



**Republic of Nauru**

**ANTI-MONEY LAUNDERING AND TARGETED FINANCIAL  
SANCTIONS (SIMPLIFIED DUE DILIGENCE) GUIDLINE 2023**



**Financial Intelligence Unit**

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**TABLE OF REVISIONS**

The Anti-Money Laundering and Targeted Financial Sanctions (Simplified Due Diligence) Guideline 2023 was published on 10 August 2023.

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10 September 2023	11 September 2023
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## Republic of Nauru

# ANTI-MONEY LAUNDERING AND TARGETED FINANCIAL SANCTIONS (SIMPLIFIED DUE DILIGENCE) GUIDELINE 2023

## 1. Legislative Requirement for Simplified Due Diligence

This Guideline is issued in accordance with *Section 85* and for the purposes of *Section 45(2)* of the *Anti-Money Laundering Targeted Financial Sanctions Act 2023*.

## 2. Definitions used in this Guideline

In this Guideline:

- (a) **'Act'** means the Anti-Money Laundering and Targeted Financial Sanctions Act 2023;
- (b) **'customer'** has the meaning given by Section 4 of the Act;
- (c) **'FATF'** means the Financial Action Task Force;
- (d) **'supervisory authority'** has the meaning given by Section 4 of the Act; and
- (e) **'simplified due diligence'** means the lowest level of due diligence that can be applied by a reporting entity on an existing customer, based on the records of the customer in the custody of the reporting entity.

## 3. Objective of this Guideline

The objective of this Guideline is to provide assistance:

- (a) to reporting entities, comply with the requirements of the Act;
- (b) to meet the requirements of the Financial Action Task Force; and
- (c) to supervisory authorities to assess a reporting entity's application of simplified due diligence.

#### **4. Who this Guideline applies to**

This guideline applies to all reporting entities in the Republic and including those that apply a foreign group compliance programme.

#### **5. When to apply simplified due diligence**

- (1) For the purposes of Section 45 of the Act, a reporting entity may apply a simplified customer due diligence procedure in certain circumstances if:
  - (a) the risk of money laundering or financing of terrorism is low;
  - (b) information on the identity of the customer and the beneficial owner of a customer is available; or
  - (c) adequate checks and internal controls are in place.
- (2) The customers which or who may be subject to simplified due diligence include:
  - (a) reporting entities that are licenced or regulated under other written law by supervisory authorities; or
  - (b) State Owned Enterprises and Instrumentalities of the Republic in which all the shareholders, directors and officers are Nauruan's that are subject to regulatory and disclosure requirements.
- (3) Simplified Customer Due Diligence may include a lower level of:
  - (a) scrutiny for customer identification;
  - (b) scrutiny of the source and legitimacy of the funds;
  - (c) scrutiny of the legitimacy of the recipient of the funds;
  - (d) transaction monitoring; and
  - (e) customer profiling.
- (4) Simplified due diligence may be applied where a lower risk is identified or determined for:
  - (a) customer risk;
  - (b) country or geographical risk; and
  - (c) product, service, transaction or delivery channel risk.
- (5) Where a reporting entity chooses to apply simplified due diligence, as a minimum requirement, must obtain the following information about the customer:

- (a) name and residential address;
  - (b) occupation; and
  - (c) the legal form and nature of business activity conducted by the customer.
- (6) Simplified due diligence must not be undertaken where there is a suspicion of money laundering or terrorist financing or where higher-risk scenarios prevails.
- (7) Reporting entities can refer to some examples where simplified due diligence may be required or applied which include:
- (a) a financial activity (other than the transferring of money or value) is carried out by a natural or legal person on an occasional or very limited basis; and
  - (b) a financial product or service provides appropriately defined and limited services to certain types of customers.

## **6. When simplified due diligence cannot be undertaken**

- (1) Simplified due diligence cannot be undertaken when higher risk scenarios are identified.
- (2) Simplified due diligence cannot be undertaken with respect to customers or transactions connected with High Risk Countries identified under the *Anti-Money Laundering and Targeted Financial Sanctions (High Risk Countries) Guideline*.

[Clause 6, insrt per FATF R10.18, 20 February 2024]

## **7. What are higher risk scenarios**

For the purposes of *Clause 5(6)*, the higher risk scenarios exist in relation to where a customer, agent, beneficial owner of the customer or the beneficiary in the case of a life insurance policy:

- (a) is a resident of a country:
  - (i) where there is a high risk of financial crime
  - (ii) in which there are no adequate systems in place to prevent or deter financial crime; or
  - (iii) that is the subject of information provided by the FIU to a reporting entity in accordance with *Section 85(k)* of the Act;

- (b) is involved in a business activity that involves a high risk of financial crime;
- (c) in the case of a body, has an unusual or excessively complex ownership structure which is not proportionate to the nature of the business;
- (d) is a politically exposed person;
- (e) could, in the circumstances, be suspected on reasonable grounds to be involved in financial crime, either within or outside of the Republic; or
- (f) satisfies any other criteria published or provided by the FIU that is determined to be high-risk by the FIU.

[Para (f), am per FATF R10.18, 20 Feb 2024]

## **8. Who to contact**

For further information you may contact:

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