

Mutual Evaluations¹

Introduction

A central part of the work of the APG is the implementation by its members of the FATF 40 Recommendations and the primary means of monitoring implementation of the 40 Recommendations is the mutual evaluation process.

Substantial progress was made during the year under review, with the first mutual evaluation being completed and members agreeing to a schedule of mutual evaluations to take place through to 2003.

Members agreed at the second annual meeting in August 1999 to establish a mutual evaluation process to assess the effectiveness of anti-money laundering initiatives in member jurisdictions. This will ensure that the procedures of the APG are consistent with the internationally established and accepted practice for evaluating the effectiveness of the process.

Each member will be evaluated in turn by the APG on the basis of a report drawn up by a team of three or four selected experts, drawn from the legal, financial and law enforcement fields of other APG members.

The mutual evaluation process is designed to give due recognition where the standard benchmarks are met, and to identify weaknesses and make appropriate recommendations with a view to rectification where they are not.

Mutual Evaluation of Vanuatu

The first mutual evaluation, of Vanuatu, was conducted in March 2000. The report was tabled at the annual general meeting held in June 2000 and was accepted. The conclusions and recommendations contained in the report are reproduced below.

Conclusions

Vanuatu does not have a major drug or organised crime problem. The extent of money laundering relating to overseas proceeds is unknown. Whilst few cases of suspected money laundering have been identified or investigated, Vanuatu has the potential to be used for money laundering purposes. It is a tax haven, has no foreign exchange regulations and has efficient domestic and offshore banking systems. The current secrecy arrangements in place for international companies also contribute to the risks for Vanuatu as a place that might appeal to a money launderer.

Vanuatu does not at this time meet the anti-money laundering standards set out in the Financial Action Task Force on Money Laundering's 40 Recommendations. Vanuatu has expressed an intention to comply with international anti-money laundering standards. If that intention is put into practice, Vanuatu should be able to reach the international standards. However, although at present there is a legislative platform in place, there is need for significant steps to be taken to amend the law if Vanuatu is to meet world standards in this area.

In Vanuatu there is a need to ensure that regulators, law enforcement agencies and prosecutors have the skills and capacity to effectively identify, investigate and

¹ Extract from *Asia/Pacific Group on Money Laundering Annual Report 1999-2000*.

prosecute money laundering offences. Due to the limited experience to date, there is little or no expertise in these areas. It is likely that if rapid progress is to be made in relation to investigations of money laundering some form of international assistance will be required. Assistance will also be required for the other relevant departments if their skill levels are to be raised to a standard that would enable them to effectively carry out money laundering investigations and institute measures to combat money laundering both at the domestic level and within the offshore centre.

The Evaluation Team made a number of recommendations designed to strengthen Vanuatu's anti-money laundering system. Some of these recommendations include:

- Ratify the Vienna Convention (*United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances 1988*).
- Introduce laws to require mandatory reporting by financial institutions of suspicious transactions, with such reporting made to a single competent authority.
- Develop an all-of-government anti-money laundering strategy that defines responsibilities of regulatory and law enforcement agencies.
- Upgrade training of law enforcement personnel to improve the capacity of police, customs and other relevant agencies to effectively investigate suspected money laundering and related offences.
- Review the secrecy provisions in Vanuatu laws and amend laws where the secrecy provisions inhibit effective investigation of money laundering offences.
- Ensure that anti-money laundering requirements in Vanuatu apply to non-bank financial institutions as well as the banking sector. This would include casinos, bookmakers, securities dealers, insurance companies, accountants, managers of unit trusts and the like.

As noted earlier in this report, Vanuatu accepted all the recommendations made by the Evaluation Team, and by the time of this annual report had implemented almost all of them.