



**1<sup>st</sup> Follow-Up Report**

# Mutual Evaluation of Nauru

February 2025





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Cover image: Nauru shoreline, courtesy of Nauru FIU



Asia/Pacific Group  
on Money Laundering

# NAURU

## 1<sup>ST</sup> ENHANCED (EXPEDITED) FOLLOW-UP REPORT 2025

### I. INTRODUCTION

1. The mutual evaluation report (MER) of Nauru was adopted in 2024.
2. This FUR analyses the progress of Nauru in addressing the technical compliance requirements of the recommendations being re-rated. Technical compliance re-ratings are given where sufficient progress has been demonstrated.
3. This report does not analyse any progress Nauru has made to improve its effectiveness.
4. The assessment of Nauru's request for technical compliance re-ratings and the preparation of this report was undertaken by the following experts:
  - *Esther Sue, Fiji Financial Intelligence Unit, Fiji*
5. The preparation of the FUR was supported by Sylvia Deutsch and Alex Neville from the APG Secretariat, with additional support from other Secretariat members.
6. Section IV of this report summarises the progress made to improve technical compliance. Section V contains the conclusion and a table illustrating Nauru's current technical compliance ratings.

### II. FINDINGS OF THE MUTUAL EVALUATION REPORT

7. Nauru current ratings <sup>1</sup> are follows:

IO.1	IO.2	IO.3	IO.4	IO.5	IO.6	IO.7	IO.8	IO.9	IO.10	IO.11
Mod	Mod	Low	Mod	Mod	Mod	Low	Low	Mod	Mod	Low

R.	Rating	R.	Rating
1	PC (2024 MER)	21	C (2024 MER)
2	LC (2024 MER)	22	C (2024 MER)

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<sup>1</sup> There are four possible levels of technical compliance: compliant (C), largely compliant (LC), partially compliant (PC), and non-compliant (NC). Effectiveness ratings for the 11 Immediate Outcomes are: Low, Moderate (Mod), Substantial or High.

<b>R.</b>	<b>Rating</b>	<b>R.</b>	<b>Rating</b>
3	LC (2024 MER)	23	C (2024 MER)
4	LC (2024 MER)	24	LC (2024 MER)
5	C (2024 MER)	25	LC (2024 MER)
6	LC (2024 MER)	26	LC (2024 MER)
7	C (2024 MER)	27	C (2024 MER)
8	LC (2024 MER)	28	LC (2024 MER)
9	C (2024 MER)	29	PC (2024 MER)
10	C (2024 MER)	30	LC (2024 MER)
11	C (2024 MER)	31	LC (2024 MER)
12	C (2024 MER)	32	LC (2024 MER)
13	C (2024 MER)	33	LC (2024 MER)
14	C (2024 MER)	34	C (2024 MER)
15	LC (2024 MER)	35	C (2024 MER)
16	C (2024 MER)	36	LC (2024 MER)
17	C (2024 MER)	37	LC (2024 MER)
18	C (2024 MER)	38	PC (2024 MER)
19	C (2024 MER)	39	LC (2024 MER)
20	C (2024 MER)	40	LC (2024 MER)

8. Given these results and the effectiveness ratings, Nauru is on enhanced (expedited) follow-up.<sup>2</sup>

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<sup>2</sup> There are three categories of follow-up based on mutual evaluation reports: regular, enhanced and enhanced (expedited). For further information see the APG Mutual Evaluation Procedures.

### III. PROGRESS TO IMPROVE TECHNICAL COMPLIANCE

9. In keeping with the APG ME Procedures, this FUR considers progress made up until 1 February 2025 and considers progress to address the deficiencies identified in the MER and the entirety (all criteria) of each Recommendation under review, noting that this is cursory where the legal, institutional or operational framework is unchanged since the MER or previous FUR. This report does not address the progress Nauru has made to improve its effectiveness.<sup>3</sup>

10. This section summarises the progress made by Nauru to improve its technical compliance by implementing requirements in place at the time of the MER.

#### Progress to address technical compliance deficiencies identified in the MER.

11. Nauru requested re-ratings of Recommendation 29 (R.29) which was rated partially compliant (PC).

12. The APG welcomes the steps that Nauru has taken to improve its technical compliance with R.29. As a result of this progress, Nauru has been re-rated on R.29.

#### *Recommendation 29 [R.29] (Originally rated partially compliant)*

13. Nauru was rated PC for R.29 in its 2024 MER. Nauru has a robust legal framework establishing NFIU. However, the 2024 MER noted that NFIU lacked real-time information limiting its ability to conduct real-time operational analysis. While NFIU has statutory provisions establishing its independence and autonomy, it was not evident in the context of Nauru that the FIU has the capacity to carry out its functions freely, and to obtain and deploy the resources needed to carry out its functions, on an individual or routine basis, free from any undue political, government or industry influence or interference.

14. **Criterion 29.1** is *met*. No deficiencies were identified in the 2024 MER.

15. **Criterion 29.2** is *met*. No deficiencies were identified in the 2024 MER.

16. **Criterion 29.3** is *met*. No deficiencies were identified in the 2024 MER.

17. **Criterion 29.4** is *met*. The 2024 MER identified that NFIU lacked real-time information from the foreign bank agency and the relevant FIU and therefore has limited opportunity to undertake real-time operational analysis, which is an ongoing concern for LEAs. The 2024 MER noted that the remaining deficiency at c.29.4(a) was related to the inability of NFIU in receiving reports and obtaining information from the foreign bank agency since the bank is supervised and regulated by the competent authority of the bank's home jurisdiction, therefore all information and forms in relation to Customer Due Diligence (CDD) and onboarding are processed by the headquarters in Australia; and all necessary documentation on accounts for Nauruans are held in Australia, not in Nauru and any suspicious activity reports on the accounts held by Nauruans are reported to its home FIU in Australia (AUSTRAC). This non-reporting of suspicious activity reports by the foreign banking agency to NFIU impacted

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<sup>3</sup> On 26 February 2025, the APG MEC meeting endorsed Nauru with an exemption to paragraph 140(a) of the APG ME Procedures for the global fourth round to enable them to seek in 2025 an upgrade for R.29.

on access to real-time information received by NFIU, therefore, NFIU had limited opportunity to undertake real-time operational analysis, which has been an ongoing concern for LEAs.

18. Since the 2024 MER, there has been an important change in the operational context relevant to this criterion. In 2025, Nauru reported that a different Australian bank (the new bank) will be taking over the bank agency service and commenced onboarding Nauruan customers. The new bank has agreed to voluntarily submit SARs directly to NFIU. The review team was provided email exchanges between the new bank and NFIU indicating the new bank would voluntarily provide SARs to NFIU. The new bank maintains on going coordination with NFIU and AUSTRAC regarding the SAR submission. Furthermore, AUSTRAC and NFIU signed a Letter of Bilateral Cooperation on 3 September 2024 as an agreement between both parties to share information, including financial intelligence. Although the new bank will continue to file other reports (e.g. IFTIs) to AUSTRAC, the renewed information sharing arrangement between AUSTRAC and NFIU enables the two parties to exchange information, including the information of accounts with a link to Nauru. This improves the availability of obtainable information as required in this criterion.

19. The Nauru FIU has further improved compliance under c.29.4(a) including updating its SOP in September 2024, which now requires REs to ensure the timely delivery of reports to the FIU. The SOP also mandates that the information sharing with LEAs, including financial intelligence, should be conducted in a timely manner even if the intelligence is not of use to the FIU but may be useful to another LEA.

20. As noted in Nauru's 2024 MER, the Australian bank operating in Nauru under an agency arrangement with the Government of Nauru is not classified as a domestic reporting entity under Nauruan law and, therefore, is not subject to a legal obligation to file SARs with the NFIU. Nonetheless, the bank has been voluntarily sharing SARs with the NFIU.

21. The 2024 MER further outlines Nauru's materiality and context, that this agency arrangement is primarily intended to promote financial inclusion by offering basic banking services to Nauruan citizens, such as access to bank accounts. The bank is regulated exclusively by Australian authorities, and oversight of its operations remains under the jurisdiction of Australia. As a result, CDD, onboarding procedures, and all related account documentation are managed and maintained in Australia. Nauruan authorities do not exercise regulatory or supervisory powers over the bank or its activities. However, the oversight by AUSTRAC adds an additional safeguard for the monitoring of suspicious transactions with relevance to Nauru.

22. Furthermore, a bilateral cooperation agreement between AUSTRAC and the NFIU, as mentioned above, facilitates the exchange of financial intelligence and other relevant information. This agreement enables the NFIU to obtain financial data related to accounts or transactions with a nexus to Nauru, thereby supporting its analytical functions. This mechanism enhances the availability of information, and this arrangement is similar to NFIU's other arrangements to access information from other agencies to assist in the analysis of SARs (from reporting entities) or other operational products. These requests are not required to be obtained on a real-time basis and given the current risk and context of Nauru, the arrangement is sufficient to assist NFIU to conduct operational analysis on either SARs or requests from LEAs. In addition, recent updates to the NFIU's SOP have strengthened its internal processes for receiving, analysing, and disseminating financial intelligence to LEAs in a timely manner. These updates aim to ensure that the NFIU can operate within its statutory mandate. NFIU uses the SOP to conduct operational analysis, and Nauru has produced operational analysis reports.

23. **Criterion 29.5** is *met*. No deficiencies were identified in the 2024 MER.
24. **Criterion 29.6** is *met*. No deficiencies were identified in the 2024 MER.
25. **Criterion 29.7** is *met*. The 2024 MER noted some deficiencies under this criterion in relation to the FIU's operational independence and autonomy in carrying out its functions freely, and obtaining and deploying the resources needed to carry out its functions, on an individual or routine basis, free from any undue political, government or industry influence or interference. For the purpose of any agreement or arrangement with a foreign counterpart regarding the exchange of information, section 91 of the AML-TFS Act required the approval of the Cabinet. Furthermore, legislative provisions for the FIU's independence had been in place only since 2023.
26. c.29.7(a): As outlined in the 2024 MER, the AML TFS Act empowers the FIU to fully perform its functions independently, according to Section 74(1).
27. c.29.7(b): Since the 2024 MER Nauru has made statutory amendments to support operationally independent and autonomous decisions in relation to making arrangements or engaging independently with other domestic competent authorities or foreign counterparts on the exchange of information. On 20 August 2024, Nauru amended some provisions under the 2023 AML TFS Act, particularly sections 71 and 91, under Part V (Financial Intelligence Unit).
28. According to section 69(1)(h) of the 2023 AML TFS Act, the FIU is mandated to fully carry out its function to engage in any arrangement or any cooperation with similar foreign entities in other countries or international bodies on matters relating to financial crime or criminal conduct, and to coordinate with domestic authorities (including supervisory authorities) that have a role in combatting financial crime or criminal conduct. The AML TFS Act also empowers the FIU to exercise its function to conduct information exchange, including but not limited to collecting and requesting information, and entering into any agreement with any domestic competent authorities (section 77).
29. The amendments of section 91 of the 2023 AML TFS Act now empower the FIU to exercise its full power to enter into any arrangement or understanding with a foreign financial intelligence body, foreign law enforcement body or foreign financial supervisor regarding the exchange of reports, information or analysis between the FIU and the foreign financial intelligence body, foreign law enforcement body or foreign financial supervisor, without requiring the approval from the Cabinet.
30. c.29.7(c): The 2024 MER found that the separation of the FIU was recent, with the legislative provisions having been in place only since 2023. The FIU's independence was therefore not in place for most of the period of review for the ME. The 2024 MER found that further time was needed before the NFIU can demonstrate it is operationally independent and autonomous.
31. In addition to the passage of nearly two years since the ME onsite, Nauru reported on the continuing practical independence of the FIU, including steps taken within the Department of Justice and Border Control (DJBC) to separate FIU budget within the department to be specific to the FIU and under the FIU Supervisors (Head 47). Head 47 sets out the yearly staffing and operational budgets for the FIU and were provided to the review team. The other amendments further support independence.

32. *c.29.7(d)*: The head of FIU (the Financial Intelligence Supervisor) has the power to appoint its officers with terms and conditions determined by them (the amendment of Section 71 of the AML TFS Act). Prior to this amendment the power to appoint was exercised by the Chief Secretary in consultation with the Secretary. There is no requirement for the head of FIU to obtain approval from the Secretary prior to exercising its powers, duties and functions.

33. Overall, Nauru has taken sufficient steps toward operational independence and autonomy of NFIU.

34. **Criterion 29.8** is *met*. No deficiencies were identified in the 2024 MER.

#### *Weighting and Conclusion*

35. Since the 2024 MER, Nauru has undertaken efforts to improve its compliance with Recommendation 29. Updates on the information sharing arrangement with AUSTRAC and the SOP of NFIU enables Nauru to access SARs reported by the foreign banking agency, DNFBPs, MVTS and other reporting entities, along with other relevant information required for its operational analysis function. Nauru has also updated the NFIU's SOP ensuring NFIU is able to process the information received, conducts analysis and shares information, including financial intelligence, with LEAs in a timely manner. Nauru has taken implemented additional measures for the operational independence and autonomy of NFIU with legislative amendments providing for the independence of NFIU in place for two years and operational measures implemented to provide for NFIU with control over its budget.

36. **Recommendation 29** is *re-rated compliant*.

## **IV. CONCLUSION**

37. Overall, Nauru has made progress in addressing the technical compliance deficiencies identified in its MER and has been re-rated to C on R.29.

38. Overall, in light of the progress made by Nauru since its MER was adopted, its technical compliance with the FATF Recommendations as follows as of the reporting date 1 February 2025:

<b>R.</b>	<b>Rating</b>	<b>R.</b>	<b>Rating</b>
1	PC (2024 MER)	21	C (2024 MER)
2	LC (2024 MER)	22	C (2024 MER)
3	LC (2024 MER)	23	C (2024 MER)
4	LC (2024 MER)	24	LC (2024 MER)
5	C (2024 MER)	25	LC (2024 MER)
6	LC (2024 MER)	26	LC (2024 MER)
7	C (2024 MER)	27	C (2024 MER)

<b>R.</b>	<b>Rating</b>	<b>R.</b>	<b>Rating</b>
8	LC (2024 MER)	28	LC (2024 MER)
9	C (2024 MER)	29	PC (2024 MER); <b>↑ C (2025 FUR)</b>
10	C (2024 MER)	30	LC (2024 MER)
11	C (2024 MER)	31	LC (2024 MER)
12	C (2024 MER)	32	LC (2024 MER)
13	C (2024 MER)	33	LC (2024 MER)
14	C (2024 MER)	34	C (2024 MER)
15	LC (2024 MER)	35	C (2024 MER)
16	C (2024 MER)	36	LC (2024 MER)
17	C (2024 MER)	37	LC (2024 MER)
18	C (2024 MER)	38	PC (2024 MER)
19	C (2024 MER)	39	LC (2024 MER)
20	C (2024 MER)	40	LC (2024 MER)

39. Nauru has 38 Recommendations rated C/LC.