Papua New Guinea Greylisting
Understanding the Implications for Business and Financial Transactions

KiVA
Financial Crime Advisory
Papua New Guinea

What is FATF Greylisting?

The Financial Action Task Force (FATF) sets global standards to combat:

- Money laundering
- Terrorism financing
- Proliferation financing

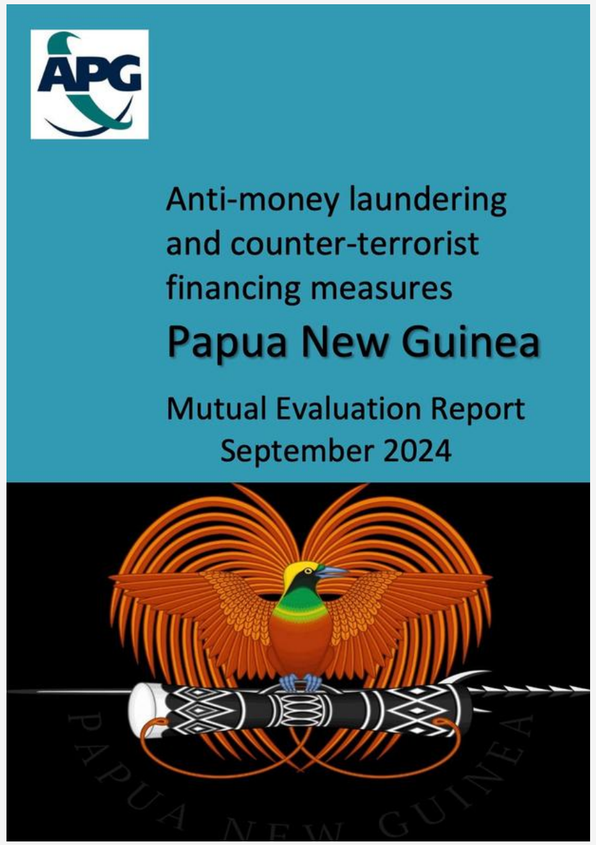
Countries placed on the FATF grey list are subject to increased monitoring while they address weaknesses in their AML/CFT systems.

Greylisting does not mean financial activity stops, but it does mean greater scrutiny from the international financial system.

Why PNG Was Greylisted

The FATF Mutual Evaluation identified several areas where PNG's AML/CFT framework needs strengthening:

- effectiveness of money laundering investigations and prosecutions
- confiscation of criminal proceeds
- beneficial ownership transparency
- supervision of some regulated sectors
- implementation of targeted financial sanctions.

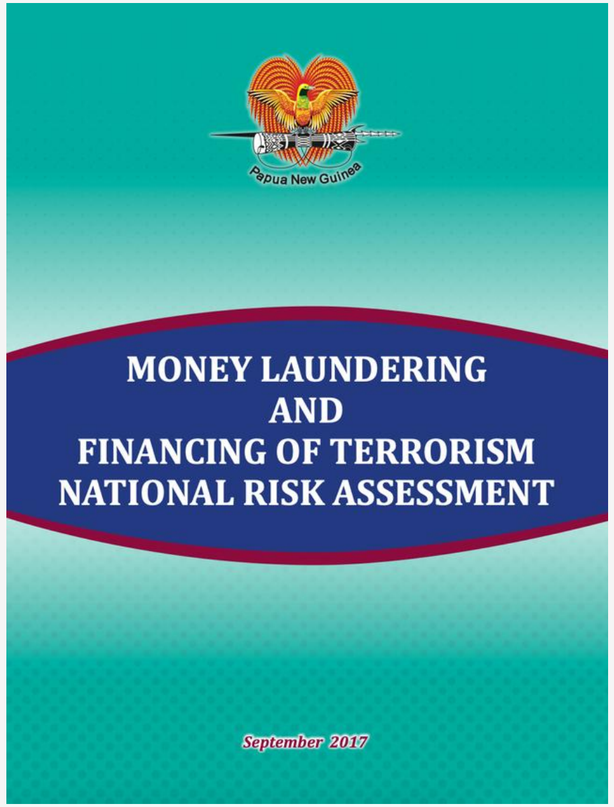


PNG’s Financial Crime Risk Environment

The National Risk Assessment identifies several major drivers of money laundering risk:

- corruption and bribery
- fraud against government programs
- tax offences
- illegal logging and fishing.

These crimes generate proceeds that may be laundered through the financial system.



What the Mutual Evaluation Says Is Working

The evaluation also recognised progress:

- establishment and operation of the Financial Analysis and Supervision Unit (FASU)
- improvements in the regulatory supervision of commercial banks
- increased awareness of financial crime risks within regulated sectors.

These developments provide a foundation for strengthening the system further.

PNG's FATF Action Plan

Papua New Guinea has committed to strengthening its AML/CFT regime by:

1. Improving understanding of money laundering risks
2. Strengthening international cooperation
3. Enhancing risk-based supervision of banks and higher-risk sectors
4. Increasing money laundering investigations and prosecutions
5. Expanding confiscation of criminal proceeds
6. Strengthening understanding of targeted financial sanctions
7. Addressing technical compliance gaps.

A financial system relies on many interconnected threads:

- banks
- regulators
- businesses
- professional intermediaries
- law enforcement
- international partners.

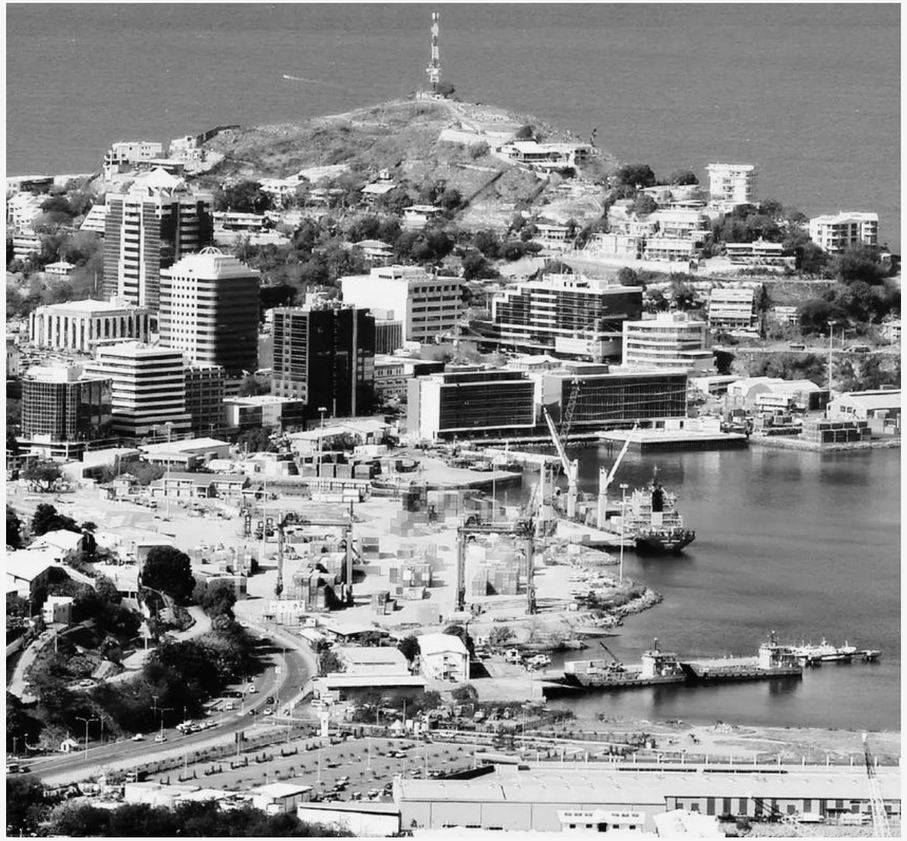
When one thread weakens, the system experiences strain. Greylisting signals that some threads need strengthening.

What Greylisting Means for Businesses

Greylisting does not stop financial activity.

However, businesses may experience:

- more due diligence requests from banks
- additional documentation requirements
- increased scrutiny of cross-border payments
- questions about ownership structures and transaction purpose.



Where Transaction Friction Occurs

Transactions may face delays when:

- ownership structures are unclear
- documentation does not explain the commercial purpose
- payments involve multiple intermediaries
- transactions involve politically exposed persons or their relatives and close associates.

Key Compliance Areas for Businesses

Businesses can reduce friction by focusing on:

- understanding ownership and control of counterparties
- maintaining clear documentation
- identifying exposure to politically exposed persons where relevant
- ensuring payment instructions align with contracts and invoices.

What Businesses Should Expect

As PNG implements the FATF action plan, the business environment may see:

- increased regulatory oversight
- stronger due diligence expectations
- enhanced scrutiny of cross-border transactions
- greater emphasis on transparency and documentation.

What Boards Should Be Asking

Boards and senior leaders should consider:

- Do we understand who ultimately owns and controls our key counterparties?
- Are our transactions supported by clear documentation?
- Do we understand where politically exposed persons may be involved?
- Are our governance structures capable of responding to increased scrutiny?
- Are we prepared for additional due diligence requests from financial institutions?

KiVA Financial Crime Advisory

Built for Papua New Guinea

KiVA Financial Crime Advisory supports organisations across Papua New Guinea in navigating financial crime risk, governance and regulatory expectations.

Our work focuses on helping organisations:

- strengthen governance and financial crime controls
- navigate local and international regulatory expectations
- manage financial crime risks
- build systems that support transparency and trust.

SCAN TO VISIT OUR WEBSITE

Presenter
Emmanuel Auru
Co-Founder – KiVA Financial Crime Advisory

Thank you

KiVA
Financial Crime Advisory
Papua New Guinea