



# APG MUTUAL EVALUATION COMMITTEE

## Mutual Evaluation Committee (MEC) Paper

**Agenda item number:** MEC/2025/7

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**Agenda topic:** OCTOBER 2024 FURs WITHOUT RE-RATING

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**Action:** CONSIDERATION AND ENDORSEMENT

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### Desired Outcome:

#### Action

1. It is recommended that the MEC:
  - **Notes** that the FURs of Bhutan, Cook Islands, Tonga, Vanuatu do not include re-ratings.
  - **Considers** and **endorses** the FURs.
  - **Recommends** to APG members to adopt the FURs as per the APG's out-of-session process.
2. It is recommended that the APG Members:
  - **Adopt** the FURs of Bhutan, Cook Islands, Tonga, Vanuatu in keeping with the APG's agreed out of session process.
  - The APG Co-Chairs write to relevant Minister(s) (individually) bringing their attention to the remaining deficiencies in Bhutan, Cook Islands, Tonga, Vanuatu's compliance with the FATF Recommendations.

### Key Issues:

3. To present 2024 October Stream Follow-Up Reports (FURs) without re-rating.

### Background

4. In accordance with the APG's Mutual Evaluation Procedures, this document contains the Follow-Up Reports (FURs) of all APG members from the October Reporting Stream (see Annex 2 of the APG's Mutual Evaluation Procedures) that did not request any re-ratings including those members that are not eligible to seek re-ratings. These members are Bhutan, Cook Islands, Tonga and Vanuatu.

5. The FURs present the member's progress (since its last FUR or MER) in addressing the technical compliance deficiencies identified in its MER and/or previous FURs and a summary of some steps to address effectiveness. As the members did not request re-ratings, the preparation of each FUR was undertaken by the APG Secretariat and does not include an analysis of compliance with any FATF Recommendations. The APG Secretariat conducted a very limited review of information provided by members focusing on readability and consistent use of terms only.

### Consultation:

6. Post endorsement by the MEC and in keeping with the APG's Mutual Evaluation Procedures (para. 160), the FURs will be sent to all members for consideration and adoption through an out-of-session process.

### Communication approach:

7. APG Members and observers will be notified of the outcome of the MEC decision by the Secretariat.

### Alignment with the APG's strategic Plan and business Plan

8. The APG Strategic Plan 2024-2028, Goal 2: *"The APG uses its regional and subject matter expertise to deliver high quality assessments of the implementation of international standards."*

### Attachments

- Bhutan's Follow-Up Report 2024
- Cook Islands' Follow-Up Report 2024
- Tonga's Follow-Up Report 2024
- Vanuatu's Follow-Up Report 2024

**APG Secretariat**  
**February 2025**

## Attachment

# Bhutan's Follow-up Report 2024

## INTRODUCTION

1. This FUR present Bhutan's progress (since its last FUR) in addressing the technical compliance deficiencies identified in its MER and/or previous FURs and a summary of some steps to address effectiveness. In accordance with the APG's Mutual Evaluation Procedures, Bhutan is not eligible to seek re-ratings.
2. The MER of Bhutan was adopted in October 2016. At the time of its MER being adopted, Bhutan was placed in enhanced (expedited) follow-up. On the basis of progress made, in 2018 Bhutan was moved to enhanced follow-up.
3. Bhutan's current ratings for effectiveness are outlined in its 2016 MER and its current ratings for technical compliance are outlined in its 2022 FUR. Both reports are available on the APG's website.

## OVERVIEW OF PROGRESS

### ML/TF Risk and Context Update

4. Bhutan's 2<sup>nd</sup> National Risk Assessment is currently in an intermediate stage. Following the last update in FUR 2023, the Technical Committee approved the Terms of Reference for the National Risk Assessment Working Group (NRAWG). The Financial Intelligence Department (FID) coordinated the collection of the data which was gathered through surveys from all relevant stakeholders.
5. As part of the data validation process, the IMF Technical Assistance (TA) team made their second onsite visit to Bhutan from 5<sup>th</sup> – 12<sup>th</sup> May, 2024. During the mission, a four-day workshop was held for the (NRAWG) and reporting entities, along with a one-day session providing an overview of FATF standards for few of regional judges. The FID as the lead agency for the NRA is collaborating closely with the IMF TA team to draft the NRA report by March 2025.

### Technical Compliance Update

#### Recommendation 7:

##### c.7.2(c)

6. Deficiency: Bhutan has not issued guidance in relation to TFS against proliferation of WMD
7. Input: The Department of Law and Order (DLO) updated the current Guidance on TFS to include TFS provisions related to proliferation of WMD.

#### **7.4c (a)**

8. Deficiency: no procedures enabling listed persons and entities to petition a request for delisting at the Focal Point for delisting established pursuant to UNSCR 1730, or informing designated persons or entities to petition the Focal Point directly.

9. Input: The Department of Law and Order (DLO) updated the current Standard Operating Procedures for Domestic Designation Committee to include procedures for the same.

#### **Recommendation 8:**

##### **c.8.2(c)**

10. Deficiency: Bhutan has not separately developed best practice for NPOs related to CFT.

11. Input: CSOA in collaboration with ACC has developed Bhutan Civil Society Accountability Standards 2023. The CSOs are assessed on 25 indicators to check on their transparency and accountability. The CSOA has also developed guidelines on fundraising, endowment fund and social enterprise.

##### **c.8.6(c)**

12. Deficiency: Deficiencies remain relating to international cooperation requests for regulatory information held by the Chhoedey Lhentshog.

13. Input: To facilitate timely and unimpeded exchange of information on ML, associated predicate offences and TF, an MoU between the Chhoedey Lhentshog and the FID was signed on 6th November 2024 with identified points of contact mentioned in the MoU.

#### **Recommendation 24:**

##### **c.24.8**

14. Deficiency: The findings of the 2018 FUR remain. The Companies Act 2016 does not require that companies incorporated thereunder have a resident natural person (such as a resident director or secretary) or DNFBP (such as a TCSP) responsible or authorised to cooperate with, or accountable to, competent authorities. Section 213 requires that companies have a secretary and section 214 requires that the secretary is responsible for legal compliance, but neither section, nor any other section of the Act, requires that the secretary shall be a resident of Bhutan.

15. Input: Section 10 (a) of the Regulations for Company Secretaries, Independent Directors and Filing Agents, 2024, mandates that company secretaries must locally reside in Bhutan.

##### **c.24.9**

16. Deficiency: REs are required to maintain records for five years, however companies are not required. Specifically, the winding-up provisions of the Companies Act do not contain record keeping provisions following dissolution.

17. Input: Section 36 of the Regulation for Winding Up of Companies in Bhutan 2024, mandates to maintain the records for 10 years from the day companies are wound-up or struck off.

## **Recommendation 28:**

### **c.28.4(c)**

18. Deficiency: Since there is no designated competent authority or SRB responsible for DNFBNs, the requirement to have adequate powers to monitor compliance is also not met.

19. Input: As per the AML/CFT Act 2018, the Ministry of Economic Affairs (now known as Ministry of Industry, Commerce and Employment (MoICE)) shall be the supervisor for DNFBNs. On 29<sup>th</sup> February 2024, the MoICE identified the Department of Industry (DoI) as the designated supervisor for Real Estate Agents. They have identified a focal person to handle the AML/CFT related matters for the department and also a Standard Operating Procedures is currently being developed and reviewed to supervise, regulate and monitor the real estate agents.

20. FID is currently working on identifying the relevant supervisors for accountants and Dealers in Precious Metals and Stones.

## **Recommendation 32**

### **c.32.1(c)**

21. Input: Although Bhutan has a currency declaration system in place, its implementation was disrupted due to COVID-19. To strengthen this system, the RMA issued a public notification in May 2024 regarding the requirement for currency declaration of cash and Bearer Negotiable Instruments (BNI) at Paro International Airport. Additionally, a member of the Technical Committee from Revenue Intelligence Division under the Department of Revenue and Customs has been onboarded into the Bhutan Financial Intelligence Analysis System to report the currency declaration to the FID.

([https://www.rma.org.bt/view\\_news/59/](https://www.rma.org.bt/view_news/59/)).

## **Recommendation 34**

### **c.34.1(c)**

22. Deficiency: There are still minor gaps in relation to feedback.

23. Input: The FID has revised the Beneficial Ownership Guideline 2019 to assist reporting entities in complying with the BO requirements under the AML/CFT Act 2018 and AML/CFT Rules and Regulations 2022. The updated Guideline provides clarity on the identification and key concepts of beneficial ownership and also highlights the multi-pronged approach requirement adopted in Recommendation 24 and 25.

24. The FID has also issued an AML/CFT Guideline for DNFBNs with effect from 27<sup>th</sup> October 2023 to set out the obligations of reporting entities (DNFBNs) with respect to the requirements imposed under the AML/CFT Act 2018 and AML/CFT Rules and Regulation 2022.

25. The ACC in accordance with sections 25(1)(d) and 36 of ACAB, advises and provides recommendations for systemic correction or to institute anti-corruption measures to relevant agencies. For instance, the ACC, vide letter no.ACC/DoPE/PD-06/0285 recommended the RMA and Financial Institutions to institute certain anti-corruption measures. The implementation of the recommendation is monitored and reported through OIP Assessment Reports (ACC/DoPE/PD-06/06827). Likewise, ACC also made systemic recommendations to the relevant agencies including the Financial Institutions vide letter no. ACC/DoI-IV/Case-12/2021/2022/1951.

## **Recommendation 36**

### **c.36.1(c)**

26. Deficiency: Bhutan status against the relevant international conventions are as follows: • UN Convention against Corruption – signed on 15 September 2005 Ratification of the Convention currently under process (awaiting Royal assent).

27. Input: The Parliament of Bhutan ratified the Merida Convention with reservation on paragraph 2 of Article 66 in 2015. While depositing the instrument with the United Nations Secretary General (UNSG), the Ministry of Foreign Affairs & External Trade (MFAET) failed to register the reservation. However, an attempt was made to register the reservation, but a few countries objected to the late reservations. The Parliament decided that the reservation was necessary therefore ordered for the denouncement of the Convention. On 27 October 2022, the Government of Bhutan notified the Secretary-General of its denunciation of the Convention. The MFAET in consultation with the Anti-Corruption Commission, Office of Attorney General and Home Ministry has applied to re-accede.

28. On 27 September 2023, the Government of Bhutan deposited its instrument of accession to the Convention and came into force on 27<sup>th</sup> October 2023.

## **Recommendation 40:**

### **c.40.3(c)**

29. Where competent authorities need bilateral or multilateral agreements or arrangements to cooperate, these should be negotiated and signed in a timely way, and with the widest range of foreign counterparts.

30. Input: The Office of Attorney General and Attorney General's Chambers (AGC) of Singapore signed an MoU in June 2024. This MoU aims to facilitate the training of legal professionals and foster mutual learning between the two entities.

31. On 3<sup>rd</sup> November 2023, Bhutan signed an MoU with the Financial Intelligence Unit of the Republic of Tanzania to facilitate in exchange of information concerning financial transactions suspected of being related to money laundering, associated predicate offences and terrorism financing. On 5<sup>th</sup> June 2024, Bhutan also signed an MoU with the Financial Information Unit of Timor-Leste during the attendance at the Egmont Group Plenary. As of October 2024, Bhutan has signed 17 MoUs with international agencies ([www.rma.org.bt/fid](http://www.rma.org.bt/fid)).

## **Effectiveness Update**

32. Without prejudice to Bhutan's activities to enhance the effectiveness of its AML/CFT system, Bhutan did not provide any information for inclusion in this section.

## **CONCLUSION**

33. Bhutan will remain in enhanced follow-up and report in accordance with Section X of the APG Mutual Evaluation Procedures 2023.