan agreed with FATF is sufficiently

comprehensive in view of the EU delisting criteria, in particular on ensuring transparency of beneficial ownership information.

The revised Methodology provides that once a country or jurisdiction is delisted by the FATF, it should be able to demonstrate that it fulfils the EU delisting criteria, as defined under section 4.8.2. of the Methodology, in order to be also delisted from the EU list on AML/CFT.

In this context, my services have been in constant exchange with you since we shared our assessment of your country's AML/CFT regime and our draft EU benchmarks for your comments last year. I would like to thank you and your competent authorities for the fruitful exchange and the valuable technical input provided.

At this stage, the Commission has gathered sufficient information in order to share with you the final benchmarks which Vanuatu needs to fulfil in order to be delisted from the EU list on AML/CFT. These are the following actions:

1. Vanuatu should ensure that accurate and up-to-date Beneficial Ownership (BO) information for all legal entities and legal arrangements is available and accessible in a timely way by competent authorities.
2. Vanuatu should also demonstrate that effective, proportionate and dissuasive sanctions are applied in case of breaches of BO requirements.
3. Vanuatu should demonstrate that the mitigating measures of the country's competent authorities regarding specific investment programs that could constitute a higher risk of money laundering and terrorism financing match the level of risk to which the country is exposed. Vanuatu should demonstrate in particular that the country implements relevant processes and controls in this regard.

In addition, the Commission strongly encourages Vanuatu to seek a re-rating of element A1 by the Global Forum.

I would like to inform you about the next steps of our procedure. In line with the Commission's methodology, I ask you to provide us with your political commitment in written form to implement these EU benchmarks as proposed by the Commission. Once this political commitment is received, your competent authorities will benefit from a 12-month period to implement the benchmarks. At the end of this period, the Commission will request your country's authorities to report back on the progress made to address these benchmarks, so my services can assess whether the conditions for a de-listing of Vanuatu from the EU list on AML/CFT are met. Your country's authorities are welcome to report back regularly to colleagues in our EU Delegation during the observation period on the progress made while at the same time informing my services through the functional e-mail address FISMA-AML-THIRD-COUNTRIES@EC.EUROPA.EU.

Let me conclude by thanking you and your authorities once more for the valuable exchanges so far. I trust that this letter will receive your highest attention and I underline the interest of the European Union for a further open, constructive and fruitful dialogue in view of reaching a positive outcome.

Yours sincerely,

Electronically signed

John BERRIGAN