

## Update on Nauru's Mutual Evaluation

Nauru is currently undergoing through its Mutual Evaluation (ME). The mutual evaluation is a peer review process to measure Nauru's compliance and effectiveness against the Financial Actions Task Force (FATF) 40 Recommendations on Money Laundering and the Combatting the Financing of Terrorism and Proliferation Financing.

In preparation for the ME technical assistance was provided by the Asia Pacific Group on Money Laundering (APGML) in the drafting and amendment of new laws. This was done in accordance with the requirements of the FATF Recommendations to ensure that Nauru has updated legislation to meet the international standards.

As a result, Nauru has the following new laws and regulations in place:

1. Anti-Money Laundering and Targeted Financial Sanctions Act 2023
2. Proceeds of Crime (Amendment) Act 2023
3. Anti-Money Laundering and Targeted Financial Sanctions (Record Keeping Regulations) 2023
4. Anti-Money Laundering and Targeted Financial Sanctions (Suspicious Activity Report) Regulations 2023
5. Proceeds of Crime (Border Declaration Form) Regulations 2023

Another major achievement by Nauru was the execution of the **National Strategy for Anti-Money Laundering and Combatting the Financing of Terrorism 2022-2025** (The Strategy). The Strategy promotes a collaborated effort from all agencies including competent authorities and Private Partners identifying and mitigating AML/CFT risks in the Republic. The Public Private Partnership (PPP) is to ensure that our Private Partners also have a significant role in preventing money laundering and terrorism financing in the Republic or elsewhere.

There are 2 main aspects of the ME and these are as follows:

**Technical compliance:** The technical compliance assessment addresses the specific requirements of the FATF Recommendations, principally as they relate to the relevant legal and institutional framework of the country, and the powers and procedures of the competent authorities. The assessed country must provide information on the laws, regulations and any other legal instruments it has in place to combat money laundering and the financing of terrorism and proliferation. These represent the essential requirements of an AML/CFT system. The assessment of technical compliance is part of each mutual evaluation.

**Effectiveness:** The effectiveness assessment differs from the assessment of technical compliance. It seeks to assess the adequacy of the implementation of the FATF Recommendations, and identifies the extent to which a country achieves a defined set of outcomes that are central to a robust AML/CFT system. The focus of the effectiveness assessment is therefore on the extent to which the legal and institutional framework is producing the expected results. What is expected from a country differs, depending on the money laundering / terrorist financing and other risks it is exposed to.

Below table shows the progress made by Nauru so far in the ME:

| <i>Date</i>   | <i>Issue</i>  |
|---------------|---|
| 6 March 2023  | Nauru submitted TC response.  |
| 23 March 2023 | Supplementary questions on TC sent to Nauru.  |
| 29 March 2023 | Follow-up questions on TC sent to Nauru and responses received.   |
| 31 March 2023 | Nauru submitted response to initial TC supplementary questions & Nauru National Strategy for AML/CFT 2022-2025. |

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| 6 April 2023   | Nauru submitted effectiveness questionnaire & response to TC supplementary questions.  |
| 28 April 2023  | 1 <sup>st</sup> draft TC annex sent to Nauru.  |
| 1 May 2023     | Supplementary questions on effectiveness sent to Nauru.                                |
| 9 May 2023     | Nauru requests extension until 19 May to respond to TC Annex. Agreed.                  |
| 17 May 2023    | Dates of virtual pre-ME confirmed as 23-25 May @ 2-5pm Nauru time.                     |
| 20 May 2023    | Nauru provides feedback on 1 <sup>st</sup> draft TC annex.                             |
| 23-25 May 2023 | Virtual pre-ME conducted   |
| 19 June 2023   | Nauru submitted responses to queries with documentary evidence arising from the Pre-ME |

Nauru now awaits the 2<sup>nd</sup> draft TC annex in August 2023.